AUDITORS' REPORT AND ACCOUNTS

TSEHAY INDUSTRY S.C
REPORTS AND ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2024

Nov. 2024, Addis Ababa

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Company TIN number

0025246324

Directors *(as of July 7, 2024)*

		Appointment date to current postion
Tesfaye Fente	Chairman, Board of Directors	28-Dec-2023
Tadesse Ayenew	D/Chairman, Board of Directors	28-Dec-2023
Asmamaw Mulualem	Board of Director	28-Dec-2023
Meseret Melak	Board of Director	28-Dec-2023
Yismashewa Seyoum	Board of Director	28-Dec-2023
Yitbarek Getahun (Eng.)	Board of Director	28-Dec-2023
Meseret Alemineh	Board of Director	28-Dec-2023
Niway Zergi (PhD)	Board of Director	28-Dec-2023
Teferi Mekonen	Board of Director	28-Dec-2023
Binalfew Nega	Secretary, Board of Directors and the company's Legal Advisors	13-Mar-2016

Executive management *(as of 7 July 2024)*

		Appointment date to current postion
Workineh Tesfaye	Chief Excutive Officer	8-May-2021
Minda Demeke	Head, Quality Assurance Service	13-Apr-2024
Mesfin W/Giorgis	Manager, Production Dep't	6-Apr-2023
Merawi Gebru	Manager , Supply Dep't	28-Oct-2022
Mimi G/yes	Manager, Finance & Accounts Dep't	28-Oct-2022
Tesfahun Asratie	Manager, Human Resources & Change Mgt Dep't	28-Oct-2022
Tigist Hageru	Head, Internal Audit Service	11-Oct-2020
Eyasu N/Tibeb	Manager, Marketing Dep't	19-Apr-2016
Kasahun Birle	Manager, Technique Dep't	28-Oct-2022
Negesu Tekolla	Head, Inform.Technology Service	14-Sep-2015
Yared Epherm	Head, Planning& Business Development	8-Jul-2023
Genet Argaw	Manager, Coffee Export	9-Feb-2024

Independent auditor

Tafesse, Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountant (UK) Authorized Auditors (Ethiopia)

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P.O. Box- 110690 e-mail: tmsplus@ethionet.et
Addis Ababa-Ethiopia

Legal Advisor

Binalfew Nega, Legal Consultancy & Advocay Office
Tel +2511-5-55-77-86
Addis Ababa, Ethiopia

Principal Company Bankers

Commercial Bank of Ethiopia
Berhan Bank S.C.
Oromiya Bank S.C.
Tsehay Bank S.C.

Principal Operation Office

Addis Ababa, Akaki Kality Sub City, Woreda 12
Tel. +251-1-14340110
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Addis Ababa, Ethiopia

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

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

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 Company by:

Tesfaye Fente
Chairman, Board of Directors
10-December-2024

Workineh Tesfaye
Chief Executive Officer
10 December 2024

Opinion

We have audited the accompanying financial statements of Tsehay Industry Share Company which comprise statement financial position as at July 7, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 7, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have no comment to make on the report of the Board of Directors of the Company in so far as it relates to these financial statements and pursuant to Article 426 of the Commercial Code of Ethiopia 2021 we recommend approval of these financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management's and those Charged with Governance for The Financial

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Tafesse, Shisema and Ayalew (TMS Plus) Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa
Novmber 04, 2024

The Board of Directors has pleasure of presenting their report on the affairs of Tsehay Industry S.C. or "Share Company" together with the financial statements for the year ended 7 July 2024, to the shareholders of Tsehay Industry S.C. This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

Tsehay Industry S.C Company, the Share Company ,which acquired the ex-Kality Metal Products Factory (KMPF),was established on February 8, 2012. The Company was established in accordance with the provisions of the then Commercial Code of Ethiopia of 1960.

Principal activities

The Company is principally engaged in manufacturing of standard and engineered metal products as well as exporting agricultural products mainly coffee, sesame and green beans.

Results and dividends

The Company's results for the year ended 07 July 2024 are set out on page 7. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	7 July 2024 ETB	7 July 2023 ETB
Revenue	938,461,681	964,135,613
Profit before income tax	274,634,233	360,585,572
Income tax expense	(75,380,906)	(100,749,071)
Net Profit for the year	**199,253,326**	**259,836,501**
Earnings per share (Par value ETB 1,000)	**200**	**297**

The accompanying notes are an integral part of this statement

Signed on behalf of the company by

Tesfaye Fente
Chairman of Board of Directors

Workineh Tesfaye
Chief Executive

TSEHAY INDUSTRY S.C
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 7 JULY 2024

	Notes	7 July 2024 ETB	7 July 2023 ETB
Revenue	5	938,461,681	964,135,613
Cost of goods sold	7	(569,048,224)	509,008,613
Gross profit		369,413,457	455,127,000
Other income	6	12,175,810	1,234,407
Selling and distribution expenses	9	(18,305,920)	(14,649,564)
Administration expense	10	(64,097,506)	(54,116,248)
Finance income (cost), net	8	(24,551,608)	(27,010,023)
Profit before tax		274,634,233	360,585,572
Income tax expense	12a	(75,380,906)	(100,749,071)
Profit for the year		199,253,326	259,836,501
Other comprehensive income, net of income tax			-
Items that will be subsequently reclassified into profit or loss:			
Gain on revaluation of equity investment	16		-
Total comprehensive income for the year		**199,253,326**	**259,836,501**
Earnings per share (par value ETB 1000.00)		**200**	**297**

The accompanying notes are an integral part of this statement

Signed on behalf of the company by

Tesfaye Fente
Chairman of the Board of Directors

Workineh Tesfaye
Chief Excutive Officer

TSEHAY INDUSTRY S.C
STATEMENT OF FINANCIAL POSITION
AT 7 JULY 2024

	Notes	7 July 2024 ETB	7 July 2023 ETB
ASSETS			
Non-current assets			
Property, plant and equipment	13	385,056,119	278,029,065
Leasehold land	15	23,056,072	23,456,549
Investment in financial assets			
– Financial assets measured at fair value	16	118,128,290	107,590,633
Goodwill	14	180,567,067	185,318,067
Total non-current assets		**706,807,548**	**594,394,314**
Current assets			
Inventories	17	736,326,568	667,624,418
Trade receivables	18	28,115,134	45,910,994
Other assets	19	145,775,732	89,817,505
Cash and bank balances	20	276,393,541	306,735,833
Total Current Assets		**1,186,610,974**	**1,110,088,750**
TOTAL ASSETS		**1,893,418,522**	**1,704,483,064**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	1,113,715,000	878,968,212
Retained earnings	23	225,374,130	285,957,304
Other reserve	24	2,978,391	2,978,391
Legal reserve	25	64,857,197	51,865,372
Total equity		**1,406,924,718**	**1,219,769,279**
Non-current liability			
Borrowing	26	-	21,080,820
Defined benefit obligation	27	3,057,567	2,350,402
Deferred tax liability	12d	52,685,493	48,276,044
Finance lease payable	28	20,229,565	20,830,281
Total non-current liability		**75,972,625**	**92,537,547**
Current liabilities			
Borrowing	26	219,963,334	187,314,255
Trade payables	29	968,363	4,011,489
Lease Payable (current)	28	600,716	600,716
Other payables	30	118,039,162	105,818,002
Current income tax liabilities	12c	70,949,605	94,431,776
Total current liabilities		**410,521,180**	**392,176,238**
Total liability		**486,493,805**	**484,713,785**
Total equity and liabilities		**1,893,418,523**	**1,704,483,064**

The accompanying notes are an integral part of this statement

Signed on behalf of the company by

Tesfaye Fente
Chairman of the Board of Directors

Workineh Tesfaye
Chief Executive Officer

TSEHAY INDUSTRY S.C
STATEMENT OF CHANGES IN EQUITY
AT 7 JULY 2024

	Notes	Share capital paid up ETB	Retained earnings ETB	Other reserve ETB	Legal reserve ETB	Total ETB
As at 8 July 2022	21	872,352,425	280,629,084	2,978,391	39,139,958	1,195,099,858
Profit for the year	23	-	259,836,501	-	-	259,836,501
Addition during the year		-	-	-	-	-
Other comprehensive income:	24			-		-
Total comprehensive income for the year		872,352,425	540,465,585	2,978,391	39,139,958	1,454,936,359
Capital injection in cash		4,532,962	-	-	-	4,532,962
Dividend capitalized	23	2,698,229	(2,698,229)	-	-	-
Dividend distributed to shareholders		-	(226,995,494)	-	-	(226,995,494)
Board member remuneration	23		(12,089,143)			
Transfer to legal reserve	25		(12,725,414)		12,725,414	
Adjustment		(615,404)	-	-		(615,404)
		6,615,787	(254,508,281)	-	12,725,414	(223,077,936)
As at 7 July 2023		**878,968,212**	**285,957,304**	**2,978,391**	**51,865,372**	**1,219,769,279**
As at 8 July 2023		878,968,212	285,957,304	2,978,391	51,865,372	1,219,769,279
Profit for the year		-	199,253,326	-	-	199,253,326
Other comprehensive income	24	-		-	-	-
Total comprehensive income for the year		878,968,212	485,210,631	2,978,391	51,865,372	1,419,022,606
Dividend Capitalization		212,369,781	(212,369,781)	-	-	-
Dividend distributed to shareholders			(22,132,661)	-		(22,132,661)
Board member remuneration	23		(12,342,234)			(12,342,234)
Transfer to legal reserve	25		(12,991,825)		12,991,825	-
Capital injection in cash		22,377,007				22,377,007
As at 7 July 2024		**1,113,715,000**	**225,374,130**	**2,978,391**	**64,857,197**	**1,406,924,719**

The accompanying notes are an integral part of this statement

TSEHAY INDUSTRY S.C
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 7 JULY 2024

	Notes	7 July 2024 ETB	7 July 2023 ETB
Cash flows from operating activities			
Cash generated from operations	31	195,082,767	295,806,650
Income tax paid	12c	(94,453,628)	(84,344,755)
Board of Directors remuneration paid	23	(12,342,234)	(12,089,143)
Net cash inflow from operating activities		**88,286,905**	**199,372,751**
Cash flows from investing activities			
Purchase of equity investment	16	(10,537,657)	(33,716,685)
Collection /(Purchase) of debt investment (Gov't bonds)	16	-	(50,000)
Purchase of property, plant and equipment	13	(120,946,439)	(60,071,254)
Proceeds from PPE disposal	13	1,643,010	757,911
Profit transferred to capital	23	(212,369,781)	(2,698,229)
Net cash outflow from investing activities		**(342,210,866)**	**(95,778,258)**
Cash flows from financing activities			
Leasehold land financing	28	(600,716)	(1,201,432)
Proceeds from issues of shares	23	234,746,788	6,615,787
Dividend paid	23	(22,132,661)	(226,995,494)
Received (Settlement) of bank borrowing	26	11,568,259	30,508,622
Net cash outflow from financing activities		**223,581,670**	**(191,072,517)**
Net (decrease)/increase in cash and cash equivalents		**(30,342,292)**	**(87,478,024)**
Cash and cash equivalents at the beginning of the year	20	306,735,833	394,213,857
Cash and cash equivalents at the end of the year		**276,393,541**	**306,735,833**

The accompanying notes are an integral part of this statement

1 General information

Kaliti Metal Products Factory (KMPF) was established in 1968 with the objective of producing structural and furniture hollow sections, door and window frame profiles.

KMPF is one of the metal industries in the country that manufactures different range of products. The factory was acquired by Tsehay Industry Share Company from the then Privatization and Public Enterprises Supervising Agency (PPESA) on July 12, 2012. It is now working with a total capital of more than Birr 1.5 Billion and with a work force of 327 workers.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 7 July 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

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

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

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The Management has no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 7 July 2024, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

New Standards, amendments, interpretations issued but not yet effective (continued)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statement.

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 16 Leases	1 January 2019
Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	1 January 2019
Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	1 January 2019
Amendments to IAS 28 - Long-term Interests in Associates and Joint Venture	1 January 2019

IFRS 16 Leases

'IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognize a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognized in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognized in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

New Standards, amendments, interpretations issued but not yet effective (continued)

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed.
- This 'does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

2 Summary of significant accounting policies (continued)

2.2.2 Changes in accounting policies and disclosures (continued)

Amendments to IAS 28 - Long-term Interests in Associates and Joint Venture

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first time application of the amendments coincides with that of IFRS 9.

2.3 Foreign currency translation

a) *Functional and presentation currency*

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

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (Continued)

Asset class	Estimated useful lives (in years	Estimated salvage value
Building	50	5% of cost
Land Improvements	40	5% of cost
Furniture and fixture	10	1% of cost
Office Equipment	7	1% of cost
Special equipment	10	1% of cost
Hand Tools	7	0% of cost
Computer and IT equipment	7	2% of cost
Motor Vehicles	10	5% of cost
Machinery	20	0% of cost

The Company commences depreciation when the asset is available for use. Freehold land is not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use 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.

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.

Properties in the course of construction are carried as work in progress at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are reclassified to the appropriate categories of asset when completed and ready for intended use.

2.5 Intangible asset

2.5.1 Goodwill

Goodwill acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on Goodwill assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Goodwill is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date of it's acquired by the company .

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

Asset class	Estimated useful lives (in years	Estimated salvage value
Goodwill	50	0% of cost

2.6 Investment property

Property that is held by the Company to earn rental income or for capital appreciation, or both, and is not occupied by the Company, are classified as investment properties.

Recognition of investment properties takes place only when it is probable to the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

2.7 Impairment of non-financial assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (Continued)

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 companies or other available fair value indicators.

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

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

2.8 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

Recognition and derecognition

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance to IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments - initial recognition and subsequent measurement (continued)

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the any equity investment at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets (Continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Other assets

(a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

2 Summary of significant accounting policies (continued)

2.10 Other assets (Continued)

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Company's other receivables are staff advances and other receivables from debtors.

3 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

3.1 Revenue recognition

Sales of goods and services

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, rebates and discounts.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or services to customers.

Investment income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Dividend income

This is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

3.2 Employee benefits

The Company only post-employment schemes is defined contribution pension plans.

(a) ***Wages, salaries and annual leave***

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) ***Defined contribution plan***

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

2 Summary of significant accounting policies (continued)

3.3 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company's Management determines the policies and procedures for both recurring fair value measurement, such as fair value instrument measured at fair value through profit and loss .

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

3.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2 Summary of significant accounting policies (continued)

3.5 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

3.6 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3.7 Income taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management note 4.5
- Financial risk management and policies note 4

3.8.1 Judgments

In the process of applying the Company's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments -Company as lessor

The Company has entered into various rental of prime location shops for the use of fresh market supermarkets. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.8.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation 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 Company 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 beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.8.3 *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.8.4 *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment by the management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3.8 Significant accounting judgments, estimates and assumptions (Continued)

3.8.5. Fair value estimation (Judgment)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

3.8.6 Impairment testing (Estimate)

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

3.8.7 Finance lease commitments (Estimate)

The company has entered into land lease arrangement with Addis Ababa City Administration, Oromiya and Sidama Regional States . Management has determined, based on all available information, that the Company retains the significant risks and rewards of ownership of the land and, consequently, the land lease has been accounted for as finance lease.

3.8.8 Valuation of receivables (Judgment)

The Company assesses its trade receivables for impairment at each financial reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Company make judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

3.8.9 Impairment

At the reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

3.8.10 Key estimates

Valuation of receivables
The Company assesses its trade receivables for impairment at each financial reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Company make judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

4 Financial risk management

4.1 Introduction

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

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

4.1.1 Risk management structure

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

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

The Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the General Manager.

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

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

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

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

4 Financial risk management (continued)

4.2 Financial risk

Financial instruments by category

The Company's classification of its financial assets is summarized in the table below:

	Notes	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
7 July 2024		**ETB**	**ETB**	**ETB**	**ETB**
Cash and balances with banks	20	-	276,393,541	-	276,393,541
Investment in equity instrument	16	-	-	117,078,290	117,078,290
Trade receivables	18	-	28,115,134	-	28,115,134
Ethiopian Government saving bond	16	1,050,000	-	-	1,050,000
Other assets	19	-	51,171,693	-	51,171,693
		1,050,000	**355,680,368**	**117,078,290**	**473,808,658**
7 July 2023					
Cash and balances with banks	20	-	306,735,833	-	306,735,833
Investment in equity instrument	16	-		106,540,633	106,540,633
Trade receivables	18	-	45,910,994	-	45,910,994
Ethiopian Government saving bond	16	1,050,000	-	-	1,050,000
Other assets excluding prepayments	19	-	29,055,885	-	29,055,885
Total financial assets		**1,050,000**	**381,702,712**	**106,540,633**	**489,293,345**
7 July 2022					
Cash and balances with banks	20	-	465,309,088		465,309,088
Investment in equity instrument	16	-	-	72,823,948	72,823,948
Trade receivables	18	-	5,305,751	-	5,305,751
Ethiopian Government saving bond	16	1,000,000	-	-	1,000,000
Other assets excluding prepayments	19	-	21,867,151	-	21,867,151
Total financial assets		**1,000,000**	**492,481,989**	**72,823,948**	**566,305,936**

4 Financial risk management (continued)

4.3 Credit risk

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

4.3.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty . Such risks are subject to regular review. Limits on the level of credit risk by category are approved by executive management.

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

	7 July 2024 ETB	7 July 2023 ETB	7 July 2022 ETB
Cash and balances with banks	276,393,541	306,735,833	394,213,857
Trade receivables	28,115,134	45,910,994	5,305,751
Ethiopian Government saving bond	1,050,000	1,050,000	1,000,000
Other assets excluding prepayments	51,171,693	29,055,885	21,867,151
	356,730,368	**382,752,712**	**422,386,758**

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.2 **Credit quality**

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 7 July 2024, 7 July 2023 and 7 July 2022 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of Trade and other receivables

7 July 2024	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
Trade receivables				
Trade receivable	4,363,794	24,529,019	-	28,892,813
Other receivables				
Staff advances	3,935,982	-	-	3,935,982
	8,299,776	24,529,019	-	32,828,795
Gross				
Less: impairment allowance	-		-	-
Net	8,299,776	**24,529,019**	-	**32,828,795**
7 July 2023				
Trade receivables				
Trade receivable	45,058,501	635,976	-	45,694,477
Other receivables				
Staff advances	3,647,115	-	-	3,647,115
	48,705,617	635,976	-	49,341,593
Gross				-
Less: impairment allowance	-		-	-
Net	**48,705,617**	**635,976**	-	**49,341,593**
7 July 2022				
Trade receivables				
Trade receivable	3,291,600	2,159,860		5,451,460
Other receivables				
Staff advances	1,982,882	-	-	1,982,882
	5,274,482	2,159,860	-	7,434,342
Gross				
Less: impairment allowance	-		-	-
Net	**5,274,482**	**2,159,860**	-	**7,434,342**

(i) Receivables - neither past due nor impaired

The credit quality of the portfolio of Trade Receivable that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Trade receivable to customers in this category are trade receivable past due for less than 90(Ninety) days.

4 Financial risk management (continued)

4.3 Credit risk (Continued)

4.3.2 Credit quality analysis (continued)

(i) Receivables - neither past due nor impaired (Continued)

Trade receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

	7 July 2024 ETB	7 July 2023 ETB	7 July 2022 ETB
Neither past due nor impaired	8,299,776	48,705,617	5,274,482
	8,299,776	**48,705,617**	**5,274,482**

(ii) Receivables- past due but not impaired

Past due up to 90 days	4,363,794	45,058,501	3,291,600
Past due up to 90 - 180 days	-	-	-
Past due by 180-360 days	23,903,319	584,653	-
Past due over 360	625,700	635,976	2,159,860
	-	-	-
Collective impairment	(777,679)	(368,136)	(145,709)
Receivables (net)	**28,115,134**	**45,910,994**	**5,305,751**

Loans and advances to customers that have been classified as neither past due nor impaired or past due but not impaired are assessed on a collective basis.

(iv) Allowance for impairment

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

	7 July 2024 ETB	7 July 2023 ETB	7 July 2022 ETB
	777,679	368,136	145,709
Expected loss	**777,679**	**368,136**	**145,709**

4 Financial risk management (continued)

4.4 Capital management

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

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

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

4.5 Fair value of financial assets and liabilities

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

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

4.5.1 Valuation models

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

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

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

4 Financial risk management (continued)

4.5 Fair value of financial assets and liabilities (Continued)

4.5.2 Valuation models (continued)

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

	7 July 2024		7 July 2023		7 July 2022	
	Carrying amount ETB	Fair value ETB	Carrying amount ETB	Fair value ETB	Carrying amount ETB	Fair value ETB
Financial assets						
Cash and balances with banks	276,393,541	276,393,541	306,735,833	306,735,833	394,213,857	394,213,857
Investment securities measured at fair value	118,128,290	118,128,290	107,590,633	107,590,633	73,823,948	73,823,948
Trade receivables	28,115,134	28,115,134	45,910,994	45,910,994	13,135,724	13,135,724
Other receivables	145,775,732	145,775,732	89,817,505	89,817,505	67,720,614	67,720,614
Total	**568,412,696**	**568,412,696**	**550,054,965**	**550,054,965**	**548,894,143**	**548,894,143**
Financial liabilities						
Trade payables	968,363	968,363	4,011,489	4,011,489	645,398	645,398
Other liabilities	118,039,162	118,039,162	105,818,002	105,818,002	83,831,696	83,831,696
Total	**119,007,525**	**119,007,525**	**109,829,491**	**109,829,491**	**84,477,094**	**84,477,094**

4.5.3 Fair value methods and assumptions

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

4.5.4 Valuation technique using significant unobservable inputs – Level 3

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

4.6 Offsetting financial assets and financial liabilities

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

		7 July 2024		7 July 2023
5	**5.1. Local Sales**	**ETB**		**ETB**
	Steel Tubes and L.T.Z profile	639,868,698	-	563,911,444
	Steel Roll and Flat sheet	68,756,819	-	73,520,374
	EGA , Pressed and Normal Roof Covers	95,029,863		195,736,672
	Cargo Body and Trailer	71,672,862		94,995,826
	Imported Materials for Resale	735,486		602,697
	Other Engineered products	17,937,892		4,999,694
	Defected products and scraps	13,006,980		11,178,761
	Others sales	235,781		2,060,353
		907,244,381		947,005,821
	Total local Sales	**907,244,381**	-	**947,005,821**
	5.2. Sales Revenue (export)			
	Export products sales	31,217,300		17,129,791
		31,217,300		**17,129,791**
	Total Sales	**938,461,681**		**964,135,613**
6	**Miscellaneous income**			
	Income from open area rent	8,282,609		-
	Gain on foreign currency rate difference	266,050		69,107
	Gain on proceeds from fixed asset disposal	1,398,053		740,140
	Other Income	2,229,099		425,160
	Obsoleted stock provision reinstated	-		
		12,175,810		1,234,407
	Total miscellaneous income	**12,175,810**		**1,234,407**
7	**Cost of goods sold**			
	Direct Raw Material Consumed	593,113,642	-	643,469,605
	Indirect Material Consumed	4,839,460	-	4,813,416
	Direct Labour	18,060,734	-	16,443,291
	Indirect Labour	4,202,901	-	4,938,759
	Trainings-cost of goods sold	-	-	7,860
	Depreciation -cost of goods sold	8,962,780	-	8,858,838
	Employees Benefit-cost of goods sold	6,489,382	-	8,017,745
	Water & Electric Consumption	2,170,916	-	2,491,463
	Insurance	600,717	-	415,591
	Supplies Used	1,581,348	-	1,128,703
	Repair and Maintenance	1,274,469	-	952,346
	Fuel and Lubricant	3,182,542	-	2,499,033
	Others expense	676,979	-	894,957
		645,155,869	-	**694,931,607**
	Add: work in progress as at 8 July	31,248,083		4,220,363
	Less: work in progress as at 7 July	(4,342,466)	-	(31,248,083)
	Cost of production	**672,061,485**	-	**667,903,887**
	Add: finished good as at 8 July	252,835,422		72,066,518
	Less: finished good as at 7 July	(397,428,949)		(252,835,422)
	Cost of good sold (manufactured)	**527,467,958**	-	**487,134,983**
	Cost of good sold (export products)	**41,580,266**		**21,873,630**
	Cost of good sold (local and export prodcuts)	**569,048,224**	-	**509,008,613**

8 Finance cost (income) net

		7 July 2024	7 July 2023
8.1	**Finance income**	**ETB**	**ETB**
	Interest income on bank deposit	13,763,629	18,874,935
	Dividend income on equity investment	8,916,339	5,109,943
		22,679,968	**23,984,878**
8.2	**Finance costs**		
	Interest expense-on outstanding bank loan	47,113,577	50,487,258
	Interest expense-on unpaid lease payable	69,085	69,084
	Guarantee facility charges	13,539	419,867
	Bank commission & service charge	35,376	18,691
		47,231,577	**50,994,900**
	Finance Income (cost) net	**(24,551,608)**	**(27,010,023)**

9 Selling and distribution expenses

Salary and Wages	10,086,549
Employees Benefit	2,565,515
Stationary and Office Supplies	101,244
Travelling and per diem	598,824
Advertising , Publicity and Promotion	1,033,222
Sales Shop rent	2,807,000
Lease hold land	298,346
Postage and Telephone	12,586
Transportation, Loading & unloading	477,050
Others expense	325,584
	18,305,920

	8,673,987
	2,329,854
	87,735
	511,815
	411,616
	2,064,000
	144,433
	11,072
	180,371
	234,682
-	**14,649,564**

10 Administration expenses

Salary& wage	24,541,561
Employee's benefits	6,552,472
Postage Telephone & Telex	624,610
Stationary & office supplies	1,428,567
Depreciation expenses	4,711,647
Amortization Expense	4,751,000
Municipality Tax	4,477,630
Insurances	1,067,681
Fuel and Lubricants	4,604,385
Repair and Maintenances	2,807,993
Per diem and travel	595,503
Severance expense	707,166
Bad debt expense	409,543
Accrued leave expense	521,728
Annual land Lease amortize	400,477
Trainings	114,698
Advertising	78,188
Donation and Awards	672,897
Professional & Consultancy	225,342
Entertainment	266,319
Subscription and license renewal	289,641
Penalty Expense	98,777
Other expenses	2,081,990
Directors' fee	1,947,692
Audit Fee	120,000
	64,097,506

	19,954,962
	6,098,081
	359,664
	1,411,903
	4,900,758
	4,751,000
	588,289
	725,842
	3,980,040
	3,047,247
	413,744
	1,600,729
	157,813
	1,074,295
	400,477
	38,817
	37,977
	620,916
	677,585
	708,306
	119,795
	3,174
	444,142
	1,947,692
	53,000
-	**54,116,248**

11 Employee Benefits

Employee benefits are included in the following expenses:	7 July 2024 ETB		7 July 2023 ETB
Cost of goods sold			
Wages and salaries	22,263,634	-	21,382,050
Pension costs – defined contribution plans	2,161,975		2,122,716
Other employee costs	3,906,068		4,522,741
Severance costs - Defined benefit plans	421,339		1,372,288
	28,753,016	-	29,399,795
Selling and distribution expenses			
Wages and salaries	10,086,549	-	8,673,987
Pension costs – defined contribution plans	948,265		865,431
Other employee costs	1,252,372	-	1,354,666
Severance costs - Defined benefit plans	364,878		109,757
	12,652,064	-	11,003,840
Administration expenses			
Wages and salaries	24,541,561	-	19,954,962
Pension costs – defined contribution plans	2,422,320		1,931,454
Other employee costs	4,130,152	-	4,150,406
Severance costs - Defined benefit plans	101,934		16,221
	31,195,967	-	26,053,044
Total	**72,601,047**	**-**	**66,456,679**

12 Company income and deferred tax

12a Current income tax

	7 July 2024 ETB	7 July 2023 ETB
Company income tax (note 12b)	70,971,457	94,453,628
Deferred income tax/(credit) to profit or loss (note 12d)	4,409,449	6,295,442
Total charge to profit or loss	75,380,906	- 100,749,071
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	**75,380,906**	**100,749,071**

12b Taxation charge

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	7 July 2024 ETB	7 July 2023 ETB
Profit before tax	274,634,233	360,585,572
Non-deductible expenses		
Depreciation as per IFRS	13,674,427	13,759,596
Provision for doubtful receivables	409,543	157,813
Accrued leave expense-IFRS	521,728	1,074,295
Interest expense-IFRS	47,113,577	50,487,258
Amortization Expense as per IFRS	4,751,000	4,751,000
Demurrage and Penalty	98,777	3,174
Retirement benefit expense	707,166	1,600,729
Donation and Awards	16,700	470,916
Entertaining Expense	266,319	708,306
Less:		
Interest income taxed at source	(13,763,629)	(18,874,935)
Annual leave paid	(178,222)	(454,587)
Severance paid	(888,150)	(1,498,267)
Interest expense-gov	(47,113,577)	(50,487,258)
Reversal of inventory obsolete	-	
Dividend income taxed at source	(8,916,339)	(5,109,943)
Depreciation as per Tax Law	(16,134,591)	(17,497,443)
Amortization Expense as per Tax Law	(18,627,435)	(24,830,797)
Taxable income	**236,571,524**	- **314,845,428**
Current Tax Expense (30%)	**70,971,457**	**94,453,628**

12c Current income tax liability

Balance at the beginning of the year	94,431,776	84,322,903
Charge for the year (note 12b)	70,971,457	94,453,628
Withholding tax paid	(8,320,949)	(8,520,144)
Payment during the year	(86,132,680)	(75,824,612)
Balance at the end of the year	**70,949,605**	**94,431,776**

12d Deferred income tax

	7 July 2024 ETB	7 July 2023 ETB	30 June 2022 ETB
The analysis of deferred tax assets/(liabilities) is as follows:			
To be recovered after more than 12 months	52,685,493	48,276,044	41,980,602
To be recovered within 12 months	-	-	-
	52,685,493	**48,276,044**	**41,980,602**

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

Deferred income tax assets/(liabilities):	**At 08 July 2023 ETB**	**Credit/ (charge) to profit or loss ETB**	**Credit/ (charge) to equity ETB**	**07July 2024 ETB**
Deferred charge asset	(52,208,439)	-		(52,208,439)
Property, plant and equipment	31,806,236	738,049	-	32,544,286
Investment in financial assets	839,517		-	839,517
Goodwill	70,083,883	4,162,930	-	74,246,814
Inventories	(26,131)	-	-	(26,131)
Trade receivables	(120,607)	(122,863)	-	(243,470)
Post employment benefit obligation	(705,121)	(212,150)	-	(917,270)
Accrued annual leave	(1,393,295)	(156,518)	-	(1,549,813)
Total deferred tax assets/(liabilities)	**48,276,044**	**4,409,449**	**-**	**52,685,493**

Deferred income tax assets/(liabilities):				
Deferred charge asset	(52,208,439)	-	-	(52,208,439)
Property, plant and equipment	30,684,882	1,121,354	-	31,806,236
Investment in financial assets	839,517	-	-	839,517
Goodwill	64,059,944	6,023,939	-	70,083,883
Inventories	(26,131)	-	-	(26,131)
Trade receivables	(73,264)	(47,344)	-	(120,607)
Post employment benefit obligation	(224,902)	(480,219)	-	(705,121)
Accrued annual leave	(1,071,007)	(322,288)	-	(1,393,295)
Total deferred tax assets/(liabilities)	**41,980,602**	**6,295,442**	**-**	**48,276,044**

TSEHAY INDUSTRY S.C
STATEMENT OF CHANGES IN EQUITY
AT 7 JULY 2024

13 Property, plant and equipment

	Building	Plant and Machinery	Hand tools	Specialized equipment	Motor vehicles	Computer and accessories	Furniture and equipment	Fixed assets in transit	Construction in progress	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB		ETB	ETB
Cost										
As at 8 July 2022	86,328,377	168,318,681	1,470,261	4,694,067	39,330,988	2,565,051	4,209,741	-	31,020,539	**337,937,705**
Additions	4,408,427	315,000	120,652	72,038	3,619,115	76,304	268,839	-	53,977,625	**62,857,999**
Disposal		-	-	-	(122,680)		(55,551)		(277,235)	**(455,465)**
Transferred	(1,414,495)			-					(1,372,249)	**(2,786,745)**
										-
As at 7 July 2023	89,322,308	168,633,681	1,590,913	4,766,105	42,827,423	2,641,355	4,423,030	- -	83,348,680	**397,553,494**
As at 8 July 2023	89,322,308	168,633,681	1,590,913	4,766,105	42,827,423	2,641,355	4,423,030	- -	83,348,680	**397,553,494**
Additions	20,246	-	130,800	3,931,092	3,025,993	32,957	294,853		113,510,497	**120,946,439**
Transferred	17,504,356								(17,504,356)	-
Disposal		(82,027)			(2,370,176)					**(2,452,203)**
As at 7 July 2024	106,846,911	168,551,654	1,721,713	8,697,197	43,483,241	2,674,311	4,717,883	- -	179,354,821	**516,047,730**
Accumulated Depreciation										
As at 8 July 2022	(13,509,572)	(57,210,851)	(1,234,696)	(3,929,882)	(24,994,228)	(2,003,281)	(3,320,019)	-	-	**(106,202,528)**
Charge for the year	(1,670,645)	(8,425,859)	(82,144)	(74,821)	(3,180,191)	(148,202)	(177,733)	-	-	**(13,759,596)**
Disposal/Trnasfer	277,235				122,670		37,790			**437,694**
As at 7 July 2023	(14,902,983)	(65,636,709)	(1,316,839)	(4,004,703)	(28,051,750)	(2,151,484)	(3,459,962)	-	-	**(119,524,430)**
As at 8 July 2023	(14,902,983)	(65,636,709)	(1,316,839)	(4,004,703)	(28,051,750)	(2,151,484)	(3,459,962)		-	**(119,524,430)**
Charge for the year	(2,016,411)	(8,431,628)	(107,705)	(177,333)	(2,621,513)	(129,987)	(189,850)	-	-	**(13,674,427)**
Disposal/Transfer		75,809			2,131,436					**2,207,246**
As at 7 July 2024	(16,919,394)	(73,992,528)	(1,424,545)	(4,182,036)	(28,541,826)	(2,281,470)	(3,649,812)	- -	-	**(130,991,610)**
Net book value										
As at 7 July 2022	72,818,804	111,107,830	235,565	764,186	14,336,759	561,769	889,723	-	31,020,539	**231,735,177**
As at 7 July 2023	74,419,325	102,996,972	274,074	761,402	14,775,673	489,871	963,068	-	83,348,680	**278,029,065**
As at 7 July 2024	89,927,516	94,559,126	297,169	4,515,161	14,941,414	392,841	1,068,071	-	179,354,821	**385,056,119**

13a Construction in progress

Construction in progress relates to various construction work in the factory premises as well as in two sales branches of the company.

13b Impairment review

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment is not required.

14 Intangible assets-Goodwill

	7 July 2024 ETB		7 July 2023 ETB
Cost:			
At the beginning of the year	364,403,722		364,403,722
Addition	-		
At the end of the year	**364,403,722**		**364,403,722**
Accumulated amortisation			
At the beginning of the year	(179,085,655)		(174,334,654)
Amortisation for the year	(4,751,000)		(4,751,000)
Impairment losses	-		-
At the end of the year	**(183,836,655)**	-	**(179,085,655)**
Net book value	**180,567,067**	-	**185,318,067**
Goodwill			

15 Leasehold land asset

	7 July 2024 ETB	7 July 2023 ETB
Cost:		
At the beginning of the year	27,302,381	27,302,381
Addition	-	-
Adjustment	-	-
At the end of the year	**27,302,381**	**27,302,381**
Accumulated depreciation:		
At the beginning of the year	(3,845,832)	(3,445,355)
Charge for the year	(400,477)	(400,477)
At the end of the year	**(4,246,309)**	**(3,845,832)**
Net book value	**23,056,072**	- **23,456,549**

The company has five leasehold land assets in Addis Ababa City Government Administration, Oromiya Regional State and Sidama Regional State.

		7 July 2024 ETB	7 July 2023 ETB
16	**Investment securities**		
16a	**Fair value through other comprehensive income:**		
	Equity investment-Dynamic Micro Finance S.C	42,078,290	37,248,125
	Equity investment-Tsehay Insurance S.C	25,000,000	19,292,508
	Equity investment-Tsehay Bank S.C	50,000,000	50,000,000
		117,078,290	106,540,633
16b	**Amoritsed cost:**		
	Ethiopian Government saving bond	1,050,000	1,050,000
		1,050,000	1,050,000
	Maturity analysis		
	Current	1,050,000	1,050,000
	Non-current	117,078,290	106,540,633
		118,128,290	107,590,633

The fair value of the unquoted equity securities of Tsehay Industry S.C is carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment if any.

16c Investment in associate-Dynamic Micro Finance S.C

Dynamic Micro Finance S.C. is a Microfinance institution which was established in May 2009. The micro finance operates in accordance with the provisions of the Commercial Code of Ethiopia of 2021 and the Micro-Financing Business Proclamation No. 626/2009.

Tsehay Industry s.c. has a significant influence upon the micro finance The following summary provides the percentage of ownership the company has at each reporting date

	7 July 2024 ETB		7 July 2023 ETB	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Dynamic Micro Finance S.C	137,029	30.71%	109,265	34.09%

The financial information in respect of the associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted for equity accounting purpose).

	7 July 2024 ETB	7 July 2023 ETB
Total asset	517,664,225	501,977,914
Total Liability	400,388,416	374,282,460
Net Assets	**117,275,809**	**127,695,454**
No of shares Dynamic Micro Finance S.C	137,029	109,265
No of shares held by Tsehay Industry S.C	42,078	37,248
Percentage holding	**30.71%**	**34.09%**
Investment in Dynamic Micro Finance S.C	**36,012,563**	**43,531,014**

		7 July 2024 ETB	7 July 2023 ETB
17	**Inventory**		
	Finished Goods	397,428,949	252,835,422
	Raw Materials	101,377,424	230,619,552
	Spare parts	56,224,101	49,232,412
	Material imported for resale	6,015,189	7,445,577
	Other inventory materials	7,041,516	4,978,771
	Gross amount	**568,087,179**	**545,111,733**
	Allowance for inventory impairment	(11,251)	(11,251)
		568,075,928	**545,100,482**
	Work in process	4,342,466	31,248,083
	Goods in transit (import-factory raw materials)	63,437,295	54,636,845
	Goods to be exported (export-products)	100,470,879	36,639,008
		736,326,568	**667,624,418**

17a Impairment allowance on inventory

A reconciliation of the allowance for impairment losses for inventories by class, is as follows:

	ETB	ETB
At 8 July	(11,251)	(11,251)
Charge for the year		
At 7 July	**(11,251)**	**(11,251)**

18	**Trade receivables**		
	Trade receivable 18a	28,892,813	46,279,130
	Allowance for doubtful debt 18b	(777,679)	(368,136)
		28,115,134	**45,910,994**

18a Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has recognised an allowance for doubtful debts because there has been a significant change in credit quality and the amounts are still considered recoverable.

	ETB	ETB
Age of receivables that are past due		
Past due upto 90 days	4,363,794	45,058,501
Past due from 90 to 180 days		-
Past due from 180 to 360 days	23,903,319	584,653
Past due over 360 days	625,700	635,976
		-
Total	**28,892,813**	**46,279,130**

		7 July 2024	7 July 2023
		ETB	ETB
18b	The movements in impairment allowance for trade receivable is analyzed below:		
	Balance at the beginning of year	368,136	145,709
	Impairment loss recognized on receivables	409,543	222,427
	Amount written off during the year as uncollectable		
	Amount recovered during the year		
	Impairment loss reversed		
	Balance at end of the year	**777,679**	**368,136**

		7 July 2024	7 July 2023
19	**Other assets**	ETB	ETB
	Prepayment and deposit	94,604,038	60,761,620
	Staff debtors	3,935,982	3,647,115
	Purchase advance	758,194	1,420,811
	Receivable from PPESA	-	-
	Withholding tax receivable	7,354,345	8,320,949
	VAT receivable	39,115,075	15,661,297
	Creditors with debit balance	8,098	5,713
	Gross amount	**145,775,732**	**89,817,505**
	Collective impairment	-	-
		145,775,732	**89,817,505**
	Maturity analysis		
	Current	173,890,865	135,728,499
	Non- current	-	-
		173,890,865	**135,728,499**

20	**Cash and cash equivalents**		
	Cash on hand	0.00	1,004,942.43
	Cash at bank	276,393,541	305,730,890
		276,393,541	**306,735,833**
	Maturity analysis		
	Current	276,393,541	306,735,833
	Non- current	-	-
		276,393,541	**306,735,833**

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

	7 July 2024	7 July 2023
	ETB	ETB
Cash on hand	0.00	1,004,942.43
Cash at bank	276,393,541	305,730,890
	276,393,541	**306,735,833**

21	**Ordinary share capital**	**7 July 2024 ETB**	**7 July 2023 ETB**	**7 July 2022 ETB**
	Issued and fully paid:			
	Ordinary shares with par value of ETB 1,000	**1,113,715,000**	**878,968,212**	**872,352,425**

Each ordinary share of the company has equal voting power.

22 Earnings per share

	7 July 2024 ETB	**7 July 2023 ETB**
Profit after tax	199,253,326	259,836,501
Weighted average number of ordinary shares in issue	996,341,606	875,660,319
Earnings per share (par value ETB 1000.00)	**200**	**297**

Earnings per share is calculated by adjusting the weighted average number of outstanding ordinary shares at the end of each reporting period .

23 **Retained earnings**	**7 July 2024 ETB**	**7 July 2023 ETB**
At the beginning of the year	285,957,304	280,629,084
Profit for the year after tax	199,253,326	259,836,501
Transferred to legal reserve	(12,991,825)	(12,725,414)
Dividend distributed to shareholders	(234,502,442)	(229,693,723)
Prior year tax paid		
Board member remuneration	(12,342,234)	(12,089,143)
At the end of the year	**225,374,130**	**285,957,304**

24 **Other reserve**	**7 July 2024 ETB**	**7 July 2023 ETB**
At the beginning of the year	2,978,391	2,978,391
Measurement gain or loss on investment		
	2,978,391	**2,978,391**

Other reserve represents gain on investment in equity at Dynamic Micro Finance S.C. The company elects to measure the investment as per IAS-27 Investment in Associate and Joint Venture using equity accounting.

25 Legal reserve

	7 July 2024 ETB	7 July 2023 ETB
Balance at the beginning of the year	51,865,372	39,139,958
Transferred from retained earnings (note 23)	12,991,825	12,725,414
At the end of the year	**64,857,197**	**51,865,372**

26 Borrowings

	7 July 2024 ETB	7 July 2023 ETB
Term loan	-	
Over draft loan	143,725,504	71,983,133
Pre shipment loan	55,086,747	40,000,000
Term loan at Oromia Bank s.c.	21,151,083	96,411,942
	219,963,334	**208,395,076**
Current	219,963,334	187,314,255
Non current		21,080,820
	219,963,334	**208,395,076**

26a The company received 200,000,000.00 Birr initially at 16.50% interest rate in August 2021 from Oromia Bank s.c in the form of term loan to be repaid fully within three year in quarterly equal amount repayment. Similarly, overdraft and pre-shipment loan facilities to the limit of Birr 300 million and Birr 100 million respectively has been approved to the company from the same bank. All the loans are secured against the company's facilities including buildings and machineries.

	7 July 2024 ETB	7 July 2023 ETB
Balance at beginning of the year	208,395,075	177,886,453
Additional facility received during the year	86,829,118	93,334,570
Settlement made during the year	(75,260,860)	(62,825,948)
Balance at as July 07 2024	**219,963,334**	**208,395,075**

27 Severance benefit plan

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 1156/2019. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

	7 July 2024	7 July 2023
	ETB	ETB
27a Liability recognised in the financial position		
Severance pay	3,057,567	2,350,402
	3,057,567	**2,350,402**

	7 July 2024
	ETB
27b Amount recognised in the profit or loss	
Current service cost (excluding interest)	1,490,340
Interest cost	110,389
	1,600,729

The significant actuarial assumption for calculating employee severance cost were as follows:

	7 July 2024	7 July 2023
Discount rate	17.50%	12.55%
Long term salary increase rate	25.00%	10.21%

Estimated turnover rate as summarised below

Age Category	Resignation rate per ;	Resig	Resignation rate per annum
25-29	15.00%		20.00%
30-34	12.50%		17.50%
35-39	10.00%		12.50%
40-44	7.50%		8.50%
45-49	5.00%		7.50%
Above 49	1.50%		2.50%

28 Finance lease liability

	7 July 2024		7 July 2023
	ETB		ETB
Finance lease at beginning of the year	21,430,997		22,632,429
Settlement during the year	(600,716)		(1,201,432)
	20,830,281	-	**21,430,997**
Current	600,716		600,716
Non Current	20,229,565		20,830,281
	20,830,281	-	**21,430,997**

The company's existing land hold has been transferred to leasehold land in the year 2014 as per proclamation no 721/2011. Accordingly, the lease period is 60 years and the total lease amount is ETB 27,302,381 which shall be paid within 40 years at interest rate of 11.50% per annum.

		7 July 2024 ETB	7 July 2023 ETB	July 07, 2022 ETB
29	**Trade payables**			
	Trade payable	968,363	4,011,489	645,398
		968,363	**4,011,489**	**645,398**

The Company has in placed financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

		7 July 2024 ETB	7 July 2023 ETB	July 07, 2022 ETB
30	**Other liabilities**			
	Other financial liabilities			
	Dividend Payable	26,803,524	32,814,573	16,361,126
	Other non-financial liability			-
	Customer advances	26,189,973	15,749,288	13,837,287
	Sundry Creditors	26,134,364	20,112,430	18,812,457
	Pension payable	764,068	687,500	540,581
	Cash over drawn	-	3,883,936	18,653,731
	Accrued leave payable	4,110,064	3,678,564	5,050,606
	share holder payable	807,826	816,528	192,410
	Accruals	14,181,085	5,979,079	4,877,769
	Employment income tax	1,406,454	1,132,036	791,366
	VAT payable	17,114,773	19,622,785	23,160,604
	Withholding tax payable	527,032	134,752	198,564
	Stock with credit balance		-	-
	Dividend Tax payable		1,206,530	-
	Debtors with credit balance	-	-	3,747
		118,039,162	**105,818,002**	**102,480,248**
	Maturity Analysis			
	Current	119,007,525	109,829,491	103,125,646
	Non- current	-	-	-
		119,007,525	**109,829,491**	**103,125,646**

			7 July 2024 ETB	7 July 2023 ETB
31	**Cash generated from operating activities**			
	Profit before income tax		274,634,233	360,585,572
	Adjustments for non- cash items:			
	Depreciation of property, plant and equipment (note 13)		13,674,427	13,759,596
	Defined benefit obligation	Note 27	707,166	1,600,729
	Impairment charge(reversal)on rec.	Note 18	409,543	222,427
	Loss (gain) on disposal of PPE	Note 6	(1,398,053)	(740,140)
	Lease hold land amortization	Note 15	400,477	400,477
	Amortization Expense	Note 14	4,751,000	4,751,000
	Changes in working capital:			
	Change in inventories		(68,702,150)	(55,030,821)
	Change in trade receivables		17,386,318	(32,997,697)
	Change in other assets		(55,958,227)	(22,096,891)
	Change in trade payables		(3,043,126)	3,366,091
	Change in other payables		12,221,160	21,986,306
			195,082,767	**295,806,650**

32 Related party transactions

32a A number of transactions were entered into with related parties in the normal course of business. The company undertakes a related party transaction with its stockholders in arm's length transaction basis.

32b *Key management compensation*

Key management has been determined to be the members of Executive Management of the Company. The compensation paid or payable to key management has shown.

directors	**7 July 2024 ETB**	**7 July 2023 ETB**
Board of Directors' allowance	1,947,692	1,947,692
Board of Directors remmuneration fee	12,342,234	12,089,143
	14,289,926	**14,036,836**

Excutive managment team	**7 July 2024 ETB**	**7 July 2023 ETB**
Salaries and other short-term benefits	8,714,576	6,017,840
Bonus	1,171,797	487,475
Other expenses	859,267	661,935
Defined contribution plan(Pension)	879,293	591,038
Loan to Senior management	1,460,374	809,164
	13,085,308	**8,567,453**

33 Contingent liabilities

Claims and litigation

The Company is subjected to litigation arising in the normal course of business.
The Management is of the opinion that the pending litigation as at the reporting date will not have a material effect on the financial position or profits of the Company. At the year end the company involved in legal cases as a plintiff amounting to birr 71,428,131 in the normal course of the business. In accordance with the company legal expert's opinion,the probable outcome of the cases are expected to be in favor of the company .

34 Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are a maximum of one year and majority of these lease agreements are renewable at the end of each lease period at market value.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	7 July 2024 ETB	**7 July 2023 ETB**
No later than 1 year	1,674,000	2,328,000
Later than 1 year and no later than 2 years		
Later than 2 years but not later than 5 years		
Total	**1,674,000**	**2,328,000**

35 Events after reporting period

In the opinion of the Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 7 July 2024 and on the profit for the year ended on that date.