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**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
OF**

**EDUCATIONAL MATERIALS PRODUCTION AND
DISTRIBUTION ENTERPRISE (EMPDE)**

AS AT AND FOR THE YEAR ENDED 7 JULY 2023

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Authorized Accountants & Auditors

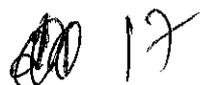
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Authorized Accountants and Auditors

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INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF EDUCATIONAL MATERIALS PRODUCTION AND DISTRIBUTION ENTERPRISE (EMPDE)

Opinion

We have audited the financial statements of Educational Materials Production and Distribution Enterprise (EMPDE), which comprise the statement of the financial position as at 07 July 2023 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Enterprise as at 07 July 2023 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion.

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

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the enterprise 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,



Educational Materials Production and Distribution Enterprise
Statement of profit or loss and other comprehensive income
For the year ended July 07, 2023

	<u>Notes</u>	<u>ETB</u>	<u>2022</u> <u>ETB</u>
Revenue	23	979,723,945	692,817,131
Cost of sales	24	(520,940,739)	(397,975,554)
Gross Profit		458,783,206	294,841,577
Other Income	25	37,875,838	20,223,570
Selling and Distribution Expenses	26	(20,422,376)	(19,465,598)
General and Administrative Expense	27	(85,767,304)	(65,462,885)
Operating Profit/(Loss)		390,469,364	230,136,664
Finance Cost	28	(1,098,283)	(2,704,066)
		389,371,081	227,432,598
Other Expense	29	(10,400,000)	-
Profit/(Loss) Before Tax		378,971,081.22	-
Taxation (PROFIT TAX)	20 (A)	(117,141,119)	(69,002,881)
Profit After Tax		261,829,963	158,429,717
Legal reserve		-	(7,921,486)
Other Comprehensive income		-	-
Other Comprehensive income(net of tax)		-	-
Total Comprehensive income/(loss) for the year		261,829,963	150,508,231



Educational Materials Production and Distribution Enterprise
Statement of cash flows
For the year ended July 07, 2023

	ETB	2022 ETB
Cash flows from operating activities		
Profit before taxation	378,971,081	227,432,598
Adjustments for:		
Depreciation for tangible assets	11,572,652	11,320,597
(Increase) / Decrease in receivables	(90,246,167)	35,829,511
Withholding receivable	(15,741,186)	(14,023,177)
(Increase) / Decrease in inventories	(45,336,764)	(189,845,774)
Increase / (Decrease) in payables	4,394,472	29,808,026
Cash generated from operations	243,614,088	100,521,781
Interest Paid	-	(4,160,662)
Income taxes paid	(54,979,704)	(62,368,244)
Prior year Tax paid	-	(79,979,221)
Net cash from operating activities	188,634,384	(45,986,346)
Cash flows from investing activities		
Investment	(1,599,000)	
Purchase of property, plant ,equipment and Investment	(14,754,407)	(8,988,646)
Net cash used in investing activities	(16,353,407)	(8,988,646)
Cash flows from financing activities		-
Proceeds from long-term borrowings		-
Payment of Short-term borrowings		-
Dividends Paid/Drawings	(90,304,939)	-
Net cash used in financing activities	(90,304,939)	-
Net increase in cash and cash equivalents	81,976,038	(54,974,993)
Cash & cash equivalents at beginning of year	185,103,806	240,078,798
Cash & cash equivalents at end of the year July 7, 2023	267,079,843	185,103,806



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

6.4 Segment Reporting

The Enterprise has no separately reportable segments

6.5 Revenue

Revenue arises mainly from the sales of educational materials. To determine whether to recognize revenue, the company follows a 5-step process:

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

The Enterprise often enters into transactions involving a sale and delivery of educational materials to its customers in all cases, the total transaction price for a contract is allocated amongst the various performance obligation based on their relative stand- alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

The Enterprise recognizes contract liabilities for consideration received in respect of unsatisfied performance obligation 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, the Enterprise recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

6.6 Operating Expenses

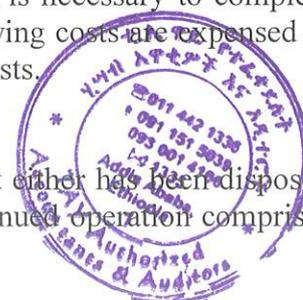
Operating Expenses are recognized in profit or loss upon utilization of the service or as incurred

6.7 Borrowing Costs

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

6.8 Profits or loss from discontinued operation

A discontinued operation is a component of the enterprise that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operation comprises



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

6.11 Property, plant and Equipment

Right of use Land

Right of use Land owned is stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by in – house valuers once every three years or more frequently if market factors indicate a material change in fair. Any revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases, or impairment loss has previously been recognized in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognized in other comprehensive income. Downward revaluation of land are recognized upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognized in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

6.12 Plant, Building, Machineries, Vehicles and others equipment

Plant, Building, Machineries, Vehicles and others equipment (comprising fittings and furniture) are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the company's management. Buildings and equipment also include leasehold property held under a finance lease

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

Depreciation is recognized using straight – line method and units of production basis to write down the cost less estimated residual value of building machineries and other equipment. The following useful lives are applied;

- Buildings: Up to 70 years
- Land Improvements: Up to 70 years
- Plant and Machineries: Up to 30 years
- Vehicles: Up to 20 Years
- Computers and Accessories: Up to 15 years
- Office Equipment, Furniture, Computers & Accessories, tools & other assets: Up to 10 years

The residual values used in determining periodic depreciation is assumed to be a percentage of the revalued asset amounts (5% for Building Plants, Machinery and Vehicles and 1% for all remaining assets)



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

Investment property are revalued annually with resulting gains and losses recognized in profit or loss and are included in the statement of financial position at their fair values.

6.16 Financial instruments

Financial assets and financial liabilities are recognized when the enterprise becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

6.17 Inventories

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

6.18 Income taxes

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

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

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

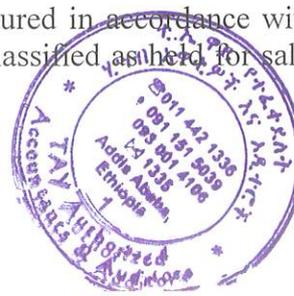
Deferred tax liabilities are recognized in full.

6.19 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 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6.20 Non-current assets and liabilities classified as held for sale and discontinued operation

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



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

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

6.21 Equity reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following;

Revaluation reserve

- Comprise gains and losses from the revaluation of land

Translation reserve

- Comprises foreign currency translation differences arising from the translation of financial statements.

Retained earnings include all current and prior period retained profits

Dividend distribution payable to state government is included in other liabilities when the dividends have been approved prior to the reporting date.

6.22 post – employment benefits, other –long –term benefits and short term employee benefits post –employment benefit plans

The enterprise provides post –employment benefits through defined contribution benefit plans.

Defined contribution plans

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

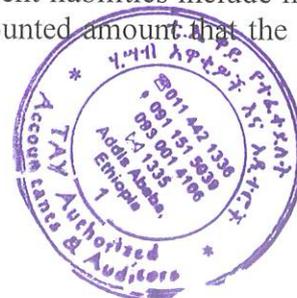
Other long –term employee benefits

The enterprise accrues annual leave and severance payment using the projected unit credit method.

Management estimates the obligation annually with the assistance of actuarial estimates. This is based on standard rates of inflation, salary growth rate and mortality.

Short –term employee benefits

Short –term employee benefits, including bonus are current liabilities include in pension and other employee obligation, measured at the undiscounted amount that the company expects to pay as a result of the unused entitlement.



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

6.23 Provisions, contingent assets and contingent liabilities

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class obligation as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

7. Significant management judgment in applying accounting policies and estimation uncertainty

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

7.1 significant management judgments

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

7.2 Recognition of deferred tax assets

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

7.3 Estimation

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



Educational Materials Production and Distribution Enterprise

Notes to the Financial Statements

For the year ended July 07, 2023

12. Property, Plant and Equipment

	ROU Land	Land Improvement	Building	Machinery	Office Furniture	Workshop Equipment	Vehicles	Computer and Accessories	Other	Construction in Progress	Total
BBF 08 July 2022	46,676,889	5,660,548	109,744,319	130,590,823	597,465	3,663,093	42,882,583	4,851,332	1,941,288	5,048,395	351,656,735
Addition	-	-	2,611,875	799,014	318,696	-	-	3,354,696	-	8,477,228	15,561,509
DISPOSALS(ADJUSTMENT)	-	-	-	-	-	-	-	-	-	-	-
BCF ,07 July 2023	46,676,889	5,660,548	112,356,194	131,389,837	916,161	3,663,093	42,882,583	8,206,028	1,941,288	13,525,623	367,218,244

	ROU Land	Land Improvement	Building	Machinery	Office Furniture	Workshop Equipment	Vehicles	Computer and Accessories	Other	Construction in Progress	Total
BBF 08 July 2022	-	1,344,946	11,214,341	31,142,551	299,158	1,624,325	13,461,703	1,458,956	702,601	-	61,248,583
Depreciation	-	224,158	2,051,147	5,778,070	48,488	415,436	2,483,058	523,562	48,734	-	11,572,652
Reversal of Impairment Loss	-	-	-	-	-	-	-	-	-	-	-
Impairment Loss	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
BCF ,07 July 2023	-	1,569,104	13,265,488	36,920,621	347,647	2,039,761	15,944,761	1,982,518	751,335	-	72,821,235
Net Book Value, 7 July 2023	46,676,889	4,091,444	99,090,706	94,469,216	568,514	1,623,332	26,937,822	6,223,510	1,189,953	13,525,623	294,397,008
Net Book Value, 7 July 2022	46,676,889	4,315,602	98,529,977	99,448,272	298,307	2,038,768	29,420,880	3,392,376	1,238,687	5,048,395	290,408,151

Accumulated Depreciation



Educational Materials Production and Distribution Enterprise
Notes to Financial Statement
For the year ended July 07,2023

	2023 ETB	2022 ETB
11. Investment	1,599,000	-
	<u>1,599,000</u>	<u>-</u>

	2023 ETB	2022 ETB
13. Inventories		
Finished Goods	14,022,231	13,906,451
Work in Process	63,588,015	30,340,617
Raw Materials	273,860,833	308,612,118
Spare Parts and Others	153,870,004	107,145,133
Stock shortage overage		
Less: Allowance for Write-down of Inventories	(8,042,701)	(8,042,701)
	<u>497,298,382.60</u>	<u>451,961,618.35</u>

	2023 ETB	2022 ETB
14. Trade and Another Receivable		
Trade Debtors	235,305,082	153,209,629
Advances and Claims	3,428,619	3,279,507
Staff Debtor	5,453,476	3,569,733
Sundry DEBTORS	33,691	124,680
VAT RECIVABLE	36,773,858	30,565,011
Prepayments		
Less: Allowance for Expected Credit Loss	- 3,881,467	- 4,177,010
	<u>277,113,260</u>	<u>186,571,550</u>

	2023 ETB	2022 ETB
15. Cash and Cash Equivalent		
Cash on Hand		
Cash at Bank	267,079,843	185,103,806
Total	<u>267,079,843</u>	<u>185,103,806</u>



Educational Materials Production and Distribution Enterprise
Notes to Financial Statement
For the year ended July 07,2023

16. Capital and Reserves	2023	2022
	ETB	ETB
Paid up Capital	114,948,683	114,948,683
Legal Reserve	33,898,522	33,898,522
Retained Earnings	153,092,602	151,940,984
Other Components of Equity (Note 16.1)	19,306,841	19,306,841
	<u>321,246,649</u>	<u>320,095,031</u>

16.1. Other Components of Equity	2023	2022
	ETB	ETB
Aid Capital	18,083,087	18,083,087
Reserve for Business Expansion	1,223,754	1,223,754
	<u>19,306,841</u>	<u>19,306,841</u>

17. Trade and Other Payable	2023	2022
	ETB	ETB
Trade Creditors	44,999,017	42,090,233
Sundry Creditors	2,330,624	2,104,763
Accrued Liabilities	64,813,067	47,060,251
ERCA PENALITY		16,817,688
Income Tax	1,939,812	2,239,359
Pension Payable	975,223	961,509
Withholding Taxes Payable	1,618,328	1,007,798
	<u>116,676,071</u>	<u>112,281,600</u>

17(a) Severance Pay

EMPDE has an unfunded severance pay plan for its employees in-line with the Ethiopian labor law # 377/03 and its subsequent amendment # 494/06. The vesting condition for the benefit is for an employee to serve for five years and above and be below the retirement age. The eventual settlement of severance is determined in reference to years of service to the enterprise and based on the final salary of the employee (30 days salary for the first year of service and 1/3 of the final salary for the remaining period the employees is entitled for the benefit).

	2023	2022
	ETB	ETB
Severance Payable	5,345,099.23	4,952,855.13
	<u>5,345,099.23</u>	<u>4,952,855.13</u>



EDUCATIONAL MATERIALS PRODUCTION AND DISTRIBUTION ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JULY 7,2023

Note 20(d)

Deminishing Method

	<u>Building @5%</u>	<u>Computers & Accessories @20 %</u>	<u>Other PPE @15%</u>	<u>Total</u>
Depreciation Base Beginning	-	272,734	7,426,423	7,699,157
Current Year Capital Allowance	-	(54,547)	(1,113,963)	(1,168,510)
Depreciation Base Carried Forward	=	<u>218,187</u>	<u>6,312,459</u>	<u>6,530,647</u>

Straight Line Method

	<u>Building @5%</u>	<u>Computers & Accessories & Motor V.@20 %</u>	<u>Other PPE @15%</u>	<u>Total</u>
Depreciation Base Beginning	43,463,008	11,479,064	52,518,315	107,460,387
Current Year Capital Allowance	(2,173,150)	(2,295,813)	(7,877,747)	(12,346,710)
Additions	2,611,875	1,104,261	885,764	4,601,900
Current Year Capital Allowance	(18,795)	(64,443)	(68,315)	(151,553)
Depreciation Base Carried Forward	<u>43,882,937</u>	<u>10,223,069</u>	<u>45,458,018</u>	<u>99,564,024</u>
Total Capital Allowance for the year				<u>(13,666,773)</u>



**EDUCATIONAL MATERIALS PRODUCTION AND DISTRIBUTION ENTERPRISE
 NOTEES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JULY 7,2023**

21.Deferred Tax

Educational Materials Production Enterprise

Deferred Tax Assessment Schedule for the Fiscal Year Ending Sene 30, 2015

Element of Statement of Finical Position	Carrying Amount		
	IFRS	TAX	DIFFERNCE
PPE EXCLUDING LAND	234,194,497	107,263,181	126,931,316
INVENTORY	497,298,383	505,341,083	(8,042,701)
TRADE AND OTHER RECIVABLE	277,113,260	280,994,727	(3,881,467)
CASH	267,079,843	267,079,843	-
ASSET HELD FOR SALE	2,574,663	2,574,663	-
TRADE AND OTHER PAYABLE	116,676,071	111,330,972	(5,345,099)
NET TEMPORARY DIFFERNCE	-	-	109,662,049
DEFERRED TAX LIABILITY AT ENACTED 30% OF TAX RATE	-	-	32,898,615
LEDGER BALANCE ON THE BEG.	-	-	(32,947,586)
DIFFERNCE	-	-	(48,972)



Educational Materials Production and Distribution Enterprise
Notes to Financial Statement
For the year ended July 07,2023

27. General and Administrative Expense

	2023	2022
	ETB	ETB
Salaries and related benefits	58,149,298	47,337,801
Depreciation	2,841,923	2,617,600
Fuel and lubricants	7,856,942	3,898,169
Repair and maintenance	778,868	503,130
Printing and stationary	1,415,024	750,329
Entertainments	1,037,199	607,395
License and Legal Fee	99,892	79,189
Insurance	149,901	1,221,578
Communication	787,810	439,907
Utilities	758,766	626,060
Advertising and promotion	158,721	377,924
Outsource	1,693,027	1,983,959
Travel and per-diem	383,275	297,768
Loading and unloading fee	29,287	60,832
Other overhead	3,932,815	3,286,700
Miscellaneous	115,767	389,384
Audit fee	113,014	64,179
Board member allowance	242,000	249,000
Donation	4,322,099	-
Accrued annual leave expense	-	-
Accrued severance expense	-	200,000
Bad debts expense	464,175	-
Training & consultancy fee	437,500	471,980
TOTAL	85,767,304	65,462,885

28. Finance Cost

	2023	2022
	ETB	ETB
Overdraft Expense	455,846	2,681,596
Interest Expense on Bank Loan	-	-
Bank Charge	642,438	22,469
	1,098,283	2,704,066

29. Other expense

	2023
	ETB
Gebeta Itiwuld	10,400,000

30. These financial statements, for the year ended July 07,2023 (Sene 30,2015), are the enterprise has prepared in accordance with IFRS.

