

Ethiopian Industrial Inputs Development Enterprise  
Independent Auditor's Report and Annual Financial Statements  
Contents  
For the year ended 30 June 2022

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Content	Page
Company information	I
Report of the board of directors	II
Statement of management's responsibilities	III
Independent auditor's report	1-4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-44

Ethiopian Industrial Inputs Development Enterprise  
 Independent Auditor's Report and Annual Financial Statements  
 Board of directors, management, professional advisers and registered office  
 For the year ended 30 June 2022

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

**Executive Management**

1 W/ro Yeshimebet Negash	Chief Executive Officer	April 09, 2020
2 Dawit Adane Teka	Head, Office of the Chief Executive Officer	September 11, 2021
3 Zewdu Kebede	Deputy Chief Executive Officer of Industrial Inputs Development, Procurement and Sales Sector	November 01, 2021
4 Abebaye Gezahegne	Deputy Chief Executive Officer of Industrial Outputs Product Procurement and Sales Sector	July 08, 2024
5 Habtamu Timotwos	Deputy Chief Executive Officer of Resource Management and Technical Sector	July 08, 2024
6 Yigalem Eneyew	Deputy Chief Executive Officer of Marketing, Customer Service and Districts Sector	February 09, 2021

**Independent auditors**

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

**Registered office**

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

**Principal banker (s)**

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

Ethiopian Industrial Inputs Development Enterprise  
Independent Auditor's Report and Annual Financial Statements  
Report of the Board of Directors  
For the year ended 30 June 2022

**Incorporation and supervising authority**

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

The Enterprise was under the supervising authority of the FDRE Public Enterprise Holding and Administration Agency (PEHAA) for the reporting year. However, it has been transferred to the Ethiopian Investment Holding (EIH) at the time of issuing this financial statements in 2025. The Board of directors report to EIH.

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

**Principal activities**

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

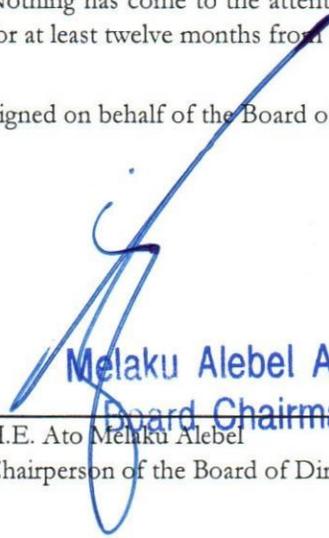
**Performance**

The Enterprise financial performance for the financial year end 30 June 2022 with comparative year is presented below:

	30 June 2022	30 June 2021
	ETB	ETB
Revenue	4,183,979,659	3,331,091,228
Profit before income tax	122,778,856	285,944,892
Business income tax charge	74,695,667	83,980,774
Net profit after tax	48,083,189	201,964,118

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

Signed on behalf of the Board of Directors by:

  
Melaku Alebel Addis  
Board Chairman

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

Ethiopian Industrial Inputs Development Enterprise  
Independent Auditor's Report and Annual Financial Statements  
Statement of managements' responsibilities  
For the year ended 30 June 2022

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

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

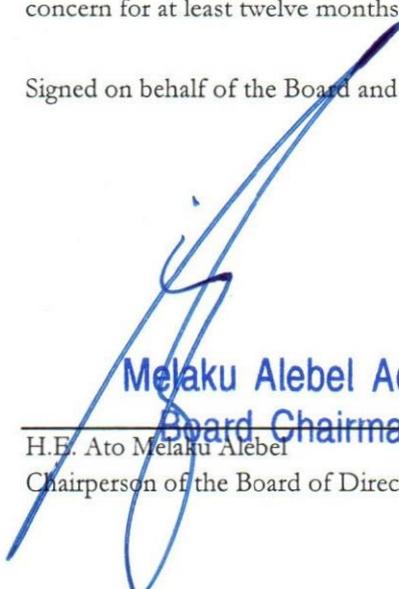
The management accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the IFRS and in the manner required by the Commercial Code of Ethiopia 2021. The management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

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

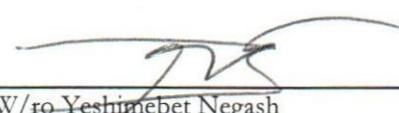
The management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board and Management by:

  
**Melaku Alebel Addis**  
**Board Chairman**

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

  
W/ro Yeshimebet Negash  
Chief Executive Officer



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PUBLIC ACCOUNTABILITY | SHARED GROWTH

## የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን Audit Service Corporation

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

#### Report on the Audit of the Financial Statements

#### *Qualified Opinion*

We have audited the accompanying first IFRS financial statements of Ethiopian Industrial Inputs Development Enterprise (the Enterprise), which comprise statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for effects and possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Enterprise as at 30 June 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Qualified Opinion*

1. Included in receivables shown on the statement of financial position is a suspense amount totalling Birr 265,147,093 resulting among others from adjustments related to inventory valuation of over Birr 263,000,000. The underlying cause of this issue is attributed partly to limitation in the ERP system in use, which lacks sufficient functionality to ensure data integrity in inventory valuation and movement tracking. Additionally, human errors in coding of transactions contributed for the discrepancies where adequate and reliable control over transaction processing was not there. In consequence, we were unable to determine the adjustments that may be necessary to inventory and receivables accounts, shown at Birr 653,091,683 and Birr 2,289,889,861, respectively, at the year-end.
2. Loss of inventory totalling Birr 61,463,969 was recorded following the conflict in the northern region in the prior years. However, we were unable to satisfy ourselves as to completeness and accuracy of the damage loss recognized and in the absence of adequate documentation of total loss determination and approval from the higher authority. Consequently we were unable to ascertain whether the amount of total loss recognized represents the correct figure of net assets lost following the conflict of the prior periods.

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

**Report on the Audit of the Financial Statements (continued)**

*Basis for Qualified Opinion* (continued)

3. Included in receivables account shown on the statement of financial position is value added tax recoverable balances totalling Birr 500,479,957 that had remained outstanding for more than a year and not cleared subsequently as well. Proper documentations combining the brought down total and the newly declared total was not found maintained. In consequence, the value added tax recoverable balance shown on the statement of financial position in our opinion is overstated by an amount which was not practicable for us to determine.

*Key Audit Matters*

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

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

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

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

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

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

**Report on the Audit of the Financial Statements (continued)**

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

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

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

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

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

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

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

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

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

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

*Audit Service Corporation*

22 April 2025

Ethiopian Industrial Inputs Development Enterprise  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2022

	Notes	2022 Birr	2021 Birr
Revenue	14	4,183,979,659	3,331,091,228
Cost of sales	16	(3,592,358,003)	(2,773,045,569)
<b>Gross profit</b>		591,621,656	558,045,659
Other income	17	7,219,057	4,690,543
Selling and distribution expenses	18	(88,841,278)	(77,613,600)
General and administrative expenses	19	(419,070,043)	(211,105,698)
<b>Operating profit</b>		90,929,393	274,016,904
Finance income	20	34,221,052	30,554,042
Finance costs	20	(2,371,589)	(18,626,054)
Profit before business income tax		122,778,856	285,944,892
Income tax expense	12.2	(74,695,667)	(83,980,774)
<b>Profit for the year</b>		48,083,189	201,964,118
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive (loss) income for the year</b>		48,083,189	201,964,118

Ethiopian Industrial Inputs Development Enterprise  
Statement of financial position  
As at 30 June 2022

	Notes	30 June 2022 Birr	30 June 2021 Birr
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,173,249,085	1,107,366,080
Investment securities	4	853,553	812,908
		<b>1,174,102,638</b>	<b>1,108,178,988</b>
<b>Current assets</b>			
Inventories	5	653,091,683	489,730,068
Trade and other receivables	6	2,289,889,861	1,507,105,276
Cash and cash equivalents	7	732,682,067	992,042,955
		<b>3,675,663,611</b>	<b>2,988,878,299</b>
<b>Total assets</b>		<b>4,849,766,249</b>	<b>4,097,057,287</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Capital	8	1,306,042,415	1,306,042,415
IFRS Remeasurment reserve	9	1,484,749,916	1,484,749,916
Retained earnings		190,605,374	172,347,318
Legal reserve	10	25,988,812	25,027,862
		<b>3,007,386,517</b>	<b>2,988,167,511</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12.1	285,971,340	306,784,205
		<b>285,971,340</b>	<b>306,784,205</b>
<b>Current Liabilities</b>			
Loans and borrowings	11	915,833,094	-
Profit tax payable	12	71,563,555	97,371,735
Trade and other payables	13	569,011,744	704,733,836
		<b>1,556,408,393</b>	<b>802,105,572</b>
<b>Total liabilities</b>		<b>1,842,379,733</b>	<b>1,108,889,777</b>
<b>Total Equity and Liabilities</b>		<b>4,849,766,249</b>	<b>4,097,057,287</b>

The notes on pages 8 to 44 are an integral part of these financial statements.

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

W/ro Yeshimebet Negash  
Chief Executive Officer

**Ethiopian Industrial Inputs Development Enterprise**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

	IFRS		Loan		Retained		Legal reserve		Total		
	Capital	Birr	Remeasurement reserve	Birr	redemption reserve	Birr	earnings	Birr	Legal reserve	Birr	Birr
As at 01 July 2020	1,306,042,415		1,484,749,916		-		(19,518,594)		14,929,656		2,786,203,393
Profit for the year	-		-		-		201,964,118		-		201,964,118
Transfer to non-distributable reserve	-		-		-		(10,098,206)		10,098,206		-
Transfer to legal reserve	-		-		-		-		10,098,206		-
<b>Total comprehensive income for the year</b>	-		-		-		<b>191,865,912</b>		<b>10,098,206</b>		<b>201,964,118</b>
<b>As at 30 June 2021</b>	<b>1,306,042,415</b>		<b>1,484,749,916</b>		<b>-</b>		<b>172,347,318</b>		<b>25,027,862</b>		<b>2,988,167,511</b>
As at 01 July 2021	1,306,042,415		1,484,749,916		-		172,347,318		25,027,862		2,988,167,511
Profit for the year	-		-		-		48,083,189		-		48,083,189
Transfer to non-distributable reserve	-		-		-		(28,864,183)		-		(28,864,183)
Dividend paid	-		-		-		(960,950)		960,950		-
Transfer to legal reserve	-		-		-		-		-		-
<b>Total comprehensive income for the year</b>	-		-		-		<b>18,258,056</b>		<b>960,950</b>		<b>19,219,006</b>
<b>As at 30 June 2022</b>	<b>1,306,042,415</b>		<b>1,484,749,916</b>		<b>-</b>		<b>190,605,374</b>		<b>25,988,812</b>		<b>3,007,386,517</b>

The notes on pages 8 to 44 are an integral part of these financial statements.

Ethiopian Industrial Inputs Development Enterprise  
Statement of cash flows  
For the year ended 30 June 2022

	Notes	2022 Birr	2021 Birr
<b>Cash flows from operating activities</b>			
Profit / (loss) for the year		48,083,189	201,964,118
Adjustments for non-cash income and expenses:			
IFRS Adjustment on other income		-	-
Impairment of receivables	6	-	-
Other IFRS related adjustments		-	-
Taxes	12	74,695,667	78,425,738
Depreciation	3	65,255,179	60,770,171
<b>Changes in working capital:</b>			
(Increase) decrease in trade and other receivables	6	(782,784,584)	177,016,818
(Increase) decrease in inventories	5	(163,361,615)	692,919,794
Increase (decrease) in trade and other payables	13	(135,722,093)	(518,029,736)
<b>Cash generated from / (used in) operating activities</b>		<b>(893,834,258)</b>	<b>693,066,903</b>
Income tax paid		(121,316,712)	(79,821,725)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,015,150,970)</b>	<b>613,245,178</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(131,138,183)	(44,615,534)
Investment in bond securities		(40,645)	(812,908)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(131,178,828)</b>	<b>(45,428,442)</b>
<b>Cash flows from financing activities</b>			
Proceeds/(repayment) from/of borrowings (net)	11	915,833,094	(377,481,732)
Movement in shareholders balances (net)		(28,864,183)	-
Repayment of lease payable	0	-	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>886,968,911</b>	<b>(377,481,732)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(259,360,887)</b>	<b>190,335,004</b>
Cash and cash equivalents at the start of the year	7	992,042,955	801,707,950
<b>Cash and cash equivalents at the end of the year</b>		<b>732,682,067</b>	<b>992,042,954</b>

## 1 General information

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

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

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

## 2 Summary of significant accounting policies

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

### 2.2 Basis of preparation

#### 2.2.1 Statement of compliance

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

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

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

#### 2.2.2 Measurement bases

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

### 2.3 Significant judgments and sources of estimation uncertainty

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

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

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

### 2.3.1 Use of estimates and judgments in applying accounting policies

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

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

#### a. Lease classification

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

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

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

#### b. Impairment of financial assets

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

#### c. Impairment testing

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

#### d. Useful lives of depreciable assets

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

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

**e. Inventories**

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

**f. Provisions**

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

**g. Allowance for expected loss**

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

**h. Simplified impairment model**

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

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

**i. Revenue from contracts with customers involving sale of goods**

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

**j. Employee benefits provision**

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

## 2.4 Significant accounting policies

### a. Property, plant and equipment

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

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

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

#### *Initial measurement*

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

#### *Subsequent measurement*

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

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

#### *Use of fair value as deemed cost*

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

#### *Major spare parts and stand-by equipment*

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

#### *Depreciation*

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

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

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

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

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

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

#### *Annual review*

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

#### *Impairment testing*

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

#### *Derecognition*

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

#### *Presentation and disclosure*

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

### **b. Leases**

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

#### *Enterprise as a lessee*

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

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

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

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

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

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

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

#### *Short-term leases and leases of low-value assets*

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

#### *Enterprise as a lessor*

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

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

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

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

**c. Financial instruments**

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

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

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

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

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

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

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

The Enterprise classifies financial assets into the following categories:

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

*Initial recognition and measurement*

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

*Financial assets at amortised cost*

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

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

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

*Financial assets at fair value through profit or loss*

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

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*Impairment of financial instruments*

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

*Trade and other receivables, receivable from employees and contract assets*

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

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

**Classification and measurement of financial liabilities**

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

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

*Offsetting financial instruments*

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

*Default*

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

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

**Derecognition**

EIIDE derecognise a financial asset only when:

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

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

### Financial risk management

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

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

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

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

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

#### Credit Risk

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

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

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

#### Exposure to credit risk

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

#### Cash and cash equivalent

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

#### Liquidity risk

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

#### **Market Risk**

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

#### **Interest rate risk**

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

#### **Foreign currency**

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

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

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

#### **d. Inventories**

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

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

##### *Cost of inventories*

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

##### *Write-down of inventories*

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

**e. Income taxes**

**Current income tax**

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

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

**Reconciliation of Accounting and tax profit**

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

**Deferred tax assets and liabilities**

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

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

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

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

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

**Tax expense**

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

**f. Cash and cash equivalents**

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

**g. Equity, reserves and dividend payments**

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

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

Retained earnings includes all current and prior period retained profits.

**h. Employee benefits**

**Short-term employee benefits**

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

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

**Defined contribution plan**

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

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

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

### Other long-term employee benefits

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

### i. Provisions and contingencies

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

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

#### Onerous contracts

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

#### Provision for future operating losses

The Enterprise does not recognise provision for future operating losses.

#### Contingent asset and liabilities

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

### j. Revenue from contracts with customers

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

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

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

*Sale of goods*

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

*Rendering of services*

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

*Other income*

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

*Advances received from customers*

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

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

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

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

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

**Disaggregation of revenue**

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

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

**k. Cost of sales**

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

**l. Translation of foreign currencies**

*Functional and presentation currency*

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

*Sale of goods*

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**l. Translation of foreign currencies**

*Functional and presentation currency*

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

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

**m. Financial income and charges**

Financial income and expenses items include interest income and expenses.

**n. Borrowing costs**

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

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

*Commencement of capitalisation of borrowing costs*

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

*Suspension of capitalisation of borrowing costs*

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

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

**o. Government grants & assistance**

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

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

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

*Grant related to income or expenditure:*

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

*Grant related to assets*

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

**2.5 Changes in accounting policies and disclosures**

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

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

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

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

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

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

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

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

**c) Annual Improvements to IFRS Standards 2018–2020:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

3 Property, plant and equipment	Buildings		Motor vehicles		Furniture and equipment		Computer and accessories		Construction in progress		Total	
	Birr		Birr		Birr		Birr		Birr		Birr	
<b>Cost</b>												
As at 01 July 2020	1,126,826,550	49,789,226	582,234	6,008,972	-	1,183,206,982						
Additions	5,434,209	9,050,000	8,671,977	17,244,026	4,216,222	44,615,534						
As at 30 June 2021	1,132,260,759	58,839,226	9,253,311	23,252,998	4,216,222	1,227,822,516						
As at 01 July 2021	1,132,260,759	58,839,226	9,253,311	23,252,998	4,216,222	1,227,822,516						
Additions	55,439,130	1,657,037	4,210,218	69,831,798	131,138,183							
As at 30 June 2022	1,132,260,759	114,278,356	10,910,347	27,463,216	74,048,020	1,358,960,699						
<b>Accumulated depreciation</b>												
As at 01 July 2020	54,183,900	4,436,283	72,976	993,106	-	59,686,265						
Charge for the year	54,378,164	4,605,712	332,842	1,453,453	-	60,770,171						
As at 30 June 2021	108,562,064	9,041,995	405,818	2,446,559	-	120,456,436						
As at 01 July 2021	108,562,064	9,041,995	405,818	2,446,559	-	120,456,436						
Charge for the year	54,633,240	7,081,182	1,088,658	2,452,099	-	65,255,179						
As at 30 June 2022	163,195,304	16,123,177	1,494,476	4,898,657	-	185,711,614						
<b>Net book value</b>												
As at 30 June 2020	1,072,642,650	45,352,943	509,257	5,015,866	-	1,123,520,717						
As at 30 June 2021	1,023,698,695	49,797,231	8,847,492	20,806,439	4,216,222	1,107,366,080						
As at 30 June 2022	969,065,456	98,155,179	9,415,872	22,564,558	74,048,020	1,173,249,085						

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

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

3.2 **Freehold land**

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

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

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

	30 June 2022 Birr	30 June 2021 Birr
<b>4 Investment securities</b>		
<b>Loans and receivables at amortised cost:</b>		
Ethiopian government bonds	853,553	812,908
<b>Financial assets at fair value through other comprehensive income</b>		
Unlisted ordinary shares	-	-
	<b>853,553</b>	<b>812,908</b>

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

	30 June 2022 Birr	30 June 2021 Birr
<b>5 Inventories</b>		
<i>Merchandising</i>		
Food stuff	317,077,383	96,384,850
General goods	72,280,557	82,149,402
Building materials	104,875,598	50,117,458
Textile products	32,830,853	111,534,029
Tyres and canvas	33,974,068	13,109,092
Cotton	43,739,275	472,240
Cash register accessories	19,764,524	26,877,719
Stationery items	3,838,167	7,644,001
Hides and skins	480,887	1,383,293
	<b>628,861,311</b>	<b>389,672,084</b>
<i>Non-merchandising</i>		
Consumables	24,230,372	30,540,638
Others	-	69,517,346
Goods in transit	-	-
	<b>653,091,683</b>	<b>489,730,068</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

6 Trade and other receivables	30 June 2022	30 June 2021
	Birr	Birr
<b>Financial Instruments:</b>		
Trade receivables	1,146,410,561	673,488,874
Less: allowance for expected credit losses	(87,713,502)	(9,507,216)
<b>Trade receivables at amortised cost</b>	<b>1,058,697,058</b>	<b>663,981,658</b>
<b>Non financial instruments:</b>		
Value-added tax receivables	552,615,003	500,479,958
Deposit and prepaid expenses	42,091,946	43,954,842
Withholding tax receivable	285,202,963	285,202,963
Receivable from employees	17,503,272	13,485,855
Other receivables	333,779,617	-
Amounts due from related parties	-	-
	1,231,192,803	843,123,619
<b>Total trade and other receivables</b>	<b>2,289,889,861</b>	<b>1,507,105,276</b>

**Split between non-current and current portions**

	30 June 2022	30 June 2021
	Birr	Birr
Current	2,289,889,861	1,507,105,276
Non-current	-	-
	2,289,889,861	1,507,105,276

**Categorisation of trade and other receivables**

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

	30 June 2022	30 June 2021
	Birr	Birr
Financial instrument at amortised cost	1,058,697,058	663,981,658
Non financial instruments	1,231,192,803	843,123,619
	2,289,889,861	1,507,105,276

**Exposure to credit risk**

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

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

Exposure to credit risk (Cond)

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

No interest is charged on outstanding trade receivables.

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

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

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

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

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

	2022	2022	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
	Birr	Birr	Birr	Birr	Birr	Birr
0 to 30 days past due: 0.5% (2020: 0.5%)	-	-	-	-	-	-
31 - 60 days past due: 0.75% (2020: 0.75%)	-	-	-	-	-	-
61 - 90 days past due: 1% (2021: 1%)	-	-	-	-	-	-
More than 90 days past due: 7.5% (2021: 1.3%)	1,169,513,365	87,713,502	686,974,730	9,507,216	937,713,468	12,146,859
<b>Total</b>	<b>1,169,513,365</b>	<b>87,713,502</b>	<b>686,974,730</b>	<b>9,507,216</b>	<b>937,713,468</b>	<b>12,146,859</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	30 June 2022	30 June 2021
	Birr	Birr
<b>7 Cash and cash equivalents</b>		
<i>Cash and cash equivalents consist of:</i>		
Bank balances	732,681,221	992,042,008
Cash in hand	846	946
	<b>732,682,067</b>	<b>992,042,955</b>
<b>8 Capital</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	Birr	Birr
Balance at start of year	1,306,042,415	1,306,042,415
Capital contributions	-	-
Paid-up capital	<b>1,306,042,415</b>	<b>1,306,042,415</b>
The Enterprise has authorised capital of ETB 3,900,612,520 of which ETB 1,306,042,415 is paid-up under the provision of Council of Ministers Regulation 328/2014.		
<b>9 IFRS Remeasurement reserve</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	Birr	Birr
At start of the year	1,484,565,313	1,406,965,563
Transfer from retained earnings	-	77,599,750
At end of the year	<b>1,484,565,313</b>	<b>1,484,565,313</b>

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

**10 Legal reserve**

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	30 June 2022 Birr	30 June 2021 Birr
<b>11 Loans and borrowings</b>		
Short term loan	915,833,094	-
Accrued interest	-	-
Overdraft	915,833,094	-
<i>Maturity analysis</i>		
Current	915,833,094	-
Non-current	-	-
	915,833,094	-

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

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

	30 June 2022 Birr	30 June 2021 Birr
<b>12 Business income tax and deferred tax</b>		
<b>Current income tax</b>		
IFRS Accounting profit	122,778,856	285,944,892
<u>Add: disallowed expenses</u>		
Entertainment	152,825	1,126,533
Donation	5,698,543	2,375,584
Demurrage	-	19,131,462
Penalty	1,723,511	10,956
<i>IFRS related entries</i>		
Impairment expenses	139,649,076	5,325,922
Annual leave and severance pay accrual	17,324,836	5,231,229
Other employee benefits on adoption of IFRS	-	-
Finance charges bond amortisation	-	216,474
Depreciation and amortization for IFRS accounting purpose	65,255,179	60,770,171
	<b>352,582,825</b>	<b>380,133,223</b>
<u>Less:</u>		
Interest income taxed at source	(34,180,407)	(30,524,660)
Interest income on bond amortisation	(40,645)	(29,382)
Depreciation and amortization for tax purpose	-	(3,455,602)
Other income on adoption of IFRS	-	-
	<b>(34,221,052)</b>	<b>(34,009,644)</b>
Taxable profit	<b>318,361,773</b>	<b>346,123,579</b>
Current tax at 30%	<b>95,508,532</b>	<b>103,837,074</b>
Less: Advance profit tax (Withholding tax)	-	(5,555,038)
	<b>95,508,532</b>	<b>98,282,036</b>
<b>Business income tax payable:</b>		
Profit tax payable at the start of the year	97,371,733	78,911,422
Profit tax paid during the year	(121,316,712)	(79,821,725)
	(23,944,979)	(910,303)
Profit tax (business income tax) for the year	95,508,532	98,282,036
Profit tax payable at the end of the year	<b>71,563,553</b>	<b>97,371,733</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

12.1 Deferred income tax

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

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

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

Deferred income tax assets/(liabilities):	At 01 July 2020	Credit/ (charge) to profit or loss	Credit/ (charge) to equity	At 30 June 2021
	Birr	Birr	Birr	Birr
Property, plant and equipment	(329,471,737)	18,260,146	-	(311,211,591)
Severance pay and leave accrual	2,831,232	1,596,154	-	4,427,386
<b>Total deferred tax assets/(liabilities)</b>	<b>(326,640,505)</b>	<b>19,856,300</b>	<b>-</b>	<b>(306,784,205)</b>

**DEFERRED TAX LIABILITY**

	30 June 2022 Birr	30 June 2021 Birr	30 June 2020 Birr
Deferred tax (liability) asset as per previous GAAP	-	-	-
Deferred tax (liability) asset brought forward	-	-	-
Add: Temporary difference	(285,971,339)	(306,784,205)	(326,640,504)
<b>Deferred tax Liability</b>	<b>(285,971,339)</b>	<b>(306,784,205)</b>	<b>(326,640,504)</b>
Property, plant and equipment - tax base	113,892,957	65,777,890	25,281,595
Property, plant and equipment - carrying amount	1,099,201,065	1,103,149,858	1,123,520,717
Property, plant and equipment - temporary difference	(985,308,107)	(1,037,371,969)	(1,098,239,122)
Severance pay and leave accrual - tax base	-	-	-
Severance pay and leave accrual - carrying amount	32,070,310	14,757,953	9,437,441
Severance pay and leave accrual - temporary difference	32,070,310	14,757,953	9,437,441
<b>Deferred tax (liability) asset - @ 30%</b>	<b>(285,971,339)</b>	<b>(306,784,205)</b>	<b>(326,640,504)</b>

12.2 Tax (income) / expense

	2022 Birr	2021 Birr
Provision for business income tax (note 12)	95,508,532	103,837,074
Deferred tax liability recognized in the year (note 12.1)	(20,812,865)	(19,856,300)
	<b>74,695,667</b>	<b>83,980,774</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	30 June 2022 Birr	30 June 2021 Birr
<b>13 Trade and other payables</b>		
<b>Financial instruments:</b>		
Trade payables	78,264,857	246,105,443
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>78,264,857</b>	<b>246,105,443</b>
<b>Non financial instruments:</b>		
Other payables	96,689,711	96,695,595
Prior years tax assessment	329,317,392	329,317,392
Accrued expenses	4,424,177	5,099,654
Accrued annual leave	16,473,444	7,561,045
Accrued severance pay	15,596,866	7,196,908
Pension contributions payable	6,443,996	745,824
Employment income tax payable	9,766,864	9,091,583
Withholding tax payable	12,034,438	2,920,392
<b>Total</b>	<b>569,011,744</b>	<b>704,733,836</b>

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

**Exposure to currency risk**

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	2022	2021
	Birr	Birr
<b>14 Revenue</b>		
<b>Revenue from contract with customers:</b>		
<i>Sales of goods</i>		
Foodstuffs	3,310,769,191	2,514,526,046
Building materials	545,110,191	588,762,120
Textile products	146,192,286	86,186,435
Tyres and canvas	18,798,993	84,284,763
General goods	131,992,564	35,967,268
Cotton	23,660	4,070,079
Hides and skins	1,398,579	573,298
Cash register accessories	4,524,240	2,496,116
Cash register machines	3,969,410	4,858,817
Stationery items	969,479	30,444
	<b>4,163,748,591</b>	<b>3,321,755,386</b>
<i>Service income</i>		
Cash register maintenance	2,683,326	1,036,554
Incidental warehouse rental	17,547,742	8,299,288
	<b>20,231,068</b>	<b>9,335,842</b>
	<b>4,183,979,659</b>	<b>3,331,091,228</b>

**15 Disaggregation of revenue**

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

	2022	2021
	Birr	Birr
<b>Major product or service lines:</b>		
Household Consumer products	3,310,769,191	2,514,526,046
Construction materials	545,110,191	588,762,120
Textile and clothing	147,614,525	90,829,812
Commercial products	160,254,684	127,637,408
	<b>4,163,748,591</b>	<b>3,321,755,386</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	4,163,748,591	3,321,755,386
Services transferred over time	20,231,068	9,335,842
	<b>4,183,979,659</b>	<b>3,331,091,228</b>

**Sales Channel**

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

		2022	2021
		Birr	Birr
16	Cost of sales		
	<i>Merchandising</i>		
	Merchandising inventories at start of the year	389,672,084	991,807,310
	Purchases during the year	3,831,547,230	2,170,910,343
		4,221,219,315	3,162,717,654
	Return of third party inventories	-	-
	Purchase discounts	-	-
	Purchase returns	-	-
	<b>Merchandising goods available for sale</b>	<b>4,221,219,315</b>	<b>3,162,717,654</b>
	Merchandising goods at end of the year	(628,861,311)	(389,672,084)
		<b>3,592,358,003</b>	<b>2,773,045,569</b>
	Cost of merchandising goods sold		
		<b>3,592,358,003</b>	<b>2,773,045,569</b>
		2022	2021
		Birr	Birr
17	Other income		
	Disposal of custom items	-	179,999
	Sundry	7,094,671	4,461,666
	Penalty and fines	111,716	39,688
	Commission	12,670	9,189
		<b>7,219,057</b>	<b>4,690,543</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	2022	2021
	Birr	Birr
18 Selling and distribution expenses		
Salary and benefits	82,107,882	70,328,528
Labour charge	1,101,280	565,917
Operating lease charges	653,111	1,220,166
Stationery, printings and office supplies	2,682,905	740,647
Property tax	660,118	1,612,747
Repair and maintenance	562,682	193,354
Miscellaneous	207,828	229,633
Utilities	342,142	264,059
Communication cost	261,672	228,823
Cleaning and sanitary	61,292	78,427
Insurance	40,893	7,480
Registration and license	91,421	61,658
Fuel and lubricants	25,940	11,733
Advertising and promotion	10,089	20,790
Penalty and fines	10,000	4,481
Bid and tender costs	-	800
Bank charges	-	33,125
Donation	2,000	2,002,032
Demurrage	-	1,200
Entertainment	4,097	8,000
Membership and subscription	15,926	-
Vehicle running expense	-	-
	<b>88,841,278</b>	<b>77,613,600</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	2022 Birr	2021 Birr
<b>19 General and administrative expenses</b>		
Depreciation	65,255,879	60,770,172
Salary and benefits	159,814,714	92,076,674
Impairment of inventories	61,463,969	-
Penalty and fines	1,713,511	6,475
Operating lease charges	9,782,554	6,752,200
Fuel and lubricants	6,210,615	3,053,767
Repair and maintenance	5,341,520	2,722,489
Stationery, printings and office supplies	5,733,940	4,920,564
Impairment of receivables	78,185,106	5,325,922
Legal and professional	3,395,180	2,738,417
Communication cost	2,187,016	1,578,174
Municipality rates	487,036	22,060
Labour charge	769,415	609,231
Bank charges	56,667	537,459
Donation	5,696,543	373,553
Demurrage	-	19,130,262
Commission	-	149,433
Utilities	1,115,196	1,128,771
Advertising and promotion	846,177	492,279
Entertainment	152,825	1,118,533
Standardisation fee	53,495	252,793
Membership and subscription	150,260	31,886
Vehicle running expense	746,125	338,812
Miscellaneous	343,906	13,141
License renewals	132,390	16,214
Insurance	9,252,433	6,897,640
Cleaning and sanitary	183,569	48,779
	<b>419,070,043</b>	<b>211,105,698</b>
	<b>2022</b>	<b>2021</b>
	<b>Birr</b>	<b>Birr</b>
<b>20 Finance (cost)/income</b>		
<i>Finance income</i>		
Finance income on bond amortisation	40,645	29,382
Interest income on bank saving accounts	34,180,407	30,524,660
	<b>34,221,052</b>	<b>30,554,042</b>
<i>Finance costs</i>		
Interest on bank borrowings	1,675,367	17,808,435
Interest on employees benefits	696,222	601,145
Finance charge on bond amortisation	-	216,474
	<b>2,371,589</b>	<b>18,626,054</b>

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

21 Operating profit (losses) for the year

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

Remuneration, other than to employees	2022	2021
	Birr	Birr
Consulting and professional services	3,395,180	2,738,417
	<u>3,395,180</u>	<u>2,738,417</u>
<b>Employee costs</b>		
As at 30 June 2022 the Enterprise had 1,384 permanent employees (2021:1,381). The total cost of employment of all employees, including management, was as follows:		
Salaries, wages, bonuses, pension and other benefits	27,190,345	27,190,345
Other short term costs	-	-
Severance and annual leave pay	5,231,229	5,231,229
<b>Total employee costs</b>	<u>32,421,574</u>	<u>32,421,574</u>
<b>Total employee costs expensed</b>	<u>32,421,574</u>	<u>32,421,574</u>
<b>Leases</b>		
Operating lease charges	10,435,665	7,972,366
	<u>10,435,665</u>	<u>7,972,366</u>

22 Employee benefits

Defined contribution plan

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

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

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

Severance pay

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

	30 June 2022	30 June 2021
	Birr	Birr
<b>Employee benefits</b>		
Severance pay obligation	7,196,907	5,769,008
	30 June 2022	30 June 2021
	Birr	Birr
Opening obligation	7,196,907	5,769,008
Interest cost	696,222	601,145
Current service cost	8,095,966	1,234,107
Benefits paid (reversal)	(392,229)	(407,353)
Closing obligation	15,596,865	7,196,907

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

	30 June 2022	30 June 2021
	Birr	Birr
<b>Amount recognised in the statement of financial position:</b>		
Severance pay obligation	15,596,865	7,196,907
	30 June 2022	30 June 2021
	Birr	Birr
<b>Amount recognised in the profit or loss &amp; other comprehensive income:</b>		
Current service cost	8,095,966	1,234,107
Interest cost	696,222	601,145
	8,792,187	1,835,252

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

i) Financial assumption long term average

	2022	2021
Discount rate (p.a)	11.5%	11.5%
Estimated average salary increase rate (p.a)	18.0%	18.0%

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

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

23 Operating lease commitments - as lessee (expense)

	2022 Birr	2021 Birr
Minimum lease payments due		
- Within one year	10,435,665	7,972,366
- Later than 1 year and no later than 5 years	-	-
<b>Total</b>	<b>10,435,665</b>	<b>7,972,366</b>

Operating lease payments represent house rentals payable by the Enterprise.

24 Related party transactions

*Transactions with related parties*

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

	2022 Birr	2021 Birr
<i>Sales of goods and services:</i>		
Sales of goods and services	-	-
<i>Purchases of goods and services:</i>		
Purchases of goods and services	-	-

*Receivable from and payable to related parties*

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

	2022 Birr	2021 Birr
<i>Current payables/receivables:</i>		
<i>Summary of amounts due from related parties</i>		
Receivable from related parties	-	-
<i>Summary of amounts due to related parties</i>		
Payables to related parties	-	-
<i>Loans to/from related parties</i>		
Net loans to/(from) related parties	-	-
<i>Key management personnel compensation</i>		

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

	2022 Birr	2021 Birr
Employment related benefits	14,773,002	4,871,544
Other benefits	-	-
	<b>14,773,002</b>	<b>4,871,544</b>

*Terms and conditions*

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

25 Financial instruments and risk management

Categories of financial instruments

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

*Financial assets*

	Amortised cost	
	30 June 2022	30 June 2021
	Birr	Birr
Trade and other receivables	1,058,697,058	663,981,658
Cash and cash equivalents	732,682,067	992,042,955
	<b>1,791,379,125</b>	<b>1,656,024,612</b>

*Financial liabilities*

	Amortised cost	
	30 June 2022	30 June 2021
	Birr	Birr
Trade payables	78,264,857	246,105,443
Loans and borrowings	915,833,094	-
	<b>994,097,950</b>	<b>246,105,443</b>

25 Financial instruments and risk management (Contd)

Financial risk management

Overview

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

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

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

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

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

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

#### Credit risk

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

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

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

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

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

#### 25 Financial instruments and risk management (Contd)

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

**Cash and cash equivalents**

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

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

	30 June 2022		
	Birr	Birr	Birr
	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	1,146,410,561	(87,713,502)	1,058,697,058
Cash and cash equivalents	732,682,067	-	732,682,067
	<u>1,879,092,628</u>	<u>(87,713,502)</u>	<u>1,791,379,125</u>
	30 June 2021		
	Birr	Birr	Birr
	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	673,488,874	(9,507,216)	663,981,658
Cash and cash equivalents	992,042,955	-	992,042,955
	<u>1,665,531,829</u>	<u>(9,507,216)</u>	<u>1,656,024,612</u>

**Liquidity risk**

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

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

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

Ethiopian Industrial Inputs Development Enterprise  
Notes to the financial statements  
For the year ended 30 June 2022

25 Financial instruments and risk management (Contd)

	30 June 2022 Birr	30 June 2021 Birr
<i>Current liabilities</i>		
Trade and other payables	569,011,744	704,733,836
Loans and borrowings	915,833,094	-
Finance lease payable	-	-
	<b>1,484,844,837</b>	<b>704,733,836</b>
<i>Non-current liabilities</i>		
Loans and borrowings	-	-
Finance lease payable	-	-
	-	-

*Financing arrangements*

At the reporting date there were no unused borrowing facilities.

**Foreign currency risk**

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

26 Comparative figures

Comparative figures have been presented as these are the first IFRS financial statements of the Enterprise. Certain comparative figures have been reclassified to confirm with presentation requirements of IFRS.

27 Going concern

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

28 Events after the reporting date

In the opinion of the Management of the Enterprise, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Enterprise as at 30 June 2022 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

29 Date of Authorisation of the financial statements

The financial statements are authorised by the Chairperson of the Board of Directors and CEO of the Enterprise on 22 April 2025. The Board of Directors have the power to amend these financial statements after issuance.