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AUDIT SERVICE CORPORATION

ETHIOPIAN SUGAR INDUSTRY GROUP
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
30 JUNE 2023

**ETHIOPIAN SUGAR INDUSTRY GROUP
REPORTS AND ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 30 JUNE 2023**

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Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP**

Report on the Audit of the Financial Statements



Qualified Opinion

We have audited the Consolidated Financial Statements of Ethiopian Sugar Industry Group (the Group), which comprise the statement of financial position as at 30 June 2023, and statement of profit or loss and other comprehensive income, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the ***Basis for Qualified Opinion*** section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB).

Basis for Qualified Opinion

1. During our audit, we noted that the Group holds long-outstanding construction-in-progress (CIP) balances across its subsidiaries and projects. Such as :

- In one of the subsidiaries, the Wonji-Shoa Sugar Factory holds a long-outstanding construction-in-progress balance of ETB 2,188,109,155, primarily related to land development and civil and irrigation works on out-growers' land. These assets remain un-capitalized due to the termination of contracts by the majority of out-growers. Moreover, an impairment of ETB 433,991,000 was recorded for advances and prepayments to out-growers, a significant portion of which pertains to sugarcane plantations damaged during the 2010 E.C. political unrest and to farms that unilaterally terminated their agreements with the factory. As these balances involve public funds and remain unsettled, management is expected to take appropriate actions, including re-engaging out-growers to resume contractual agreements and recover outstanding advance payments and capitalize the assets that have been put into use.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**



Basis for Qualified Opinion (continued)

- At the Head Office Projects Branch, a CIP balance related to the tissue culture project amounting to ETB 74,185,564 has shown no movement for a prolonged period and has not been capitalized, indicating potential non-utilization of the asset.

As a result, we were unable to ascertain whether adjustments have been found necessary in respect of property, plant and equipment shown on the statement of financial position at ETB 150,242,878,902.

2. We identified significant deficiencies in internal control of intercompany receivables and payables in the group, resulting accumulated unreconciled inter-branch balances of ETB 1,511,604,528 in the prior years. Although this balance is decreased to ETB (244,924,469) during the year, differences remain between subsidiaries and the Group, as well as between branches and the Group. The residual balance was charged to accumulated losses without appropriately reflecting the economic substance of the transactions, resulting in an accumulated loss of ETB 1,511,604,528 in the consolidated financial statements, which should have been fully eliminated. Furthermore, no reconciliations were performed between subsidiaries and branches.

3. During our audit, we identified a receivable balance of ETB 1,477,009,125 recorded under the Sugar Industry Development Fund for which no supporting evidence was provided. The balance was accounted for the unaccounted capital deficits and subsequently reductions in the paid-up capital of Kesseme and Tana Beles Sugar Factories while forming the capital of Group.

4. We have identified notable deficiencies within the inventory management system of Group, which demand immediate attention. Such as:

- The Group applied different accounting policy on similar inventories of the entity in different units and subsidiaries. While some sugar factories use the weighted average method, others apply the first-in, first-out (FIFO) method. This inconsistency impairs the comparability and reliability of inventory values in the consolidated financial statements.
- A net discrepancy of ETB 98,030,912 was identified between the physical inventory count and the ledger balances at the Group's factories and Head Office Project unit, with the ledger reflecting a higher in amount. The unverified excess inventory was charged to cost of goods sold and retained earnings.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**

Basis for Qualified Opinion (continued)

- In addition, a discrepancy of ETB 166,695,689 was noted at the Head Office between the sugar ledger and physical count sheets, where the ledger balance exceeded the actual count. This difference remains unresolved, resulting in a continued overstatement of inventory. Moreover, the Group holds long-outstanding goods in transit totaling ETB 523,478,570, including letters of credit (LCs) issued beyond contractual terms that remain uncleared.
- The Wonji-Shoa Sugar Factory reversed a provision of ETB 36,334,948 for stock obsolescence related to slow-moving inventories. However, no supporting documentation was provided to justify this reversal. As a result, inventory may be overstated, and the provision for stock obsolescence expense understated by the same amount.

Consequently, we were unable to verify the completeness and accuracy of the ETB 7,102,580,719 reported as inventory and goods in transit in the financial statements.

5. We identified significant deficiencies in the cost accounting systems of the Group's factories, including Arjo Sugar Factory, Omo Kuraz II Sugar Factory, Omo Kuraz III Sugar Factory, Kessem Sugar Factory, and Tana Beles Sugar Factory. These factories lack adequate procedures for capturing and allocating direct costs and there is no effective mechanism for allocating overhead and production costs. Moreover, absence of a clear linkage between issued inventory and its utilization in sugarcane fields or related production processes further undermines the reliability of production cost balance. Consequently, due to these weaknesses and the lack of a robust internal control framework, we are unable to place reliance on the reported cost of sales amounting to ETB4,734,872,861.

6. As disclosed in Note 34.5, Trade and other payables totalling ETB 7,447,345,478 include long-outstanding balances amounting to ETB 1,160,246,545. Some of these balances may stem from accounting errors such as liabilities that have been settled but not properly derecognized or amounts not arising from normal business operations. Due to the absence of sufficient and appropriate supporting documentation, we were unable to determine the validity of these balances or whether they meet the recognition criteria for liabilities under the applicable financial reporting framework.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**



Basis for Qualified Opinion (continued)

7. As disclosed in Note 17, the financial statements include advance payments to contractors totaling ETB 14,196,260,238, of which ETB 8,400,908,787 (59%) has been impaired. This amount includes ETB 278,050,125 related to private and share companies. The high level of impairment reflects a significant deficiency in internal controls over the monitoring and recovery of advance payments. Given that these funds represent public money and remain unsettled, we expected the Group to undertake appropriate corrective actions, including legal or administrative measures, to ensure accountability and recovery.

8. As disclosed in Note 16 and Notes 18, the Group recorded an allowance for doubtful accounts totaling ETB 1,059,617,339 under Trade and Other Receivables and Tax receivables. This raises serious concerns regarding internal controls over the recognition, monitoring, and recovery of receivables. As these funds represent public resources and remain uncollected, we recommend immediate corrective action and, where appropriate, legal measures to ensure accountability and proper financial reporting.

9. Due to the challenges faced by the Welqait sugar project as a result of the civil war, bank withdrawals amounting to ETB 49,516,465.52 and bank deposits totalling ETB 10,832,285.70 remain undetermined. These amounts have been recorded as receivables and payables, respectively. Consequently, the financial impact of these transactions cannot be fully determined.

Emphasis of Matter

We draw attention to Notes 1, Notes 2.2.1 and Notes 20 of the financial statements, which explain that Ethiopian Sugar Industry Group previously operated through 13 sugar factories and projects structured as branches. Pursuant to the restructuring enacted under Regulation No. 500/2022, five of these branches were reconstituted as independent legal entities (subsidiaries), while the remaining Units continue to operate under the Ethiopian Sugar Industry Group (ESIG) as branches.

While the restructuring was carried out, net assets of the Group were transferred at their book values and recorded as capital. However, these assets and liabilities were not based on audited balances or fair values, as required under Proclamation No. 1243/2021. Consequently, to align with audited balances, the Boards of Directors of the Subsidiaries, the Group and the ultimate owner (EIH), subsequently amended the authorized and paid-up capital of the Group which is stated on Regulation No. 500/2022.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**



Emphasis of Matter (continued)

The Group now has an authorized capital of ETB 420,508,742,344 and a paid-up capital of ETB 105,127,185,586. Moreover, the comparative figures reflect the Group's former structure where all 13 Units operated as branches and are included to ensure continuity and provide context for evaluating the financial position and performance of the project in accordance with the applicable financial reporting framework.

Responsibilities of the Group's Management and the Group's Management for the Financial Statements

The Group's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Group's Management determines is necessary to

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

The Group's Management is responsible for overseeing the Group's financial reporting process. The Group's Management is also responsible for assessing the Group's ability to continue as a going concern, ensuring that disclosures are made, as applicable, of matters related to going concern and using the going concern basis of accounting unless the Group's Management knows of an intention either to liquidate the Group or to cease operations, or knows that there is no realistic alternative but to do so.

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

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF
ETHIOPIAN SUGAR INDUSTRY GROUP (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Audit Services Corporation

14 November 2025



Ethiopian Sugar Industry Group
Financial Statements
Management, Professional Advisors and Registered Office
For the year ended 30 June 2023

Group TIN number 0016295696
Business registration no: MT/AA/5/0008968/2004
Business licence no: MT/AA/14/669/11583/200

Executive management (as of June 30 2023)

Name	Date of appointment	Position
H.E Ambassador Girma Biru	Mar,21	Board chair person
Ato Solomon Engida	June,19	Board Member
Dr. Kebede Teshome	Dec,20	Board Member
Ato Fikadu Agonafer	Mar,21	Board Member
Ato Beakal Ejigu	Aug,20	Board Member
Ato Gadisa Desalegn	Jan,22	Board Member
Ato Weyo Roba	Dec,18	CEO
Dr. Abraham Demissie	May,22	Service, DCEO
Ato Tafesse Assefa	May,22	Marketing, DCEO
Ato Abayneh Bazezew	May,22	Research & Trai. DCEO
Ato Zemedkun Tekle	May,22	Corporate Affair, DCEO
Ato Dinsa Abdena		A/Op & Proj. DCEO
Ato Paulos Moja	May,22	CFO

Principal bank

Commercial Bank of Ethiopia
P.O.Box 255
Fax: +251-11-5514522
Tel:+251-11551 50 04
Addis Ababa

Consultant

Grant Thornto Advisor PLC
P.O.BOX 25437-1000
Tel:+251-115536364
Addis Ababa, Ethiopia



Independent auditors

Audit Service Corporation

**ETHIOPIAN SUGAR INDUSTRY GROUP
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2023**

In compliance with the Article 14(8) of the Public Enterprises Proclamation No. 25/1992, the Management of the Group (hereafter referred to as the Management) Ethiopian Sugar Industry Group (hereafter referred to as the Group) is responsible for the preparation of the annual financial statements that fairly present the state of affairs of the Group at the end of the financial year and of the profit or loss and cash flows for the year in accordance with International Financial Reporting Standards (IFRS) , the Commercial Code, the Financial Reporting Proclamation No. 847/2014, and the requirement of Article 12(8) of the public Enterprises Proclamation No. 25/1992. The Management is also responsible for safeguarding the assets of the group.

The management is also responsible for the maintenance of adequate accounting records and the preparation an integrity of the annual financial statements and related information. To enable the Management to meet these responsibilities it set standards and implement systems of internal control, accounting and information systems. Management is responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and loss.

The internal audit function of the Group serves management and the Board by performing an independent evaluation of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and record, information systems and operations, safeguarding of assets and adherence to laws and regulations.

The management is responsible that the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The management is of the opinion that the Group has adequate resources to continue in operation for the foreseeable future based on forecasts and available cash resources and accordingly the annual financial statements have been prepared on a going concern basis.

Signed on behalf of the management by:



November 2025

Weyo Roba Akale
Chief Executive Officer



Finance Department



**ETHIOPIAN SUGAR INDUSTRY GROUP
CONSOLIDATED FINANCIAL STATEMENTS
REPORT OF MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2023**

Management has pleasure of presenting their report on the affairs of Ethiopian Sugar Industry Group ("the Group") together with the financial statements for the year ended 30 June 2023 to the Board of Director of Ethiopian Sugar Industry Group. This report discloses the financial performance and state of affairs of the Group.

Incorporation and address

Ethiopian Sugar Industry Group ("the Group") is a principally engaged in production of sugar. The Group was established on 31 March 2022 in accordance with regulation number 500/2022 and the provisions of the Commercial Code of Ethiopia of 1243/2021.

Principal activities

- 1 To grow sugarcane and other sugar yielding crops;
- 2 To process and produce sugar and sugar by products;
- 3 To sell its products and by-products in the domestic and export markets;
- 4 To cause the undertaking of feasibility studies, design preparation, technology selection and negotiation, erection and commissioning of new sugar development and expansion projects; in cooperation with the relevant organs,
- 5 To undertake studies and research in the field of sugar cane plantation and sugar production technologies and implement useful results thereof; in cooperation with capable domestic enterprises, to cause the designing and fabrication of machineries and spare parts required by public sugar factories;
- 6 To possess, in accordance with the law,
- 7 To encourage and support sugar cane growers who are supplying their cane products to public sugar factories;
- 8 In line with directives and policy guidelines issued by the Ministry of Finance and Economic Development, to sell and pledge bonds and to negotiate and sign loan agreements with local and intentional financial sources;

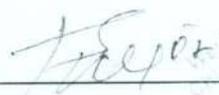
The Group is principally engaged in Sugar Manufacturing in Ethiopia.

Operating results

The Group's results for the year ended 30 June 2023 are set out on page 11. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2023	30 June 2022
	ETB	ETB
Revenue	7,420,738,187	8,804,493,636
Profit/Loss before income tax	(9,189,363,408)	(21,686,022,177)
Income tax expense	<u>(448,224,751)</u>	<u>(394,981,260)</u>
Total compressive income (loss) for the year	<u>(9,637,588,160)</u>	<u>(22,081,003,437)</u>




 November 2025
 Addis Ababa, Ethiopia


Paulos Moja
CFO
 Finance Department Manager

ETHIOPIAN SUGAR INDUSTRY GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 ETB	2022 ETB
Revenue	4	7,420,738,187	8,804,493,636
Cost of sales	6	(4,734,872,861)	(6,687,754,920)
Gross profit		2,685,865,326	2,116,738,716
Other operating income	5	280,953,276	73,377,156
General & administrative	7	(2,274,062,433)	(2,162,908,880)
Foreign currency exchange loss	8	(3,692,510,857)	(15,489,677,129)
Fair value gain (loss) cane and fruit	14.2	(302,694,364)	(278,687,163)
Loss on damaged cane/fruit at fair value	14.2	(92,300,084)	(180,340,868)
Impairment Loss - PPE	12	(111,695,447)	
Reversal of (Additional Provision) for bad debt expense	16,18	7,837,669	(62,372,081)
Reversal of Impairment on advance and prepayment	17	124,704,732	94,505,884
Reversal of (Additional Provision) for legal claim	40	(496,927,498)	186,076,684
Provision for stock obsolescence	19	(25,875,180)	(12,037,959)
Operating profit (Loss)		(3,896,704,859)	(15,715,325,639)
Finance costs/charges	9	(5,228,908,630)	(5,968,041,514)
Profit (Loss) before tax		(9,125,613,489)	(21,683,367,153)
Income tax expense	10	(448,224,751)	(394,981,260)
Profit (Loss) for the year		(9,573,838,240)	(22,078,348,413)
Other comprehensive income, net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain loss on retirement benefits obligations	35a	(63,749,919)	(2,655,024)
Total comprehensive income(loss) for the year		(9,637,588,160)	(22,081,003,437)



ETHIOPIAN SUGAR INDUSTRY GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 ETB	2022 ETB
Assets			
Non-current assets			
Property, plant and equipment	12	150,242,878,902	152,159,114,080
Right use of asset - Free hold	13.2	358,496,066	358,496,066
Right use of asset - Lease hold	13.1	5,495,829	5,623,639
Bearer plant	14	924,373,684	727,473,378
		<u>151,531,244,483</u>	<u>153,250,707,165</u>
Current assets			
Trade and other receivable	16	688,259,235	1,491,448,753
Receivables from SIDF	23	1,477,009,215	
Stock & goods in transit	19	7,102,580,719	7,228,498,758
Biological Asset - Agricultural	14.2	5,618,135,537	4,930,860,657
Tax receivable	18	4,448,920,456	4,400,567,221
Advance and prepayments	17	5,795,351,451	5,541,796,920
Cash and cash equivalents	15	1,595,691,359	3,956,875,411
		<u>26,725,947,972</u>	<u>27,550,047,720</u>
Total assets		<u>178,257,192,455</u>	<u>180,800,754,885</u>
Equity and liabilities			
Equity			
Paid up - capital	20	105,127,185,586	14,083,024,490
Government contribution	27	-	101,746,519,549
Capital contribution	27	-	995,615,462
Sugar Industry Development Fund	21	503,159,298	19,546,786,512
Reserve for SIDF	25	(1,705,944,545)	(14,716,106,597)
Asset revaluation reserve	24	-	11,355,291,029
Accumulated loss	30	(4,725,954,174)	(108,943,862,065)
Other reserve	28	(53,053,920)	10,695,999
Total equity		<u>99,145,392,244</u>	<u>24,077,964,379</u>
Non-current liabilities			
Long term loan	33.5	50,826,635,429	132,252,559,378
Deferred income on concessional loan	33.5.2	28,537,149	31,754,317
Employee benefit obligation	35a	104,966,158	49,345,327
Accrued annual leave	39	287,280,942	97,254,145
Retention Payable	33.3	5,238,377,363	4,770,674,477
Deferred tax liability	11	5,159,802,423	4,782,497,450
		<u>61,645,599,465</u>	<u>141,984,085,094</u>
Current liabilities			
Trade and other payable	33.1	7,447,345,478	11,595,513,435
Payable to MOF	33.6	768,421,780	768,421,780
Long term loan-current maturity	33.5	6,477,880,862	364,063,435
Sugar development fund payable	33.2	71,604,402	68,048,722
Tax payable	36	964,257,968	758,689,911
Provision for tax payable	10	65,594,593	
Contract liability	37	148,956,324	185,275,364
Accrual	38	265,784,020	239,210,850
Provision	40	1,256,355,318	759,481,915
		<u>17,466,200,745</u>	<u>14,738,705,412</u>
Total liabilities		<u>79,111,800,210</u>	<u>156,722,790,506</u>
Total equity and liabilities		<u>178,257,192,455</u>	<u>180,800,754,885</u>



ETHIOPIAN SUGAR INDUSTRY GROUP
 CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE YEAR ENDED 30 JUNE 2023



		2023 ETB	2022 ETB
Operating activities			
Profit before tax		(9,125,613,489)	(21,683,367,153)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment and Bearer Plant	12 , 14.1	2,324,182,198	2,559,124,035
Impairment (Reversal) of PPE and Bearer Plant	12	111,695,447	-
Provision (Reversal of provision) for Loss of Plantation	14	92,300,084	158,522,093
Fair Value Change on biological Asset	14	304,209,544	365,210,541
Stock Obsolescence	19	25,875,180	12,037,959
Bad Debt Expense	16.1b,18	(7,837,669)	62,372,081
Reversal of Impairment on advance and prepayment	17	(124,704,732)	(94,505,884)
Amortization of the right use of assets	13	127,810	127,810
		(6,399,765,628)	(18,620,478,518)
Working capital adjustments:			
Decrease (Increase) in trade and other receivables	16,18	762,673,952	(176,780,274)
Decrease (Increase) in advance and prepayment	17	(128,849,798)	(59,325,162)
Decrease (Increase) in Inventories	19	100,042,860	(821,384,300)
Decrease (Increase) in Biological Asset	14	(1,083,784,508)	(1,337,569,967)
Increase (Decrease) in trade and other payables	33	(3,040,252,182)	(15,412,095,165)
Net cash flows from operating activities		(9,789,935,304)	(36,427,633,386)
Investing activities			
Investment in property, plant and equipment and sugar	12 , 14.1	(280,212,201)	8,482,516,871
Disposal proceeds	12 , 14.1	(41,488,122)	12,942,981
Expenditure on bearer plant	14.1	(394,842,451)	(97,708,280)
Receivable from SIDF	29	(1,477,009,215)	-
Investment in ESISC and MSF		-	3,992,000
Net cash flows used in investing activities		(2,193,551,989)	8,401,743,573
Financing activities			
Proceeds from borrowings	33.5	15,467,197,269	29,573,343,723
Repayment of borrowings	33.5	(2,690,211,332)	4,343,643,346
Loan Principal Transfer to LAMC	33.5	(53,774,109,932)	(3,600,559,957)
Loan Principal and interest Transfer to MOF	33.5	(25,403,003,833)	(101,746,519,549)
Loan Principal and interest Transfer to Head office	33.5	-	-
Reversal of interest accrued on cancelled loan	33.5	(8,547,915,260)	-
Net Cash transfer		84,570,346,328	91,850,229,188
Net cash flows from/(used in) financing activities		9,622,303,241	20,420,136,752
Net increase/ (decrease) in cash and cash equivalents		(2,361,184,052)	(7,605,753,061)
Cash and cash equivalents at 1 July.		3,956,875,411	11,562,628,472
Cash and cash equivalents at 30 June		1,595,691,359	3,956,875,411

ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

I. General information

The Ethiopian Sugar Industry Group (ESIG) was established pursuant to Council of Ministers Regulation No. 500/2022, which restructured and replaced the former Ethiopian Sugar Corporation. The reorganization aimed to strengthen governance, improve operational efficiency, and provide legal autonomy to key operating units within the sugar sector.

The former Ethiopian Sugar Corporation was originally established in October 2010 by Council of Ministers Regulation No. 192/2010, replacing the Ethiopian Sugar Development Agency. It was tasked with leading large-scale sugar development initiatives across the country.

Following its establishment, the Corporation launched extensive modernization and expansion programs, including the upgrading of Wonji Shoa and Fincha, and initiated several new sugar development projects across the country: Omo Kuraz Sugar Projects I, II, III, and V, Welkayit Sugar Development Project, Tana Beles Sugar Projects I & II.

Currently, ESIG operates eight major sugar factories. Out of these, the following five have been converted into a separate entity and now operate as subsidiaries: Wonji/Shoa Sugar Factory S.C., Metehara Sugar Factory S.C., Fincha Sugar Factory S.C., Kessem Sugar Factory S.C., and Tana Beles Sugar Factory S.C. The remaining three Arjo-Didessa, Omo Kuraz II, and Omo Kuraz III—currently operate as branches under ESIG's direct control.

Additionally, ESIG oversees several under-construction or non-operational projects, including Omo Kuraz I and V, Welkayit and Tendaho Factory Sugar Development Project, all of which are also managed as branches until completion or restructuring.

Overall, ESIG administers around 86,355 hectares of sugarcane plantations, with an estimated annual production capacity of approximately 600,000 tons of sugar, of which 325,000 to 400,000 tons is domestically consumed. Ethanol production, mainly from Metehara and Fincha, exceeds 32.5 million liters annually. Factory crushing capacities range from 5,300 to 12,000 tons of cane per day. ESIG also employs over 45,000 workers and has developed more than 170 social infrastructure projects (including schools, health centers, and roads) near its operation sites. To enhance industry expertise, ESIG operates the Wonji Sugar Academy, which provides certified TVET-level training. Under its five-year strategic plan, ESIG aims to meet full national sugar demand by 2028, targeting production of 726,670 tons annually by 2026/27.

The Group's corporate headquarters is located in Addis Ababa, Lideta Sub-City, Philips Building, with multiple factory and project sites distributed throughout the country.



**ETHIOPIAN SUGAR INDUSTRY GROUP
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1.1 Legal Restructuring and Establishment of the legal entity

Pursuant to a Council of Ministers Regulation Number 500/2022, the former Ethiopian Sugar Corporation, which previously operated through 13 branches, underwent a legal restructuring and reorganization. As a result, a new group structure was established under the name Ethiopian Sugar Industry Group which replaced the former Ethiopian Sugar Corporation. The reorganization aimed to strengthen governance, improve operational efficiency, and provide legal autonomy to key operating units within the sugar sector.

Under this restructuring five branches were transformed into standalone legal entities with their own juridical personality and have become autonomous by the Regulation. The remaining branches continue to operate under the direct ownership and control of the Ethiopian Sugar Industry Group. All five newly established entities remain 100% owned subsidiaries of the Ethiopian Sugar Industry Group.

As per the regulation that established the entity, ESIG was allocated an initial capital of ETB 115,050,350,967. However, the net assets transferred and recognized at their carrying amounts fall short of this capital by ETB 9,923,165,381.

Following the completion of the external audit and subsequent review, the Board of Directors of Ethiopian Investment Holdings (EIH) approved an adjustment to the paid-up capital to align it with the actual value of net assets transferred. Accordingly, the paid-up capital was revised to ETB 105,127,185,586, and the shortfall was adjusted through a reduction in the stated capital, rather than being presented as unpaid capital. Further details regarding the paid-up capital are provided below.

1.1.1 Paid-up and Authorized Capital Adjustment

During its meeting held on 10 September 2025, the Board of Directors of ESIG reviewed the capital amount stipulated under its Establishment Regulation, which was ETB 115,050,350,967. The Board noted that this figure had been determined based on provisional financial statements prepared at the time of establishment. However, upon completion of the external audit for the financial year ended 30 June 2022, it was identified that the actual capital amount fell short of this figure by ETB 9,923,165,381.

Accordingly, following the completion of the external audit for the year ended 30 June 2022, the paid-up capital of the Factory was determined to be ETB 105,127,185,586 (One Hundred Five Billion One Hundred Twenty-Seven Million One Hundred Eighty-Five Thousand Five Hundred Eighty Six ETB) and the authorized capital was determined to be ETB 420,508,742,344 (Four Hundred Twenty Billion Five Hundred Eight Million Seven Hundred Forty Two Thousand Three Hundred Forty Four ETB).

In light of this finding, the Board of Directors of ESIG submitted a proposal to Ethiopian Investment Holdings requesting an adjustment of the capital structure to reflect the audited figure.

1.1.2 Resolution of Ethiopian Investment Holdings

In line with the proposal of the Board of Directors of ESIG and the external audit report, the Board of Directors of Ethiopian Investment Holdings, acting under the authority granted by Regulation No. 487/2022, approved the following adjustments:

The paid-up capital of ESIG is revised from ETB 115,050,350,967 to ETB 105,127,185,586.

To ensure that the paid-up capital remains not less than one-fourth of the authorized capital, the authorized capital is revised from ETB 460,201,403,868 (Four Hundred Sixty Billion Two Hundred One Million Four Hundred Three Thousand Eight Hundred Sixty-Eight ETB) to ETB 420,508,742,344 (Four Hundred Twenty Billion Five Hundred Eight Million Seven Hundred Forty Two Thousand Three Hundred Forty Four ETB).

The difference between the authorized and paid-up capital shall be settled within five (5) years from the date of this resolution.



**ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Significant accounting Policies

2.1 Basis of preparation and Statement of compliance

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.1.1 Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries at 30 June 2023. All subsidiaries have a reporting date of 30 June.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its financial statements:

2.2.1 Investment in subsidiaries

The Ethiopian Sugar Industry Group (ESIG) was established pursuant to Council of Ministers Regulation No. 500/2022, effective July 2022, through the reorganization of the former Ethiopian Sugar Corporation. As part of this restructuring, ownership of several sugar factories was transferred to ESIG at their respective carrying amounts. The transaction represents a business combination under common control.

As part of this restructuring, Five major factories were transformed into independent legal entities with full juridical personality. The remaining factories and projects continued to operate as branches of the Group.

The Holding Company (ESIG) holds the following investments in these newly established subsidiaries, which are accounted for at cost in the separate financial statements in accordance with IAS 27:

Name of Subsidiary	Region	Ownership Interest	Investment Amount
Wonji Shoa Sugar Factory	Oromia Regional State	100%	7,043,968,056
Metehara Sugar Factory	Oromia Regional State	100%	5,746,267,849
Fincha sugar Factory	Oromia Regional State	100%	9,222,523,228
Kessem Sugar Factory	Afar Regional State	100%	4,045,260,740
Tana Beles Sugar Factory	Amhara Regional state	100%	27,045,499,508

- All acquisitions were effected on the date the Regulation came into force, being the date on which control of the factories was transferred to ESIG.
- The restructuring was aimed at consolidating the government-owned sugar industry into a single legal group structure.
- No purchase consideration was paid; the transfer was effected through government decision.
- The investments are recognized at the carrying amounts of the net assets transferred.
- The net effect of the restructuring has been reflected as equity contribution (paid-up capital) in ESIG's consolidated financial statements.



**ETHIOPIAN SUGAR INDUSTRY GROUP
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2.2.1.1 Measurement of the investment

In the separate financial statements, investments in subsidiaries are measured at cost in accordance with IAS 27.10(a). These investments are subject to impairment review in accordance with IAS 36 Impairment of Assets.

No impairment loss was recognized during the reporting period.

2.2.1.2 Control and Governance

Control is established through 100% equity ownership and the power to appoint the majority of board members and management in each subsidiary. There were no changes in control during the year.

The ultimate controlling entity is Ethiopian Investment Holdings (EIH), a government-owned sovereign wealth fund of the Federal Democratic Republic of Ethiopia.

2.2.1.3 Significant Restrictions

There are no significant legal, regulatory, or contractual restrictions on the ability of subsidiaries to transfer funds to the holding company in the form of dividends or loan repayments.

2.2.1.4 Accounting Treatment of the restructuring

This restructuring has been accounted for as a common control transaction. In accordance with IFRS 3 – Business Combinations, which excludes common control transactions from its scope (refer to IFRS 3.2(c)), the group has applied the predecessor accounting method by analogy, in line with the guidance provided in IAS 8 for developing accounting policies when no specific IFRS applies. As such, assets and liabilities have been recorded at their historical carrying values, and no goodwill has been recognized.

Although the group is a newly established legal entity, it represents a continuation of the operations of the former Ethiopian Sugar corporation. Accordingly, and in line with the principle of substance over form, comparative information has been presented in the financial statements. This is consistent with the requirements of IAS 1 – Presentation of Financial Statements (paragraph 38), which requires comparative information for all amounts reported in the current period's financial statements when it is relevant to understanding the current period's results.

2.2.1.5 Dividend Income and distribution

Dividend distributions to the the ultimate parent are recognized as a liability in the period in which they are approved by the the Board of Directors, in line with IAS 10.



**ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.2.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Management determine the policies and procedures for both recurring fair value measurement, such as financial instrument at FVTPL financial assets.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



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2.2.4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The outcome of the transaction can be measured reliably when all the following conditions are satisfied:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- When the service delivered at the balance date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable.

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to its customer. The transfer occurs at the time when the customer obtains control / Group of the good or service. This is determined by assessing, based on the terms of the contract entered into, the extent of the performance that is required of the Group and determining whether the goods and services to be delivered are distinct. Goods and services are considered to be distinct if the customer can benefit from the good or service either on its own or together with resources that are readily available to the customer and the Group's promise to transfer the good or service can be identified separately from other promises made in the contract.

To determine whether to recognize revenue, the Group follows a 5-step process:

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

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. If the mode of delivery of the goods and services provided by the Group is such that they are delivered at times over a period of time and hence the revenue is recognized using output measure on the proportion of the goods delivered. However, if the period of time over which such delivery occurs is short, the revenue from the contract is accounted for on the basis of delivery at a point in time.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations (i.e. Advance received for future delivery) and reports these amounts as other non financial liabilities in the statement of financial position.

Similarly, if the Group satisfies a performance obligation before it receives the consideration (i.e. Delivery of service or goods for credit), the Group recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group's revenue is largely made up of "farming" revenue in the form of sugar, deciduous fruit, bananas and by products. In all cases, revenue is recognised when the cane is delivered to the customer. This would be on receipt of a delivery report from stock controller. Other operations revenue comprises revenue from the sale of grain, which is largely immaterial in isolation. Nevertheless, revenue on these operations is recognised in accordance with the principles of IFRS 15 above.



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2.2.4.1 Sugar Industry Development Fund (SIDF)

The Sugar Industry Development fund is established by Proclamation NO. 415/2004. Financial sources of the fund is sale proceeds of sugar in the domestic market by the Group in excess of ETB 4,400 per quintal weighting 100kgs (Four Thousand Four Hundred ETB) and is expected to be further increase with the coming in to effect of a directive which is currently on a draft stage.

Transfer of sale proceed to the fund is recorded as a reduction from revenue and refund of the amount back to the Group for Project works shall be recognized directly in equity. Any Proceeds of sale that is attributed to the fund yet not transferred should be reported as payable to SIDF.

2.2.4.2 Interest income/expense

For all financial instruments measured at amortized cost interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

2.2.5 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Ethiopian Birr ("ETB") which is the Group's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies, if any, are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.2.6 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Taxable profit differs from profit reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Tax paid in advance before the due date such as those withheld by the customer for sale of goods is recognized as withholding receivable and offset against the current income tax payable as computed in accordance with the Ethiopian tax proclamation number 979/2016 at the year end.

Current income tax relating to items recognized directly in equity if any is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate. The tax consequences of dividends should be recognized in profit and loss when a liability to pay the dividend is recognized.



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Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences including the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities arise from taxable and deductible temporary differences. The following events and transaction of the group gives rise to deferred tax:

- Property, plant and equipment;
- Allowance for stock obsolescence
- Allowance for doubtful debtors;
- Unrealized exchange gain or loss;
- Severance payment obligation;
- Annual leave ;

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.

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

Tax expenses

Current and deferred taxes (Changes in deferred tax asset and liability) are recognized in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, to other comprehensive income; or a business combination.

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

2.2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. PPE is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When the cost of a major inspection is included in the carrying amount of an item of PPE, the remaining carrying amount of the previous inspection is derecognised. All other repair and maintenance costs are recognized in the profit or loss as incurred.



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Construction in Progress (CIP)

Construction in progress represents capital expenditures incurred on land development, housing, roads, and factory plant & machinery that are not yet available for use at the reporting date.

Capitalization: Directly attributable costs such as materials, equipment, labor, external services, and professional engineering/design fees are capitalized as CIP. Engineering feasibility studies are expensed as incurred unless they can be directly traced to a specific project.

Abandoned projects: If a project is abandoned, related costs are expensed in the period management approves the abandonment.

Transfer to PPE: When a project, or a separately usable segment of it, is ready for its intended use, the accumulated costs are transferred from CIP to the appropriate property, plant, and equipment (PPE) category. Transfers are initially recorded at estimated cost and adjusted to actual costs once final expenditures are known.

Testing costs: Costs of testing whether an asset is functioning properly are capitalized, net of any proceeds from selling items produced while testing.

A sugarcane plant is to be divided into two parts i.e. stubbles of previous crop (Ratoons) and the standing crop which is grown on this root which is then harvested for further processing. Hence, Cane Roots (Ratoons) is a bearer biological asset that is used in the production or supply of agricultural produce (Standing crops), and is expected to bear canes for more than one period. Until matured, the costs of direct material, direct labour and applied overhead for sugarcane are charged to Bearer Plant Immature account i.e. Bearer Plant – Immature.

Once matured, the accumulated cost of the sugarcane shall be transferred to Bearer Plant-Mature account i.e. Bearer Plants mature Sugarcane and is considered property, plant and equipment and is governed by IAS 16. Depreciation on matured bearer biological asset becomes the costs of agricultural produce.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, except for factory plant and machinery of newly capitalized factories (Beles, Omo 2, Omo 3, and Arjo), where the units of production method is applied. The useful lives of items of property, plant and equipment have been assessed as follows:

	Theoretical Useful Life (years)
Dam, Canals , and Irrigation	50 Years
Agricultural Equipment	10 years
Buildings	50 years
Plant and machinery - for Metehara, kessem , Fincha and Wonji	10 years
Plant and machinery - Beles,Omo2,Omo 3 and Arjo	Units of production
Motor vehicles	10 years
Office equipment	7 years
Computer equipment	7 years
Sugar Cane roots	9 years
Deciduous fruit trees	20 years



An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized except for derecognized item of property, plant and equipment at opening IFRS Financial Position date which do not satisfy the capitalization criteria which is directly charged to equity.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets costing less than ETB 2,000 each are expensed at the time of acquisition.

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2.2.8 Leases

Right-of-use asset

The Group is party to lease arrangements over land and office buildings. The Group recognizes right-of-use assets and the related liabilities at the commencement date for all lease arrangements that are entered into that convey the right to control the use of identified assets for a period of time. The commencement date of the lease is the date when the lessor makes the asset available for use by the Group.

The right-of-use assets are initially measured at the present value of the minimum lease payments, which comprises the following:

- The amount of the initial measurement of the liability;
- All lease payments made at or before the commencement date of the lease, less any lease incentives provided to the Group by the lessor;
- All initial direct costs incurred by the Group in respect of the lease;
- An estimate of the costs that will be incurred by the Group for dismantling and restoring the leased asset by the Group at the end of the lease term.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses except for free hold lands and are adjusted for any remeasurement of the lease liability.

Amortization is calculated on a straight-line method over the term of the lease or the useful life of the asset, whichever is the shorter. In the case of the lease hold land the cost is amortized over the lease period.

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date including fixed payments, less any incentive payments that will be receivable by the Group from the lessor;

The lease payments are discounted using the Group's incremental borrowing rate. After initial recognition date, the Group accounts for the lease liabilities by reducing the carrying amount to reflect payments made on the lease; Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

2.2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.



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2.2.10 Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

f) Financial assets

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition financial asset subsequently measured at amortized cost or at fair value based on the purpose for which the financial assets are acquired. All financial assets are recognized initially at fair value plus or minus transaction cost.

Financial asset at amortized cost (Loans and receivables)

This category is the most relevant to the Group such as Loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such as financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Trade receivables comprises of amounts due from customer in respect of the sugars and byproducts sold in credit. If collection is expected in one year or less (in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Lifetime expected credit losses must be recomputed based on the requirements of IFRS 9. For trade receivables or contract assets balance that do not contain a significant financing component a provision matrix may be used to estimate ECL. The amount of the provision is recognized in the profit or loss.

Equity instruments

Equity instruments such as investment in the shares of other entities are to be measured at Fair value through profit or loss (FVTPL) , except for those equity instruments for which the entity has elected to report value changes in Other comprehensive income (OCI). The Group will generally hold equity instruments that are classified as FVTPL.

Fair value determination

If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and on discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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



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Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either

- (a) the Group has transferred substantially all the risks and rewards of the asset, or
- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of its continuing involvement in it. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that it has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Disclosures relating to impairment of financial assets are summarized in the following notes:

- | | |
|---------------------------------|----------|
| • Accounting policy disclosures | Below |
| • Financial assets | Note 7 |
| • Trade receivables | Note 7.1 |

Impairment of financial asset shall be based on expected credit losses, resulting in the recognition of a loss allowance before the credit loss is incurred. Under this approach, entities need to consider current conditions and reasonable and supportable forward-looking information that is available without undue cost or effort when estimating expected credit losses.

As the information may not be readily available to effectively determine credit loss using general approach as above, the Group apply simplified approach in accordance with practical expedient where for trade receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. As a practical expedient, a provision matrix may be used to estimate ECL for these financial instruments. The matrix is to be set by management based on historical analysis and reasonable judgment.

A provision matrix is applying the relevant loss rates to the trade receivable balances outstanding (i.e. a trade receivable aged analysis) an entity would apply different loss rates depending on the number of days that a trade receivable is past due. Depending on the diversity of its customer base, the entity would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments.

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



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For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at amortized cost such as at fair value through profit or loss and liabilities measured at amortized cost such as loans, borrowings, and payables.

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

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

Loans and borrowings and trade payables

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Effective interest method is a method of calculating the amortized cost of a financial liability and to allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction and costs and other premium or discount) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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.



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Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below :

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Trade receivables are amounts due from customers and agents for delivery of products. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit or loss.

2.2.11 Borrowing cost

Interest cost shall be included as a component of the historical acquisition cost of qualifying fixed assets constructed for the Group's own use (major construction or acquisition Groups only). The Group defines qualifying assets as those linked to Groups with Grouped expenditure of greater than ETB 1,000,000 and where the expected period to bring assets into use exceeds 6 Months. Assets in use or ready for use are not qualifying assets.

Where a loan is taken out specifically to finance the construction of an asset, the amount to be capitalized shall be the interest payable on that loan less income earned on the temporary investment of the borrowings. If construction of a qualifying asset is financed from an entity's general borrowings, the borrowing costs eligible to be capitalized shall be determined by applying the weighted average general borrowings rate to the expenditure incurred on the asset.



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2.2.12 Inventories

Inventory shall be recognized when the title to goods passes to the Group. Title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties. In the case of foreign purchased item, such term included FOB, and CIF (Cost, Insurance and Freight) where the transfer of risk and rewards occurred at different point in time. If no conditions are explicitly agreed to by the parties, ownership of goods generally transfers from the seller to the buyer at the time and place at which the seller completes its performance with reference to the physical delivery of the goods.

Cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inbound freight costs should be included, but outbound freight should be excluded. Inventories are stated at the lower of cost and net realizable value.

Cost of production

ESIG shall determine the cost of production not for each batch or process, but it is calculated for a specific period, may it be a quarterly or half yearly or yearly as the case may be. And thus, it is recommended that ESIG should use normative cost method/full absorption cost method.

ESIG should use standard costing approach where a pre-determined unit cost is used to account for movement of finished goods during the period. On a quarterly or half yearly or yearly basis as the case may be, all inventory and cost of sales will need to be trued up to actual value for IFRS reporting purposes. If the amount of under or over applied costs are significant, the proration of such costs among cost of sales, finished goods and WIP will be based on their proportion at the date.

i) Cost per ton of sugarcane consists of standard agricultural direct material costs, standard agricultural direct labour cost, and standard agricultural overhead costs.

ii) Cost per ton of bagged sugar consists of standard factory direct material costs, standard factory direct labour cost, and standard factory overhead costs.

The allocation of fixed production overhead costs to inventories shall be based on the normal capacity of the production facility. Actual production levels will be monitored relative to the planned volume. If production levels for the year fall below certain percentage to be decided by management from the planned level, this will be taken as a trigger that normal production levels are not being achieved and a correction of the closing inventory value to current period expense will be made.

The net cost of the finished joint process is transferred to the next process of the finished goods or, if no further process required, to Inventory Account. The net cost is divided by the number of units produced to determine the weighted average costing method per unit in that process.

Cost of sugar cane

Each Factory in ESIG shall determine the cost of harvested cane for each field or plots of land identified by field or plot number. Costs of direct materials, direct labour, and applied overhead incurred between the previous harvest and the current harvest for the production of agricultural produce are considered the cost of production and debited to future crops (WIP) in each plantation field identified by a ratoon account ID.

Depreciation on matured bearer biological assets is also considered as part of the current cost of production. Hence, the accumulated cost of agricultural produce consists of current expenditures (direct materials, direct labour, and applied overhead) and current depreciation on bearer biological assets.

The cost of sugarcane at point of harvest is determined by dividing the accumulated cost to the total quantity of sugar cane in Kg produced during the period. ESIG shall use fair value less cost to sell to record the harvested agricultural produce as inventory. The sources of fair value for sugar cane can be Purchase price of sugarcane from out growers. Gain/loss shall be computed as the difference between fair value and accumulated costs. If fair value exceeds accumulated costs, Gains on Valuation of Biological Assets arises. On the other hand, loss occurs if accumulated costs exceed fair value. After the harvest is completed, the cane stock is accounted for under Sugarcane inventory (IAS 2).



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The cost of sugar & by products

Using Process costing method, all costs will be accumulated for each stage of sugar production or process, and the cost per unit of product is ascertained at each stage of production by dividing the cost of each process by the normal output of that process. Hence each major stage of the production process shall be designated as a cost centers.

At a certain stage in the sugar processing plant, joint products (Raw sugar, Molasses, filter cake, and Bagasse) are separately identifiable, emerging from a single process. Bagasse splits after milling in the juice extraction plant (split-off point) and goes to steam generation plant to be used as an input for steam generation. However, molasses is split from sugar after centrifuging stage (split-off point) and sent to molasses tanker for storage. The common process costs / Joint cost should be apportioned between the joint products at the split-off point. The apportionment of common process costs between joint products is arbitrary whichever method is used, but the group should ensure consistent use of the apportionment method throughout the financial period.

Where the production process generates more than one product, and the value of the one product (by-product) is immaterial, the by-product is often measured at net realisable value, with the main product being measured at cost less the value attributed to the by-product. Hence if the value of the by-product compared to the main product sugar is immaterial, then it can be valued at its net realizable value. Cost per unit of product (sugar, Ethanol) produced shall be worked out from the total manufacturing process (joint cost and refinement process) but after deducting realizable value of by-products, as well as normal and abnormal losses.

Subsequent measurement

The weighted average method is the primary basis for measuring inventory costs across the Group. However, certain consumables and spare parts at Wonji, Metehara, and Fincha Sugar Factories are valued using the first-in, first-out (FIFO) method.

Inventory Provision

Inventories shall be stated at the lower of cost or net realizable value. Generally, the cost of inventories shall be stated using the weighted-average cost method. The write downs of inventory below cost shall be reversed to the extent that the conditions leading to the write-down no longer apply. It is anticipated that such situations will be rare and that in practice, benefit will be realized either when finished goods/services are sold or when written-down material are actually used in the production/service delivery process.

The following stock obsolescence provision calculation methods apply:

1. Damaged inventory having no further usage or no market value is provisioned at 100%.
2. Slow moving, obsolete inventory and items with a shelf life approaching expiration are provisioned by market and sales entities or factories and supported by adequate rationale. The rationale should reflect the situation or a set of circumstances (not covered by point 1) that require full or partial provisioning. Reference to their resale value shall be made when determining the amount of provision.

2.2.13 Biological Asset

The group's biological assets comprise growing crops in the form of sugar cane, and deciduous fruit. Biological assets are measured at fair value, determined as at 30 June, based on current estimated market prices for the following season, less the estimated costs of harvesting, transport, packing and point-of-sale costs. The sources of fair value for sugar cane can be purchase price of sugarcane from out growers. Hence, If there has been any unharvested /growing cane unused agricultural produce or harvested cane, ESIG shall use fair value less cost to sell to record the harvested agricultural produce as inventory. Gain/loss shall be computed as the difference between fair value and accumulated costs. If fair value exceeds accumulated costs, gains on valuation of biological assets arises. On the other hand, loss occurs if accumulated costs exceed fair value.



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2.2.14 Non-current assets classified as held for sale

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

Assets that meet the above criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease.

2.3.15 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

- | | |
|--|---------|
| • Accounting policy disclosures | Below |
| • Disclosures for significant assumptions (if any) | Below |
| • Property, plant and equipment | Note 11 |

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or Cash Generating Unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to Group future cash flows after the fifth year.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or Cash Generating Unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.2.16 Employee benefits

Short-term benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as sick leave, bonuses and non-monetary benefits such as medical care) are recognized in the period in which the service is rendered and are not discounted. The group pays fixed contributions (11 % of the employee's basic salary) into state managed public employee's pension plan for individual employees. The group has no further legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services, are received. The group has no further payment obligations once the contributions have been paid.



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Other long term liability

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits, and termination benefits. These benefits are accounted for in a manner similar to defined benefit plans, with the obligation recognized and measured at the present value of the benefit obligation at the reporting date.

A specific long-term benefit applicable to the group is severance benefit, which is a legal obligation. Under prevailing labour laws, the group is required to pay severance compensation to eligible employees who have served for more than five years upon termination of employment. The severance payment is calculated as:

One month's final salary for the first year of service, and One-third of the final salary for each subsequent year of service.

The obligation is measured using the Projected Unit Credit Method, and the valuation is carried out by qualified actuaries. This method considers the probability of employee turnover, salary progression, and other actuarial assumptions to project future severance payments. The present value of the obligation is recognized in the financial statements, with changes in estimates recognized in profit or loss in the period in which they occur.

Disclosures relating to measurement and recognition of Long term employment benefit summarized in note 34 :

Termination benefit;

the Group shall recognize the amount of post employee benefits expected to be paid in exchange for that service in the following ways:

An entity recognizes redundancy benefits as a liability and an expense when the entity is demonstrably committed to either:

1. Terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits because of an offer made in order to encourage voluntary redundancy.
2. When the entity can no longer withdraw the offer of those benefits; and
3. When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Termination benefits do not provide the Group with future economic benefits and are recognized as an expense immediately.

2.2.17 Legal reserve

No less than one-twentieth of the annual net profit of the Group shall be transferred to the legal reserve fund until such fund amounts to one-fifth of the capital of the Group. It is utilized up on the decision of the supervising authority, to cover losses incurred by the Group and to expand the activities of the Group.

2.2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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 interest expense.

2.2.19 Leave accrual

A provision is made for the estimated liability for annual vacation as a result of services rendered by employees up to the end of the reporting period. Employee's entitlements to annual vacation are also charged to the profit or loss when they accrue to employees.

2.2.20 Related parties

A party is related to an entity if, inter alia

- (i) directly, or indirectly through one or more intermediaries, the party:
 - a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - b) has an interest in the entity that gives it significant influence over the entity; or
 - c) has joint control over the entity;
- (ii) the party is an associate of the entity.



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The Group discloses the nature of relationships between the Group and its related parties irrespective of whether there have been transactions between them. An entity shall disclose the name of its shareholder and other companies owned by the same shareholder which in this case are other companies owned by Government.

The entity also discloses information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include

- (a) the amount of the transactions;
- (b) the amount of outstanding balances;
- (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement;
- (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognized during the period in respect of bad or doubtful debts due from related parties.



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2.3 New and revised IFRS Standards issued by the IASB but not yet adopted by the ESIG

At the date of authorisation of these financial statements, the Group has not applied the following amendments to the existing Standards that have been issued and adopted by the Group but are not yet effective :

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an	Effective date: Yet to be set
Amendments to IAS 1	Classification of Liabilities as Current	Effective from 1.1.2024
Amendments to IAS 1	Non-current Liabilities with	Effective from 1.1.2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	Effective from 1.1.2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	Effective from 1.1.2024

Management do not expect that the adoption of the amendments to the existing Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

2.3.1 Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The management of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transactions arise.

2.3.2 Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.



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The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

Management do not expect that the adoption of the amendments to the existing Standards listed above will have a material impact on the financial statements of the Group in future periods

2.3.3 Amendments to IAS 1 Presentation of Financial Statements—Noncurrent Liabilities with Covenants
(Version issued by the IASB is effective for annual periods beginning on or after 1 January 2023)

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

Management do not expect that the adoption of the amendments to the existing Standards listed above will have a material impact on the financial statements of the Group in future periods

2.3.4 Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- the terms and conditions of the arrangements
- the carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- the carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.



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2.3.5 Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.



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3. Significant accounting judgements, estimates and assumptions

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

In the process of applying the Project's accounting policies, management has not encountered any situation that calls for any significant judgements, which have significant effect on the amounts recognized in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Project based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Project. Such changes are reflected in the assumptions when they occur.

Useful life of property, plant and equipment

The Group measures its property, plant and equipment at cost less accumulated depreciation and for the purpose of determining depreciation, the Group estimated the useful life amounts to be prospectively applied starting from the date of translation in to IFRS with changes in accumulated depreciation being recognized against profit or loss in the comparative and subsequent financial statement.

Employee termination benefit

The cost of post employment benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and employee turnover rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a post employment benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the salary increment rate and date of employee termination. In determining the appropriate salary increment rate, management has taken historical data and estimated rate of salary increment using growth rate calculation formula.



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Significant Judgments in Determining Control – IFRS 12.7

As part of the restructuring under Council of Ministers Regulation No. 500/2022, the Ethiopian Sugar Industry Group (the "Group") was established as a holding entity, and 13 branches formerly under the Ethiopian Sugar Corporation were reorganized.

During this process, five branch factories were legally transformed into separate share companies, while the remaining factories and projects continue to operate as branches of the Group.

In determining whether these newly established share companies meet the criteria for control under IFRS 10, the group applied the definition of control, which includes the following three elements:

1. Power over the investee;
2. Exposure, or rights, to variable returns from involvement with the investee; and
3. The ability to use power to affect the amount of returns.

Based on this assessment, the Company concluded that it has control over the following entities:

Name of Entity	Basis of Control
Fincha Sugar Factory S.C.	100% ownership and full appointment rights
Wonji Shoa Sugar Factory S.C.	100% ownership and full appointment rights
Metehara Sugar Factory S.C.	100% ownership and full appointment rights
Kessem Sugar Factory S.C.	100% ownership and full appointment rights
Tana Beles Sugar Factory S.C.	100% ownership and full appointment rights

The Company holds 100% of the voting rights in each of the above subsidiaries and has the ability to govern their financial and operating policies. Accordingly, these entities are classified as **subsidiaries** under IFRS and are accounted for at **cost** in these separate financial statements, in accordance with IAS 27.

No significant judgment was required for the branches, as they are legally and operationally part of the Group and do not constitute separate legal entities.



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4 Revenue

The following are analysis of the Group's' revenue for the year

	2023	2022
	ETB	ETB
Sales of Imported Sugar	1,350,095,147	2,146,644,203
Sales of Locally Produced White Sugar	5,208,704,970	6,003,316,193
Sales of Ethanol	312,068,588	383,496,135
Sales of Molasses	484,894,077	231,651,909
Sales of Beef cattle	23,307,519	96,023
Sales of Fruit	41,667,885	39,289,174
	<u>7,420,738,187</u>	<u>8,804,493,636</u>

4.1 Source of Revenue

The Group earns revenue mainly from sales of locally produced and imported sugar. A part of income/proceed from sales of locally produced sugar is deposited to Sugar Industry development fund (SIDF) account maintained at National bank of Ethiopia, which is established by Sugar Industry development fund proclamation 415/2004 and the management of the fund is mandated to the group's board of directors.

The Group also earns revenue from sales of ethanol, molasses and fruits.

4.2 Significant payment terms

The Group conducts sales under both advance payment and credit arrangements.

For sales settled in cash, customers are required to make payment in full before the goods are delivered. In the case of credit sales, goods are delivered upon issuance of a sales invoice and delivery confirmation. The Group offers credit terms with a payment period of 15 days from the date of delivery.

4.3 Information about major customers

The group enters in to contract with customer such as Ethiopian trading corporation and unions in different regional states to sale sugar and other by products such as Ethanol and molasses. It also sales its products to industrial customers such as beverage companies both on cash and credit basis.

4.4 Sole Producer and Distributer (Monopoly) right.

The sugar industry in Ethiopia is operated only by government under a monopoly through Ethiopian Sugar Industry Group.

4.5. Contribution to SIDF

The Sugar Industry Development fund is established by Proclamation NO. 415/2004. Financial sources of the fund is sale proceeds of sugar in the domestic market by the Group in excess of ETB 4,400 (Four Thousand Four Hundred) per quintal weighting 100kgs. The Group is exempted from being subject to payment of Income Tax on the sum of money that is transferred to the Fund. The Fund shall be administered by the Ministry in conformity with a directive given by the Government. Transfer of sale proceed to the fund shall be recorded as an expense and refund of the amount back to the Group for project works shall be recognized directly in equity. Any Proceeds of sale that is attributed to the fund yet not transferred should be reported as payable to SIDF.



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5 Other income

	2023	2022
	ETB	ETB
Other income	277,736,108	69,500,718
Grant income	3,217,168	3,876,438
	<u>280,953,276</u>	<u>73,377,156</u>

5.1 The Group's other income includes income from sales of scrap material, disposal of asset, and others.

6 Cost of Goods Sold

A sugarcane plant is to be divided into two parts i.e. stubbles of previous crop (Ratoons) and the standing crop which is grown on this root which is then harvested for further processing. Hence, Cane Roots (Ratoons) is a bearer biological asset that is used in the production or supply of agricultural produce (Standing crops); and is expected to bear canes for more than one period. Standing crops shall be classified as biological assets under IAS 41 and shall be measured at fair value less costs to sell.

The fair value of standing cane at each reporting date is determined by estimating the growth of the cane, the yield and expected selling prices less estimated costs to harvest and transport. Changes in fair value are included in the statement of profit and loss.

Once matured or harvested, the cane is transferred to inventory at fair value less cost to sell. Actual Costs of cane represents direct materials, direct labour, and applied overhead incurred between the previous harvest and the current harvest for the production of agricultural produce. Gain/loss is determined as the difference between fair value and accumulated costs. If fair value exceeds accumulated costs, Gains on Valuation of Biological Assets arises. On the other hand, loss occurs if accumulated costs exceed fair value.

Costs of direct materials, direct labour, and applied overhead incurred between the previous harvest and the current harvest for the production of agricultural produce is charged to statement of profit and loss.

6.1 Cost of goods sold in detail

	2023	2022
	ETB	ETB
Current production costs		
Cost of cane at fair value	2,171,736,215	2,068,390,810
Cost of cane - from outgrowers	110,125,418	221,787,802
Factory processing cost	2,340,991,637	2,061,647,041
Total production cost	4,622,853,270	4,351,825,653
Imported sugar	-	1,780,249,968
Total production and import	4,622,853,270	6,132,075,621
Ethanol production cost	93,593,835	132,228,122
Purchase of cattles	21,043,923	-
Fruit plantation cost	72,412,934	41,766,266
Decrease (Increase) in stock of finished products	(75,031,101)	381,684,912
Cost of Goods sold	<u>4,734,872,861</u>	<u>6,687,754,920</u>



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7 General, Admin and selling expense

	2023	2022
	ETB	ETB
Salary, Wages and Benefits	917,484,268	1,100,172,755
Current Service Cost	8,449,860	6,691,313
Annual leave expense	158,467,053	14,066,208
Fuel and lubricant - expense	60,914,084	42,651,221
Write off - Deferred Expenditure	-	227,135
Compensation expense	11,832,570	97,071,175
Insurance expense	61,709,558	58,568,790
Bank charge	3,531,360	3,223,583
Repair and maintenance	87,155,546	54,891,865
Rent expense	18,738,691	32,462,092
Transportation expense	207,935,093	112,905,356
Audit and board Fee	2,831,768	6,860,117
Office supplies	43,942,498	26,062,706
Depreciation expense	324,603,971	323,493,729
Amortization expense	129,765	132,310
Excise tax expense	107,951,739	49,632,647
Penalty and interest	387,397	30,811,647
Other Expense	137,996,704	163,543,503
Non Refundable tax expense	50,976,254	17,216,265
Loss on damage of PPE	10,350,253	-
Land Tax	8,428,506	-
Utility expense	826,896	826,898
Miscellaneous	5,098,290	2,630,985
Loss of investment	-	1,996,000
Legal fees	44,320,307	16,770,580
	<u>2,274,062,433</u>	<u>2,162,908,880</u>

Administrative expense includes current service cost which represents the increase in the present value of a defined benefit obligation resulting from employee service in the current period is included in employee benefits expense. The current service cost is dependent on the age, service and salary of individual members. The expected service cost would be higher for older members who are closer to retirement compared to younger members as their benefits would come into payment sooner. Therefore, as long as the age, service and salary profile of the membership remains stable so will the service cost (as a percentage of salary) on the same set of assumptions.

8 Foreign currency exchange loss

This represents a foreign exchange loss incurred on a long-term loan facility denominated in United States Dollars (USD), which was secured to finance the construction of multiple development projects. The total foreign exchange loss is allocated to the respective projects on a pro-rata basis, using each project's outstanding Construction-in-Progress (CIP) balance as the allocation base, reflecting their relative utilization of the loan funds.

In addition, a foreign exchange loss was recognized from the retranslation of retention payables denominated in foreign currency at the closing exchange rate.

The foreign exchange loss presented in the profit or loss statement includes amounts that were not allocated to individual projects. These primarily relate to general or unallocated portions of the loss that lack a direct link to specific Construction-in-Progress (CIP) balances, or to projects that have been completed and capitalized, where such costs can no longer be charged to CIP.



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9 Finance cost/income

	2023	2022
	ETB	ETB
Interest expense - Long term loan	5,187,682,183	5,741,577,872
Interest on employee termination benefit obligation	5,776,220	6,032,462
Interest on deferred settlement	35,450,227	220,431,180
	<u>5,228,908,630</u>	<u>5,968,041,514</u>

- 9.1 **Interest expense - Long term loan:** The Group has secured a long-term loan facility from Commercial Bank of Ethiopia and foreign banks to finance the construction of the new sugar development project. The loan bears interest at an annual rate of 9.5% and 3 % respectively .

Although the loan was obtained to fund the construction of the several sugar development projects , the borrowing is recorded in the books of the Group, as the Group is the primary obligor under the loan agreement. Accordingly, the full loan balance is recognized in the Group's financial statements. In line with a government decision, the loan due to commercial bank of Ethiopia was cancelled and transferred to LAMC and the Ministry of Finance (MoF).

Also the interest expense presented in the profit or loss statement includes amounts that were not allocated to individual projects. These primarily relate to general or unallocated portions of the loss that lack a direct link to specific Construction-in-Progress (CIP) balances, or to projects that have been completed and capitalized, where such costs can no longer be charged to CIP.

Interest on employee termination benefit obligation: This represents the unwinding of the discount on the present value of post-employment and termination benefit obligations, in accordance with IAS 19 Employee Benefits. The liability increases over time as the payment date approaches, and the corresponding interest cost is recognized in profit or loss

Interest on deferred settlement: This relates to the unwinding of the discount on deferred payment arrangements for the import of goods (specifically, sugar), which are settled over a 12-month period. Although the supplier arrangement does not explicitly state an interest component, the deferred settlement effectively contains a financing element. In line with IFRS 9 Financial Instruments, the liability was initially recognized at its present value using the Group's incremental borrowing rate of 11.5%, and the resulting interest expense reflects the unwinding of this discount over the deferral period

10 TAXATION

(a) **Income tax expense**

Current income tax relating to items recognized directly in equity if any is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

	2023	2022
	ETB	ETB
Current taxation based on the taxable profit for the year at 30%	70,919,778	-
Add: Deferred tax charge		
Less: Deferred tax credit	377,304,973	394,981,260
Current year profit tax expense	<u>448,224,751</u>	<u>394,981,260</u>



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10 TAXATION - continued

(b) Tax expense computation

	2023	2022
	ETB	ETB
Net profit/ Loss before taxation	(9,125,613,489)	(21,683,367,153)
Non Deductible expense	14,415,796	5,702,624
IFRS Adjustment		
Imported sugar	(94,539,865)	(158,588,180)
Direct cost	(348,157,014)	(914,609,000)
FV-Growing Cane and Fruit	(84,234,900)	337,618,562
Current Service Cost	8,449,860	6,600,072
Salary, Wages and Benefits(A)	(27,821,500)	(148,822,309)
Annual leave expense	156,435,446	17,092,887
Provision for bad debt expense	(154,927,158)	(43,479,345)
Provision for stock obsolescence	(4,488,670)	(563,304)
Provision for legal claim	496,926,198	(190,745,655)
Amortization expense	(195,917,933)	(253,478,503)
Repair and maintenance(B)	3,174,663	12,678,179
Depreciation	(4,126,850,113)	(253,311,962)
Contribution to SIDF	(1,705,944,545)	(2,789,101,364)
Insurance expense©	25,502,245	-
Foreign currency exchange loss	419,904,816	7,019,585,423
Fuel and lubricant - expense(D)	(145,793)	5,528,428
Other income	(11,746,144)	(1,029,106)
Other Expense	19,347,363	12,346,480
Interest expense	(2,572,045,103)	2,724,647,780
Interest on deferred settlement	35,450,227	220,431,180
Interest on employee termination benefit obligation	5,776,220	6,127,252
Compensation expense	11,832,570	97,071,175
Decrease (Increase) in stock of finished products	(159,392,333)	183,255,560
Ethanol production cost	(12,969,187)	(13,746,694)
Loss of fruit at fair value	92,300,084	180,340,868
Factory processing cost	(552,648)	(110,384)
Loss on Damage of PPE	10,350,253	-
Impairment expense	111,695,447	-
FV-Growing Cane and Fruit admin	280,301,928	23,595,597
Foreign exchange loss	9,461,309	24,624,432
Taxable profit	(16,924,021,969)	(15,573,706,462)
Income tax at 30%	-	-



Some of the IFRS adjustments including severance payment liabilities, PPE addition differences, and other related items were charged to salary and wages, repairs and maintenance, and insurance expense, respectively. Since these items represent IFRS transition adjustments rather than operational expenses, they should be added back for tax purposes. The details are outlined below:

- A **Salary and Wages – Severance Pay Adjustment:** Severance payments for terminated employees were initially recorded under salary and wages, but have now been reversed since the related liability had already been provided for under IFRS. Therefore, this amount must be added back for tax.
- B **Repairs & Maintenance – IFRS-related PPE addition differences** were recorded under repairs and maintenance. These are measurement adjustments, not actual repairs, and must be added back for tax purposes.
- C **Insurance Expense – Elimination of Old Prepaid Insurance:** The write-off of long-outstanding prepaid insurance was expensed due to IFRS transition. As this does not represent a current-year insurance cost, it should be added back for tax.
- D **Fuel and lubricant expense -** represents the adjustment made to align the year-end physical inventory of fuel and lubricants with the ledger balance. The variance between the physical count and the recorded balance was charged to fuel and lubricant expense.

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11 Deferred tax

Deferred taxation is estimated on all temporary differences under the liability method using the tax rate of 30%.

11.1. Deferred tax liability/PPE

The depreciation rate used for tax purpose and the rate used for IFRS purpose are different which gives rise to deferred tax asset.

	2023 ETB	2022 ETB
Property, Plant and Equipment and bearer plant	(5,491,692,131)	(5,178,668,469)
Employee benefit obligation	15,024,946	6,643,951
Stock Obsolescence and Bad Debt Expense	258,237,610	287,554,319
Deferred expenditure	45,618,200	100,219,564
Provision for litigation claim	13,008,952	1,753,184
	<u>(5,159,802,423)</u>	<u>(4,782,497,450)</u>

11.1.1 Change in depreciation method for tax purpose in 2017

The new income tax proclamation No.979/ 2017 has been issued on 2017 and become effective for the period ended June 30, 2017. The new proclamation revokes the pooling system and permits entities to separately calculate depreciation on each individual asset by applying the rate specified under regulation No. 410/2017 article 39 using either declining balance method or straight line methods. Accordingly, management has opted to use straight line method to determine depreciation for depreciable asset or business intangibles which are acquired on or after July 1, 2017.

	2023 ETB	2022 ETB
Tax base of the asset at June 30,	14,912,204,307.94	17,091,020,297.56
Book value of the asset at June 30,	33,217,844,743.57	34,353,248,527.16
Temporary deference	<u>(18,305,640,435.63)</u>	<u>(17,262,228,229.60)</u>
Deferred tax asset /liability on temporary differences at	<u>(5,491,692,130.69)</u>	<u>(5,178,668,468.88)</u>

11.2 Deferred tax asset

11.2.1 employee benefit obligation

Deferred tax asset arises on the temporary difference between carrying amount of termination benefit obligation and its tax base. Under Ethiopian tax law, severance payment is deductible when the employee actually terminates and when the obligation is settled in cash where as IFRS requires recognition of termination benefit obligation as the employee becomes entitled for the benefit for the service he/she rendered during the period regardless of payment. This gives rise to deductible temporary difference between tax base (nil in this case) and carrying amount of employee benefit obligation at the reporting date.

	2023 ETB	2022 ETB
Tax base of the asset at June 30,	-	-
Book value of the asset at June 30,	(50,083,152.58)	(22,146,502.30)
Temporary difference	<u>50,083,152.58</u>	<u>22,146,502.30</u>
Deferred tax asset on temporary differences at 30%	<u>15,024,945.77</u>	<u>6,643,950.69</u>



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11.2.2 Stock Obsolescence and Bad Debt Expense

The company recognizes allowance for doubtful expense in the period in which the provision is made whereas the local tax law requires such expenses to be recognized only when the company goes through the court case and customer default is actually decided by the court. Hence, deferred tax asset has been recognized on the timing difference arising from recognition of allowance for doubtful account. The temporary difference is eliminated up on acceptance of the default by tax office.

The company also recognizes stock provision expense in the period in which the provision is made whereas the local tax law requires such expenses to be recognized only when the item is written off and approved by tax official representatives as a result deductible temporary difference arises. The temporary difference is eliminated up on acceptance of the provision by tax office as the company has a practice of inviting the tax official when the item is disposed or written off.

	2023 ETB	2022 ETB
Tax base of the asset at June 30,	-	-
Book value of the asset at June 30,	(860,792,033.15)	(958,514,398.20)
Temporary difference	<u>860,792,033.15</u>	<u>958,514,398.20</u>
Deferred tax asset on temporary differences at 30%	<u>258,237,609.95</u>	<u>287,554,319.46</u>

11.2.3 Deferred expenditure

Under local GAAP, the company capitalized the preoperational expenditure incurred in relation establishment of the factory and depreciated this on straight line basis over ten years as per the tax Law. As such, this cost does not qualify for recognition as an asset under IFRS, thus the book value as at 1st July 2016 has been derecognized against Head office account.

	2023 ETB	2022 ETB
Tax base of the asset at June 30,	152,060,666.08	334,065,213.95
Book value of the asset at June 30,	-	-
Temporary difference	<u>152,060,666.08</u>	<u>334,065,213.95</u>
Deferred tax asset on temporary differences at 30%	<u>45,618,199.82</u>	<u>100,219,564.19</u>

11.2.4 Deferred tax asset - provision for litigation claim

The company recognized provision for legal claim as at 30 June 2018 arising from legal litigation whereas the local tax law requires such expenses to be recognized when the court decision is made, this results in recognition of deferred tax asset.

	2023 ETB	2022 ETB
Tax base of the asset at June 30,	-	-
Book value of the asset at June 30,	(43,363,172.77)	(5,843,948.02)
Temporary difference	<u>43,363,172.77</u>	<u>5,843,948.02</u>
Deferred tax asset on temporary differences at 30%	<u>13,008,951.83</u>	<u>1,753,184.41</u>



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13 Property, plant and equipment

	Land development	Building	Civil & infrastructure	Factory plant & machinery	Field equipment	Agricultural tools & implements	Motor vehicle	Office equipment & furniture	Fixed asset in lease	Construction in progress	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Cost:											
AS AT 30 June 2021	4,033,909,971	7,234,290,409	8,539,936,166	23,611,506,021	1,197,164,111	3,183,112,666	1,176,409,315	267,256,108	100,801,536	98,641,375,271	155,279,115,207
Additions	22,013,171	22,013,171	-	3,201,431	33,013,178	5,022,331	2,011,790	1,650,258	-	(15,628,713,791)	2,121,981,901
Disposals	-	-	-	(15,016,419,119)	-	-	-	-	(668,736)	-	(15,016,419,119)
AS AT 30 June 2022	4,055,923,142	7,256,303,580	8,539,936,166	20,565,219,632	1,230,177,289	3,188,134,997	1,178,421,105	268,906,366	100,132,800	85,002,661,480	153,453,553,271
Accumulated depreciation:											
AS AT 30 June 2021	4,033,909,971	1,985,865,842	1,985,865,842	2,233,495,114	679,115,558	1,273,449,607	796,029,236	151,275,248	-	-	9,999,879,207
Deposits	69,943,171	41,249,926	712,699,206	69,179,668	118,241,129	217,647,141	97,833,921	22,897,311	-	-	2,337,981,952
AS AT 30 June 2022	4,103,853,142	2,027,115,768	2,698,565,052	2,302,674,782	787,418,417	1,491,096,748	873,863,157	174,172,559	-	-	12,337,861,159
Change for the year	66,943,171	41,249,926	712,699,206	69,179,668	108,293,128	217,647,141	97,833,921	22,897,311	-	-	2,337,981,952
AS AT 30 June 2023	4,170,796,313	2,068,365,494	3,411,264,258	2,371,854,450	895,711,615	1,708,743,889	971,707,078	197,070,870	-	-	14,675,843,111
Accumulated impairment:											
AS AT 30 June 2021	-	-	-	-	-	276,414,291	63,529,248	21,735,248	15,285,417	-	3,775,775,572
Deposits	-	-	-	-	-	-	-	-	-	-	-
AS AT 30 June 2022	-	-	-	-	-	276,414,291	63,529,248	21,735,248	15,285,417	-	3,775,775,572
Change for the year	-	-	-	-	-	-	-	-	-	-	-
AS AT 30 June 2023	-	-	-	-	-	276,414,291	63,529,248	21,735,248	15,285,417	-	3,775,775,572
AS AT 30 June 2021	4,033,909,971	7,234,290,409	8,539,936,166	23,611,506,021	1,197,164,111	3,183,112,666	1,176,409,315	267,256,108	100,801,536	98,641,375,271	155,279,115,207
AS AT 30 June 2022	4,055,923,142	7,256,303,580	8,539,936,166	20,565,219,632	1,230,177,289	3,188,134,997	1,178,421,105	268,906,366	100,132,800	85,002,661,480	153,453,553,271
AS AT 30 June 2023	4,170,796,313	7,278,618,710	8,539,936,166	20,565,219,632	1,230,177,289	3,188,134,997	1,178,421,105	268,906,366	100,132,800	85,002,661,480	153,453,553,271



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12 Property, plant and equipment - Continued

12a Construction in progress

Construction in progress (CIP) represents capital expenditures incurred on the land development, housing development, road construction, and factory plant & machinery that have not yet been capitalized as of the reporting date.

12b Asset Damaged due to military conflict in Oromia region

During the reporting period, a military conflict occurred between the Federal Democratic Republic of Ethiopia (FDRE) Government and local armed groups operating in the Oromia region. As a result, **two of the Group's factories located in Oromia — Arjo Sugar Factory and Fincha Sugar Factory —** experienced significant disruptions and security-related incidents.

At **Arjo Sugar Factory**, following a detailed assessment by management, it was determined that the factory incurred asset losses amounting to approximately ETB 10.4 million. The losses were primarily due to acts of vandalism by rebel forces and affected various categories of property, including machinery, field equipment, motor vehicles, and office equipment. The amount disclosed herein represents the carrying amount of the damaged assets as of the date of derecognition and replaces the estimate previously reported under Note 29 (Events After the Reporting Period) in the prior year's financial statements.

At **Fincha Sugar Factory**, the facility experienced a temporary occupation by armed groups, which resulted in the complete damage and loss of certain field equipment and other operational assets. Consequently, the Group derecognized the affected assets from its books. The carrying amount of the disposed assets was ETB 8.3 million, comprised of an original cost of ETB 50.4 million and accumulated depreciation of ETB 42.1 million.

12c Impairment review

Management has conducted an impairment review of the Group's property, plant and equipment and construction in progress (CIP) balances as at the reporting date, in accordance with IAS 36 Impairment of Assets.

For the majority of the Group's assets, including those classified under property, plant and equipment and CIP, the net book values do not exceed their respective recoverable amounts. Management is therefore of the opinion that no impairment allowance is required for these assets as at the reporting date.

However, impairment indicators were identified for certain development projects, and the following assessments have been made

Omo 5 Sugar Development Project

The suspension of operations at this project has been considered an indicator of potential impairment. This has raised concerns regarding the recoverability of the accumulated CIP balance. However, taking into account the prevailing inflationary environment and the continued depreciation of the local currency, management believes that the recoverable amount — whether through continued development or disposal in its current state — exceeds the carrying amount. Accordingly, no impairment has been recognized.



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Tendaho Sugar Development Project

Operations at this project have been suspended due to a combination of factors, including political instability in the region, civil conflict in the northern part of the country, adverse weather conditions (El Niño), and decisions by regional authorities. As a result, major project assets have sustained significant damage, and some movable assets were transferred to other group entities.

Management has not been able to access the site to fully verify the condition of all assets, particularly those exposed to damage, theft, or misappropriation since 2018. As of **30 June 2022**, property, plant and equipment with a carrying amount of ETB 18.7 billion remain exposed to such risks. Following a partial assessment, management has recognized an impairment loss of ETB 4.02 billion. No additional impairment has been recognized at this time, given the impact of inflation and exchange rate fluctuations on estimated recoverable values.

Welkait Sugar Development Project

The project is located in an area affected by armed conflict and ongoing security concerns, which has resulted in the suspension of operations and loss of access to the site. Some of the movable assets have reportedly been appropriated by armed groups. In light of the inability to assess the current condition of these assets, management has ceased depreciation and recognized an impairment loss equivalent to their book value of ETB 111.7 million. Management intends to reassess the assets and recover any losses once access is restored and the security situation improves.

Omo 1 Sugar Development Project

Similar to Omo 5, the suspension of this project triggered an impairment review. Although the current status of the project raises doubts over the recoverability of the CIP balance, management's assessment—factoring in inflation and rising exchange rates—indicates that the carrying amount remains recoverable, either through resumption of the project or sale in its current condition. Accordingly, no impairment has been recognized.



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13 Right use of asset - Land and building

13.1 Right use of asset Land - Leasehold

	Land lease ETB	Total
Cost:		
AS AT 30 June 2021	6,390,499	6,390,499
Additions/transfer	-	-
Disposals	-	-
AS AT 30 June 2022	6,390,499	6,390,499
Additions/transfer	-	-
Disposals	-	-
AS AT 30 June 2023	6,390,499	6,390,499
Accumulated depreciation		
AS AT 30 June 2021	639,050	639,050
Charge for the year	127,810	127,810
Disposals	-	-
AS AT 30 June 2022	766,860	766,860
Charge for the year	127,810	127,810
Disposals	-	-
AS AT 30 June 2023	894,670	894,670
Book Value		
AS AT 30 June 2022	5,623,639	5,623,639
AS AT 30 June 2023	5,495,829	5,495,829

The group also secured a land lease from the Addis Ababa City Administration for a total area of 4,419 square meters. This lease was intended for the construction of the its headquarters. However, the lease was subsequently cancelled by the City Administration, and the land was reclaimed. The advance payment made in relation to this lease was initially recorded as a prepayment.

In 2018, the group successfully re-secured the land and entered into a new lease agreement with the Addis Ababa City Administration. The construction of the headquarters has now commenced as per the new lease terms.



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13.2 Right use of asset - Free hold

	Right use of asset	Total
Cost:		
AS AT 30 June 2021	358,496,066	358,496,066
Additions/transfer		
Disposals		
AS AT 30 June 2022	358,496,066	358,496,066
Additions/transfer		
Disposals		
AS AT 30 June 2023	358,496,066	358,496,066

The land is transferred to the group under right of use asset arrangement with Federal and regional government in accordance with Rural land administration and use proclamation number 456/2005 , free of charge for indefinite period, before and after the Land Lease proclamation comes to effect. There are different improvements on the land holdings of the group at different sites. The Land use right is valued by external valuation expert considering the lease price for similar location. As the lease period is for indefinite , right use of asset land is not depreciated.



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14 Biological Asset

14.1 Cane/Fruit Roots

The cane/fruit roots are bearer plants and are therefore presented as non-current assets.

The carrying value of cane/fruit roots comprises:

	Cane	Fruit	Total
Cost:			
Cane			
Carrying value at 7 July 2021	<u>1,512,162,556</u>	<u>26,537,910</u>	<u>1,538,700,465</u>
Expansion of area under cane	114,259,720	6,924,475	121,184,195
Fallow during the year	(330,090,233)	-	(330,090,233)
Carrying value at 7 July 2022	<u>1,296,332,042</u>	<u>33,462,385</u>	<u>1,329,794,427</u>
Expansion of area under cane	304,785,624	2,870,360	307,655,984
Fallow during the year	(265,420,410)	-	(265,420,410)
Carrying value at 7 July 2023	<u>1,335,697,257</u>	<u>36,332,745</u>	<u>1,372,030,001</u>
Accumulate Depreciation:			
Carrying value at 7 July 2021	<u>802,967,152</u>	<u>3,397,908</u>	<u>806,365,059</u>
Additional charge for the period cane	220,510,494	829,146	221,339,640
Fallow during the year	(330,090,233)	-	(330,090,233)
Carrying value at 7 July 2022	<u>693,387,413</u>	<u>4,227,054</u>	<u>697,614,467</u>
Additional charge for the period cane	196,980,961	961,183	197,942,144
Fallow during the year	(265,420,410)	-	(265,420,410)
Carrying value at 7 July 2023	<u>624,947,964</u>	<u>5,188,237</u>	<u>630,136,201</u>
Immature bearer plant:			
Carrying value at 7 July 2021	<u>110,182,617</u>	<u>8,586,715</u>	<u>118,769,333</u>
Transfer to mature cane	(120,215,569)	(9,128,853)	(129,344,422)
Expansion of area under cane	103,744,266	2,124,240	105,868,507
Carrying value at 7 July 2022	<u>93,711,315</u>	<u>1,582,103</u>	<u>95,293,417</u>
Transfer to mature cane	(219,697,806)	(1,870,855)	(221,568,661)
Expansion of area under cane	296,727,242	12,027,886	308,755,128
Carrying value at 7 July 2023	<u>170,740,751</u>	<u>11,739,133</u>	<u>182,479,884</u>
Net Carrying Value of Cane roots 2022	<u>696,655,944</u>	<u>30,817,433</u>	<u>727,473,378</u>
Net Carrying Value of Cane roots 2023	<u>881,490,043</u>	<u>42,883,641</u>	<u>924,373,684</u>



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14.2 Growing Cane

The carrying value of cane roots comprises:

Cane	Cane	Fruit	Total
	ETB	ETB	ETB
Carrying value at 7 July 2021	5,172,437,920	30,704,154	5,203,142,074
Cost of harvested cane	2,158,839,343	12,883,154	2,171,722,497
FV at point of harvest	(2,043,300,441)	(63,585,041)	(2,106,885,482)
FV gain (loss) transfer to cost of sales	(115,538,902)	50,701,887	(64,837,015)
Change on cost of standing cane	186,614,202	-	186,614,202
Change in fair value of standing cane	(276,503,676)	14,853,927	(261,649,750)
Loss of cane at fair value	(158,522,093)	-	(158,522,093)
FV gain (loss) on standing cane	(317,721,531)	17,348,005	(300,373,525)
Carrying value at 7 July 2022	4,882,808,498	48,052,159	4,930,860,657
Cost of harvested cane	2,238,205,434	12,469,873	2,250,675,307
FV at point of harvest	(1,952,304,321)	(83,959,384)	(2,036,263,705)
FV gain (loss) transfer to cost of sales	(285,901,113)	71,489,511	(214,411,602)
Change on cost of standing cane	771,824,641	3,340,697	775,165,338
Change in fair value of standing cane	566,877,337	47,525,009	614,402,346
Loss of cane at fair value	(80,753,634)	(11,546,450)	(92,300,084)
FV gain (loss) on standing cane	(151,047,889)	61,249,947	(89,797,942)
Carrying value at 7 July 2023	5,505,492,735	112,642,803	5,618,135,537

Growing cane/fruits is classified as standing crop until it is ready for harvest.

The fair value measurement of growing cane has been categorized as a Level 3 Fair Value as it is determined using unobservable inputs to the valuation methodology, and is based on the best information available at reporting date. The value of standing sugar cane is based on the current estimated cane price for the following season and sucrose content less the estimated costs of harvesting and transport. Significant judgement is required in estimating the expected cane yield, the maturity of the cane, the estimated sucrose content and the forecast sucrose price for the various operating locations and is considered subjective since it is based on management and the directors' experience and expectations and relevant current external factors.



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15 Cash and cash equivalents

	2023	2022
	ETB	ETB
Cash at bank	1,592,921,825	3,955,177,901
Cash on hand	2,769,534	1,697,510
Cash and cash equivalents	1,595,691,359	3,956,875,411

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

16 Financial assets : Trade and other receivable

	2023	2022
	ETB	ETB
Trade receivables (16.1)	257,825,449	1,051,000,466
Sundry debtors(16.2)	601,990,790	630,566,282
Staff receivable(16.2)	135,993,025	138,644,457
	995,809,264	1,820,211,205
Allowance for doubtful accounts - Trade and other receivable	(307,550,029)	(328,762,452)
Total financial assets	688,259,235	1,491,448,753
Total current	688,259,235	1,491,448,753
Total non-current	-	-

16.1 Trade receivables

Since all sales of white sugar to customer is made by head office , trade receivable are mainly maintained in the account of head office.

16.1a Comprises of amounts due from major customer such as Ethiopian trading corporation for sales of sugars and other by-products on account. Recognition of trade receivable coincides with the recognition of the corresponding sales amount. The sale of sugar including order receiving, invoice issuance as well as cash collection is maintained, followed up and controlled at head office.

16.1b Allowance for credit losses

The group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for trade receivable arising from Credit sales as these items do not have a significant financing component. In measuring the expected credit losses, the receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

The average credit period for collection of trade receivable is 15 Days. No interest is charged on trade receivables. For receivable as than trade such as such as staff debtors , the group has recognized an allowance for doubtful debts through individually assessing all outstanding receivables. Trade receivables disclosed below include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Corporation has recognized an allowance for doubtful debts. It represents only of trade debtors arising from sales of sugar on credit.



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16.2 Sundry debtors represent amounts receivable by the Group that do not fall under trade receivables or project-related receivables. These typically include miscellaneous recoverable amounts such as advances to service providers, claims receivable, recoverable penalties or deductions, and other non-routine receivables arising in the normal course of operations.

Staff debtors comprise receivables due from employees, including salary advances, travel advances, and other employee-related recoverables. These amounts are typically recovered through payroll deductions or settlement upon completion of assignments or employment termination.

17 Advance and prepayment

	2023	2022
	ETB	ETB
Advance payment (17.1)	13,486,801,634	13,383,049,853
Prepayments (17.1)	4,843,431	3,536,461
Outgrowers (17.2)	704,615,173	680,824,125
Allowance for doubtful accounts - Advance and Prepayment	(8,400,908,787)	(8,525,613,520)
	<u>5,795,351,451</u>	<u>5,541,796,920</u>

17.1 This represent advance payment made to the group's major suppliers and contractor for purchase of capital good items and services such as construction to be delivered in the future. It is released to Construction in progress (CIP) on a proportionate basis at a 30% of the work executed to date when the billing is issued. Certain advance and prepayments were found to be impaired and an impairment losses have been recorded accordingly within other expenses. The impaired balances are advance payments mostly made to suppliers and service providers including professional consultancies in the business-to-business market that are experiencing operational difficulties and failed to deliver the promised goods and services within the agreed period of time.

17.2 Wonji/Shoa and Kessesem Sugar Factories, a subsidiaries of the Group, sources sugarcane from outgrowers through farmers' associations in addition to its in-house production. Farming costs incurred up to the weighbridge are initially financed by the group and subsequently reimbursed through deductions from the purchase price of cane delivered. These advances are recognized as receivables until settlement.

The subsidiaries also provides outgrowers with:

Subsistence advances: Fixed cash advances granted to meet farmers' subsistence needs prior to the first harvest. These are recorded as receivables and recovered in equal instalments over five harvest rounds through deductions from cane payments.

Housing support: At the request of farmers, the subsidiary may construct residential houses for outgrowers. The related construction costs are recognized as receivables and recovered in the same manner as subsistence advances.

Accordingly, amounts due from outgrowers are presented as receivables in the consolidated financial statements, with recovery linked to future cane deliveries and settlement mechanisms agreed with farmers' associations.

18 Tax receivable

	2023	2022
	ETB	ETB
VAT receivable	4,656,442,196	4,579,011,106
WHT receivable	484,906,755	508,651,020
Income tax receivable	61,603,833	51,597,651
Write off of income tax receivable	(50,139,363)	
Write off of - Acc. impairment income tax receivable	48,174,345	
Allowance for doubtful accounts - Tax receivable	(752,067,310)	(738,692,556)
	<u>4,448,920,456</u>	<u>4,400,567,221</u>



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19 Inventories

	2023	2022
	ETB	ETB
Protective Device & Safty Material	-	114,743
Molasses	8,705,716	-
Factory & Construction Material	395,549,208	330,403,150
Chemical, fertilizer & Agri tools	499,906,417	449,350,698
General store items	287,164,175	290,300,145
Construction materials	26,839,510	36,853,537
Fuel and lubricant	232,977,397	221,222,188
White sugar	2,008,251,142	1,929,544,767
Ethanol production	54,224,564	57,899,839
Spare parts	2,164,535,979	2,245,163,102
Irrigation materials	932,718,541	1,036,539,826
Others	75,041,288	120,646,039
Materials & supplies	76,014,828	36,088,431
	<u>6,761,928,766</u>	<u>6,754,126,464</u>
Goods In transit	916,116,524	1,023,961,685
Pro. For Stock Obsolescence	(575,464,571)	(549,589,391)
Total inventories at the lower of cost and NRV	<u>7,102,580,719</u>	<u>7,228,498,758</u>



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20 Paid up capital

As per Regulation No. 500/2022 issued by the Council of Ministers, which established the entity, ESIG was allocated an initial capital of ETB 115,050,350,967. However, the net assets transferred and recognized at their carrying amounts fall short of this capital by ETB 9,923,165,581.

Following the completion of the external audit and subsequent review, the Board of Directors of Ethiopian Investment Holdings (EIH) approved an adjustment to the paid-up capital to align it with the actual value of net assets transferred. Accordingly, the paid-up capital was revised to ETB 105,127,185,586 and the shortfall was adjusted through a reduction in the stated capital, rather than being presented as unpaid capital. Further details regarding the paid-up capital are provided under Note 1 General Information- Sub-note 1.1 Legal.

	Notes	2023	2022
Balance as at 30 June 2022		14,083,024,490	14,083,024,490
Accumulated loss(HO)	30	(110,454,881,908)	-
Transfer from Sugar industry development fund	21	19,546,786,512	-
Capital Contribution	22	995,615,462	-
Asset revaluation	24	11,355,291,030	-
SIDF Reserve	25	(14,716,106,598)	-
Transfer from Government contribution	27	101,746,519,549	-
Loan Transferred to LAMAC	27	25,403,003,833	-
Loan Transferred to MoF	33.5.1	53,774,109,932	-
Inter company Payable	33.4	1,916,814,070	-
Receivable from SIDF	23	1,477,009,215	-
Balance as at 1 July 2022		105,127,185,586	14,083,024,490
Addition capital for the period		-	-
Dividend paid for the period		-	-
Balance as at 30 June 2023		105,127,185,586	14,083,024,490

21 Sugar Industry Development Fund

The Sugar Industry Development Fund is established by Proclamation NO. 415/2004. Financial sources of the fund is sale proceeds of sugar in the domestic market by the group in the excess of ETB 4,400 per quintal weighting 100 kgs (Four Thousand Four Hundred Birr) and is expected to be further increase with the coming in to effect of a directive which is currently on a draft stage.

Transfer of sale proceed to the fund is recorded as a reserve for SIDF of each branch and subsidiary. A refund of the amount back to the group for project works is recognized directly in equity component SIDF. Hence SIDF is components of equity that represent cash transfer from the fund to the group to finance the ongoing sugar development projects. To establish the group's capital base, Sugar Industry Development fund of the former branch, accumulated till establishment date amounting ETB 19,546,786,511.63 is converted into paid up capital.

22 Capital contribution

This is regular contribution by the government to the factories and head office. The contribution is made both in cash and kind. It is treated as one of the components of equity. This balance of the former branch accumulated till establishment date amounting ETB 995,615,462 is converted into paid up capital.



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23 Receivables from SIDF

Upon the establishment of Ethiopian Sugar Industry Group (ESIG) and its subsidiaries under Regulation No. 500/2022, the former corporation transferred its net assets to ESIG effective 1 July 2022.

At the date of transfer, the actual carrying amount of the Group's net assets recognized in the books of ESIG was lower than the paid-up capital stipulated under the Regulation by ETB 11,400,174,596.

To ensure that the paid-up capital reflects the actual economic value of the net assets transferred, the Board of Directors of the Group, and subsequently the Board of EIH, passed a resolution to reduce the stipulated capital set by Regulation No. 500/2022. This reduction was made solely to align the regulation-based capital amount with the carrying amount of the net assets recognized in the financial statements.

However, instead of reducing the full amount of ETB 11,400,174,596, the Boards reduced only ETB 9,923,165,381. This has resulted in an unpaid capital balance of ETB 1,477,009,215.

24 Asset revaluation reserve

The balance is resulted from revaluation of property, plant and equipment, Bearer plant and freehold land at first time adoption of IFRS. To establish the Company's capital base, revaluation reserve of the former Ethiopian Sugar Corporation amounting ETB 11,355,291,029 is converted into paid up capital, net of the accumulated losses.

25 Reserve for SIDF

"The Sugar Industry Development fund is established by Proclamation NO. 415/2004. Financial sources of the fund is sale proceeds of sugar in the domestic market by the Factory in excess of ETB 4,400 per quintal weighting 100kgs (Four Thousand Four Hundred ETB) and is expected to be further increase with the coming in to effect of a directive which is currently on a draft stage.

Proceeds from sales that are transferred to the Sugar Industry Development Fund (SIDF) are recognized as a reduction from revenue in the period of sale. The SIDF reserve represents the cumulative amount of such proceeds transferred to the Fund.

Transfers made up to and including the year 2022 amounting ETB 14,716,106,597 have been restructured into capital contributions. Accordingly, the SIDF reserve balance as at 30 June 2023 reflects only the contributions arising from sales made in 2023.

26 Contribution for capital expenditure

Represent SIDF Contribution to head office and service fee from factories less head office operating cost. This balance of the former branch accumulated till establishment date amounting ETB 129,530,449 is converted into paid up capital.

27 Government Contribution

On the basis of quadripartite agreement between Commerical Bank of Ethiopia, the Ethiopian Sugar Industry Group, the Liability and Asset Management Corporation (LAMC) and Ministry of Finance (MOF), ESC's outstanding loan of ETB 101,746,519,549 has been transferred to LAMC, which is recognized as a government contribution.

In 2023, Additional loan of ETB 25,403,003,833 has been transfer to LAMC. This transfer was recognized as part of the capital contribution made to meet the capital requirement stipulated in the restructuring regulation.



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28 Other reserve

All other categories of equity that is not categorized under the above items are reported as part of other reserve. This includes transaction like actuarial gain or loss arising from remeasurement of employee benefit.

29 Legal Reserve

A statutory reserve to which no less than one-twentieths of the annual net profit of the Company is transferred until such fund amounts to one-fifth of the capital of the Company. This is stated at the summation of the legal reserve of each subsidiary and Group in the consolidated statement.

30 Accumulated Loss

Accumulated loss are the cumulative net loss or profit of the group that are available for reinvestment in the group's core business or to pay down its debt. The net accumulated losses of the former corporation from prior periods amounting **ETB 110,454,881,908**, were assumed and effectively absorbed within the capital structure of the newly established entity.

31 Reserve for excess of deemed cost over book value

The balance is resulted from revaluation of property, plant and equipment, Bearer plant and freehold land at first time adoption of IFRS. To establish the Company's capital base, revaluation reserve of the former branch is converted into paid up capital, net of the accumulated losses.

32 Other reserve

All other categories of equity that is not categorized under the above items are reported as part of other reserve. This includes transaction like actuarial gain or loss arising from remeasurement of employee benefit.

33 Financial liabilities at amortized cost:

	Notes	2023 ETB	2022 ETB
Trade and other payable	33.1	7,447,345,478	11,595,513,435
Retention payable	33.3	5,238,377,363	4,770,674,477
Sugar Industry Development Fund Payable	33.2	71,604,402	68,048,722
Long term loan	33.5	57,304,516,291	132,252,559,378
Payable to MOF	33.6	768,421,780	768,421,780
Total financial liabilities		70,830,265,314	149,455,217,792
Total current		13,525,749,023	17,202,658,414
Total non-current		57,304,516,291	132,252,559,378



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33.1 Trade and other payables

	2023	2022
	ETB	ETB
Trade payable	234,687,559	3,428,425,545
Sundry payable	709,017,941	531,705,514
Staff payable	24,157,460	30,210,517
Accrued Payable To AL-Habesha	117,051,256	117,051,256
HAPCO HIV Fund	3,999,735	3,999,735
Payable to METEC	25,646,553	25,646,553
Suppliers & contractors	6,332,784,974	7,458,474,316
	7,447,345,478	11,695,513,435

Trade & Other Payable

Trade payables are non-interest bearing and are normally settled on 60-day terms. Suppliers and contractors primarily arise from construction-related activities and the procurement of construction materials and equipment for ongoing capital projects. These payables do not bear interest and are not classified as trade payables, as they are associated with infrastructure and fixed asset development rather than regular operating activities. Sundry payables are those unpaid invoices that do not directly relate to the normal operations of the business, i.e. unusual transactions that do not relate to the normal course of business. The carrying values of trade and other short-term payables are considered to be a reasonable approximation of fair value.

33.2 Sugar Industry Development Fund Payable

The Sugar Industry Development fund is established by Proclamation NO. 415/2004. Financial sources of the fund is sale proceeds of sugar in the domestic market by the Factory in excess of ETB 4,400 per quintal weighting 100kgs (Four Thousand Four Hundred ETB). Hence, the SIDF payable ledger in the operating account represents the income from sale of sugar yet not transferred to SIDF fund in the NBE account.

33.3 Retention Payable

Retention payable primarily represents amounts withheld from foreign contractors in relation to the construction of a factory and installation of a drip irrigation system. The construction activity of some of the ongoing projects has since been discontinued due to security tensions and other reason in the area. The outstanding balance, which is denominated in foreign currency, is revalued at the reporting date using the applicable spot exchange rate.

33.4 Inter Branch payable

The balances represent transactions between different branches and subsidiaries within the Group. These transactions mainly relate to the sale of sugar, as well as the transfer of cash, inventories, and property, plant, and equipment (PPE).

Unreconciled intercompany balances between the Group and its five subsidiaries amounting ETB 1,916,814,070 have been reclassified and transferred to paid-up capital formation during the reporting period.



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33.5 Long term loans

This represents the loans obtained from local and international banks. While the welkayit, kuraz and kesem factory project are financed by the loan obtained from China development bank and ICBC, other projects such as Beles 1, Kuraz 1, Arjo and Kessem are financed by loan obtained from Commercial bank of Ethiopia. Majority of the loans are directly secured by the Group and hence are maintained in the accounts of head office.

	2023	2022
	ETB	ETB
Balance at 30 June	132,252,559,378	214,404,355,263
Add: Disbursement	5,356,764,252	9,021,034,732
Interest	7,257,794,644	5,878,559,877
Forex loss	2,852,638,373	14,673,749,113
Less: Settlement	(2,690,211,332)	(6,378,060,102)
Loan Principal Transfer to LAMC	(25,403,003,833)	(101,746,519,546)
Loan Principal and interest Transfer to MOF	(53,774,109,932)	(3,600,559,957)
Reversal of interest accrued on cancelled loan - 2023	(5,063,101,196)	-
Reversal of interest accrued on cancelled loan - Prior periods	(3,484,814,064)	-
Reclassification to current maturity	(6,477,880,862)	-
Balance at 30 June	50,826,635,429	132,252,559,378

The Group finances its projects through loans obtained from different finance provider/ Financier such as local and foreign banks. A loan agreement is entered in to with these financiers at a given lump sum limit to be disbursed to each project at different times based on the utilization request to pay for the works completed and for advance payment to contractors. The loan from foreign banks are denominated in foreign currency and bears an interest which is clearly specified in the agreement. It is recognized up on disbursement from the bank at the fair value of the consideration received translated in to ETB at the exchange rate ruling at date on which the loan is disbursed. The loan is repayable in semi-annual instalment commencing at the end of from 5 up to 15 years of grace period.

The borrowing are payable as follows:

	At '2023	At '2022
not later than one year	6,477,880,862	-
later than one year and not later than five years	50,826,635,429	132,252,559,378
later than five years	-	-
	57,304,516,291	132,252,559,378

33.5.1 Cancellation and transfer of loan: The loan previously due to the Export-Import (Exim) Bank and Commercial Bank of Ethiopia amounting ETB 53,774,109,932 (3,600,559,957 in 2022) and 25,403,003,833 (101,746,519,546 in 2022) was assumed by the Ministry of Finance, and LAMC respectively. This transfer was recognized as part of the capital contribution made to meet the capital requirement stipulated in the restructuring regulation. (See Note 20. above.)

33.5.2 During the 2022 fiscal year, the factory obtained an interest-free loan of ETB 129,501,708 from the Ministry of Finance, repayable in 11 semi-annual instalments commencing in July 2022 and maturing in July 2027. The loan was discounted at the market interest rate of 11.5% (the minimum borrowing rate), resulting in the recognition of a government grant amounting to ETB 35,630,755. This grant is recognized as deferred income and is amortized on a systematic basis over the loan period, with the amortized portion transferred to profit or loss.

33.6 Payable to Ministry of Finance: This balance represents cash received from the Ministry of Finance to finance the margin requirements for the opening of Letters of Credit (LCs) related to the importation of sugar. The arrangement is intended to help stabilize domestic market fluctuations in sugar supply and pricing.

The amount is expected to be settled at face value and do not bear interest.



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34 Financial Risk Management

34.1 Introduction

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group's activities expose it to a variety of financial risks, including financial risk, credit risk, and interest rates risk. The Group'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 Group's policy is to monitor those business risks through the Group's strategic planning process.

34.1.1 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 Group.

The Chief Finance Officer (CFO) 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 Group's risk management strategy, priorities and policies as approved by the Managing Director.

34.1.2 Risk measurement and reporting systems

The Group'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 Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected regions. In addition, the Group measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

34.1.3 Risk mitigation

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

The adequacy of these mitigate 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.

As part of its risk-mitigation efforts, the Group undertook significant capital restructuring measures, including the cancellation of major local loan balances and related-party payables, as well as a substantial increase in paid-up capital. These actions collectively strengthened the Group's capital base and sharply improved its gearing ratio from 6.51x in 2022 to 0.80x in 2023. The high gearing in the prior year reflected heavy reliance on debt and elevated financial risk, whereas the 2023 outcome demonstrates reduced dependence on borrowings and a more sustainable funding structure. With gearing now below 1x, the Group has enhanced its financial resilience, reduced exposure to solvency pressures, and improved its capacity to support future operations and investment activities.



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34.2 Financial risk

Financial instruments by category

The Group's financial assets are classified into the following categories: at fair value through profit or loss (FVTPL) or amortized cost 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 Group's classification of its financial assets is summarized in the table below:

	Notes	Amortized Cost ETB	Total ETB
30 June 2022			
Cash and balances with banks	15		3,956,875,411
Investment securities			-
- At fair value through PL			-
- At amortized cost	16		-
Trade receivables	16	1,051,000,466	1,051,000,466
Inter-company receivable	16		-
Other receivables excluding prepayments	16	440,448,287	440,448,287
Total financial assets		1,491,448,753	5,448,324,164
30 June 2023			
Cash and balances with banks	15		1,595,691,359
Investment securities			-
- At fair value through PL			-
- At amortized cost	16		-
Trade receivables	16	257,825,449	257,825,449
Inter-company receivable	16		-
Other receivables excluding prepayments	16	737,983,815	737,983,815
Total financial assets		995,809,264	2,591,500,623
		Amortized Cost	Total

34.3 Credit risk

The Group 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 Group is exposed to credit risk is trade receivables.

34.3.1 Management of credit risk

The Group 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 executive management.

The table below show the maximum exposure to credit risk for the Group's financial assets. The maximum exposure is show gross before the effect of mitigation:

	Notes	30 June 2023 ETB	30 June 2022 ETB
Cash and balances with banks	15	1,595,691,359	3,956,875,411
Investment securities		-	-
- At fair value through PL		-	-
- At amortized cost	16	-	-
Trade receivables	16	257,825,449	1,051,000,466
Other receivables excluding prepayments	16	737,983,815	769,210,739



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34.3.2 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 2023 and 30 June 2022 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Group has no cash or cash equivalent that are held in foreign currency.

(b) The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location and nature of customers.

Trade and other receivables are assessed for impairment on an individual basis to determine the probability of default. Where a debtor balance has been outstanding for more than a year and there is no evidence of subsequent collection, the probability of default (PD) is considered to be 100%, and the receivable is fully provided for.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The amount that best represents the company's maximum exposure to credit risk as at 30 June is made up as follows:

	Fully performing	Impaired	Total
30 June 2022			
Trade and other receivables	1,491,448,753	-	1,491,448,753
Cash and bank balances	3,956,875,411	-	3,956,875,411
	5,448,324,164	-	5,448,324,164
30 June 2023			
Trade and other receivables	688,259,235	-	688,259,235
Cash and bank balances	1,595,691,359	-	1,595,691,359
	2,283,950,594	-	2,283,950,594

34.4 Liquidity risk

Liquidity risk is the risk that the Group cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms.

Liquidity risk management in the Group is solely determined by the Chief Finance Officer(CFO). CFO bears the overall responsibility for liquidity risk. The main objective of the Group's liquidity risk framework is to maintain sufficient liquidity in order to ensure that the Group will settle maturing obligations.

34.4.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Group evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Group devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.



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34.4.2 Maturity analysis of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	0-180 days ETB	Over 1 year ETB	Total ETB
30 June 2022			
Trade payable	11,595,513,435	-	11,595,513,435
Retention payable	-	4,770,674,477	4,770,674,477
Sugar industry development fund	-	68,048,722	68,048,722
Borrowings	-	133,020,981,158	133,020,981,158
Other liabilities	-	-	-
Inter company payable	-	-	-
Total financial liabilities	11,595,513,435	137,859,704,357	149,455,217,792
30 June 2023			
Trade payable	7,447,345,478	-	7,447,345,478
Retention payable	-	5,238,377,363	5,238,377,363
Sugar industry development fund	-	71,604,402	71,604,402
Borrowings	-	58,072,938,071	58,072,938,071
Other liabilities	-	-	-
Inter company payable	-	-	-
Total financial liabilities	7,447,345,478	63,382,919,836	70,830,265,314

34.5 Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions. The Group does not ordinarily engage in trading activities as there are no active markets in Ethiopia.



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34.5.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the Sales and Marketing department on regular basis, to identify any adverse movement in the underlying variables.

(i) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations and financial assets with floating interest rates. The Group is also exposed on fixed rate financial assets and financial liabilities.

The Group has loans and borrowings and therefore is exposed to interest rate risk as far as loans and borrowings are concerned. Loans and receivable assets are carried at cost, hence any movement in market interest rate has no effect on the value of such assets.

The table below sets out information on the exposures to fixed and variable interest instruments

30 June 2022

	Fixed	Non-interest bearing	Total
	ETB	ETB	ETB
Assets			
Cash and bank balances	-	3,956,875,411	3,956,875,411
Trade receivables	-	1,051,000,466	1,051,000,466
Inter company receivable	-	-	-
Other receivables excluding prepayments	-	440,448,287	440,448,287
Total	-	5,448,324,164	5,448,324,164
Liabilities			
Trade payables	-	11,595,513,435	11,595,513,435
Borrowings	133,020,981,158	-	133,020,981,158
Other liabilities	-	4,838,723,199	4,838,723,199
Total	133,020,981,158	16,434,236,634	149,455,217,792

30 June 2023

	Fixed	Non-interest bearing	Total
	ETB	ETB	ETB
Assets			
Cash and bank balances	-	1,595,691,359	1,595,691,359
Trade receivables	-	-	-
Inter company receivable	-	-	-
Other receivables excluding prepayments	-	257,825,449	257,825,449
Total	-	1,853,516,808	1,853,516,808
Liabilities			
Trade payables	-	11,595,513,435	11,595,513,435
Borrowings	133,020,981,158	-	133,020,981,158
Other liabilities	-	4,838,723,199	4,838,723,199
Total	133,020,981,158	16,434,236,634	149,455,217,792



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(ii) **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from loans and retention payables denominated in foreign currencies. Foreign exchange losses on head office loans are allocated to individual projects based on their Construction-in-Progress (CIP) balances, reflecting their relative utilization of the funds. Additionally, foreign currency-denominated retention payables are retranslated at the closing exchange rate, resulting in further exchange losses. While the group does not currently use hedging instruments, it continuously monitors its foreign exchange exposure at a group level.

34.6 Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong capital base to support its operations, meet regulatory requirements, and sustain future development of the business. The group manages its capital structure in a manner consistent with its financial risk profile and long-term strategic objectives.

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

The Group'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 policy holders, 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 Group'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.

34.6.1 Capital Structure - Gearing ratio

The Company's capital structure comprises paid-up capital, reserves, and accumulated results. Management monitors capital using gearing (debt-to-equity ratio) as the key indicator of financial leverage. The components of equity and liabilities used in calculating the gearing ratio are as follows:

	2023	2022
Capital	105,127,185,586	14,083,024,490
Legal reserve	-	101,746,519,549
Capital contribution	-	995,615,462
Sugar Industry Development Fund	503,159,298	19,546,786,512
Reserve for SIDF	(1,705,944,545)	(14,716,106,597)
Asset revaluation reserve	-	11,355,291,029
Head office account	(4,688,041,035)	(108,931,824,106)
Other reserve	(53,053,920)	10,695,999
Equity	<u>99,183,305,384</u>	<u>24,090,002,338</u>
Total liability	<u>79,111,800,210</u>	<u>156,722,790,506</u>
Gearing	<u>0.8x</u>	<u>6.51x</u>

As a result of the capital restructuring measures, the group's gearing ratio improved significantly from 6.51x in 2022 to 0.80x in 2023.

A gearing ratio of 6.51x indicates that in 2022 the group was highly leveraged, relying heavily on debt financing relative to equity, which exposed it to high financial risk and limited borrowing capacity.

The sharp improvement to 0.80x in 2023 reflects the substantial increase in paid-up capital and cancellation of local loan balances, which reduced the group's dependence on debt.

A ratio below 1x generally indicates a more stable and sustainable capital structure, with equity now providing stronger support for operations and future financing needs.



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34.7 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.

34.7.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group'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.
- Level 3: Inputs that are unobservable for the asset or liability. These are used when observable inputs are not available, and involve significant management judgment or estimation. Examples include valuations based on discounted cash flow models, internal assumptions regarding future cash flows, or other pricing models where observable market data is not available.

34.7.2 Fair value methods and assumptions

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.

34.7.3 Valuation technique using significant unobservable inputs – Level 3

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

34.7.4 Transfers between the fair value hierarchy categories

During the three 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.

34.8 Offsetting financial assets and financial liabilities

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



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35 Defined benefit obligation (Severance Benefit)

(i) *Severance benefit plan*

Accounted as part of financial liability, the Group is obliged by law to pay severance payment for eligible employees who served the Group for more than 5 years when the employment is terminated. The Group employees are entitled to severance benefit. The severance benefit entitlement is provided under the labor proclamation No.3777.2003, as amended by the Labor (Amendment) Proclamation No. 494.2006. In the first year, the pay is third times the average daily wage of the last week of service, severance pay is calculated in proportion to the period of service. For every additional year of service, payment is increased by a third of a benefit provided that the total amount does not exceed twelve months wage of the employee. This benefit is also entitled to employees in the event of death in service, voluntary resignation and disability after five years of service. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit credit method.

Valuation Approach

The provision was based on an independent actuarial valuation performed by Ruparelia Consultants Limited (RCL) using the projected unit credit method. The severance benefit is an unfunded defined benefit scheme. The key financial assumptions are the discount rate, the rate of salary increases and age of retirement. The Group does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize. The details of the valuation approached is explained

Severance Benefit:

The actuarial liability values as at 30 June have been calculated using the Projected Unit Credit Method. We have first estimated the total liability based on total service (i.e. service between date of employment and expected date of exit) according to the Scheme design. We have projected benefit payments into the future taking into account assumed future pay increases. The expected future cash flows are then discounted to the valuation date. The total liability has then been pro-rated by a proportion of past service relative to expected total service in order to estimate the actuarial liability at the valuation date. The actuarial liability estimated as at 30 June is an outcome of a valuation exercise.

The current service costs for the year have been calculated using the Projected Unit Method with a one-year control period. The current service costs are outcomes of a planning exercise (with the latter service cost being required for the next disclosure i.e. for the year ending 30 June 2024). The current service cost is dependent on the age, service and salary of individual members. The expected service cost would be higher for older members who are closer to retirement compared to younger members as their benefits would come into payment sooner. Therefore, as long as the age, service and salary profile of the membership remains stable so will the service cost (as a percentage of salary) on the same set of assumptions. For an ageing membership the current service cost would be expected to increase over time.

No allowance has been made for new entrants after the valuation date or for any other discretionary benefits or practice within the Scheme. A current service cost has not been estimated for members who are above their normal retirement age as we have assumed that these members will retire immediately at the valuation date.

35a Defined benefits liabilities:

Changes in the present value of the defined benefit obligation

	2023	2022
At 1 July	49,345,327	47,611,911
Current service cost	8,449,860	6,475,540
Interest cost	5,776,220	6,032,462
Actuarial (gains)/losses on:	63,749,919	2,655,024
Demographic assumptions	-	-
Economic assumptions	-	-
Experience	-	-
Benefits paid	(22,355,168)	(13,429,611)
At 30 June	104,966,158	49,345,327

35b The principal assumptions used in determining defined benefit obligations

	30 June 2023	30 June 2022
	ETB	ETB
Discount rate (p.a)	14.25%	14.25%
Long term salary increases (p.a)	10.75%	10.75%
Retirement age assumption	60	60



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(i) *Discount rate*

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Group therefore opted to use a discount rate of 14.75 % based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

(ii) *Long term salary increases*

A salary increase assumption of 10.75% p.a. has been assumed at 30 June 2023. Salary increases have been assumed to occur at the end of each accounting year (i.e. at 30 June every year). The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

(iv) *Mortality rate*

Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was A1949/52 as published by the Institute of Actuaries.

Mortality rate

0.11%
0.11%
0.12%
0.13%
0.19%
0.33%
0.60%
1.04%
1.72%

(v) *Withdrawals from service*

The withdrawal rate selected was based on experience in other similar arrangements.

Withdrawal Rate

15.0%
12.0%
6.0%
2.5%
1.8%
1.0%
0.0%
0.0%
0.0%

(vi) *Ill-health Disability*

Ill-health

0.04%
0.04%
0.04%
0.04%
0.06%
0.11%
0.20%
0.35%
0.57%

(vii) *Duration of the plan*

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the retirement benefit obligation at the end of the reporting period is 5.4 years in 2022.



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35c Quantitative sensitivity analysis for significant assumption

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

Figures in ETB	Sensitivity scenarios					
	(2)	1 + 1	(4)	e & cpi	(5)	e & cpi
Assumptions being varied						
Discount rate (i)	15.25%			14.25%		14.25%
Salary increases (e) and inflation (cpi)	10.75%			11.75%		9.75%
Results						
30-Jun-22	44,673,268			49,996,830		44,776,006
30-Jun-23	99,250,751			110,029,299		99,479,888

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

A 1% p.a reduction in the discount rate will increase the actuarial liability estimated 30 June 2023 to 111,377,177 ETB (with all other assumptions remaining the same). If the discount rate is increased by 1% p.a., then the actuarial liability estimated at 30 June 2023 would fall to 99,250,751 ETB.

Alternatively, a 1% increase in the salary increase assumption will increase the actuarial liability estimated June 30 2023 to 110,029,299 ETB (with all other assumptions remaining the same). If the salary increase assumption is reduced by 1% p.a., then the actuarial liability estimated 30 June 2023 would fall to 99,479,888 ETB.

The other figures in the table above can be interpreted in a similar way.

Based on the membership data, assumptions and methodology used, the duration of the liability as at 30 June 2023 is around 6.6 years.

This is not an exhaustive list of the assumptions used in the valuation and neither should be sensitive be taken as extreme events (in reality future investment returns may be significantly different than that assumed at this valuation). For example, changes to the longevity assumptions will also have an effect on the valuation results. However, we have shown the impact of what we believe are the key factors.

Key risks

The risks associated with severance benefit entitlements are as follows;

- 1 The benefits are linked to salary and consequently has an associated risk of an increase in salary.
- 2 The benefits are defined as per the labor proclamation, and hence possible amendment to the proclamation could change this benefit and materially change the cost of the Group.
- 3 The severance benefit is unfunded with no separate assets, an investment risk would therefore not arise.
- 4 Severance benefit is payable when an employees contract of employment is terminated by the initiation of the employer against the provision of law. The actual cost to the Group of the benefits is therefore subject to the demographic movement of the employees.

36 Other tax and obligation

	2023	2022
Employment Income tax	152,021,824	36,359,369
Other taxes	30,825,461	30,746,483
Excise tax payable	312,293,513	294,519,215
Withholding tax payable	14,376,788	17,627,853
Vat Payable	384,026,143	352,161,816
Pension contribution payable	70,714,239	27,275,174
	<u>964,257,968</u>	<u>758,689,911</u>



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Employment income tax payable is a monthly tax deducted from employee of the Group and to paid to ERCA. The year end balance represent the tax deducted from employees but not settled to the authority as the settlement is made usually in the subsequent period. The Pension payable is defined contribution plan where Employees are included in a statutory pension scheme to which the Group and these employees contribute 11% and 7% of the individual monthly salaries, respectively.

The excise tax payable relates to assessments on locally produced goods that are subject to excise duty, recognized at the time of production and sale but unsettled as of the reporting date. The VAT payable balance represents output VAT collected on taxable sales net of input VAT claimed during the reporting period.

37 Contract liability

	2023	2022
Contract liability	148,956,324	185,275,364
	<u>148,956,324</u>	<u>185,275,364</u>

Contract liability represents advances received from customers for future delivery of sugar.

38 Accruals

	2023	2022
Accrual	265,784,020	239,210,850
	<u>265,784,020</u>	<u>239,210,850</u>

Included in accrual are utilities, unclaimed salary, professional fee and others accrued at the reporting date.

39 Accrued leave

	2023	2022
Accrued leave	287,280,942	97,254,145
	<u>287,280,942</u>	<u>97,254,145</u>

Accrued leave represent unused annual leave entitlements where each employee is entitled to an annual leave of 18 days for the first year of employment and keeps on increasing two days per additional year of service until it reaches the maximum amount allowed per year. However, the leave can only be carried forward for two years.

40 Provision

	2023	2022
Provision	1,256,355,318	759,481,915
	<u>1,256,355,318</u>	<u>759,481,915</u>

Provision for legal claims arising from litigation of labor cases, contractual and extra contractual liability and property damage claims are being recognized.



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41 Restatement Disclosure

	Notes	Audited Balance	Restatement adjustment	Restated Balance
		ETB	ETB	ETB
Assets				
Non-current assets				
Property, plant and equipment	A	169,575,126,695	17,416,012,615	152,159,114,080
Right use of asset - Land		364,119,705	-	364,119,705
Bearer plant	B	721,744,049	(5,729,329)	727,473,378
		<u>170,660,990,451</u>	<u>17,410,283,286</u>	<u>153,250,707,165</u>
Current assets				
Trade and other receivable	D	1,988,416,454	496,967,701	1,491,448,753
Stock & goods in transit	G	7,290,068,370	61,569,612	7,228,498,758
Biological Asset - Agricultural	C	3,833,210,823	(1,097,649,834)	4,930,860,657
Tax receivable	F	4,530,542,177	129,974,956	4,400,567,221
Advance and prepayments	E	5,084,625,340	(457,171,580)	5,541,796,920
Cash and cash equivalents	H	4,131,648,247	174,772,836	3,956,875,411
		<u>26,858,511,411</u>	<u>(691,536,309)</u>	<u>27,550,047,720</u>
Total assets		<u>197,519,501,862</u>	<u>16,718,746,977</u>	<u>180,800,754,885</u>
Equity and liabilities				
Equity				
Paid up - capital		14,083,024,490	-	14,083,024,490
Government contribution		101,746,519,549	-	101,746,519,549
Capital contribution	Z	866,084,983	129,530,479	995,615,462
Contribution for capital expenditure	Z	101,054,623	(101,054,623)	-
General fund	J	-	-	-
Sugar Purchase Fund		19,546,786,512	-	19,546,786,512
Reserve for SIDF		(14,716,106,597)	-	(14,716,106,597)
Asset revaluation reserve	I	11,977,353,299	(622,062,270)	11,355,291,029
Accumulated loss	A - Q	(91,722,235,345)	(17,209,588,761)	(108,931,824,106)
Other reserve	K	15,993,913	(5,297,914)	10,695,999
Total equity		<u>41,898,475,427</u>	<u>(17,808,473,089)</u>	<u>24,090,002,338</u>
Non-current liabilities				
Long term loan	L	130,900,475,501	1,352,083,877	132,252,559,378
Deferred income on concessional loan		31,754,317	-	31,754,317
Employee benefit obligation	M	44,901,859	4,443,468	49,345,327
Deferred tax liability	N	4,630,320,330	152,177,120	4,782,497,450
Accrued annual leave	Y	-	97,254,145	97,254,145
Retention Payable	R	2,926,580,422	1,844,094,054	4,770,674,477
		<u>138,534,032,430</u>	<u>3,450,052,664</u>	<u>141,984,085,094</u>
Current liabilities				
Trade and other payable	O	10,365,607,496	1,229,905,939	11,595,513,435
Interest payable	S	1,710,284,517	(1,710,284,517)	-
Long term loan-current maturity		364,063,442	(7)	364,063,435
Sugar development fund payable	Q	260,136,419	(192,087,697)	68,048,722
Payable to MOF	P	-	768,421,780	768,421,780
Tax payable	T	856,409,269	(97,719,358)	758,689,911
Contract liability	U	293,201,628	(107,926,264)	185,275,364
Accrual	V	1,380,065,161	(1,140,854,311)	239,210,850
Provision	X	1,857,226,074	(1,097,744,159)	759,481,915
		<u>17,086,994,006</u>	<u>(2,348,288,593)</u>	<u>14,738,705,412</u>
Total liabilities		<u>155,621,026,436</u>	<u>1,101,764,071</u>	<u>156,722,790,506</u>
Total equity and liabilities		<u>197,519,501,862</u>	<u>(16,706,709,019)</u>	<u>180,812,792,844</u>



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41 Restatement Disclosure

A Property, plant and equipment (PPE)

During the current reporting period, a review of the prior depreciation policy revealed that the useful life of Factory plant & machineries for newly capitalized factories such as Omo 2, Omo 3 and Arjo had not been objectively determined based on the nature of the assets and their actual usage patterns. Specifically, a 10% straight-line depreciation rate had been applied without sufficient justification. This constituted an error under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The error has been corrected retrospectively. The depreciation method has been revised to the units of production method, which better reflects the pattern in which the assets' economic benefits are consumed. As a result, a reversal of previously recognized accumulated depreciation has been made for the comparative period

In addition to the above, assets originally held under Construction in Progress (CIP) including buildings, irrigation systems, and land development were identified as meeting the criteria for capitalization in prior periods but had not been transferred to PPE on a timely basis. These have now been retrospectively capitalized as follows:

Buildings were capitalized effective from 2018
Irrigation and land development assets were capitalized effective from 2020

Depreciation on these assets has also been recalculated from their respective capitalization dates in accordance with IAS 16 Property, Plant and Equipment.

Additionally, the retention payable to Complant in respect of the construction of factory plants was incorrectly recognized, and this amount was recorded despite the related work not having been performed or approved. Accordingly, this restatement adjustment has been made to reverse the erroneous recognition.

Furthermore, VAT paid to supplier in 2021 wrongly included into CIP is now reversed and VAT receivable have been recognized.

It was identified that the impairment recognized in 2019 for field equipment was erroneously overstated and this overstatement occurred because the impairment percentage was applied to the gross amount instead of the carrying amount as of the impairment date. As a result, the impairment balance has been restated, and depreciation has been recalculated.

Spare part items (Fixed asset in store) that met the requirement of IAS 16 was erroneously accounted as inventory, which understates the PPE and overstates stock balances as at reporting date. The items are now identified and reclassified to PPE.

Additionally, interest expense incurred from 2018 up to 2022 on loan received in relation to construction of the suspended sugar project were erroneously continued to be accounted as CIP. Due to the error CIP had been overstated and understates IFRS reserve (retained earnings). Now the errors in recording are reinstated and charged to profit or loss accounts. Starting from 2023, CIP accounts are reviewed to confirm validity of costs accumulated during each fiscal year.

An adjustment have also been made to Trade and Other Payables to recognize contractor liabilities for capitalized items. In the prior period, CIP was recorded on a payment basis, where the amount was only recognized upon contractor billing and payment. However, the work was already executed at the time of capitalization, so the accrual has now been made as of the date of capitalization, aligning the recognition of the liability with the actual work completed.

In 2022, Error were made in reconciliation of inter-company balances that recognized Construction in progress that should have been recognized in Head office project account. These adjustment also misstated trade and other receivable, inter-company receivable, accumulated profit or loss, inter-company payable and other income.

As a result of the above adjustments, the PPE balance for the comparative period has been restated downwards by ETB 17,416,012,615

B Bearer plant

In 2022, cost of immature bearer plant (fruits) has been charged to expenditure in future crop (cane), rather than being accumulated in bearer plants. Subsequently, the costs are assessed and transferred to immature fruit costs.



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41 Restatement Disclosure

C Biological Asset - Standing cane and fruit

The financial statement balances for the 2021 and 2022 fiscal years contained errors in the determination of the fair value of biological assets (standing cane). These errors resulted in misstatements of the biological asset balances across both years. Consequently, there were corresponding misstatements in the cost of sales, as well as in the reported fair value gains and losses related to both harvested and standing cane. These issues have been identified and corrected to ensure appropriate valuation and accurate financial reporting.

The valuation of fruits contained significant errors due to the use of standard yield estimates for fruit valuation instead of the actual expected yield per field. Additionally, the selling price applied for cane valuation was not updated. The cumulative effect of these errors resulted in an understatement of biological assets at the reporting date. Consequently, the cost of sales for 2022 was understated, and the fair value loss was overstated.

Furthermore, approximately 873 quintals of harvest-ready fruit were looted by an armed group residing near the factory premises. The resulting loss, measured at fair value, was not recognized in the prior year's financial statements, leading to an understatement of both the fair value gain and the corresponding loss on harvested fruit.

D Trade and Other Receivables

An allowance for expected credit loss related to trade and other receivable was inadvertently recognized twice—first during 2020 and again in the subsequent period 2021. As a result, an adjustment is required to eliminate the expected credit loss recognized in 2021, as it had already been accounted for in 2020.

Trade and other payable accounts with abnormal balances were not reclassified in the previous period. These balances have now been identified and reclassified into trade and other receivables in the current period.

Advance payments to contractors and cane out growers were erroneously reported as trade receivable.

Inter-company receivable from head office has been erroneously recognized as sundry debtor, which understates inter-company receivable and overstates the sundry debtors.

Excise tax expense incurred for the year 2021 had been erroneously accounted as a deduction from excise tax payable making the balance abnormal, and leads to reclassification to sundry debtors. These has overstated the sundry debtors and the accumulated profit (loss).

On reconciliation of inter-company balance with head office a reduction on sugar development fund were wrongly debited to sundry debtors, which overstates trade and other receivables and sugar development fund payable balance by the same amount.

In 2022, Error were made in reconciliation of inter-company balances that recognized construction in progress that should have been recognized in Head office project account. These adjustment also misstated trade and other receivable.

Cash collected from trade debtors were erroneously recognized as income in the 2021 fiscal year, which overstates trade receivable.

As a result of the above adjustments, the Trade and other receivable balance for the comparative period has been restated.

E Advance and Prepayment

It was identified that impairment losses previously recognized on advances and prepayments were overstated due to duplicate recognition—first during the initial adoption of the reporting framework and again in a subsequent period. Following a detailed reassessment of recoverability, the excess impairment has been reversed in the current reporting period, and the carrying amounts of the affected assets have been adjusted

Advance payments to contractors and cane out-growers were erroneously classified as trade receivables in the previous reporting period. Additionally, an impairment loss on these advance payments was omitted, resulting in an overstatement of current assets and accumulated profit (loss). The omission also led to an overstatement of the deferred tax liability. These misstatements have been corrected in the current reporting period.



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41 Restatement Disclosure

F Tax Receivable

The withholding tax receivable was incorrectly reported as an accrual instead of a tax receivable. As a result, an adjustment is required to reclassify the balance from payable to receivable.

Furthermore, VAT paid to supplier in 2021 wrongly included into CIP is now reversed and VAT receivable have been recognized.

A long-outstanding VAT receivable with no movement for over five years has been fully provided for retrospectively. In addition, a withholding tax receivable initially recorded was reclassified to intercompany receivables, as it related to Head Office transactions. The remaining balance amounting has been fully provided for as the is remote chance of recoverability from tax office.

G Stock & goods in transit

A long-outstanding balance of Goods in Transit (GIT) has not been fully provided for, despite no movement being recorded on the balance since 2018. In accordance with IFRS, a restatement adjustment is required to fully recognize the impairment of this overdue GIT balance.

Subsequent review of the 2021 stock count revealed that there was a difference with the reported balance and hence adjusted retrospectively.

Spare part items that met the requirement of IAS 16 was erroneously accounted as inventory, which understates the PPE and overstates stock balances as at reporting date. The items are now identified and reclassified to PPE.

A review of inventory revealed goods in transit that have shown no movement for the past five years. As these items are no longer expected to be realized, a full provision has been made retrospectively in accordance with IAS 2 Inventories and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The total amount is now fully provided for and the prior period figures have been restated accordingly.

In 2022, cost of immature bearer plant (fruits) has been charged to expenditure in future crop (cane), rather than being accumulated in bearer plants. Subsequently, the costs are assessed and transferred to immature fruit costs.

H Cash and cash equivalent

Cash payment transactions made to settle liabilities and to cover expenses were omitted from the records. This overstates cash balance by ETB 159,772,838 which also overstates retained earnings and respective liabilities. Starting from 2023, cash at bank records are properly reconciled with the bank to avoid omissions from the financial statements. Further, amount of ETB 15,000,000 recorded as Cash at Bank in 2022, which should have been classified as Intercompany Payable, has been retrospectively reclassified to correct the error.

I Asset revaluation reserve

At the IFRS transition date, the financial statements erroneously recognized property, plant, and equipment (PPE) that did not belong to the head office. These assets were revalued and accumulated depreciation was also recorded. As a result, PPE and the asset revaluation reserve were overstated, accumulated profit (sugar purchase fund) was understated, and general and administrative expenses were overstated. Appropriate

J General fund

In 2022, errors were made during the reconciliation of inter-company balances, resulting in the incorrect recognition of construction in progress that should have been recorded under the head office project account. These adjustments also led to misstatements in trade and other receivables, inter-company receivables and payables, the general fund, and other income. Corrections are required to properly align these balances.

K Other reserve

The severance liability under employee benefits was adjusted following the identification of discrepancies between the employee data used in the 2022 actuarial valuation and the actual data subsequently provided; the correction was recognized through actuarial gains or losses, interest expense and current service cost in accordance with IAS 19.



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41 Restatement Disclosure

L. Long term Loan

Interest payable on loan reported in the audited financial statements of 2022 separately as interest payable is now reclassified to long term loan. This loan balance has now been taken over by MoF in 2023.

In the previous period, loan repayments to commercial bank by the group on behalf of the factory had been wrongly charged to interest expense in the factory books of account.

Cash received from MOF to finance margin for LC opening were wrongly grouped as long term loan

M. Employee benefit liability

The employee benefit figures were recalculated due to discrepancies between the active employee data used in 2022 and the subsequently provided actual data. As a result, an adjustment to the severance liability balance for the comparative period was recognized against actuarial gains or losses and current service cost. This adjustment also impacted the deferred liability balance for the year

N. Deferred tax liability

As a result of the prior period correction to property, plant, and equipment (PPE), a deferred tax liability was derecognized. This arose from the temporary difference between the revised carrying amount of PPE and its unchanged tax base, in accordance with IAS 12.

The employee benefit liability was recalculated due to discrepancies between the active employee data used in 2022 and the actual data subsequently provided. As a result, the adjustment to the severance liability for the comparative period was recognized through actuarial gains or losses and current service cost. This change also affected the deferred liability balance for the year.

O. Trade and other payable

It was noted that, although the Ethanol Plant was initially recognized as an asset, the legal title and control of the asset had not been transferred from the seller. As a result, the asset has been retrospectively derecognized from the financial statements. Consequently, the related liability previously recognized under payables has also been derecognized.

Additionally, a retention payable balance was incorrectly classified and reported under trade and other payables. To ensure accurate presentation in accordance with IAS 1 – Presentation of Financial Statements (paragraphs 54 and 55), this amount has now been correctly reclassified as a retention payable.

Furthermore, an amount previously classified under accruals was erroneously categorized and has now been reclassified to trade and other payables, aligning with the appropriate nature and classification of the liability.

Trade and other payable accounts with abnormal debit balances were not reclassified in the previous period. These balances have now been identified and appropriately reclassified into trade and other receivables in the current period.

Certain creditor accounts, such as unpaid salaries, were incorrectly classified as provisions in the previous period. These amounts have now been reclassified to trade and other payables to ensure proper presentation in accordance with the nature of the liabilities.

Assets originally held under Construction in Progress (CIP)—including buildings, roads, irrigation systems, and land development—were identified as meeting the criteria for capitalization in prior periods but had not been transferred to property, plant, and equipment (PPE) on a timely basis. These assets have now been retrospectively capitalized, with buildings capitalized from 2018 and roads, irrigation systems, and land development assets from 2020.



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41 Restatement Disclosure

In 2022, inter-company adjustments were erroneously debited to sundry payables, and the corresponding inter-company payable balances were written off against the accumulated profit (loss) account. This error resulted in an understatement of trade and other payables and an overstatement of accumulated profit. Additionally, other inter-company payable balances were also incorrectly written off against accumulated profit (loss), further distorting the financial position.

Foreign exchange losses on foreign-denominated trade payables and interest expenses incurred during 2022 were erroneously debited to trade payables and accrual accounts. This error resulted in an understatement of payables and a corresponding overstatement of profit or loss for the period.

P Payable to MOF

Cash received from MOF to finance margin for LC opening were wrongly grouped as long term loan.

Q Sugar development fund payable

On reconciliation of inter-company balance with head office a reduction on sugar development fund were wrongly debited to sundry debtors which overstates trade and other receivables and sugar development fund payable balance. Additionally, Long standing sugar development fund payable balance has been derecognized as it has been 10 years since the liability was outstanding.

R Retention payable

It was noted that, although the Ethanol Plant was initially recognized as an asset, the legal title and control of the asset had not been transferred from the seller. As a result, the asset has been retrospectively derecognized from the financial statements. Consequently, the related liability previously recognized under payables has also been derecognized.

As a result of the prior period correction to property, plant, and equipment (PPE), a deferred tax liability was derecognized. This adjustment arises from the temporary difference between the revised carrying amount of PPE and its unchanged tax base, in accordance with IAS 12 *Income Taxes*.

As per IAS 21, paragraph 28, monetary items must be retranslated at the closing exchange rate at the end of each reporting period, with resulting exchange differences recognized in profit or loss for the period in which they arise. However, a retention payable, which is a monetary liability denominated and settled in foreign currency, was not revalued using the spot exchange rate at the reporting date. Consequently, an adjustment has been made to recognize the foreign exchange loss that should have been recorded against the retention payable due to the devaluation of the ETB against the US dollar.

Costs incurred in the construction of buildings and civil works were omitted from the previous year's financial statements, resulting in an understatement of payables to contractors. Additionally, the factory failed to capitalize completed construction of buildings and civil works since the start of the 2021 fiscal year. This omission led to an understatement of accumulated depreciation, including depreciation charged to cost of goods sold for the year.

Overall, property, plant, and equipment (PPE) were overstated, which caused a cumulative overstatement of deferred tax liabilities and an overstatement of the deferred tax charge for the year.

S Interest payable

An interest payable that should have been reported at the head office was mistakenly recorded under Arjo. Consequently, an adjustment is

The interest payable on a loan, which was previously reported separately as interest payable in the 2022 audited financial statements, has been reclassified to long-term loan. This balance was subsequently taken over by the Ministry of Finance in 2023.



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41 Restatement Disclosure

T Tax payable

A withholding tax receivable was incorrectly reported as an accrual rather than as a tax receivable. As a result, an adjustment is required to reclassify the balance from a payable to a receivable to ensure accurate presentation in the financial statements.

Payables to suppliers and tax liabilities were incorrectly mapped and reported as retention payables. These misclassifications have been identified and corrected to reflect the proper nature of the liabilities in the financial statements.

Accumulated annual leave balances had been presented as current liabilities under trade and other payables. However, in accordance with labor law—which stipulates that such benefits are not expected to be wholly settled within 12 months after the reporting period—these should be classified as other long-term employee benefits. Accordingly, the classification has been corrected. In addition, sundry payables to suppliers were erroneously classified as contract liabilities, tax payables, and inter-company payables. These misclassifications have now been identified and corrected to reflect the correct nature of the obligations.

A review of statutory liabilities identified long-outstanding balances related to pension contributions, excise tax payable, withholding tax, and employment income tax, which had shown no movement for over five years. As these obligations are no longer considered payable, the Company derecognized the balances in 2021, with the adjustment recognized in other income.

U Contract Liabilities

An adjustment was made to trade and other payables to recognize contractor liabilities related to capitalized items. In the prior period, construction-in-progress (CIP) was recorded on a payment basis, whereby amounts were recognized only upon contractor billing and payment. However, since the work had already been executed at the time of capitalization, the liability has now been accrued as of the capitalization date to align recognition with the actual completion of work.

Accumulated annual leave balances were previously presented as current liabilities under trade and other payables. However, in accordance with labor law—which stipulates that such benefits are not expected to be wholly settled within 12 months after the reporting period—these should be classified as other long-term employee benefits. The classification has now been corrected accordingly. In addition, sundry payables to suppliers were erroneously classified under contract liabilities, tax payables, and inter-company payables. These misclassifications have been

An annual leave obligation previously reported under accruals within current liabilities has been reclassified to non-current liabilities, taking into account the nature of the obligation and its expected settlement period.

V Accrual

The advance received from customers for goods or services not yet delivered was incorrectly reported under accruals instead of contract liabilities. As a result, an adjustment is required to reclassify the customer advance from accruals to contract liabilities. These adjustments result in a net upward adjustment to the accruals balance.

An abnormal balance related to advance and prepayment was mistakenly classified under contract liabilities instead of accruals in the prior period. The necessary reclassification has now been made, moving the balance from contract liabilities to the correct accruals account.

Electricity costs were not accrued in the previous financial years, resulting in an understatement of accrued liabilities and an overstatement of accumulated profit. Additionally, this omission led to an overstatement of fair value gain (loss) for the year 2022. Furthermore, accrued unclaimed salaries were incorrectly classified under trade and other payables. These classification and recognition errors have now been corrected to reflect the appropriate financial position.



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41 Restatement Disclosure

An annual leave obligation previously reported under accruals within current liabilities has been reclassified to non-current liabilities, considering the nature of the obligation and the expected timing of settlement.

Accrued transportation expenses were omitted from recognition, resulting in the understatement of general and administrative expenses for the reporting period.

Cash collections from trade debtors were erroneously recognized as income in the 2021 fiscal year, resulting in the overstatement of trade receivables and inter-company payables. Additionally, stock balances were not updated in line with the physical stock count as of the reporting date, leading to an understatement of inventory.

Finally, a long-standing liability has been derecognized, as it has remained outstanding for more than ten years.

X Provision

An abnormal balance related to advance and prepayment was mistakenly classified under contract liabilities instead of accruals in the prior period. The necessary reclassification has now been made, moving the balance from contract liabilities to the correct accruals account.

Certain creditor balances, including unpaid salaries previously misclassified as provisions in the prior period, have now been reclassified under trade and other payables.

The estimation of provision for a legal claim included an error whereby a provision was recognized despite the likelihood of the obligation not being probable as of the reporting date. This resulted in an overstatement of current liabilities and an equivalent understatement of profit for the year. Furthermore, interest expense accrued on a long-term loan was erroneously classified as an accrual.

Y Annual leave obligation

In the previous year, accumulated annual leave for employee was presented under accruals in the current liability section. However, as per IAS 19 the accumulating annual leave are classified as other long term employee benefit since they are not expected to be paid wholly within 12 months after reporting period.

Z Capital contribution

During the year, management reviewed prior period balances under *Capital Contribution* and *Contribution for Capital Expenditure* accounts and determined that these items did not meet the definition of equity contributions in accordance with IAS 1 – **Presentation of Financial Statements** and IAS 32 – **Financial Instruments: Presentation**.

Accordingly, the balances previously recognized as:

Capital Contribution amounting to ETB 866,084,983, and

Contribution for Capital Expenditure amounting to ETB 101,054,623,

have been **reclassified to Accumulated Loss** as they represent support or funding received to cover operational deficits and not shareholder capital injections.



ETHIOPIAN SUGAR INDUSTRY GROUP
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41 Restatement Disclosure

	Notes	Audited Balance	Restatement adjustment	Restated Balance
Revenue	A	8,572,841,728	(231,651,909)	8,804,493,636
Cost of sales	B	(7,127,255,689)	439,500,769	(6,687,754,920)
Gross profit		1,445,586,039		
Contribution to SIDF				
Other operating income	C	116,130,748	42,753,593	73,377,156
General & administrative	D	(3,114,457,220)	951,548,340	(2,162,908,880)
Foreign currency exchange loss	E	(10,453,141,844)	(5,036,535,285)	(15,489,677,129)
Fair value gain (loss) cane and fruit	F	(783,430,846)	504,743,683	(278,687,163)
Loss on cane at fair Value	P	(410,937,133)	230,596,266	(180,340,868)
Provision for bad debt expense	O	32,465,237	(94,837,318)	(62,372,081)
Provision for stock obsolescence		(12,037,959)	-	(12,037,959)
Provision expense - Standing Cane	K	(971,263,600)	971,263,600	-
Operating profit		(14,151,086,577)	(2,430,467,121)	(18,112,646,923)
Finance costs/charges	G	(4,481,322,563)	(1,484,265,268)	(5,965,587,831)
Profit before tax		(18,632,409,141)	(3,914,732,389)	(24,078,234,755)
Income tax expense	H	(497,321,130)	102,339,870	(394,981,260)
Profit for the year		(19,129,730,271)	(3,812,392,519)	(24,475,871,015)
Other comprehensive income, net of income tax				
Items that will not be subsequently reclassified into profit or loss:				
Remeasurement gain loss on retirement benefits obligations	I	2,133,625	(4,788,649)	(2,655,024)
Total comprehensive income for the year		(19,127,596,646)	(3,817,181,168)	(24,475,871,039)



ETHIOPIAN SUGAR INDUSTRY GROUP
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41 Restatement Disclosure

A Revenue

In 2022, sales revenue from molasses was erroneously reversed against cost of sales based on the assumption that molasses was a by-product with immaterial value relative to the main product. However, management has since determined that the value of molasses is significant and should not have been offset against cost of sales. This treatment understated revenue and misrepresented the performance of the main product line.

B Cost of sales

During the current reporting period, a review of the prior depreciation policy revealed that the useful life of Factory plant & machineries had not been objectively determined based on the nature of the assets and their actual usage patterns. Specifically, a 10% straight-line depreciation rate had been applied without sufficient justification. This constituted an error under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The error has been corrected retrospectively. The depreciation method has been revised to the units of production method, which better reflects the pattern in which the assets' economic benefits are consumed. As a result, a reversal of previously recognized accumulated depreciation has been made for the comparative period.

In addition to the above, assets originally held under Construction in Progress (CIP)—including buildings, irrigation systems, and land development Factorys—were identified as meeting the criteria for capitalization in prior periods but had not been transferred to PPE on a timely basis. These have now been retrospectively capitalized as follows:

Buildings were capitalized effective from 2018
Irrigation and land development assets were capitalized effective from 2020

Depreciation on these assets has also been recalculated from their respective capitalization dates in accordance with IAS 16 Property, Plant and Equipment.

As a result of the above adjustments, the PPE balance for the comparative period has been restated upwards by ETB 838,004,782.

The valuation of biological assets contained significant errors, including the use of standard yield instead of the actual expected yield per field and outdated selling prices for cane valuation. The cumulative effect of these errors resulted in an understatement of biological assets at the reporting date. Additionally, these errors led to an understatement of the cost of sales for 2022 and an overstatement of the fair value loss.

In 2022, the reversal of amortization on pre-operational costs as part of IFRS adjustments was incorrectly deducted from factory processing costs instead of administrative expenses. This misclassification resulted in an overstatement of both general and administrative expenses and the cost of sugar sales. Furthermore, depreciation on buildings, which should have been reported under cost of sales, was erroneously classified as a general and administrative expense.

In prior periods, molasses was treated as a by-product, and molasses sales were accounted for as a reduction of the cost of sugar production. Due to a significant increase in molasses production and selling price, this assessment has changed, and the related accounting policy has been applied retrospectively.

As a result of correcting a prior period depreciation error and the reclassification of molasses sales, there was a net impact on the cost of sales balance for the period.



ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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41 **Restatement Disclosure**

C **Other operating income**

In 2022, errors were made during the reconciliation of inter-company balances, resulting in the incorrect recognition of construction in progress, which should have been recorded in the Head Office project account. These adjustments also led to misstatements in trade and other receivables, inter-company receivables and payables, general fund balances, and other income .

D **General and admin**

In the prior period (2022), administrative expenses included a foreign exchange loss, which has now been reclassified and presented separately in the statement of profit or loss. Additionally, depreciation expense related to a completed building — previously misclassified as construction-in-progress despite its completion in 2018—has been recognized. Furthermore, an adjustment was made for the current service cost related to employee benefits.

Assets originally held under Construction in Progress (CIP)—including buildings, Road, irrigation systems, and land development — were identified as meeting the criteria for capitalization in prior periods but had not been transferred to PPE on a timely basis. These have now been retrospectively capitalized as follows:

Buildings were capitalized effective from 2018

Road, Irrigation and land development assets were capitalized effective from 2020

Depreciation on these assets has also been recalculated from their respective capitalization dates in accordance with IAS 16 Property, Plant and Equipment. In the year 2022 only, A depreciation expense in respect of capitalized (Building) have been charged to admin expense.

In 2022, the reversal of amortization on pre-operational costs as part of IFRS adjustments was incorrectly deducted from factory processing costs instead of administrative expenses. This misclassification resulted in an overstatement of both general and administrative expenses and the cost of sugar sales. Furthermore, depreciation on buildings, which should have been reported under cost of sales, was erroneously classified as a general and administrative expense .

In 2022, provisions for legal claims were reported under general and administrative expenses but have now been reclassified and presented separately on the face of the statement of profit or loss and other comprehensive income. Furthermore, the accrued annual leave balance was erroneously classified as a provision, and a portion of the provision balance was incorrectly classified as trade and other payables.

The employee benefit figures were recalculated due to discrepancies between the active employee data used in 2022 and the subsequently provided actual data. As a result, an adjustment to the severance liability balance for the comparative period was recognized against actuarial gains or losses and current service cost. This adjustment also impacted the deferred liability balance for the year -

Accrual for transportation expenses was omitted from recognition, resulting in an understatement of general and administrative expenses for the period.



ETHIOPIAN SUGAR INDUSTRY GROUP
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41 Restatement Disclosure

E Foreign currency exchange loss

As per IAS 21, Paragraph 28, monetary items should be retranslated at the closing rate at the end of each reporting period. The resulting exchange differences are recognized in profit or loss in the period in which they arise. However, the retention payable, which is a monetary liability, was denominated and settled in foreign currency, but it was never revalued using the spot exchange rate at the reporting date. Consequently, an adjustment has been made to account for the foreign exchange loss that should have been recorded against the retention payable, due to the devaluation of the ETB against the USD.

Foreign exchange loss on foreign-denominated trade payables and interest expense incurred in 2022 were erroneously debited to trade payables and accrual accounts. This misclassification resulted in an understatement of payables and a corresponding overstatement of profit or loss.

F Fair Value Gain or loss

Adjustments to the cost of harvested cane, arising from depreciation related to irrigation and land development, resulted in a net impact on the fair value gain or loss of harvested cane.

The valuation of biological assets contained significant errors due to the use of standard yield estimates for fruit valuation instead of the actual expected yield per field. Additionally, the selling price applied for cane valuation was not updated. The cumulative effect of these errors resulted in an understatement of biological assets at the reporting date. Consequently, the cost of sales for 2022 was understated, and the fair value loss was overstated.

In 2022, approximately 873 quintals of harvest-ready fruit were looted by an armed group residing near the factory premises. The resulting loss, measured at fair value, was not recognized in the prior year's financial statements, leading to an understatement of both the fair value gain and the corresponding loss on harvested fruit.

G Finance costs/charges

In the 2022 financial report, interest expense was accrued on a loan that was subsequently transferred to the Liability and Asset Management Corporation (LAMC). However, as the loan has been fully transferred, the accrual of interest on this loan is no longer applicable. Consequently, the interest expense previously recognized for the loan has been reversed. This adjustment ensures that the 2022 financial figures are accurately restated to reflect that both the loan and its associated interest are no longer the company's responsibility following the transfer to LAMC.

The severance liability under employee benefits was adjusted after identifying discrepancies between the employee data used in the previous actuarial valuation and the actual data subsequently provided. The resulting correction was recognized through actuarial gains or losses, interest expense, and current service cost in accordance with IAS 19.

In the previous period, loan repayments to the commercial bank made by the Group on behalf of the factory were incorrectly charged as interest expense in the factory's books of account. This resulted in a material misstatement.

Prior to 2022, interest expense incurred on a loan related to the construction of the suspended sugar project was erroneously capitalized as part of construction-in-progress (CIP). This error resulted in an overstatement of CIP, an understatement of retained earnings, and an understatement of the loss reported for 2022. The error has now been corrected, with the necessary adjustments recorded in the profit or loss accounts. Beginning in 2023, CIP accounts are being reviewed annually to confirm the validity of costs accumulated during each fiscal year.



ETHIOPIAN SUGAR INDUSTRY GROUP
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41 Restatement Disclosure

H Income tax expense

As a result of the prior period correction to property, plant, and equipment (PPE), a deferred tax liability was derecognized. This arose from the temporary difference between the revised carrying amount of PPE and its unchanged tax base, in accordance with IAS 12.

The employee benefit liability was recalculated due to discrepancies between the active employee data used in 2022 and the actual data subsequently provided. As a result, the adjustment to the severance liability for the comparative period was recognized through actuarial gains or losses and current service cost. This change also affected the deferred liability balance for the year.

I Remeasurement gain loss on retirement benefits obligations

The employee benefit figure was recalculated due to discrepancies between the active employee data used in 2022 and the actual data subsequently provided. As a result, an adjustment was made to the severance liability for the comparative period, which was recognized through actuarial gains or losses and current service cost. This adjustment also impacted the deferred liability balance for the year.

J Income tax charge (credit)

As a result of the prior period correction to property, plant, and equipment (PPE), a deferred tax liability was recognized. This arose from the temporary difference between the revised carrying amount of PPE and its unchanged tax base, in accordance with IAS 12.

K Reversal (Provision) for biological asset- standing cane

In the financial year ended 2022, an amount was erroneously recorded under a non-existent "Plantation" account. This misclassification affected the recognition of fair value gains or losses, as changes in the balance were derecognized through the fair value less cost to sell measurement. In the current reporting period, the amount has been restated and appropriately reclassified to Retained Earnings to accurately reflect its nature and ensure compliance with applicable financial reporting standards.

L Provision for legal claim

In 2022, provisions related to legal claims were reported under general and administrative expenses; these are now separately presented on the face of the statement of profit or loss and other comprehensive income. Additionally, accrued annual leave balances were erroneously classified as provisions, and certain provision balances were incorrectly reported under trade and other payables.

M Loss of fruit at fair value

During 2022, approximately 873 quintals of harvest-ready fruit were looted by an armed group residing near the factory. The resulting loss, measured at fair value, was not recognized in the financial statements of the previous year, leading to an understatement of both the fair value gain and the loss of harvested fruit for the year.



ETHIOPIAN SUGAR INDUSTRY GROUP
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41 Restatement Disclosure

N **Actuarial gain or loss**

The severance liability under employee benefits was adjusted following the identification of discrepancies between the employee data used in the 2022 actuarial valuation and the actual data subsequently provided; the correction was recognized through actuarial gains or losses, interest expense and current service cost in accordance with IAS 19.

O **Allowance for bad debt expense**

IAS 16 requires properties, plant and equipment has to be capitalized (recognized) when they are available for the intended use by the management. However, the project fail to capitalize buildings, road, irrigation and civil work and land development assets that were available for use before end of 2021 fiscal year. These understates depreciation expenses for the period which in turn understates cost of standing cane incurred during and overstates the fair value gain. These also overstates the carrying amount of PPE. To amend such an error, the PPE balance is retrospectively restated and depreciation is calculated and charged accordingly.

p **Loss of cane at fair value**

In 2022, cane produced and transferred to Omo 2 and Omo 3 projects has been erroneously reported as loss of cane under the statement of profit or loss at their fair value. However, the reconciliation performed between projects identified significant amount of cane transfer from Omo 1 to other projects and these has been now accounted the financial records of Omo 1 as inter-branch receivable and a reduction from expenditure on future crops (cost of cane) which impacts the fair value gain/loss on standing cane.



ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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42 Events after reporting period

Except as disclosed below, there were no significant events that occurred between 30 June 23 and the date of issue of this financial statement.

Subsequent to the reporting period, the ETB has experienced a significant devaluation against major foreign currencies such as US dollar and Euro. This devaluation has potential financial implications for the group, particularly in the following areas:

Foreign Currency-Denominated Liabilities:

The group holds foreign currency-denominated borrowings and retention payables. The devaluation has increased the domestic currency equivalent of these liabilities, potentially leading to foreign exchange losses in the next reporting period.

Inflationary Pressures:

The devaluation may increase the cost of imported materials for completion of the construction of the factory.

Financial Statement Impact:

As the devaluation occurred after the reporting period, it is considered a non-adjusting event under applicable accounting standards (i.e., IAS 10 – Events after the Reporting Period")

Earth quik in Afar region

Since September 2024, a series of earthquakes has occurred in the Afar region, where the factory is located. These seismic events have caused substantial damage to the factory premises, including the main production facilities, storage warehouses, and supporting infrastructure such as access roads, water pipelines, and power supply connections. Due to the damage to the factory, the majority of employees were terminated, and compensation was paid.

Management has conducted a preliminary assessment and determined that the physical damage has significantly disrupted normal operations. The extent of structural damage to factory buildings and production lines is still being evaluated in collaboration with engineers and external consultants. In addition, the earthquakes have led to temporary suspension of production activities, which is expected to have an adverse impact on revenue generation and cash flows in the short term.

Insurance claims are being pursued, although the timing and amount of recoveries remain uncertain. Management is also in communication with government authorities and other stakeholders regarding potential support measures for rehabilitation and reconstruction. A detailed impairment review of the affected assets is underway in accordance with IAS 36 Impairment of Assets to determine whether adjustments are required in these financial statements.

43 Contingent liability

The Group is involved in several legal cases arising in the normal course of its operations. Based on legal advice and management's assessment, provisions have been recognized for those cases where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. These provisions are included under Note 39 – Provisions.

For other pending cases where the likelihood of loss is not probable, the matters have been disclosed as contingent liabilities.

One significant contingent case involves Amibara Agricultural Development PLC, which had entered into a contract to supply sugarcane to Kesseem Sugar Factory. Amibara has filed a claim of approximately ETB 1.2 billion, alleging damage and loss related to sugarcane that was either spoiled or left unutilized.

The Ethiopian Sugar Industry Group (ESIG) disputes the claim, asserting that the loss did not result from its negligence or contractual breach. The Federal High Court ruled in favor of ESIG; however, Amibara has appealed, and the case is currently under review by the higher court.

Based on the opinion of legal counsel, management believes that no material outflow of economic resources is probable for this case, and accordingly, no additional provision has been recognized beyond those already recorded for other ongoing legal matters.



**ETHIOPIAN SUGAR INDUSTRY GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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44 Going concern assumption

Management of the Group has concluded on the appropriateness of the use of the going concern basis of accounting based on the assessment made on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Management's conclusions are based on the assessment made up to the forcible future.

Suspended sugar development Projects :

i.) Welkait Sugar Development Project:

Management of the Project has affirmed its commitment to continue operations at the Welkait project and has therefore determined that the going concern basis of accounting is appropriate. However, significant financial investment is deemed necessary for completing the factory and related infrastructure, including the plantation. Pursuant to a board decision dated Sene 14, 2015 E.C., management has mandated the need for an additional minimum of 42 billion ETB in funding, which is anticipated to be secured through bank loans. Consequently, the project's continuity hinges solely on obtaining this bank financing. Management has therefore evaluated the presence of material uncertainties regarding the project's ability to continue in the foreseeable future.

Concurrently, management intends to explore alternative strategies, including the potential privatization of the project through transfer to private national or multinational investors. This strategic initiative aims to secure additional funding and enhance the project's sustainability beyond the current financial constraints.

ii.)Tendaho Sugar Development Project:

The Subsequent event conditions of the Civil War in the Northern Region, the bad weather condition (El Niño effect), the subsequent transfer of movable properties to other Factories and Projects of the group, the termination of most of the staff has raised uncertainties on the going concern condition of Tendaho Project. Consequently, Management of the Group has yet to decide on the Tendaho Project future fate of whether to sale or operate as a joint venture with other investors to determine that the going concern basis of accounting is appropriate.

iii.) Omo Kuraz I Sugar Development project

Though the construction of the factory has reached 83.3%, it has now been delayed for long period to complete, contract with METEC was terminated by the decision of government in 2018. Consequently, Management of the Group has yet to decide on the OMO I Project future fate of whether to sale or operate as a joint venture with other investors to determine that the going concern basis of accounting is appropriate.



**ETHIOPIAN SUGAR INDUSTRY GROUP
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45 Related Party Disclosure

The Group has transactions with entities that are directly or indirectly controlled or significantly influenced by the Federal Government of Ethiopia through the Ethiopian Investment Holding (EIH). These transactions arise in the normal course of business and are conducted at terms and conditions comparable to those applied to unrelated parties.

In accordance with IAS 24 – Related Party Disclosures, paragraph 25, government-related entities are granted an exemption that limits the extent of disclosure required. Accordingly, the Company discloses only those transactions that are individually or collectively significant.

The major related parties and the nature of transactions during the reporting period are as follows:

Name of Related Party	Nature of Transaction
1 Metals and Engineering Corporation	Purchase of Agricultural machinery , equipment, and Spare parts;
2 Ethiopian Construction Works Corporation	Purchase of construction and maintenance services;
3 Commercial Bank of Ethiopia	Banking and loan facility transactions
4 Ethiopian Industrial Inputs Development Enterprise (EIIDE)	Sales of Sugar
5 Ethiopian Agricultural Business Corporation	Purchase of agricultural equipment and fertilizer and services
6 Ethiopian Trading Business Corporation (ETBC)	Sales of Sugar
7 National Alcohol & Liquor Factory	Sales of molasses and related by-products

