HAILEYESUSCHEKOL
Certified Accountant and Authorised Auditor

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

NATIONAL ALCOHOL & LIQUOR FACTORY

AS AT AND FOR YEAR ENDED 30 JUNE 2023

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NATIONAL ALCOHOL & LIQUOR FACTORY
REPORTS AND FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED JUNE 30 2023

The Management is responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include;

a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;

b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and

c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company.

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

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

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

Signed on behalf of the Management by:

Mesfin Abebe
Chief Executive
Officer

National Alcohol Liquor Factory
Office of the CEO

20/11/2023

Jembere Kebede
Finance Administration
Executive Officer

General manager | Finance Manager

Haileyesus Chekol Certified Accountant & Authorized Audit

REF: HCA/063/23

Independent auditor's report
To National Alcohol & Liquor Factory

Unqualified Opinion

We have audited the financial statements of National Alcohol & Liquor Factory which comprise the statement of the financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the attached financial statements present fairly, the financial position of the National Alcohol & Liquor Factory as at 30 June 2023 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of a Company report that is free from material misstatement, whether due to fraud or error.

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the project report as a whole is 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 form fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

  Resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement 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.

Haileyesus Chekol
Chartered Certified Accountants &
Authorized Auditors

Addis Ababa
19 October 2023

NATIONAL ALCOHOL & LIQUOR FACTORY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	ETB	June 30,2022 ETB
Revenue	4	1,103,604,911	905,644,849
Cost of Sales	5	(623,949,627)	(382,664,186)
Gross Profit		479,655,284	522,980,663
Other Operating Income	6	11,657,363	19,600,924
Selling & Distribution Expence	7	(136,257,994)	(103,406,833)
General and Administrative Expense	8	(175,602,594)	(125,418,126)
Employee Termination Benefit/Severance Expense	26	(925,610)	-
Operating Profit		178,526,449	313,756,628
Earning before interest & tax (EBIT)		178,526,449	313,756,628
Finance Costs/Charges	8.2	(12,845,562)	(8,360,244)
Profit Before Tax		165,680,887	305,396,385
Income Tax Expense	9a	(70,831,503)	(93,764,843)
Profit for the Year		94,849,384	211,631,542
Other Comprehensive Income			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		-	-
reclassified to profit or loss in the subsequent period (net of tax)		-	-
Total Comprehensive Income for the Year Net of Tax		94,849,384	211,631,542

NATIONAL ALCOHOL & LIQUOR FACTORY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 ETB	2022 ETB
Assets			
Non-current assets			
Property, plant and equipment	11	749,234,045	742,136,694
Right use of asset - land	17	21,079,709	21,430,971
Investments in Government bond	14.3	1,000,000	1,000,000
Deferred tax asset	10.2	1,746,525	1,715,983
		773,060,279	**766,283,648**
Current assets			
Inventories	16	188,929,264	213,733,289
Trade and other receivables	14.1	20,721,314	24,767,551
Advance and Prepayments	15	115,811,153	69,095,904
Cash and short-term deposits	12	114,508,315	141,912,164
		439,970,047	**449,508,908**
Non-current assets Held For Sale	13	**235,313**	**235,313**
Total assets		**1,213,265,638**	**1,216,027,869**
Equity and liabilities			
Equity			
Issued capital	18	622,673,899	220,985,435
Legal reserve	19	44,351,787	39,609,318
Retained earnings	20	(15,027,000)	(15,027,000)
First time IFRS adoption revaluation reserve	21	90,891,772	90,891,772
Total equity		**742,890,458**	**336,459,525**
Non-current liabilities			
Lease liability	25	17,859,376	18,466,774
Termination benefit liabilities	26	5,821,750	5,719,942
Deferred tax liabilities	10	45,237,356	31,943,339
		68,918,482	**56,130,055**
Current liabilities			
Trade and other payables	27	46,306,815	35,305,503
Dividend payable	29	74,229,610	16,174,930
Industrial Development Fund	29.1	-	401,691,464
Current portion of long term loan	23	50,000,000	50,000,000
Bank overdraft	24	61,480,594	-
Current portion of lease liability	25	607,398	607,398
Income tax payable	9c	52,762,628	89,383,113
Other tax and obligation	28	82,101,032	199,539,040
Accruals and other non financial liabilities	33	33,968,619	30,736,843
		401,456,698	823,438,291
Total liabilities		**470,375,180**	**879,568,346**
Total equity and liabilities		**1,213,265,638**	**1,216,027,870**

NATIONAL ALCOHOL & LIQUOR FACTORY
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Share Capital ETB	Legal Reserve ETB	Retained Earnings ETB	First time IFRS adoption revaluation reserve	Total ETB
Balance at 01 July 2021		220,985,435	43,236,168	(15,027,000)	90,891,772	340,086,375
Prior Period Ajustment				-		-
Comprehensive income for the year		-	-	211,631,542	-	211,631,542
Adjustment from tax audit by ERCA		-	(14,208,428)		-	(14,208,428)
Transfer of profit to legal reserve		-	10,581,577	(10,581,577)	-	-
Dividend Transferred To State		-	-	(201,049,965)	-	(201,049,965)
Balance at 30 June 2022		**220,985,434.93**	**39,609,318**	**(15,027,000)**	**90,891,772**	**336,459,525**
Balance at 01 July 2022		**220,985,435**	**39,609,318**	**(15,027,000)**	**90,891,772**	**336,459,525**
Capital Transferred from State dividend		401,688,464		-		401,688,464
comprehensive income for the year		-	-	94,849,384	-	94,849,384
Adjustment from Tax audit		-	-	-	-	-
Dividend To Be declared to state		-	-	(90,106,915)	-	(90,106,915)
Transfer of profit to legal reserve		-	4,742,469	(4,742,469)	-	-
Balance at 30 June 2023		**622,673,899**	**44,351,787**	**(15,027,000)**	**90,891,772**	**742,890,458**

NATIONAL ALCOHOL & LIQUOR FACTORY

STATEMENT OF CASHFLOW

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 ETB	2022 ETB
Operating activities			
Profit before tax		165,680,887	305,396,385
Non cash adjustment to reconcile profit before tax to net cash flows	-		
Depreciation of property, plant and equipment	11	53,888,383	53,405,892
Amortization of the right use of assets	17	351,262	351,262
Interest expense	8.2	12,845,562	8,360,244
WHT Recivabel	9c	(4,805,398)	(3,934,972)
Reversal Of Employee Benefit	6	-	(2,236,916)
Sample Gift & Bonus		-	(2,298,931)
Working capital adjustments:			
Increase in trade and other receivables and prepayments	14,15	(42,669,013)	20,664,202
Increase in inventories	16	24,804,025	(6,284,560)
Increase in trade and other payables	26,27 & 33	(504,794,575)	(133,192,417)
		(294,698,867)	240,230,189
Interest paid	8.2	(12,845,562)	(8,360,244)
Income tax paid	9	(89,383,113)	(71,550,523)
Net cash flows from operating activities		**(396,927,542)**	**160,319,422**
Investing activities			
Purchase of property, plant and equipment	11	(60,985,734)	(56,579,717)
(Gain) / Loss on disposal of property, plant and equipment	11	-	999,208
Net cash flows used in investing activities		**(60,985,734)**	**(55,580,509)**
Financing activities			
Payment of lease liabilities	25	(607,398)	(607,398)
Capital contribution	29.1	401,688,464	-
Borrowing	23	50,000,000	50,000,000
Repayment of borrowings	23	(50,000,000)	(25,816,644)
Prior year adjustment on Dividends	-	(6,277,304)	
Dividends paid	29	(25,774,931)	(74,400,000)
Net cash flows from/(used in) financing activities		**369,028,812**	**(50,824,042)**
Net increase/ (decrease) in cash and cash equivalents		(88,884,444)	53,914,872
Cash and cash equivalents at 1 July,2022		141,912,164	87,997,293
		53,027,720	**141,912,165**
Represented by			
Cash and cash equivalents at 30 June ,2023		114,508,315	141,912,165
Bank Over Draft		(61,480,595)	-
Cash and cash equivalents at 30 June 2023		**53,027,720**	**141,912,165**

NOTES TO THE FINANCIAL STATEMENTS

1. Enterprise information

The Financial Statements of National alcohol and liquor factory for the year ended 30 June 2023 will be authorized for issue in accordance with a resolution of the board of directors . National alcohol and liquor Factory is a wholly Government owned enterprise incorporated and domiciled in Ethiopia. The registered office is located in Addis Ababa,Lideta Subcity, Worde 08, House No New.

National alcohol and liquor factory is established as a public enterprise on 1985 E.C. by the council of ministers regulation No.74/1992 with an authorized capital of Birr 147,000.The head quarter of the factory is located in Addis Ababa around Mekanissa and have two factory branches at mexico and Sebeta areas. The objective of the enterprise are:

To manufacture and bottle all kind of alcohol ,liquor and other alcoholic beverages for sale to both local and overseas Market
To prepare and manufacture ingredient for the products indicated above
To engage in any other business conducive to the attainment of its purposes

2. Significant accounting Policies

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis. However, property, plant and equipment have been revalued for the purposes of obtaining a deemed cost in its opening IFRS statement of financial position dated 1 July 2016.

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

2.2 Summary of significant accounting policies

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

2.2.1 Current versus non-current classification

The enterprise 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 enterprise classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS

2.2.2 Fair value measurement

The enterprise used external consultants for valuation techniques in accordance with international valuation standard that are appropriate in the circumstances and the revaluation amounts are used as a deemed cost for opening IFRS Financial Position for the following class of assets:

- Buildings
- Vehicles
- Machineries
- Tools and Equipment
- Computer and accessories
- Containers and others

Accounting policy disclosures	Note 3 (par 3)
Disclosures for valuation methods, significant estimates and assun	Notes 3, 11 and 25
Financial instruments (including those carried at amortized cost)	Note 13 , 14, 22,23 and 24

2.2.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the enterprise 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 Enterprise;
- 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.

Revenue from the sale of goods and rendering of services is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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.

2.2.4 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 Enterprise operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the enterprise 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.

NOTES TO THE FINANCIAL STATEMENTS

2.2.5 Government grants

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

When the enterprise receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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 enterprise 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 Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

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.

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 liabilities are recognized for all taxable temporary differences, except The Following :

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

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 Company, 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.

Value added tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the Value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- Receivables and payables are stated with the amount of sales tax included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Haileyesus Chekol Certified Accountant & Authorized Audit

National Alcohol and Liquor Factory

NOTES TO THE FINANCIAL STATEMENTS

Excise Tax

Revenue are recognize net of excise tax

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 Revalued amounts used as a deemed cost at opening IFRS Financial Position date (1 July 2016),net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the enterprise 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 Enterprise 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.

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.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets including those Property, plant and equipment which are stated at Revalued amounts and used as a deemed cost at opening IFRS Financial Position date (1 July 2016). The useful life of revalued assets has been determined by the independent professional valuers.For those items that are not revalued and assets that are acquired after translation date, their useful life is determined by management based the pattern and the manner in which it has intended to use those assets.

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 Birr 5,000 each are expensed at the time of acquisition.

2.2.7.1 Containers

Container are capitalized at on the date of purchase at purchasing cost and subsequently measured at cost less accumulated depreciation.

Perpetual record of movement in containers is maintained at the moving weighted average cost.

In line with the treatment for property plant and equipment, all returnable containers should be capitalized and depreciated from the date they are ready to be brought into use, i.e. from the date they are ready to use, not the date of injection, over their estimated useful economic lives.

Management establish the expected useful economic lives of its containers by type. The periods decided upon will be influenced by factors such as:

- Expected usage
- Expected wear and tear
- The infrastructure of the country
- The quality of the containers
- The treatment of the containers during loading/off-loading
- Loss rates; production, warehouse, in-
- Turnaround time
- The length of design lives

All returnable containers are included in the depreciable base. The containers are depreciable on a straight line basis with a estimated use full life of 5 and 7 years for crate and bottle respectively. Hence ,total opening balance plus current period additions is depreciation base. The total amount depreciated is charged on a monthly basis in equal instalments over the estimated useful life of each category of container

Issues of containers to customers and returns of containers from customers are not treated as a sale and should not therefore be reflected in turnover. The containers continue to be the property of the Enterprise until they are either lost or destroyed, therefore they continue to be recorded as property, plant and equipment issued to customers. However a reclassification of containers in hand is required to record containers in trade.

NOTES TO THE FINANCIAL STATEMENTS

When returnable containers are issued to customers, the container in is recorded as containers in trade and a corresponding containers in hands of customers liability is recorded on the Balance Sheet. If the deposit value is exceeds the cost, the difference is charged to other deferred income.

Production, Warehouse and In-transit Losses are losses incurred whilst the containers are in the Enterprise's control (i.e. on hand).The number and value of containers to be written off are established through regular asset counts and the maintenance of detailed inventory sheets, therefore reiterating the importance of well maintained timely, detailed asset registers. Breakages and destructions are recorded at Weighted average cost.

2.2.8 Leases

Right-of-use asset - Land

The enterprise is party to lease arrangements over land. The Enterprise 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 enterprise.

The right-of-use assets are initially measured at the lower of the fair value of the property and 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 Enterprise by the lessor;
- All initial direct costs incurred by the Enterprise in respect of the lease;
- An estimate of the costs that will be incurred by the Enterprise for dismantling and restoring the leased asset by the Enterprise 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 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 Enterprise from the lessor;

The lease payments are discounted using the company's incremental borrowing rate. After initial recognition date, the Enterprise 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.

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 Enterprise becomes a party to the contractual provisions of the instrument.

I) **Financial assets**

Initial recognition and measurement

Financial assets of the enterprise are classified, at initial recognition, loans and receivables, and held-to-maturity investments based on the purpose for which the financial assets are acquired.

All financial assets are recognized initially at fair value plus or minus transition cost.

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 enterprise. 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 a 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 Enterprise 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.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 13.

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 enterprise's cash management. Bank overdrafts (if any) are shown within borrowings in current liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

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 enterprise 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 enterprise has transferred substantially all the risks and rewards of the asset, or

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

When the enterprise 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 Enterprise 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 enterprise 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 Note 2.3.15 (below)
- Financial assets Note 13
- Trade receivables Note 13.1

The enterprise 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.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the enterprise 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 enterprise 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.

NOTES TO THE FINANCIAL STATEMENTS

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 enterprise . 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 at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 enterprise'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 enterprise . 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 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.

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.

Off setting 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.

NOTES TO THE FINANCIAL STATEMENTS

2.2. 11 Borrowing cost

Interest/mark-up directly attributable to the acquisition/ construction/ installation of qualifying assets is capitalized. All other interest/ mark-up are charged to profit and loss account directly.

2.2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

(i) Finished products at the lower of average cost or market;

(ii) Work in process at actual production cost; and

(iii) Raw materials, packing materials, spare parts and other stocks at moving average cost.

2.2.13 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.

2.3.14 Impairment of non-financial assets

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

- Accounting policy disclosures Note 2.3.12 (par 1-3)
- Disclosures for significant assumption Note 11
- Property, plant and equipment Note 11

The enterprise 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 enterprise estimates the asset's **recoverable amount**. An asset's recoverable amount is the higher of an asset's 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.

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 enterprise 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.

NOTES TO THE FINANCIAL STATEMENTS

2.2.15 Employee termination benefits

The enterprise is obliged by law to pay severance payment for eligible employees who served the enterprise for more than 5 years when the employment is terminated .The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit credit method.

Disclosures relating to measurement and recognition of employee termination benefit (severance payment) summarized in note 26 :

2.2.16 Legal reserve

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

2.2.17 Provisions

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

2.2.18 Leave accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

2.2. 19 Related parties

A party is related to an entity if, inter alia

(i) directly, or indirectly through one or more intermediaries, the party:

a) Resource, 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.

The enterprise discloses the nature of relationships between the enterprise and its related parties irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent which in this case is the FDRE 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; and

(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.

National Alcohol and Liquor Factory

Hailiyesus Chekol Certified Accountant & Authorized Audit

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NOTES TO THE FINANCIAL STATEMENTS

2.3 First-time adoption of IFRS

These financial statements, for the year ended 30 June 2022 are the fifth the Enterprise has prepared in accordance with IFRS. For periods up to and including the year ended 30 June 2017 the Enterprise prepared its financial statements in accordance with local generally accepted accounting principle (Local GAAP).

Accordingly, the Enterprise has prepared financial statements that comply with IFRS applicable as at 30 June 2018 together with the comparative period data for the year ended 30 June 2017 as described in the summary of significant accounting policies hence the enterprise prepare its financial statement based on IFRS for the second time with all related note and disclosure. In preparing the financial statements, the Enterprises' opening statement of financial position was prepared as at 1 July 2016, the Enterprises' date of transition to IFRS. This note explains the principal adjustments made by the Enterprise in restating its Local GAAP financial statements, including the statement of financial position as at 1 July 2016 and the financial statements for the year ended 30 June 2017.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The enterprise has applied the following exemptions:

Deemed cost — Previous GAAP revaluation

Property , plant and equipment were accounted for in the statement of financial position in accordance with Local GAAP up to June 30 2016. Then a valuation is performed as at 1 July 2016 to determine the fair value, which has now been treated as a deemed cost at the date of the translation in to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Significant accounting judgements, estimates and assumptions

The preparation of the Enterprise'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 Enterprises' accounting policies, management has not encountered any situation that calls for any a 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 Enterprise 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 enterprise. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The enterprise measures its proprty,plant and equipment at revalued amounts to take it as deemed cost at the date of translation in to IFRS with changes in fair value being recognized against opening retained earnings. The Enterprise engaged an independent valuation specialist,IPS ,to assess fair value as at 1st July 2016. The valuation methodology used for each category of assets as presented is depreciated replacement value (DRV) and open market value.

The key assumptions used to determine the fair value of the property, plant and equipment are further explained in Note 11.

Employee termination benefit

The cost of post employment benefit and the present value of the pension 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.

Further details about pension obligations are provided in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Revenue

The following are analysis of the enterprises' revenue for the year

	2023 ETB	2022 ETB
Liquor1000 CC	798,862,308.88	549,334,290.36
Liquor 890 CC	137,800,694.36	180,750,418.00
Pure and Denature Alcohol & Sanitizer	21,838,440.61	25,984,714.29
Liquor 750 CC	2,121,075.88	931,150.42
Liquor 250 CC	142,982,391.59	148,644,276.27
	1,103,604,911.32	905,644,849

4.1 Source of Revenue

All line items stated above represent revenue from sales of alcohol and liquors to customers and agents.

4.2 Information about major customers (agents)

Included in revenue arising from sales of alcohol and liquor are revenues of approximately ETB 93.5 million which arose from sales to the enterprises' largest customer(agents) as shown in the schedule below

4.3 In these Period in which The Financial Statement is prepared there is no any revenue that not yet recognized due to difering of issuance of sales invoice to customer. And also in the revenue composition we do not have advance received from customer not yet delivered

	2023 ETB	2022 ETB
Wondimu Sebro	32,766,327	
Gidey Teteinke	30,531,137	26,053,313
Mekonnen G/Egziabihure	30,108,796	23,324,557
Mihiret Mekonnen		22,809,782
	93,406,259	72,187,652

5 COST OF GOODS SOLD

	2023 ETB	2022 ETB
Manufacturing cost :		
Work in process - Beginning	17,999,256.49	402,414
Direct materials	284,424,539.99	132,608,743
Direct labor	25,303,583.07	26,[illegible]13,232
Indirect material	78,168,455.48	69,527,276
Indirect labor- Salaries and Wages	22,575,887.05	15,398,883
Indirect labor- Employee benefits	14,027,834.66	9,585,349
Fuel & lubricant	104,758,815.85	75,746,505
Supplies & Stationeries	11,704,305.72	152,729
Repairs and maintenance	4,111,452.68	1,399,549
Utilities	4,027,470.35	5,837,644
Depriciation	27,016,429.30	25,962,816
Others	11,912,216.28	36,115,871
Other production overhead	200,134,411.89	170,199,345.99
Cost of denture alcohol	-	-
Wastage	-	-
	606,030,246.92	398,851,011.71
	-	-
Cost of production	606,030,246.92	398,851,012
Finished Goods - Beginning	70,064,190.35	69,385,099
Less: Finished goods-ending	(52,910,431.88)	(70,064,190)
Less: Cost of sample goods	1,353,660.64	2,491,522
Less: work in process - ending	(588,038.84)	(17,999,256)
	623,949,627.19	382,664,186

The Enterprise computes excise duty on selling price of the product at a rate of 80% For Liquor Product & 10% For Pure Alcohol Product in accordance with the Excise Tax Proclamation No. 1186/2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OTHER INCOME	2023 ETB	2022 ETB
Miscelaniuos	7,562,586	7,655,768
Sales of Plastic Crate	585,387	1,310,903
Gain /Loss On Exchange Rate IF	380,828	4,764,131
Reversal of Prov. Emp.Benefit	960,839	2,236,916
Sales of Areke Bottle 890cc	2,002,223	3,385,767
Bank Interest Income	165,500	247,440
	11,657,363.03	19,600,924

7 Selling & Distribution Expense	2023 ETB	2022 ETB
Salary and Wages	38,896,968	34,014,726
Other employee Benefit	17,658,134	8,390,118
Depreciation and amortization	12,541,938	12,183,101
Fuel and lubricant	13,207,929	8,072,551
Repair and maintenance	7,273,842	4,616,734
Freight & Transport	4,680,438	2,828,000
Comission	1,200,060	1,338,740
Stationary and Office Supplies	2,146,264	2,283,353
Entertainment	281,179	79,935
Advertisement Ent	1,998,855	346,222
Advertisement	9,397,301	2,109,098
Breakage and split liquor	56,526	381,936
Insurance	19,250	3,991,357
Packing Material	3,640,106	2,221,835
Cleaning Service	2,635,865	5,243,720
Loading & Unloading	5,519,560	2,685,914
Security	3,411,848	1,330,881
Perdium	848,053	
Tyre & Inner Tubes	5,671,592	-
Other operating expenses	5,172,287	11,288,612
	136,257,994	103,406,833

7.1 Board fee represents monthly allowance payable to the members of board of directors. The board is composed of 8 active members including the chairman and the secretory. Each member of the board other than the chairman and secretory is assigned as per the federal democratic republic of ethiopia public enterprise holding & administration agency latter no ቢካፋ 214/139/01 dated hamle 2012.

7.2 IAS 21 requires that foreign currency transaction be recorded at a rate prevailing on the date the transaction occurred and any subsequent gain or loss arising from exchange rate difference between transaction date and settlement date be charged to profit or loss. The enterprise is working as per the requirement.

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National Alcohol and Liquor Factory

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 General, admin and selling expense

	2023 ETB	2022 ETB
Salary and Wages	33,780,040	30,938,079
Other employee Benefit	21,899,197	15,044,440
Depreciation and amortization	14,330,016	12,728,720
Fuel and lubricant	5,846,879	2,072,040
Repair and maintenance	7,400,295	3,309,147
Rent expense	6,390,336	6,547,065
Travel and transport	984,491	234,713
Stationary and Office Supplies	2,038,461	3,207,966
Entertainment	1,103,613	2,039,431
Advertisement	212,200	215,103
Insurance	3,981,431	3,794,940
Financial Support to Investment holding Company	19,250,351	-
Donation	14,639,138	12,422,342
Training and education fee	598,109	387,355
Loading & Unloading	26,650	9,219
Board fee (7.1)	405,500	791,863
Penalty	2,334,403	1,515,302
Nalf Sport Club	11,020,840	9,626,290
Nalf Workers Club	5,115,253	5,760,028
Other operating expenses	24,245,392	14,774,083
	175,602,594.11	125,418,126

8.1 Other operating expenses

Uniform & Outfit	2,564,699
Transport & Fuel Allowance	2,363,238
Acting Allowance	400,617
PTT & Telex	829,439
Freight & Transport	533,580
Repair of Maint,of M/V	3,309,254
Samples	878,294
Bank Service Charge	669,009
Miscellaneous	7,047,348
Annual Leave	1,215,293
Position Allowance	968,461
Annual Factory Ceremony	518,093
Bottle of Gift & Sample 1000cc	899,313
Bottle of Gift,Sample 890cc	987,543
Milk Expense	1,061,211
	24,245,391.73

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.2 Finance cost

	2023		2022
		ETB	ETB
Lease Interest expense (8.1)		211,763	3,732,815
Interest on employee termination benefit obligation (8.2)		-	-
Bank Interest expense (8.3)		12,633,798.51	4,627,429
		12,845,561.99	8,360,244

8.2.1 the lease liability for the right use of land both bearing interest at a rate of 9.5 % per annum.More details about the

long term loan and lease liabilities along with the related interest is disclosed under note 24 and 25 respectively.

8.2.2 The amount included under finance cost is unwinding of the present value of employee termination benefit

obligation.

8.2.3 The amount included under Bank interest is the interest that is going to be computed at 14 % on the principal amount

9 TAXATION	2023 ETB	2022 ETB	2021 ETB
(a) Income tax expense			
Current taxation based on the taxable profit for the year at 30%	57,568,027	93,318,085	75,734,318
ADD: deferred tax charge (Note 10.1)	13,294,018	(346,297)	4,976,856
ADD/(LESS): deferred tax credit (Note 10.2)	(30,542)	793,055	(106,654)
Current year profit tax expense	70,831,503	93,764,843	80,604,520
(b) Tax expense computation			
Net profit before taxation	165,680,887	305,396,385	248,483,563
Deduct:			
Depreciation per tax law	(67,356,820)	(64,488,522)	(62,063,559)
Gain on Interest Income	(165,500)	(247,439.70)	-
Add: Non allowable expenses	-	-	0
Depreciation per company policy	53,888,383	53,405,892	52,595,333
Donation of which Birr 19,250,351 support to EIH	22,589,489	1,422,341	4,087,930
Advertisment	1,998,855	346,222	
Entertainment	1,384,792	2,119,366	1,904,057
Annual celebration	518,093	-	0
Penalty	2,334,403	1,515,302	1,501,404
Sport club	11,020,840	9,626,290	5,938,997
Loss on Reclassification Of NCAHFS into f	-	1,964,444	0
Taxable profit	191,893,422	311,060,282	252,447,725
Income tax at 30%	57,568,027	93,318,085	75,734,318
Current tax expense	57,568,027	93,318,085	75,734,318
(c) Statement of financial position - Tax payable			
At the beginning of the year	71,550,523	71,550,523	110,646,151
Paid during the year	(71,550,523)	(71,550,523)	(110,646,151)
Current year tax payable	57,568,027	93,318,085	75,734,318
Less: Withholding [illegible]	(4,805,398)	(3,934,972)	(4,183,795)
Income tax paya[illegible]	52,762,628	89,383,113	71,550,523

NOTES TO THE FINANCIAL STATEME

10 Deferred tax

Deferred taxation is estimated on all temporary differences under the liability method using the currently enacted tax rate of

(10.1) Deferred tax liability

Deferred tax asset arises on the temporary difference between carrying amount of PPE and its tax base as a result of valuation which has been performed on 1[st] of July 2016 for the purpose of first time IFRS adoption. The depreciation rate used for tax purpose and the rate used for IFRS purpose are also different which also gives rise to deferred tax asset.

(10.1.1) Change in depreciation method for tax purpose in 2019

The new income tax proclamation No.979/ 2016 has been issued on 2016 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 , We opted to use straight line method to determine depreciation for depreciable asset or

Deferred tax asset (liability)	2023 ETB	2022 ETB	2021 ETB
Tax base of the asset at June 30,(Note 10.1)	570,557,858	553,323,784	589,941,912
Book value of the asset at June 30,(Note 10.1)	721,349,046	660,765,830	697,374,031
Temporary deference	150,791,188	107,442,047	107,632,119
Deferred tax asset /liability on temporary differences at 30%	45,237,356	32,232,614	32,289,636

(10.1) Deferred tax calculation

Particulars	Buildings	Computer and accessories	Other Assets	Total
Written down value 1 July , 2021	269,308,988	2,738,771	317,894,153	589,941,912
Addition at cost	-	187,637	27,682,756	27,870,393
Disposal Proceeds	-			
Sub total	269,308,988	2,926,408	345,576,909	617,812,305
Tax law depreciation	(14,213,101)	(887,118)	(49,388,303)	(64,488,522)
Written down value 30 June , 2022	255,095,887	2,039,290	296,188,606	553,323,784
Book Value	263,979,265	12,236,566	384,549,999	660,765,830
Temporary Difference	(8,883,378)	(10,197,276)	(88,361,393)	(107,442,047)
Deferred Tax Balance (30 %)				(32,232,614)
Written down value 1 July , 2022	255,095,887	2,039,290	296,188,606	553,323,784
Addition at cost	39,705,277	241,298	44,644,319	84,590,894
Disposal Proceeds	-			
Sub total	294,801,164	2,280,588	340,832,926	637,914,678
Tax law depreciation	(16,336,403)	(2,688,480)	(48,331,937)	(67,356,820)
Written down value 30 June , 2023	278,464,761	(407,892)	292,500,989	570,557,858
Book Value	293,773,299	10,761,286	416,814,461	721,349,046
Temporary Difference	(15,308,538)	(11,169,178)	(124,313,473)	(150,791,188)
Deferred Tax Balance (30 %)				(45,237,356)

(10.2) Deferred tax asset

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	2021 ETB
Tax base of the liability at July 1,		-	-
Book value of the liability at June 30,	5,821,750	5,719,942	8,363,459
Temporary deference	5,821,750	5,719,942	8,363,459
Deferred tax asset on temporary differences at 30%	1,746,525	1,715,983	2,509,038

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roads	Plant and Machinery,	Tools and equipment	Motor vehicle	fixture and equipment	Containers	Containers On Trade	and accessories	Construction in progress	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
July 1 2022	291,059,448	332,954	366,124,986	6,771,632	98,067,635	15,222,268	101,216,176	31,346,603	14,605,721	50,024,261	974,771,682
Purchase	-	-	9,314,201	334,597	2,797,790	1,107,179	11,811,244	-	241,298	35,389,145	60,995,453
Transfer From CIP	39,705,277	-	17,823,131	-	-	-	-	-	-	(57,528,407)	-
Return From Agent	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	(1,465,898)	-	-	-	(1,465,898)
Fixed Asset from store	-	-	1,131,353	-	-	324,826	-	-	-	-	1,456,179
Transfer To Agent							(29,253,718)	29,253,718			-
At 31 January 2023	330,764,725	332,954	394,393,670	7,106,228	100,865,425	16,654,272	82,307,804	60,600,320	14,847,019	27,884,998	1,035,757,416
Depreciation					-	-					
At 1 July 2022 *	27,080,183	111,793	105,134,866	2,621,111	36,214,242	4,652,763	54,450,876	-	2,369,155	-	232,634,988
Charge for the year	9,911,243	16,648	22,572,194	865,348	8,741,327	1,987,025	8,078,020	-	1,716,578	-	53,888,383
Usefull Life Estimation Adj't	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2023	36,991,426	128,441	127,707,060	3,486,459	44,955,568	6,639,788	62,528,896	-	4,085,733	-	286,523,371
NET BOOK VALUE											
At 30 June 2023	293,773,299	204,513	266,686,609	3,619,770	55,909,856	10,014,484	19,778,908	60,600,320	10,761,286	27,884,998	749,234,045
At 30 June 2022	263,979,265	221,161	260,990,120	4,150,521	61,853,393	10,569,504	46,765,300	31,346,603	12,236,566	50,024,261	742,136,694

Disclosures for valuation methods, significant estimates and assumptions

All category of property, plant and equipment of the enterprise were carried in the statement of financial position prepared in accordance with Local GAAP on the basis of valuations performed as at 1st July 2016. The Enterprise has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

The assets involved in the valuation include buildings , plant, machinery and vehicles. The valuation methodology used for each category of assets as presented is depreciated replacement value (DRV) and active market prices, significantly

The Depreciated replacement value (DRV) of plant ,machinery and equipment is estimated cost of acquiring and installing the new assets having the same production capacity as the existing ones or their modern substitutes penalized

The Depreciated replacement value (DRV) of a building is the Gross Replacement Cost (GRC) depreciated according to their condition factor. The GRC of a building is the estimated cost of erecting the buildings or the modern substitute buildings having internal areas the same as that of the existing ones and the ancillary site works together with the relevant professional fees and other associated expense related to the construction of the building.

The valuation is performed by industrial project service (IPS)., an accredited independent value. IPS is a specialist in valuing these types of assets . A valuation model in accordance with that recommended by the International Valuation

The following table provides the fair value hierarchy disclosures for the valued PPE items :

Quantitative disclosures fair value measurement hierarchy as at

			Fair value measurement using		
	date of valuation	total	prices in an active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		ETB	ETB	ETB	ETB
Assets measured at fair value;					
Motor Vehicles	1st July 2016		33,177,000	-	-
Buildings,	1st July 2016		-	39,529,881	-
Plant and machinery	1st July 2016		-	193,167,517	-
Furniture, fixture and equipment	1st July 2016		-	383,498	-
Tools and specialized equipment	1st July 2016		-	383,147	-
Computer and accessories	1st July 2016		-	1,148,300	-
			33,177,000	234,612,344	-

If properties, plant and machineries were not revalued at the date of translation, the carrying amounts would be, as

	2017	1st July 2016
	ETB	ETB
Cost as per previous GAAP.	513,682,624	381,653,584
Accumulated depreciation as per previous GAAP	(169,265,547)	(127,771,864)
Net carrying amount	344,417,077	253,881,720

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

12 **Cash and cash equivalents**

	2023 ETB	2022 ETB
Cash at banks	114,508,315	141,912,164
Cash on hand	-	-
Cash and cash equivalents	**114,508,315**	**141,912,164**

13 **Non-Current Asset Held For Sell**

	2023 ETB	2022 ETB
Carrying amount		
Container 890 cc	-	-
container750 cc	-	-
Plant and machinery	-	-
	-	-
Less: Fair value less cost to sale		
Container 890 cc	-	-
container750 cc	-	-
Plant and machinery	235,313	235,313
Carrying amount as 30 June 2023	**235,313**	235,313
Net gain on reclassification of non current asset in to NCAHFS	235,313	235,313

14 **Financial assets at amortized cost**

	2023 ETB	2022 ETB
Associated enterprise	5,530,353	5,530,353
Investment in Government bond	1,000,000	1,000,000
Staff Debtors	2,915,098	2,436,688
Trade receivables	17,799,998	22,324,645
Allowance for credit losses	(5,524,135)	(5,524,135)
Total financial assets	**21,721,314**	**25,767,551**
Total current	**20,721,314**	**24,767,551**
Non-current asset - Investment	**1,000,000**	**1,000,000**

14 **Trade and other receivables**

	2023 ETB	2022 ETB
Trade Receivable-Former Associated Enterprise	5,530,353	5,530,353
Staff Debtors	2,915,098	2,436,688
Trade Receivables	17,799,998	22,324,645
less; Allowance for credit losses (14.2)	(5,524,135)	(5,524,135)
Net trade and other receivable	20,721,314	24,767,551

Trade and other receivables are non-derivatives financial assets carried at amortized cost which do not generate a fixed or variable interest income for the Enterprise. The carrying value may be affected by changes in the credit risk of the counterparties. The Enterprise has no any past due yet not impaired receivable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

14 **Impairment of financial assets /Allowance for credit losses**

	Individually impaired
At 1 July 2022	5,524,135
Charge for the year	-
Utilized/written off	-
Unused amounts reversed/recovered	-
At 30 June 2023	5,524,135

14 **Investment in Government bond.**

This is an investment in government bond to be held to maturity. the Enterprise has purchased Great Ethiopian Renaissance Dam Bonds worth ETB 1,000,000 . The bond bears no interest and is repayable at the maturity of the bonds. Even though the investment in bond is to be accounted for at amortized cost, the resulting change in the figure using effective interest method happens to be immaterial and hence the management has decided to present the amount at original cost.

15 **Advances and prepayment**

	2023 ETB	2022 ETB
Advance payment	88,437,821	52,193,563
VAT Recivabel	28,770,559	18,299,568
Deposits	-	-
Allowance for credit losses (15.1)	(1,397,227)	(1,397,227)
	115,811,153	69,095,904

15 This is related to advance payment made to the enterprise's major suppliers for purchase of raw materials and services to be delivered in the future. All of the Enterprise's advance and prepayments have been reviewed for indicators of impairment And Found That There Is No Impared Prepayment For The Year 2022/23. The impaired prepayments 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 with in the agreed period of time.

The movements in the allowance for credit losses is presented below:

At 1 July 2022	1,397,227
Charge for the year	-
Utilized/written off	-
Unused amounts reversed/recovered	-
At 30 June 2023	1,397,227

16 **Inventories**

	2023 ETB	2022 ETB
Work in Progress	588,039	17,999,256
Finished Products	52,910,432	70,064,190
Raw Material	46,649,357	59,795,023
Packing Materials	10,619,477	4,989,076
Spare Part and Other consumables	73,639,898	55,049,238
	184,407,203	207,896,783
Pro. For Stock Obsolescence	(2,630,185)	(2,503,804)
Overage	-	-
Goods in transit	7,152,246	8,340,310
Total inventories at the lower of cost and net realizable value	**188,929,264**	**213,733,289**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30,2023

17 **Right use of asset (Land)**

	Leases being amortized over			
	60 years	70 years		Total
Cost				
At 1 July 2022	3,332,890	20,700,000		24,032,890
Additions	#	-		-
Disposals	#	-		-
At 30 June 2023	3,332,890	20,700,000		24,032,890
Amortization and impairment				
At 1 July 2022	563,038	1,687,617	-	2,250,656
Amortization charge for the year	55,548	295,714		351,262
Disposals				
At 30 June 2023	618,587	1,983,332	-	2,601,918
Amortization charge for the year	55,548	295,714		351,262
Disposals				
At 30 June 2023	674,135	2,279,046	-	2,953,181
At 30 June 2023	2,658,755	18,420,954	0	21,079,709
At 30 June 2022	2,714,303	18,716,668		21,430,971
At 30 June 2021	2,769,851	19,012,383		21,782,234

17 **Lease I ;** On 13 December 2012 ,The Enterprise has leased 7,076.8 square meters of land from Addis Ababa City administration for 60 years. The total consideration for the lease amounts to a total of ETB 3,332,890.44 out of which the lease is required to pay ETB 499,933.17 (Being 15% of the total consideration) as a down payment and the enterprise has been given a grace period of 4 years in which it is not required to make any lease payment. The entity then commences payment of lease liability immediately after the end of grace period (i.e.13 Dec 2015) in such a way that the liability will fully settle in 20 years. Interest is calculated at a rate of 9.5% on the outstanding amount. The Company may transfer a leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid.

Lease II ; On 3 November 2014 , The Enterprise has also leased 5,000 square meters of land from Addis Ababa city administration for 70 years. The total consideration for the lease amounts to a total of ETB 20,700,000 out of which the lessee is required to pay ETB 2,070,000 (being 10% of the total consideration) as a down payment and the enterprise has been given a grace period of 4 years in which it is not required to make any lease payment. The enterprise then commences repayment of lease liability immediately after the end of grace period (i.e. 03 November 2018 in such a way that the liability will fully settle in 40 years. Interest is calculated at a rate of 9.5% on the outstanding amount. The Enterprise may transfer a leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid

18 **CAPITAL**

The enterprise was established as a public enterprise with a paid up capital of ETB 12,209,181, which was fully paid in cash and in kind.

Sebsequently our company paid up capital has been grown to Birr 622,673,899.83 the reason for the growth is the investment that made on the Past year on project expansion .the source of the investment is mainly the un paid balance of state dividend due to this fact the government decided to raise the paid up capital of the enterprise to the extent of the unpaid balance of stated dividend .

19 **LEGAL RESERVE**

The legal reserve is a statutory reserve to which no less than one-fifth of the annual net profit of the Company is transferred To Legal reserve until such fund amounts to one-tweientith of the capital of the Company.Hence The Capital Of The Enterprise In The Year 2018 Has Been Raised By Proclamation No 415/2017 Due To These There Will Be A changeIn the Account

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

	2023 ETB
Balance at 30 June 2022	39,609,318
Tax Audit Adjustment	-
Legal Reserve For The Year	4,742,469
Balance at 30 June 2023	44,351,787

20 **RETAINED EARNINGS**

The retained earning balance represents the amount available for distribution to the owner of the enterprise.

	2023 ETB
Balance at 1 July 2016	(15,027,000)
Retained earning for the year	-
Adjustment	-
Balance at 30 June 2023	(15,027,000)

21 **First time IFRS adoption revaluation reserve**

Valuation of plants, property and equipment were performed as at 1 July 2016 to determine the fair value, which has now been treated as a deemed cost at the date of the translation in to IFRS. The balance included in First time IFRS adoption revaluation reserve is the surplus of the revaluated amount over the carrying amount and was directly credited to this surplus account net of deferred tax arising from revaluation of PPE.It is released to the retained earning by the excess of depreciation expense over the amount that would have been had the revaluation not been performed.

22 **Financial liabilities at amortized cost:**

	2023 ETB	2022 ETB
Trade and other payable	46,306,815	35,305,503
Current portion of long term loan	50,000,000	50,000,000
Lease liability	17,859,376	18,466,774
Termination benefit obligation	5,821,750	5,719,942
Current portion lease liability	607,398	607,398
Total financial liabilities	**114,166,192**	**103,772,277**
Total current	**40,485,066**	**29,585,561**
Total non-current	**73,681,126**	**74,186,716**

23 **Term loan**

	Awash (Loan # 1) ETB		Total ETB
Interest rate	15.00%		
Maturity	19-Nov-23		
Balance at 1 July 2022	50,000,000		50,000,000
Addition	50,000,000		50,000,000
Less: Repayments	(50,000,000)		(50,000,000)
Balance at 30 June 2023	50,000,000	-	50,000,000

23 The Enterprise has obtained a term loan of Birr 50,000,000.00 from Awash Bank on November 12, 2022 to Finance working capital . The loan bears interest at the rate of 15 % per annum and repayable in equal semi annual payments of Birr 27,846,385 including interest charges. The loan is repayable within 1 years.

The bank helds collateral of building which is located at [illegible] branch Factory used for [illegible] estimated for Br 163,[illegible] under ownership licence no [illegible]30983/05

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

The borrowing are payable as follows

	At '2023	At '2022
not later than one year	50,000,000	50,000,000.00
later than one year and not later than five years	-	-
later than five years	-	-
	50,000,000	50,000,000

24 Bank Overdraft

	At '2023	At '2022
	61,480,594	
	61,480,594	0

24 The Enterprise has obtained a bank over draft with a limit of Birr 80,000,000.00 from Commercial Bank Of Ethiopia on April 15, 2022 to Finance working capital requirement . The loan bears interest at the rate of 14 % per annum .

25 Lease liability

25 Lease arrangement

The enterprise leased a 7076.8 M^2 ad 5000 M^2 of land under the lease arrangement from Addis Ababa city administration with average lease term of 40 and 20 years respectively. The enterprise's obligation under lease arrangement is secured by the lessor's title to the land. Interest rate underlying the obligation under the lease is fixed at a contract date being 9.5 % per annum.

Addis Ababa City Administration-

Lease obligation payable in annual installments of Birr 141,648 starting from December 2014 through 2033 and The outstanding liability bears interest at the rate of 9.5% per annum.

Addis Ababa City Administration-

Lease obligation payable in annual installments of Birr 465,750 starting from November 2018 through 2057 and The outstanding liability bears interest at the rate of 9.5% per annum.

	Lease 1	Lease 2	Total
Balance at 30 June 2020	2,124,717	18,164,250	20,288,967
Addition			
Less: Repayments	(141,648)	(465,750)	(607,398)
Balance at 30 June 2021	1,983,069	17,698,501	19,681,570
Addition			
Less: Repayments	(141,648)	(465,750)	(607,398)
Balance at 30 June 2022	1,841,421	17,232,751	19,074,172
Addition			
Less: Repayments	(141,648)	(465,750)	(607,398)
Balance at 30 June 2023	1,699,773	16,767,002	18,466,774

Obligation payable

not later than one year	607,398
later than one year and not later than five years	3,036,989
later than five years	15,429,785.45
	19,074,172

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

26 **Termination benefit obligation (Severance payment)**

The enterprise is obliged by law to pay severance payment for eligible employees who served the enterprise for more than 5 years when the employment is terminated .The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit

	2023 ETB	2022 ETB
Discount rate	14.0%	9.5%
expected rate of salary increase(the lower of projected salary and ceiling in salary scale)	13%	18%
The age at which each employee is assumed to terminate	54	54

	2023 ETB	2022 ETB
Opening employee benefit obligation	5,719,942	8,363,459
Current service cost	925,610	(349,677)
Interest cost	150,681	(56,924)
Payment	(13,644)	-
Reversal of provision	(960,839)	(2,236,916)
Closing employee benefit obligation	5,821,750	5,719,942

27 **Trade and other payables**

	2023 ETB	2022 ETB
Trade payable	11,601,624	7,103,830
Sundry payable	752,446	1,418,371
Interest payable	265,325	4,629,146
Bonus payable	32,190,740	20,840,205
Deposit	-	-
Pension contribution payable	1,496,680	1,313,951
	46,306,815	35,305,503

Trade payables are non-interest bearing and are normally settled on 60-day terms. The Pension payable is defined contribution plan where Employees are included in a statutory pension scheme to which the Company and these employees contribute 11% and 7% of the individual monthly salaries, respectively.

28 **Other tax and obligation**

	2023 ETB	2022 ETB
Employment income tax	2,832,345	2,676,863
VAT payable	17,834,976	14,192,294
Withholding tax payable	311,034	309,066
Cost sharing	4,572	4,072
Excise tax	61,118,105	49,876,695
Excise Tax for Tax Audit	-	132,480,050
	82,101,032	199,539,040

Excise tax is payable on alcoholic products such as liquor and pure alcohol at a prescribed rate of 80% and 60% applied respectively on the product's Selling Price .The time of payment should not be later than 30 days from the date that products Issued From The Factory . Hence the unpaid balance at the year end in respect of excise tax represents amount computed on the Selling price of alcohols and liquors produced during the last month for the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

29 **Dividend payable**

	State dividend
Balance at 30 June 2021	561,176,554
Dividend declared during the year	201,049,965
Less: Settlement	(74,400,000)
Tax Audit Adjustment	(269,960,126)
Transfer To IDF Note 28.1	(401,691,464)
Balance at 30 June 2022	16,174,930
Dividend declared during the year	90,106,915
Less: Settlement	(25,774,931)
Adjustment	(6,277,304)
Balance at 30 June 2023	74,229,610

Obligation payable	
not later than one year	74,229,610
later than one year	-
	74,229,610

29 **Industrial Development Fund**

It is an agrement made between the FDRE ministry of finance and national alcohol & liquore factory for the accumulated dividend balance which was requested by the factory to transfer the accumulated balance to capital until then the ministry of finance provide an agrement which need to be consider the requested capital appraisal as a loan

30 RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Enterprise's principal financial liabilities, comprise trade and other payables . The main purpose of these financial liabilities is to finance the Enterprise's operations . The Enterprise's principal financial assets include trade and other receivables, and cash and short-term deposits that arise directly from its operations. The main business risks faced by the enterprise in respect of its principal non-derivative financial instruments are market risk including interest rate risk and foreign currency risk, credit risk and liquidity risk. The Management review and determine policies for managing these risks

(a) Market Risk

The Enterprise maintains a conservative policy regarding currency and interest rate risks and does not engage in speculation in the markets. In addition, the Enterprise does not speculate or trade in derivative financial instruments.

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.
As at 2023 the Enterprise did not hold any financial assets or liabilities which were subject to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS OF JUNE 30,2023

(ii) Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures for the Company mainly relate to purchases of raw materials and capital expenditures in foreign currencies.

At 30 June,2023 the Enterprise do not have any financial asset or liability denominated in foreign currency.

(iii) Price risk

The enterprise does not hold investments that would be subject to price risk; hence this risk not relevant.

(b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from deposits with banks, as well as trade receivables. Management asseises the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2022 s made up as follows:

	Fully performing ETB	Past due ETB	Impaired ETB
1 July 2022			
Trade receivables	20,721,314	-	5,524,135
Other receivables	-	-	-
Cash and bank balances	114,508,315	-	-
30 June 2023	135,229,630	-	5,524,135

Bank balances are fully performing. Trade receivables under the fully performing category are expected to be recovered in full as the debtors are paying their debts as they continue trading. Trade receivables in the past due category are balance which have been past due yet not impaired.

31 RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (Continued)

(c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, banking facilities and by continuously monitoring forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity grouping's based on the remaining period at the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	1 - 12 months ETB	1 - 5 years ETB
At 30 June 2023		
Trade payables	11,601,624	-
Borrowing	50,000,000	-
Other payables	132,981,154	24,288,524
	194,582,778	24,288,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30,2023

32 CAPITAL RISK MANAGEMENT

The enterprise manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the enterprise consists of equity attributable to equity holders (FDRE Government), comprising issued capital and retained earnings. The enterprise monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liability less current liability. Total capital is calculated as equity plus net debt. Information on the enterprise's capital and borrowings as at 30 June 2023 and 2022 is provided below:

	2023 ETB	2022 ETB
Share capital	622,673,899	220,985,435
Legal reserve	44,351,787	39,609,318
Retained earnings	75,864,772	75,864,772
Equity	742,890,458	336,459,525
Total liability	470,375,180	879,568,346
Less: current liability	(401,456,698)	(823,438,291)
Net debt	68,918,482	56,130,055
Gearing	9%	17%

33 **Non financial liability**

	2023 ETB	2022 ETB
Accrual	18,133,286.53	16,586,505
Stock suspense	15,835,333	14,150,338
	33,968,619	30,736,843

33 Included in accrual is cumulative annual leave , utility , unclaimed salary and others accrued at the reporting date. Each employee is entitled to an annual leave of 14 days for the first year of employment and keeps on increasing one day per additional two year of service until it reaches the maximum amount allowed per year . However , the leave can only be carried forward for one more year. Accrued expense also included audit fee amounting ETB (ETB 115,000 in 2023).

33 Balance included in stock suspense is related to settlement of purchase advance through supplier invoice and cash receipt against the receipt of goods and services. Stock suspense account with a credit balance represents the excess of the goods received at the year end over the advance settled during the period indicating that there are goods delivered which have not yet been settled with supplier invoice and cash receipt at the year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

AS OF JUNE 30,2023

34. Related party disclosure

AIS 24 provides an exemption in the government entities limiting the disclosure required only to those transactions that are individually or collectively significant. Hence the disclosure below represents only those related parties with which the enterprise has had significant transactions during the respective period and the entities listed below are related to National Alcohol and liquor factory because they are all owned by the FDRE government.

		Purchase from related parties	Sales to related parties	Due to related parties	Due from related parties
		ETB	**ETB**	**ETB**	**ETB**
Entity with significant influence owned by the					
Ethiopian Sugar corporation	2023	71,830,391	-	-	-
	As at 1 July	98,045,554	-	-	-
Kenema Pharmacy	2023	-	-	-	-
	As at 1 July	-	-	-	2,183,933
Ethiopian Pharmaceuticals Manufacturing	2023	-	-	-	-
	As at 1 July 2022	221,897			
Ethiopian Electric Utility	2023		-		
	As at 1 July 2022		4,067,755		
Educational Material	2023	1,213,920	-		-
	As at 1 July 2022	3,453,182			
		174,764,944	**4,125,749**	-	**2,183,933**

The outstanding amounts are classified as prepayments and trade payables respectively (see Notes 16 and 27).

Compensation of key management personnel of the Enterprise

Key management of the Enterprise are the chief executive officer , executive officer as well as members of the board of directors. Key management personnel remuneration includes the following expenses:

	2023 ETB	2022 ETB	2021 ETB
Short term employee benefit	16,145,520	21,819,944	19,030,857
Post-employment benefit (pension)	1,804,364	1,604,446	1,404,527
Board fee	818,576	791,885	375,300
Bonus payment	6,658,300	5,949,575	4,159,407
Total compensation paid to key management	**25,426,760**	**30,165,849**	**24,970,091**

The amounts disclosed above are the amounts recognised as an expense during the respective reporting period related to key management personnel.

35. Events after reporting period

On August 2017 the government has decided to privatize the National alcohol and liquor factory and preparation has already been made to offer the enterprise for a sale to the private business through official bidding process. The announcement for the bid is yet to be officially communicated to the potential buyers.

36. Contingent liabilities and commitments

There are no contingent liabilities and commitments as at 30 June 2023.

37. Going concern assumption

Management of the enterprise 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 Enterprise's ability to continue as a going concern. Management's conclusions are based on the assessment made for the forcible future.