



ETHIOPIAN PULP & PAPER SHARE COMPANY
FINANCE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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Tesfaye Teferi Anbesse

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Certified Audit Firm

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Ethiopia

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**MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30,JUNE, 2023**

Executive management (as of 30 June 2023)

Ato Abriham Teshome	Chief Executive Officer and Managing Director
Ato Tilahun Menegesha	A/Core Process Vice Chief Executive Officer and Technical Process Executive Officer
Ato Niguse Eshrtu	Administration and Human Resource Executive Officer
Ato Geremew Birhane	A/Production Process Executive Officer
Ato Abiy Legese	Market Research and Sales Process Executive Officer
Ato Gadisa Adugna	Finance Administration Process Executive Officer
Ato Ermias Wondimu	Purchase and Supply Process Executive Officer
Ato Feleke Ayele	Plane and Information Process Service Head
A/ro Tigst Abebe	Quality Assurance, Research and Improvement Service Head
W/rt Basazin Bekele	A/Internal Audit Service Head

Registered office

P. O. Box 790
Addis Ababa
P. O. Box 72
Adama
Website: www.eppsc.com.et
Email: info@eppsc.com.et
Wonji, Ethiopia

Independent auditors

Tesfaye Teferi Anbesse, Certified Audit Firm
Email: tesfayetef@gmail.com; teferi@ethionet.et
P.O. Box 102297
Addis Ababa, Ethiopia

Principal bankers

Commercial Bank of Ethiopia

Legal advisers

Ato Jibril Afkedir
Legal services
Tel: 0911842968
Adama, Ethiopia



uf *Ub*
Abriham Teshome
Chief Executive Officer



STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of the Ethiopian Pulp & Paper Share Company is responsible for the preparation and fair presentation of the Company's financial reports in full conformity with the requirements of the International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) which provide information about the financial position, financial performance and cash flows of the entity that is useful to a wide range of users in making economic decisions.

The Commercial Code of Ethiopia 1243/2021 require the Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1243/2021 also requires the Management to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Management is also responsible for safeguarding the assets of the Company.

The Management is responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in the manner required by the Commercial Code of Ethiopia of 1243/2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include:

- designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;
- selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company.

The Management further accepts 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.

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

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

Signed on behalf of the Management by:

Abrahm Tesfaye
Chief Executive Officer



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A/Finance Administration Process
Executive Officer





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INDEPENDENT AUDITOR'S REPORT

TO THE SUPERVISING AUTHORITY OF ETHIOPIAN PULP & PAPER SHARE COMPANY

Opinion

We have audited the financial statements of Ethiopian Pulp & Paper Share Company (the Company), which comprise the statement of financial position as at **30 June 2023**, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **30 June 2023** 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'

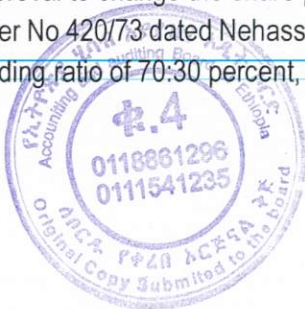
Trade and other receivables accounts included long outstanding balances of trade debtors and bid bond deposits accounts amounting to Birr 12,332,190 and Birr 3,882,733, respectively, in aggregate Birr 16,214,923. But the provision maintained is Birr 5,724,219, which is not satisfactory.

We have not obtained reconciliation statement for the difference of Birr 1,304,862 noted between Birr 676,173 VAT receivable ledger balance on June 30, 2023 and Birr 628,688 payable indicated on Sene 30, 2015 VAT declaration report submitted to the tax Authority.

The company was assessed for profit tax in respect of years 2008 to 2012 by the Federal Democratic Republic of Ethiopia Ministry of Revenues, Adama branch office, and settled additional profit of Birr 2,324,334 including interest in May 2023. The main reason for the additional profit tax assessment was depreciation which was rejected by the tax office. The total depreciation rejected was Birr 14,645,588.98. No adjustment was made to recognize this depreciation expense rejected by the tax authority as an over charge for the five years 2008 to 2012 and its effect on the deferred liability, provision for taxation and other as at June 30, 2023.

Matter of Emphasis

We noted that Ministry of Industry and International Finance Corporation (IFC) are owners holding 70:30 shares. We have obtained document showing the percentage, but document showing this structure, shareholders minutes and approval to change the share percentage from the previous 67:33 per proclamation No. 26 of 1975 (1967 E.C), and letter No 420/73 dated Nehasse 25, 1973 from the Provisional Military Government of Socialist Ethiopia to the current holding ratio of 70:30 percent, including when and how the two become shareholders is not obtained.





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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 Accountants (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 those 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.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

No	Key Audit Matter	Auditor's Response
1.	Revenue Revenue from sales of products is always to be regarded as a significant risk. Accounting principles for revenue recognition may be subject to differing interpretations. The main revenue arises from sales of products to different customers. Sales contracts are signed and goods produced are delivered to the customer as per the contract. Advance payments are collected and final payment is collected when delivery is made.	We examined these written contracts and determined their terms and conditions. We checked completeness of income. We checked that the income arising had been correctly recorded. Audit tests were carried out on other revenue and we had no cause to extend our examination.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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





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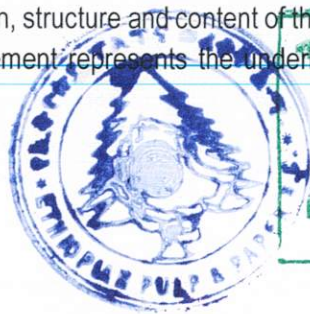
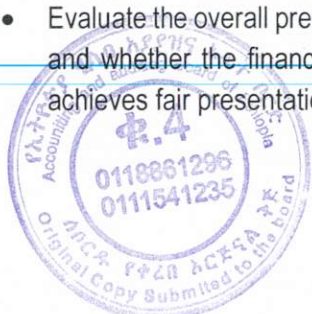
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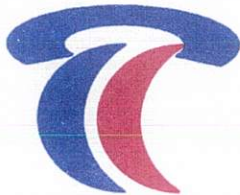
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 the audit. We also:

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





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Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in:

- (i) planning the scope of our audit work and in evaluating the results of our work; and
- (ii) to evaluate the effect of any identified misstatements in the financial statements.

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 Ato Tesfaye Teferi.

Tesfaye Teferi Anbesse, Certified Audit Firm,
Chartered Certificated Accountants.

Addis Ababa
December 9, 2023



ETHIOPIAN PULP & PAPER SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Notes	ETB	2022 ETB
SALES	5	140,910,966	138,977,725
COST OF GOODS SOLD	6	116,711,748	109,552,329
GROSS OPERATING PROFIT		24,199,218	29,425,396
OTHER INCOME	7	697,720	1,123,165
		24,896,938	30,548,561
EXPENSES			
Administration	8	20,672,422	20,808,413
Selling and distribution	9	5,701,434	6,812,585
Financial charges	10	3,887,846	4,889,468
Board & auditors' fee	11	686,315	751,500
		30,948,017	33,261,965
PROFIT(LOSS) BEFORE TAXATION		(6,051,079)	(2,713,405)
PROVISION FOR TAXATION		-	-
NET PROFIT/LOSS AFTER TAXATION		(6,051,079)	(2,713,405)
OTHER COMPREHENSIVE INCOME			
Creditors provided		-	772
Amortized Interest on government Debenture	26	28,999	51,627
Gain on revaluation of property net of tax	23	1,691,172	1,545,055
Net Other Comprehensive Income to be Reclassified to Profit or Loss In Subsequent Periods(Net of Tax)		-	-
Total Comprehensive Income for the Year Net of Tax		(4,330,908)	(1,085,951)



ETHIOPIAN PULP & PAPER SHARE COMPANY
STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Notes	ETB	2022 ETB
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	12	272,365,320	283,319,249
Deferred Charges		-	-
Government Bond(Investment)	13	247,328	218,329
		272,612,649	283,537,578
CURRENT ASSETS			
Stock	14	183,834,904	153,599,619
Trade and Other Receivable	15	32,985,119	35,368,128
Withhold tax in excess of profit tax	16	5,058,200	10,893,359
Cash and bank balances	17	978,305	4,922,078
		222,856,528	204,783,184
TOTAL ASSETS		495,469,177	488,320,762
EQUITY AND LIABILITIES			
EQUITY			
Authorized and Paid up Capital	18	10,000,000	10,000,000
First time IFRS adoption revaluation reserve		192,906,436	192,906,436
Legal Reserve	19	2,000,000	2,000,000
Retained Earnings	20	29,219,384	42,244,564
SHAREHOLDERS FUNDS		234,125,820	247,151,000
CURRENT LIABILITIES			
Trades and Other payables	21	50,496,038	28,115,592
Current maturity of long term loans	25	-	5,685,243
Bank overdraft	22	24,470,640	18,838,402
Annual leave pay Accrued	24.1	2,570,208	3,169,207
		77,536,886	55,808,444
NON CURRENT LIABILITIES			
Differed Tax Liabilities	23	72,185,111	73,876,283
Severance Payable	24.3	2,536,013	2,399,689
Long Term Loan	25	3,626,498	3,626,498
Long Term Loan-PESSA	25	105,458,848	105,458,848
		183,806,470	185,361,318
TOTAL LIABILITIES		261,343,356	241,169,762
TOTAL EQUITY AND LIABILITY		495,469,177	488,320,762



Signature
Chief Executive Officer



Signature
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 A/Finance Administration Process
 Executive Officer



ETHIOPIAN PULP AND PAPER SHARE COMPANY
STATEMENTS OF CHANGE IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share Capital	Legal Reserve	1 st Time IFRS Adjustment	Retained Earning	Total Equity
		ETB	ETB		ETB	ETB
As at 30 June 2021	18/19/20	10,000,000	1,997,151	192,906,436	43,333,364	248,236,951
Adjusted balance of Retained and Legal Reserve as per Public Enterprise Proclamation No. 25/1992 Article 29.2	>>	-	2,849	-	(2,849)	-
Comprehensive income for the year	>>	-	-	-	(1,085,951)	(1,085,951)
As at 30 June 2022	18/19/20	10,000,000	2,000,000	192,906,436	42,244,564	247,151,000
Prior Period adjustments						
Adjusted balance of Retained Earning and Withholding Tax Receivables as per Ministry of Revenue decision on tax audit.	>>	-	-	-	(8,694,272)	(8,694,272)
Comprehensive income for the year	>>	-	-	-	(4,330,907)	(4,330,907)
Balance at 30 June 2023	18/19/20	10,000,000	2,000,000	192,906,436	29,219,385	234,125,820



ETHIOPIAN PULP & PAPER SHARE COMPANY
STATEMENT CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Notes	ETB	2022 ETB
Cash Flow From Operating Activates			
Net profit/Loss for the year		(6,051,079.)	(2,713,405)
Non Cash Adjustment to reconcile profit before tax to net cash flows :-			
Amortization of differed expenditures		-	10,500
Depreciation	12	11,888,986	12,093,030
Finance cost recognized in profit or loss/Interest expense	10	3,887,846	4,889,468
Retained earnings adjustment Based on tax Decision on WHT			
Receivables		(5,424,061)	-
Creditor's Written Back in profit or loss		-	772
		<u>4,306,544</u>	<u>14,280,365</u>
Movements in working capital			
Decrease(increase) in stock	14	(30,235,284)	10,501,155
Decrease(increase) in debtors	15	2,383,009	(4,772,936)
Increase(decrease) in creditors	21	22,380,446	(7,108,545)
Increase(decrease) in employee benefits	24	(462,675)	81,843
Cash generated from (used by) operations		<u>(1,627,961)</u>	<u>12,981,882</u>
Interest paid	10	(3,887,846)	(4,889,468)
Income tax paid/Profit tax , withhold tax and capital tax paid		<u>2,564,948</u>	<u>(1,944,238)</u>
Net cash generated (Used by) Operation/Cash flow from Operation		<u>(2,950,858)</u>	<u>6,833,706</u>
Cash Flow From Investing Activities			
Payment for purchase of property, plant & Equipment	12	(939,909)	(5,472,647)
Additional Investment		-	-
Deferred Expenditure		-	-
Net cash from investing activities		<u>(939,909)</u>	<u>(5,472,647)</u>
Cash Flow From Financing Activities			
Medium term loan repaid (Current maturity of long term loans)		(5,685,243)	(6,112,677)
Government bond redeemed	13	-	255,000
Net cash from financing activities		<u>(5,685,243)</u>	<u>(5,857,677)</u>
Movement in Cash and Cash Equivalents		(9,576,011)	(5,182,148)
Cash and bank overdraft-opening balance – June 30, 2022		<u>(13,916,324)</u>	<u>(8,734,176)</u>
Cash and bank overdraft-closing balance – June 30, 2023	17,22	<u>(23,492,335)</u>	<u>(13,916,324)</u>



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ETHIOPIAN PULP & PAPER SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. Reporting Entity

Ethiopian Pulp & Paper Share Company (the Company) is a share company, incorporated in Ethiopia, involves in the production and selling of paper products and corrugated boxes and was established in 1963 in accordance with the relevant law of the Country with a paid-up capital of ETB **10,000,000** (**200,000** issued shares each with ETB 50 par value). The company is owned by the Ethiopian Government and the International Financial Corporation (IFC) each having an ownership share of 70% and 30%, respectively.

The head quarter of the company is located in Adama Town, Wonji Woreda, Oromia National Regional State, 112 km from Addis Ababa City. The Company has a marketing liaison office in Addis Ababa.

2. Basis of Preparation

2.1. Statement of Compliance

The financial statements for the period ended on June 30, 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The statements are IFRS based financial statements for the company.

The financial statements were authorized for issue by the board of directors of the company.

2.2. Base of Measurement

The financial statements have been prepared on a historical cost basis except for the following items:

- Free-hold land measured at a revalued amount; and
- Defined benefit obligation (severance pay) measured at the present value of the amount expected to be paid in the future.

2.3. Functional and Presentation currency

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

2.4. Use of Judgments and Estimates

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3.3. Useful lives and residual values of Properties, plant & Equipment

Note 3.7 Provision for Uncollectible

Note 3.8. measurement of defined benefits obligations (severance pay)

Note 3.9. Recognition and measurement of provisions and contingencies

Note 3.11(b). Recognition of Deferred Taxes



Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in the following note:

Note 3.4. Assessment of lease contracts for liaison office in Addis Ababa

3. Significant Accounting Policies

The financial statements have been prepared using accounting policies specified by those IFRSs that are effective as at June 30, 2022. The significant accounting policies that have been applied in the preparation of these statements are summarized below.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of the company, ETB, at the exchange rates at the date of the transactions.

Monetary liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date.

Foreign currency gain or loss resulting from the settlement of foreign exchange denominated in monetary liabilities and from the re-measurement of such liabilities are recognized in profit or loss of the reporting period.

3.2 IFRS 15 - Revenue from Contracts with Customers

The main sources of revenue from the contract with the customers of company are sales of products (paper and corrugated boxes) that it manufactures. A typical contract of the company with a customer involves an obligation to produce products and deliver of the goods to the floor of the customer. This implies that performance obligation is satisfied when the customer receives the products; by then customers obtain control over assets. Accordingly, the company recognizes revenue when it delivers products to its customers.



The common payment term given to customers by the company involves collection of an advance payment (up to 50%) on receiving an order and collecting the remaining portion (50%) of the value of the products delivered up on and/or after delivery.

3.3 Property, Plant & Equipment (PPE)

a) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. However, freehold land is carried at a revalued amount under the revaluation model. As no finite useful life for land can be determined, related carrying amount is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

b) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

c) Depreciation

Depreciation on depreciable PPEs is calculated on the straight-line bases using the following estimated useful life for each class.

<u>Item</u>	<u>Useful life (years)</u>
Buildings	40
Roads	20
Plant and Machinery	30
Motor Vehicles	10
Office Furniture and Equipment	10
Tools	5
Computer and printer	4



Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Residual value of each class of PPE is estimated to be nil. Depreciation is recognized in profit or loss or capitalized as asset when appropriate on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Construction in progress is included under PPE and comprises costs incurred on an ongoing construction of a capital asset.

3.4 Leases

IFRS 16 *Leases*, was issued in January 2016 and becomes effective for annual reporting periods beginning on or after January 1, 2019. However, earlier application of the standard is permitted for entities that applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. The Company, therefore, elected to apply IFRS 16 starting from the beginning of the fiscal year ending on June 30, 2018.

IFRS 16 provides option of not recognizing right of assets and lease liabilities for short-term leases and leases of low value assets. The company elected not to recognize right-of-use assets and lease liabilities for its short-term lease contracts. The term of a lease is considered short-term if it is for a period of one year or less. The company recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

3.5 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.6 Financial Instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.



A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The initial and subsequent measurement of financial assets and financial liabilities is described below:

i. Financial Assets

The company's financial assets include Cash and Cash Equivalents, Trade and other Receivables, and held to maturity investments.

a. Cash & Cash Equivalents

Cash comprises cash on hand and cash at bank. Cash Equivalents are deemed of immediate realization since they are easily convertible in to cash within three months following the date of acquisition, held for the purpose of meeting short term cash commitments rather than other purposes. Cash is measured at face value which is equivalent to fair value.

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

b. Trade and Other receivables

These include Trade Receivables, staff debtors, and other receivables of short-term nature that are held to maturity to collect contractual cash flows. These items are initially recognized at transaction price. After initial recognition, the items are measured at amortized cost using the effective interest method, less provision for impairment. Since all of the receivables are for a short-term period, the effect of discounting is omitted. The simplified model for impairment is used to determine the provision for uncollectible accounts.

c. Investment held-to-maturity - debt Securities

Debt securities held to maturity are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

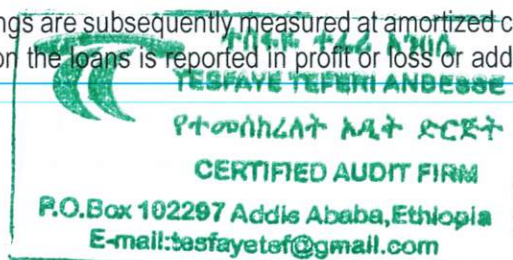
ii. Financial Liabilities

Initial Recognition and Measurement

The company's financial liabilities include Trade and other payables, Loans and Borrowings. Financial liabilities are measured, at initial recognition, at fair value less directly attributable costs.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The resulting interest on the loans is reported in profit or loss or added to the cost of a qualifying asset, as appropriate.



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

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

3.7 Impairment

3.7.1 Impairment of Financial Assets

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset, that loss event (s) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

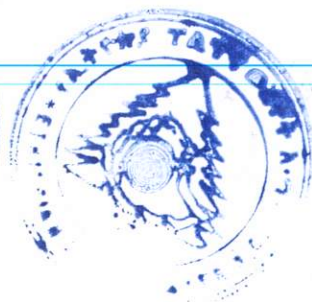
Objective evidence that financial assets are impaired includes default or delinquency of a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, delinquency in interest or principal payments indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowings or issuers, and economic conditions that correlate with defaults.

Financial Assets carried at Amortized cost

The company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with assets of similar risk characteristics.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.



3.7.2 Impairment of non-Financial assets

Non-financial assets excluding inventories and deferred tax assets are assessed at the end of each reporting date to determine whether there is an indication that they may be impaired. If any indication for impairment exists, impairment testing for the asset will be made.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets, or cash generating units. Freehold land is tested for impairment annually despite the presence of indicators. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or its CGU is the higher of its value in use and its fair value less cost to sell. Value in use is determined by discounting the estimated future cash flows of the asset or the CGU to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized if the carrying amount of an asset or CGU exceeds its recoverable value. Impairment losses are recognized in profit or loss. Impairment losses in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.8 Employee Benefits

a) Post-Employment Benefits

The company provides post-employment benefits through defined benefit plans as well as defined contribution plan.

Defined Contribution Plan

The defined contribution plan is a pension plan under which the company pays fixed contribution into an independent entity. The company has no legal or constructive obligations to pay for further contributions after its payment of the fixed contribution.

Contributions to the plan are recognized as an expense in the period that relevant employee services are received.

Defined Benefit Plan

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The company is obliged by law to pay severance payment by reference to year of service for employees who served the company for more than 5 years when the employment contract is terminated. The amount payable is one-month final salary for the first year of service and one third of the final salary for the remaining year of services. The company does not set aside any plan asset for such obligation.



Management estimates the liability annually by using the projected unit credit method as the present value of the defined obligations at the reporting date adjusted for any past service cost not recognized. The discounting rate used is the current borrowing rate of the company on long term loans from government financial institution which is assumed to be proxy to a long-term corporate bond rate. The resulting expense is recognized through profit or loss or capitalized to inventory, as appropriate.

b) Short-Term Benefits

Short-term employee benefits are benefits expected to be paid in the short term and include salary and wages, bonuses, short term leave benefits, and other short-term allowances.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

c) Termination Benefits

Termination benefits are recognized as an expense when the company is legally or constructively obligated to compensate an employee for terminating employee's employment contract before normal retirement age. If benefits are expected to be payable more than 12-months after the reporting date, then they are discounted to their present value.

Management of Ethiopian Pulp and Paper S.C. estimates the defined benefit plan annually with some basic actuarial assumption. This is based on Proclamation No. 1156/2019, employee turnover rates, salary growth rate, expected date of termination, identification of eligible employees and relevant discount rate. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Discount factors are determined close to each year-end by reference to current incremental borrowing rate.

The liability is computed using Projected Unit Method to determine the present value of its defined benefit obligations and the related current service cost and, interest expense. The liability is determined as a present value, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

3.9 Provisions

Provisions are recognized, if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

The increase in the provision due to passage of time is recognized as borrowing cost.



3.10 Government Grants/Assistance

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

When the company receives grants of non-monetary nature, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

When the company gets assistance from the government which does not involve a direct transfer of economic resources, the nature and purposes of the assistance is disclosed.

3.11 Income Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other component of Income (OCI)

a) Current Income Tax

Current Income Tax is the expected tax payable or receivable on taxable income or taxable loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using the tax rates that are enacted, or substantially enacted at the reporting date.

Current tax assets and current tax liabilities are offset if, and only if, the company has a legally enforceable right to set off the recognized amounts; and it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b) Deferred Tax

Deferred Tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax assets and liabilities are measured using tax rates expected to apply to temporary differences when recovered or settled based on laws enacted or substantially enacted as of the reporting date.

Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are recognized for all deductible temporary differences; the carry forward of unused tax credits; and unused tax losses, to the extent that it is probable that taxable profit will be available to recover the benefits.



Deferred tax assets and deferred tax liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities; and they relate to income taxes levied by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized.

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

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

c) Tax Exposures

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a serious of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.12 New Standards, amendments, interpretations issued but not yet effective as at June 30,2022

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There are no standards that are not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The following Accounting Standards and Interpretations are most relevant to the Company:

New or revised standards

IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

It requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. As the company has no insurance contracts, this standard is not applicable.



IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term and that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024. The Company will make the necessary disclosure in the following accounting period.

IFRS S2 Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

These are climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. IFRS S2 applies to: climate-related risks to which the entity is exposed, such as climate-related physical risks and climate-related transition risks; and climate-related opportunities available to the entity.

IFRS S2 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024. The Company will make the necessary disclosure in the following accounting period, after making assessment of climate related risks and opportunities.

Amendments

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it does not have a material impact on the company's financial statements. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The company is applying the amendments already.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. This will be effective for annual reporting periods beginning on or after 1 January 2024. The Company will adopt the amendment on effective date.



Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The company has adopted the amendment as applicable.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This amendment takes effect on annual reporting periods beginning on or after 1 January 2022. The Company has adopted it from the indicated date as applicable.

AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The company will assess the impact and implement accordingly.

Definition of Accounting Estimates - Amendments to IAS 8

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendment is effective for annual periods beginning on or after 1 January 2023, earlier application is permitted. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. The company shall consider the impact of the amendment and implement it.



Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by: Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardized information, or information that only duplicates or summarizes the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2023. The company will check its account policy disclosures to be compliant to the amendment.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

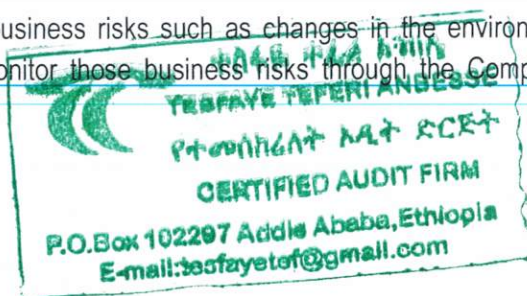
The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Changes to the initial recognition exception under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2023. The Company will implement the amendment from the effective date.

4. Financial risk management

4.1. Introduction

The Company's activities expose it to a variety of risks, including financial risk, credit risk, and interest rates risk. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.



4.1.1. Risk management structure

The Management has the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Company.

The Management has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to management.

The Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the CEO/BORD/EIH.

The Company's policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company

4.1.2. Risk measurement and reporting systems

The Company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitors the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3. Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.



4.2. Financial risk

Financial instruments by category

The Company's financial assets are classified into the following categories: amortized at cost, at fair value through profit or loss and at fair value through OCI and the financial liabilities are classified into other liabilities at amortized cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance. The Company's classification of its financial assets is summarized in the table below:

	Notes	At fair value through profit or loss ETB	At amortized cost ETB	Total ETB
30 June 2023				
Cash and balances with banks	17	-	978,305	978,305
Investment securities	13	-	247,328	247,328
Trade receivables	15	-	26,237,519	26,237,519
Other assets excluding prepayments	15	-	6,728,519	6,728,519
		-	34,191,671	34,191,671
30 June 2022				
Cash and balances with banks	16	-	4,922,078	4,922,078
Investment securities – At amortized cost	13	-	166,702	166,702
Trade receivables	15	-	29,964,832	29,964,832
Other assets excluding prepayments	15	-	4,933,553	4,933,553
		-	39,987,165	39,987,165
Total financial assets		-	39,987,165	39,987,165

4.3. Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk is trade receivables.

4.3.1. Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved by the executive management. The table below shows the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:



	ETB	30 June 2022 ETB
Cash and balances with banks	978,305	4,922,078
Investment securities		
– At amortized cost	247,328	166,702
Trade receivables	26,237,519	29,964,832
Other assets excluding prepayments	6,728,519	4,933,553
	34,191,6715	39,987,165

4.4. Credit risk

4.4.1. Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2022 and 30 June 2023 are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company has no cash or cash equivalents that are held in foreign currency.

(b) Credit quality of trade and other receivables

	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
30 June 2023				
Trade receivables				
From foreign trade receivable	-	-	-	-
From local trade receivable	-	26,237,519	-	26,237,519
Other receivables				
Staff advances	386,942	-	-	386,942
Other account receivables	11,382,286	-	-	11,382,286
Gross	11,769,228	26,237,519	-	38,006,747
Less: impairment allowance	-	-	(5,724,219)-	(5,724,219)
Net	11,769,228	26,237,519	(5,724,219)-	32,282,528



Ethiopian Pulp & Paper Share Company, Provisional Financial Statement, Yearend 30 June 2023

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
	ETB	ETB	ETB	ETB
30 June 2022				
Trade receivables				
From local trade receivable	-	29,964,832	-	29,964,832
Other receivables				
Staff advances	929,308	-	-	929,308
Other account receivables	8,364,953	-	-	8,364,953
Gross	9,294,261	29,964,832	-	39,259,093
Less: impairment allowance	-	-	(5,724,219)-	(5,724,219)
Net	9,294,261	29,964,832	(5,724,219)	33,534,874

(i) 'Receivables - neither past due nor impaired

The credit quality of the portfolio of loans and receivable that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Trade receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Neither past due nor impaired

ETB
11,769,228

30 June 2022

ETB

9,294,261

(ii) 'Receivables- past due but not impaired

Past due up to 30 days
Past due up to 181 - 365 days
Past due by 1 Year - 3 Years
Past due by 3 - 6 Years
Past due over 6 Years

Collective impairment

Receivables (net)



ETB
-
16,100,593
1,619,530
5,551,791
2,965,605
26,237,519
(5,724,219)
20,513,300

30 June 2022

ETB

-
19,201,669
1,891,946
5,905,612
2,965,605
29,964,832
(5,724,219)
24,240,613

Receivables that have been classified as neither past due nor impaired; past due but not impaired and individually impaired are assessed on a collective basis.



(iii) Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred and expected losses in its receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowances, established for Companies of homogeneous assets in respect of losses that have been incurred and expected to incurred but have not been identified on receivables subject to assessment for impairment.

	ETB	30 June 2022 ETB
Incurred loss	5,724,219	5,724,219
Expected loss	-	-
	<u>5,724,219</u>	<u>5,724,219</u>

4.4.2. Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30 June 2022 and 30 June 2023 is given below. The Company concentrates all its financial assets in Ethiopia.

	Public ETB	Private ETB	Total ETB
30-Jun-23			
Cash and balances with banks	978,305	-	978,305
Investment securities:			
- Amortized at cost	<u>247,328</u>	<u>-</u>	<u>247,328</u>
	<u>1,225,633</u>	<u>-</u>	<u>1,225,633</u>
30-Jun-22			
Cash and balances with banks	4,922,078	-	4,922,078
Investment securities:			
- Amortized at cost	<u>166,702</u>	<u>-</u>	<u>166,702</u>
	<u>5,088,780</u>	<u>-</u>	<u>5,088,780</u>



4.5. Capital management

'The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its policyholders, regulators and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To allocate capital efficiently to support growth;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value to shareholders.

4.6. Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

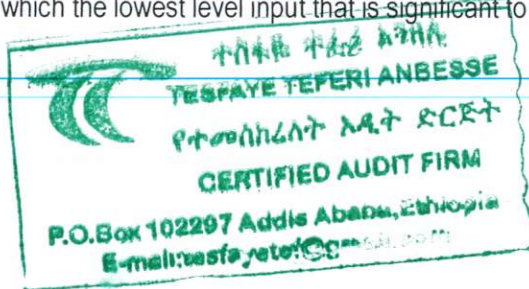
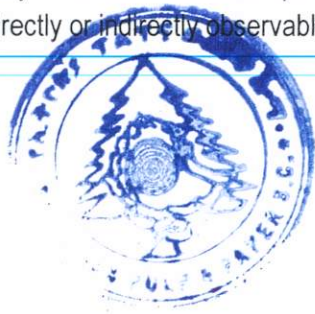
4.6.1. Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.



4.7. Fair value of financial assets and liabilities (Continued)

4.7.1. Valuation models (continued)

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Carrying amount ETB	Fair value ETB	30 June 2022	
			Carrying amount ETB	Fair value ETB
Financial assets				
Cash and balances with banks	978,305	978,305	4,922,078	4,922,078
Investment securities				
– Amortized at cost	247,328	247,328	166,702	166,702
Trade receivables	26,237,519	26,237,519	29,964,832	29,964,832
Other receivables	11,769,227	11,769,227	9,294,261	9,294,261
Total	39,232,379	39,232,379	44,347,873	44,347,873
Financial liabilities				
Trade payables	50,496,038	50,496,038	28,115,592	28,115,592
Borrowings	109,085,346	109,085,346	114,770,590	114,770,590
Other liabilities	29,576,861	29,576,861	20,467,855	20,467,855
Total	189,158,245	189,158,245	163,354,057	163,354,057



4.7.2. Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.7.3. Valuation technique using significant unobservable inputs – Level 3

The Company has no financial asset measured at fair value on subsequent recognition.

4.7.4. Transfers between the fair value hierarchy categories

During the reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8. Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

5. SALES

		30 June 2022
	ETB	ETB
Board Paper	29,330,353	67,819,502
Box Raw Material	24,023,876	37,413,006
Corrugated box	24,041,402	33,195,181
Printing and Writing	515,335	362,697
Wrapping Paper	—	187,339
	<u>140,910,966</u>	<u>138,977,725</u>

The above revenues are recognized based on the performance obligation satisfied by the company as per the sales contracts it entered during these years. The sales contract specifies that the company should produce and deliver products to the ware houses of each customer.



6. COST OF PRODUCTS/GOODS SOLD

	ETB	30 June 2022 ETB
Raw materials consumed	55,930,835	50,759,464
Salaries, wages and related benefits	17,490,720	18,448,350
Light, power and water	14,395,453	17,800,114
Repairs and maintenance-Plant and Equipment	2,287,364	3,691,241
Materials and supplies	5,979,735	6,919,192
Insurance	258,954	258,914
Depreciation	8,746,378	8,742,087
Other	302,756	542,749
	<u>105,392,197</u>	<u>107,162,111</u>
Increase/Decrease in stock of FG & Semi-FG	<u>11,319,550</u>	<u>2,290,218</u>
	<u>116,711,748</u>	<u>109,552,329</u>

7. OTHER INCOME

	ETB	30 June 2022 ETB
Disposal of vehicles	551,147	-
Scrap sales	-	607,678
Sales of tender document	6,900	45,100
Rental income	21,680	22,420
Other income-From Performance Bond Written off	27,580	2,400
Other income	90,413	445,567
	<u>697,720</u>	<u>1,123,165</u>



8. GENERAL & ADMINISTRATION EXPENSES

		<u>30-June 2022</u>
	<u>ETB</u>	<u>ETB</u>
Salaries and related benefits	9,286,343	10,928,777
Depreciation	2,692,270	2,896,504
Repairs and maintenance:-Machinery, Vehicles and Others	1,660,517	1,738,810
Fuel and lubricant	1,325,415	1,034,664
Municipality taxes	749,023	749,023
Medical	877,937	597,576
Insurance	276,956	269,748
Repairs and maintenance:-Building	187,488	161,804
Stationery and office supplies	231,061	251,648
Postage, telephone and fax	239,906	279,126
Perdiem, Travel and Transport	392,226	349,543
Electricity	148,841	138,217
Advertising	156,947	79,805
Depreciation-Agriculture	10,312	10,312
Inspection Fee (Vehicle, Cash Register Machine...etc)	43,216	28,600
Consultancy fee	19,478	-
Entertainment	425,858	35,000
Donation	623,600	-
Interest on additional tax assessment	887,893	-
Bad debt expense	-	1,477
Miscellaneous	437,136	530,406
	<u>20,672,423</u>	<u>20,808,413</u>



9. SELLING & DISTRBITION EXPENSES

	ETB	30-June 2022 ETB
Salaries and related benefits	2,889,633	3,170,619
Travel and transport	1,007,302	2,002,027
Office rent	487,826	576,522
Depreciation	444,988	444,127
Insurance	158,411	161,088
Office supplies	72,528	133,519
Repair and maintenance	68,357	75,111
Postage, telephone and fax	27,287	29,843
Advertising	81,819	50,963
Medical	24,301	17,987
Fuel and lubricant	172,036	64,701
Miscellaneous	266,948	86,078
	<u>5,701,434</u>	<u>6,812,585</u>

10. FINANCIAL CHARGES

	ETB	30 June 2022 ETB
Interest on overdraft	2,962,647	2,448,223
Interest on Term Loan	466,154	2,080,604
Bank charges/Finance cost/	459,045	360,641
	<u>3,887,846</u>	<u>4,889,468</u>

11. AUDIT & BOARD FEE

	ETB	30 June 2022 ETB
Audit Fee	321,315	375,000
Board of Directors' Fee	365,000	376,500
	<u>686,315</u>	<u>751,500</u>



12. PROPERTY, PLANT & EQUIPMENT(ETB)

	30 June 2021	Additions	Transfer	30 June 2022	Additions	Transfer	30 June 2023
	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Freehold Land	3,185,107	-	-	3,185,107	-	-	3,185,107
Buildings and Roads	143,805,307	-	-	143,805,307	-	-	143,805,307
Machinery and equipment	202,872,332	5,161,090	-	208,033,422	143,303	-	208,176,724
Motor vehicles	4,788,929	227,062	-	5,015,990	166,638	-	5,182,628
Office furniture and fixtures	2,863,424	52,522	-	2,915,747	-	(4,852)	2,910,895
Tools	534,220	-	-	534,220	-	-	534,220
Computer and printer	2,751,288	32,173	-	2,783,462	629,969	-	3,413,431
Constructions in progress	760,648	-	-	760,648	-	-	760,648
	361,561,255	5,472,647	-	361,561,255	939,909	(4,852)	367,968,958.52
ACCUMULATED DEPRECIATION							
Buildings and Roads	26,183,845	3,934,438	-	30,118,283	3,934,438	-	34,052,723
Plant and Machinery	39,526,773	6,934,449	-	46,461,222	6,939,225	-	53,400,446
Motor vehicles	1,786,767	501,599	-	2,288,366	518,263	-	2,806,628
Office furniture and fixtures	1,341,433	291,575	-	1,633,008	287,250	-	1,920,257
Tools	534,220	-	-	534,220	-	-	534,220
Computer and printer	2,248,585	430,969	-	2,679,554	209,810	-	2,889,364
	71,621,623	12,093,030	-	83,714,653	11,888,986	-	95,603,638
NET BOOK VALUE	289,939,632			283,319,249			272,365,320

Assets Pledged as security

The company's Building and machineries are given as collateral to the overdraft facility obtained from Commercial Bank of Ethiopia.

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የቴዎድሮስ ሳይንስና ቴክኖሎጂ
CERTIFIED AUDIT FIRM
P.O.Box 102297 Addis Ababa, Ethiopia
E-mail: tesfayetof@gmail.com



13. INVESTMENT

Government securities represent Great Renaissance Dam Saving Bond. It bears interest income of 5.5% and 7.5% per annum.

	ETB	30-Jun-22 ETB
Investment in Ethiopian Renaissance Dam Bond	218,329	166,702
Interest Income on Bond	28,999	51,627
Loss on Bond Value	-	-
Total Amount	247,328	218,329

Investment securities at amortized cost:

	ETB	30 June 2022 ETB
At amortized cost		
Government securities	228,995	166,702
Maturity analysis		
Current	-	-
Non-current	228,995	166,702
	228,995	166,702



14. STOCK & GOODS IN TRANSIT

	ETB	30 June 2022 ETB
Finished Products	25,480,399	41,369,641
Semi-Finished Products	11,757,514	3,765,818
Work in process	5,143,989	5,565,994
Raw Materials	98,391,030	57,721,619
General stores	45,275,165	44,369,741
Agriculture material Stock And It's WIP	15,330	35,330
	186,063,427	155,828,143
<u>Less: Provision for obsolescence</u>	<u>(2,634,119)</u>	<u>(2,634,119)</u>
	183,429,308	153,194,024
Goods in transit	405,595	405,595
Goods in transit-Expansion Project	-	-
	405,595	405,595
	183,834,904	153,599,619

The Company used various types of raw materials/Direct and Indirect Materials:-such as Pulp, Recycle Paper, Chemicals.../ for the production of different types of papers. The company can get the recycle paper through purchasing from the supplier in money or through donation from government or non-government organizations.

In year 2021/22 the company obtained a recycle paper that have an approximately average price of total ETB 3,267,586 through donation from government and non-government organization. Not all the recycle paper that the company obtained through donation was consumed with in year. These means that some portion of the recycle paper obtained through donation held on stock are presented on the statement financial position as raw materials while the other consumed portion of the recycle paper were taken to the statements of profit or loss and other comprehensive income as cost.

The items that were in the Goods-in-transit explanation account were all received and capitalized as plant & machinery in the Property, Plant and Equipment account.



15. TRADE & OTHER RECIEVABLES

	ETB	30 June 2022 ETB
Trade debtors	26,237,519	29,964,832
Sundry debtors	3,870,444	2,336,966
Advance payments to suppliers	702,592	1,833,254
Staff debtors	386,942	929,308
VAT Receivable	2,471,134	1,667,279
Deposits	5,040,708	4,360,708
	38,709,338	41,092,347
Less: Provision for doubtful debts	<u>(5,724,219)</u>	<u>(5,724,219)</u>
	<u>32,985,119</u>	<u>35,369,128</u>

Trade receivable after taking the effect of impairment has the following balance:

	ETB	30 June 2022 ETB
Trade receivables	26,237,519	29,964,832
Less: Provision for doubtful debts	<u>(3,082,920)</u>	<u>(3,082,920)</u>
	<u>23,154,599</u>	<u>26,881,912</u>

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has recognized an allowance for expected credit loss because there has been a significant change in credit quality and the amounts are assumed as not recoverable. Age of receivables that are past due but not impaired:

	ETB	30 June 2022 ETB
Average age (days)		
0 - 180 days	-	-
181 - 365 days	16,100,593	19,201,669
1 Year - 3 Years	1,619,530	1,891,946
3 Year - 6 Years	5,551,791	5,905,612
Above 6 Years	2,965,605	2,965,605
Total	<u>26,237,519</u>	<u>29,964,832</u>



15(a) the movements in impairment allowance for trade receivable is analyzed below:

	ETB	30 June 2022 ETB
Balance at the beginning of year	3,082,920	4,476,521
Amount recovered during the year	—	(1,393,601)
Balance at end of the year	<u>3,082,920</u>	<u>3,082,920</u>

15(b) other assets

	ETB	30 June 2022 ETB
Sundry debtors	3,870,444	2,366,966
Advance payments to suppliers	702,592	1,863,860
Staff debtors	386,942	929,308
VAT Receivable	2,471,134	1,667,278
Deposits	<u>5,040,708</u>	<u>4,360,708</u>
	12,471,819	11,188,120
<u>Less: Provision for doubtful debts</u>	<u>(2,641,299)</u>	<u>(2,641,299)</u>
	<u>9,830,520</u>	<u>8,546,821</u>
Maturity analysis		
Current	9,830,520	8,546,821
Non- current	—	—
	<u>9,830,520</u>	<u>8,546,821</u>



16. WITHHOLDING TAX IN EXCESS OF PROFIT TAX

	ETB	30 June 2022 ETB
Balance brought forward	10,893,359	8,949,121
<u>Less: Withholding tax offset</u>	<u>(7,257,830)</u>	<u>-</u>
	3,635,529	8,949,121
<u>Add: Withholding tax during the year</u>	<u>1,422,671</u>	<u>1,944,238</u>
	<u>5,058,200</u>	<u>10,893,359</u>

Age analysis of withholding tax receivable

	Birr
June 30, 2021	1,691,291
June 30, 2022	1944,238
June 30, 2023	<u>1,422,671</u>
	<u>5,058,200</u>

17. CASH & CASH EQUIVALENTS

	ETB	30 June 2022 ETB
Cash at bank- CBE Finfine Branch Alternative Account	820,693	4,359,137
Cash a Bank – CBE Wonji Branch	147,632	552,961
Cash a Bank – CBE Adama Branch	<u>9,990</u>	<u>9,990</u>
	978,315	4,922,088
Petty cash - Wonji	<u>(10)</u>	<u>(10)</u>
	<u>978,305</u>	<u>4,922,078</u>



Maturity analysis of the above balance is shown below:

	ETB	30 June 2022 ETB
Maturity analysis		
Current	978,305	4,922,078
Non- current	-	-
	<u>978,305</u>	<u>4,922,078</u>

For the purpose of the cash flow statement, cash and cash equivalent is made up of the following:

	ETB	30 June 2021 ETB
Cash at bank- CBE Finfine Branch Alternative Account	820,693	4,359,137
Cash a Bank – CBE Wonji Branch	147,632	552,961
Cash a Bank – CBE Adama Branch	9,990	9,990
Petty cash - Wonji	(10)	(10)
Bank overdraft	(24,470,640)	(18,838,402)
	<u>(23,482,335)</u>	<u>(13,916,324)</u>

18. ORDINARY SHARE CAPITAL

The Company has authorized and fully paid capital as follows. The shares have equal voting rights and share equal in the distribution of profit.

	ETB	30 June 2022 ETB
Authorized:		
Ordinary shares with par value of ETB 50 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares with par value of ETB 50 each	<u>10,000,000</u>	<u>10,000,000</u>



19. LEGAL RESERVE

The legal reserve is a statutory reserve to which no less than one-twentieths of the annual net profit of the Company which is transferred to the reserve account until such fund amounts to one-fifth of the capital of the Company.

	ETB	30 June 2022 ETB
Balance at the beginning of the year	2,000,000	1,997,151
Transfer from retained earnings	-	2,849
At the end of the year	<u>2,000,000</u>	<u>2,000,000</u>

20. RETAINED EARNINGS

a) The retained earnings from operational results are as follows:

	ETB	30 June 2022 ETB
At the beginning of the year	42,244,564	43,333,364
Profit for the year	(4,330,908)	(1,085,951)
Adjustment of Retained Earning and Withholding Tax		
Receivable as per Ministry of Revenue Decision	(8,694,272)	(2,849)
	<u>29,219,384</u>	<u>42,244,564</u>

b) First time IFRS adoption revaluation reserve

Birr 192,906,436 resulting from revaluation of property, plant and equipment for the purpose of IFRS deemed cost determination at the time of transition to IFRS is separately disclosed to comply to AABE's instruction.



21. TRADE AND OTHER PAYABLES

		30 June 2022
	ETB	ETB
Other financial liabilities		
Trade Payable	26,225,702	11,708,594
Taxes and Pension Contribution	2,478,273	3,139,339
Accruals	4,991,374	2,712,123
Staff payables	5,785	5,290
Sundry payables	2,718,666	2,290,291
Other non-financial liability		
Advances from customers	13,657,298	7,826,906
Bid and Performance Bond	380,612	394,722
Advance Receipts	38,327	38,327
	50,496,038	28,115,592

The company enters contract with different customers to produce and deliver products. As a result the trade and other payable included contract liabilities reflected above as advance from customers.

Value added tax is shown in the tax and pension liabilities above. The VAT paid on inputs is shown as receivable under debtors. The net amount to be paid to the tax office is shown below:

	ETB
VAT on input	2,794,961
<u>Less: VAT on input</u>	<u>(1,013,226)</u>
Net VAT payable	<u>1,781,735</u>



Balance of trade payables after considering the impact of impairment is shown below. Maturity analysis of the trade and other payable balance is also shown below:

	ETB	30 June 2022 ETB
Trade payables		
Trade payables	26,225,702	11,708,593
Less: Impairment allowance	-	-
	<u>26,225,702</u>	<u>11,708,593</u>
Maturity Analysis of trade and other payables		
Current	50,496,038	28,115,592
Non- current	-	-
	<u>50,496,038</u>	<u>28,115,592</u>

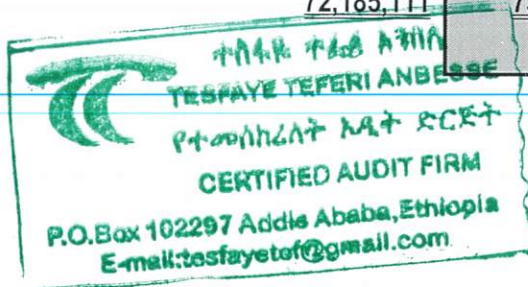
22. BANK OVERDRAFT

The Company has obtained bank overdraft facility from the following banks.

	ETB	30 June 2022 ETB
Bank overdraft from Commercial Bank of Ethiopia, to a maximum amount of ETB 27,000,000 bearing interest at 14.5% secured by Company Building	<u>24,470,640</u>	<u>18,838,402</u>

23. DEFERRED TAX LIABILITY

	ETB	30 June 2022 ETB
Deferred Tax Liability carried forward	73,876,283	75,451,338
Credit/Debit (Charge) to P/L	(1,691,172)	(1,575,055)
Deferred Tax Liability	<u>72,185,111</u>	<u>73,876,283</u>



Deferred income tax assets and liabilities are attributable to the following items for the reporting periods ended on 30 June 2022 and 2023:

	30 June 2022	Movement credit (debit) to profit & loss	30 June 2023
	ETB	ETB	ETB
Property, Plant and Equipment	(75,546,952)	1,829,975	(73,716,978)
<u>Deferred charge</u>			
Annual leave payable	950,762	(179,700)	771,062
Severance pay liability	719,907	40,897	760,804
Deferred Tax Asset (Liability)	(73,876,283)	1,691,172	(72,185,112)

24. EMPLOYEE BENEFITS

24.1. ANNUAL LEAVE PAYABLE

	ETB	30 June 2022 ETB
Annual Leave Payable Beginning	3,169,207	3,248,477
<u>Less: Settlement during the year</u>	(2,039,069)	(1,674,127)
<u>Add: Additional accrual</u>	1,440,070	1,594,858
Annual Leave Payable	<u>2,570,208</u>	<u>3,169,207</u>

24.2. DEFINED CONTRIBUTION PLAN – PENSION

The company makes contribution to a statutory defined pension contribution scheme. The employer and the employee make contribution of 11% and 7% of the employee's basic salary respectively as determined by the statute. The company's contributions are included in expense for the portion that has been paid, and as accrual for the portion that is payable. The contribution is presented in the table below:-

	ETB	30 June 2022 ETB
Pension Expense for the year	2,185,106	2,244,696
Pension Payable at the end of the year	167,439	185,497



24.3. DEFINED BENEFIT PLAN – SEVERANCE PAY

The Company operates an unfunded severance pay plan for its employees who have served the Company for five years and above; and who are below the normal retirement age. The final payout is determined by reference to current benefits level (monthly salary) and number of years in service. It is calculated as one-month salary for the first year in employment plus one-third of monthly salary for each subsequent year in employment. The amount payable will not exceed in no way a 12-month final monthly salary. Below are the details of movements and amounts recognized in the financial statements.

Liability recognized in the financial statements (ETB)

	ETB	30 June 2022 ETB
Severance pay liability Beginning	2,399,689	2,238,576
Less: Settlement during the year	(142,919)	(141,707)
Add: Severance pay liability for the year	279,243	302,820
Severance pay liability	2,536,013	2,399,689

Amounts Recognized in Profit or loss

	ETB	30 June 2022 ETB
Current Service Cost	(176,177)	(80,331)
Finance Cost	427,060	383,151
	250,883	302,820



The following significant assumptions were made in determining the severance pay liability.

	ETB	30 June 2022 ETB
Discount Rate Per Annum/CBE/	14.50%	14.50%
Salary Increases on Average at	7.58%	8.49%



25. LONG TERM LOAN

	ETB	30 June 2022 ETB
Loan from Commercial Bank of Ethiopia (note I)	-	5,685,243
Loan from Ministry of Finance (note II)	3,626,498	3,626,498
	3,626,498	9,311,741
Loan from PPESA (note III)	105,458,848	105,458,848
	109,085,347	114,770,590
<u>Maturity Analysis</u>		
Current maturity	-	5,685,243
Long term	3,626,498	3,626,498
	3,626,498	9,311,741

Note I - Represents approved loan for a total of ETB 51,805,253 from Commercial Bank of Ethiopia, to be used for LC Settlement. The loan is repayable in quarterly installments of ETB 5,165,709 till maturity date in March 2022. It bears interest at a rate of 14.5% and is secured by the share company's Factory and Office Building. The movement is as follows:

	ETB	30 June 2022 ETB
Balance at the beginning of the year	5,685,243	11,760,002
Additional loan received	-	-
Settlement made during the year	(5,685,243)	(6,074,759)
	-	5,685,243



Note II -Represents Long outstanding loan payable to Export Import Bank of Washington guaranteed and settled by the Ministry of Finance of Ethiopia , there is no agreement whether interest is payable on the loan; and as to when and how the loan will be repaid to the Ministry. The balance has no movement.

Note III -Represents loan from PPESA for upgrading the paper machine, there is agreement as to how the loan will be repayable. The management has requested the board to reclassify the loan in to a capital account; as to date its now awaiting final approval from the prime minister office.



26. AMORTIZED INTEREST ON GOVERNMENT BOND

	<u>ETB</u>	<u>30 June 2022</u> <u>ETB</u>
Other Income from E.R.D. Bond	<u>28,999</u>	<u>51,627</u>

27. TAXATION

	<u>ETB</u>	<u>30 June 2022</u> <u>ETB</u>
Net Profit/Loss before Taxation	(6,051,079)	(2,713,405)
ADD:-		
Disallowed expenses Depreciation	11,888,986	12,093,029
Entertainment	425,858	384,673
Donation	623,600	342,000
Interest on additional tax assessment	887,893	101,459
Severance expense	279,243	302,820
Annual leave Expense	<u>1,440,070</u>	<u>1,594,858</u>
	9,494,571	12,105,434
Less:- Allowed expenses Depreciation	(5,953,229)	(6,863,350)
Severance payable actually paid during the year	(142,919)	(141,707)
Annual leave actually paid during the year	<u>(2,039,069)</u>	<u>(1,674,127)</u>
Taxable profit	<u>1,359,354</u>	<u>3,426,250</u>
Profit tax payable (30%)	407,806	1,027,875
Profit tax not recognized	<u>(407,806)</u>	<u>(1,027,875)</u>
Profit tax closed to WHT	<u>-</u>	<u>-</u>

28. RELATED PARTY TRANSACTIONS

The Company is a share company owned 70% by the government and 30% by International Financial Services. It entered in to a number of transactions with related parties in the normal course of business. These are disclosed below:



Key Management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to the post-employment benefit plans. The compensation paid or payable to key management is shown below:

	ETB	30 June 2022 ETB
Short Term benefits at the end of the year/B.S./	1,522,169	1,600,770
Post-employment benefits/11% pension/	167,439	176,085
Directors allowance	365,000	376,500

There were no sales or purchase of goods between the company and key management personnel as at 30 June 2023.

29. CONTINGENCY & COMMITMENT

The company did not enter to purchase commitment of any kinds of raw materials, chemicals, spare parts and others due to lack of foreign currency. As a result, there were no foreign exchange rate difference losses on years 2023.

30. GOING CONCERN ASSUMPTION

The management assessed the impact of various events on the Enterprise's activities and on its going concern assumption and it has determined that they do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

Similarly, the war in Ukraine, started in 2023, triggered a number economic issues. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will have indirect consequences, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn. The management assessed the impact on the Enterprise's activities and on its going concern assumption and it has determined that, although affecting its import of inputs, do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

Management of the Company has concluded on the appropriateness of the use of the going concern basis of accounting based on the assessment made to the forcible future.



31. EVENTS AFTER THE REPORTING PERIOD

In the opinion of the management, there were no events after the reporting period that have a material effect on the state of affairs of the Company on the statement of financial position as at June 30, 2023 and on the statement of profit or loss and other comprehensive income for the period ended on that date.

