# ETHIOPIAN ECONOMICS ASSOCIATION

# INCOME GENERATING ACTIVITY (IGA)

# AUDITORS' REPORT AND ACCOUNTS

## JULY 7, 2025


| | |
|---|---|
| ጌታቸው ዋቅጅራ | Getachew Wakjira |
| ቻርተርድ ሠርቲፋይድ አካውንታንት (ዩኬ) | Chartered Certified Accountant (U.K.) |
| ሠርቲፋይድ የኦዲት ድርጅት (ኢትዮ) | Certified Audit Firm (Eth.) |
| ስልክ 0115-15-78-06 | TEL. 011-515 78 06 |
| ሞባይል 0911 -21-20-87 | Mobile 0911- 21 20 87 |
| ፋክስ 251-011-552-05-80 | FAX 251 - 011- 552 05 80 |
| ፖ.ሣ.ቁ. 40418 | P.O. Box 40418 |
| አዲስ አበባ፣ ኢትዮጲያ | Addis Ababa, Ethiopia |

E-mail getwak611@gmail.com

GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

Office 011- 515 78 06 - 011 -552 05 80
Mobile 0911- 21 20 87
Fax 251-011-552 05 80

P. o. Box 40418

Ref. No. 1072/GW/17

Addis Ababa, Ethiopia

## AUDITORS' REPORT ON THE ACCOUNTS OF ETHIOPIAN ECONOMICS ASSOCIATION INCOME GENERATING ACTIVITY (IGA)

### OPINION

We have audited the accompanying financial statements of Ethiopian Economics Association Income Generating Activity (IGA) which comprise statement financial position as at July 7, 2025, 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, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### BASIS FOR QUALIFIED OPINION

1. We noted that IGA's paid up Capital as per ledger balance is Birr 27,721,563 but the balance on business license is Birr 150,000 which shows a difference of Birr 27,571,563.

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.

Addis Ababa Ethiopia
GETACHEW WAKJIRA CHARTERED CERTIFIED ACCOUNTANT (UK) CERTIFIED AUDIT FIRM (ET)

Accounting and Auditing Board of Ethiopia
ቁ.6
0118861296
0111541235
Original Copy Submited to the board

## RESPONSIBILITY OF MANAGEMENT'S AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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.

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

**GETACHEW WAKJIRA**
**CHARTERED CERTIFIED ACCOUNTANT (UK)**
**CERTIFIED AUDIT FIRM (ETH)**

**Addis Ababa**
**August 15, 2025**

Original Copy Submitted to the board
Accounting and Auditing Board of Ethiopia
0118861280
0111541235

# ETHIOPIAN ECONOMIC ASSOCIATION - IGA
## STATEMENT OF FINANCIAL POSITION
## BALANCE AS AT 07 JULY 2025

| ASSETS | Notes | | 07-Jul-24 |
|---|---|---|---|
| **NON CURRENT ASSETS** | | Birr | Birr |
| Property, plant and equipment, net | 5 | 30,174,288 | 29,945,281 |
| Right to use assets | 6 | 475,745 | 481,460 |
| Government Security | 7 | 50,000 | 42,145 |
| Deffered tax asset | 9 | 310,531 | 191,898 |
| | | 31,010,564 | 30,660,784 |
| **CURRENT ASSETS** | | | |
| Inventory | | 614,079 | 155,134 |
| Trade and Other receivables | 8 | 2,348,052 | 3,232,413 |
| Cash and bank balances | 10 | 6,568,886 | 5,563,467 |
| | | 9,531,017 | 8,951,014 |
| **TOTAL ASSETS** | | 40,541,582 | 39,611,798 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Paid up capital | 11 | 27,721,563 | 27,721,563 |
| Retained earning | 12 | 1,787,347 | 3,546,759 |
| | | 29,508,910 | 31,268,322 |
| **NON-CURRENT LIABLITIES** | | | |
| Severance payable | 13.2 | 385,458 | 248,924 |
| Long term lease payable | 14 | 217,261 | 305,863 |
| Deffered tax liability | 9 | 3,591,227 | 3,272,103 |
| | | 4,193,946 | 3,826,890 |
| **CURRENT LIABLITIES** | | | |
| Annual leave payable | 13.1 | 649,645 | 390,737 |
| Trade and other payables | 15 | 3,016,093 | 2,064,628 |
| Profit tax for the year | 21 | 2,074,320 | 972,322 |
| Other taxes payable | 16 | 1,098,670 | 1,088,899 |
| | | 6,838,727 | 4,516,586 |
| **TOTAL LIABILITIES** | | 11,032,673 | 8,343,476 |
| **EQUITY AND LIABLITIES** | | 40,541,582 | 39,611,798 |

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and Auditing Board of Ethiopia
0118861296
0111541235
Original Copy Submitted to the board

**ETHIOPIAN ECONOMIC ASSOCIATION - IGA**
**STATEMENT OF PROFIT OR LOSS**
**AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 07 JULY 2025**

| | Notes | Birr | 2024<br>Birr |
|---|---|---|---|
| **REVENUE** | 17 | 31,855,006 | 22,024,765 |
| Other income | 18 | 384,081 | 247,957 |
| | | 32,239,087 | 22,272,722 |
| **Cost** | 19 | (15,138,545) | (10,366,916) |
| | | 17,100,542 | 11,905,806 |
| Administrative expense | 20 | (9,076,720) | (6,889,324) |
| **Operating profit** | | 8,023,822 | 5,016,482.24 |
| Provision for profit tax | 21 | (2,397,915) | (1,285,402.58) |
| **Profit after tax** | | 5,625,907 | 3,731,079.66 |
| Deferred tax income/expense/ | 9 | (200,491) | (180,437) |
| **Net Profit/Loss for the year** | | **5,425,417** | **3,550,643** |

**ETHIOPIAN ECONOMIC ASSOCIATION - IGA**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 07 JULY 2025**

| | Paid up Capital Birr | Retained Earning Birr | Total Birr |
|---|---|---|---|
| **Balance at 07 July 2023** | 27,721,563 | (3,883) | 27,717,680 |
| Profit for the period | | 3,550,643 | 3,550,643 |
| Prior year adjustment | | 152,386 | 152,386 |
| Equity Charged for office space usage | | (152,387) | (152,387) |
| **Balance at 07 July 2024** | 27,721,563 | 3,546,759 | 31,268,322 |
| Transfer to EEA | - | (5,000,000) | (5,000,000) |
| Profit for the period | | 5,425,417 | 5,425,417 |
| Prior year adjustment - Property tax | | (1,800,622) | (1,800,622) |
| Utility Expense For The Year 2024 | | (384,207) | (384,207) |
| Equity Charged for office space usage | | - | - |
| **Balance at 07 July 2025** | 27,721,563 | 1,787,347 | 29,508,910 |

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
ቁ.6
0111541235
Original Copy Submited to the board

**ETHIOPIAN ECONOMIC ASSOCIATION - IGA**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 07 JULY 2025**

| | Notes | | | 2024 |
|---|---|---|---|---|
| **Cash flow from Operating activities** | | | Birr | Birr |
| Profit for the year | | | 8,023,822 | 5,016,482 |
| Add: Depreciation | | | 1,975,290 | 1,680,183 |
| Less Deprecation Charged to EEA | | | - | (152,387) |
| Depreciation of Right to use Assets | | | 5,715 | 5,715 |
| Other adjustment | | | (2,184,829) | 152,386 |
| **Cash flow from operating activities before working capital changes** | | | **7,819,998** | **6,702,379** |
| Decrease/Increase/ in current trade and other receivables | 8 | 884,361 | | (2,133,619) |
| Increase/Decrease/ in employee benefit-annual leave | 13.1 | 258,908 | | 163,190 |
| Increase/Decrease/ in employee benefit- severance | 13.2 | 136,534 | | 87,849 |
| Increase/Decrease/ in Inventory | | (458,945) | | (1,027) |
| Increase/Decrease/ in short term trade and other payables | 15 | 951,465 | | 359,617 |
| Increase/Decrease/ in other tax payables | 16 | 9,770 | | (250,136) |
| **Taxation** | | | | |
| Profit tax paid | | (972,322) | | - |
| Withholding tax paid | | (323,595) | | (313,081) |
| | | | 486,176 | (2,087,206) |
| **Net Cash flow from operating activities** | | | **8,306,174** | **4,615,173** |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | 5 | (2,204,298) | | (5,432,172) |
| Government Security | | (7,855) | | - |
| **Net Cash flow from Investing activities** | | | **(2,212,153)** | **(5,432,172)** |
| **Cash flow from Financing activities** | | | | |
| Related party -EEA | | (5,000,000) | | (370,000) |
| Lease payment | | (88,602) | | |
| **Net Cash flow from Financing activities** | | | **(5,088,602)** | **(370,000)** |
| **Net increase in cash and cash equivalent** | | | **1,005,419** | **(1,186,999)** |
| Cash and cash equivalents at the beginning of the year | | | **5,563,467** | **6,750,466.46** |
| Cash and cash equivalents at the end of the year | | | **6,568,886** | **5,563,467.37** |
| **Components of cash and cash equivalents** | | | | |
| Cash on hand | | | | - |
| Cash at bank | 10 | | **6,568,886** | **5,563,467** |
| | | | **6,568,886** | **5,563,467** |

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and Auditing Board of Ethiopia
ቁ.6
0118861296
0111541235
Original Copy Submitted to the board

**ETHIOPIAN ECONOMIC ASSOCIATION - IGA**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JULY 7, 2025**

## 1. GENERAL BACKGORUND

About EEA

The Ethiopian Economic Association - Income Generating Activity (EEA-IGA) is a business unit wing of the Ethiopian Economics Assocaition. The Ethiopian economic Association was established as a non-profit and independent professional organization on 25 November 1991. The association promotes the study of economics in Ethiopia, promotes economic research and assists in its dissemination and facilitating contact with Ethiopian and foreign economists. The Association has established, under it, the Ethiopian Economic Policy Research Institute (EEPRI) in July 2000 as its research wing. The Institute is involved in research and in organizing short term trainings on various issues that are of critical importance to Ethiopia's economic development. Key objectives of the association is to contribute to the economic policy formulation capability and broadly to the economic advancement of Ethiopia.

The EEA Executives established the EEA-IGA as a separate business unit wing, which is fully owned by EEA, in accordance with the Ethiopian Trade laws. The association executive committee has an oversight role on the policy and other key decision making processes on the operation of the EEA-IGA. The General Manager of the IGA is accountable to the Seceretary General of EEA. EEA-IGA is a tax paying business units. It pays dividends to the EEA annually an amount determined by the Exeucutive Committee of EEA.

The Executive Committee elected by the General Assembly and serving for three years provides leadership. The secretariat of EEA is an employed staff who manages the day to day activities of the Association.

Vision, Mission Goal

**Vission:** "To see a financially sustaianle EEA so that EEA becomes the premier Economic Association in Africa renowned for its excellence in membership services and economic policy research."

**Mission: To generate return to** EEA so that EEA can actively engaged in Economic research, training, organization of International and National conferences and round table discussions on the Ethiopian economy and the dissemination of the results of these activities through its professional journals and various publications.

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
ቁ.6
0118861296
0111541235
Original Copy Submited to the board

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Introduction to summary of significant accounting policies

The significant 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.

### 2.1 Basis of preparation

These financial statements, for the year ended July 7, 2022, are the first EEA-IGA has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The designation IFRS includes all standards issued by the IASB and related interpretations issued by the International Financial Reporting Implementation Committee (IFRIC). These financial statements are also the first financial statements for EEA-IGA, as it is established on the 8th of July 2020.

### 2.2.1 Going Concern

The financial statements have been prepared on a going concern basis. The management has no doubt that EEA-IGA would remain in existence after 12 months.

### 2.2.2 New Standards which are not adopted earlier

IFRS 17: Insurance

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. When apllied in 1 January 2023, this standard will not have a signficant impact on the finanial statemetns of EEA-IGA.

### 2.2.3 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by EEA-IGA.

## 2.3 Cash and Cash Equivalents

According to IAS 7, Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For EEA-IGA, cash and cash equivalents comprise cash on hand and cash at bank.

## 2.4 Inventories

Inventories, comprising supplies purchased for repair and maintenance of buildings and other consumable stationery and related items. Inventories are initially measured at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

## 2.5 Property, Plant and Equipment

### 2.5.1 Recognition and Measurement

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; including appropriate borrowing costs capitalized as per IAS 23.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment loss.

Where an item of property, plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, EEA-IGA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

### 2.5.2 Depreciation

Depreciation is recognized in profit and loss and begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on a straight-line basis over the estimated useful life of the assets as follows:

| Asset Class | Residual Value | Useful life in years |
|---|---|---|
| Building | 10% | 40 |
| Office Furniture | - | 10 |
| Office Equipment | - | 10 |
| Vehicles | - | 10 |
| Generators | - | 7 |
| Computers and Printers | - | 5 |

The management estimated a residual value of 10% for building by the end of the useful life of the assets. The residual values of all other assets will be close to nil, and a nominal value of ETB 100 may be retained for fully depreciated assets for the purpose of internal control.

## 2.6 Impairment of Non-Financial Assets

Impairment tests on non-financial assets including property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are recognized in the Statement of profit and loss.

## 2.7 Financial Instruments

Financial assets and financial liabilities are recognized in the statement of financial position when EEA-IGA becomes a party to the contractual provisions of the financial instrument.

### 2.7.1 Financial Assets

#### 2.7.1.1 Recognition and measurement of financial assets

EEA-IGA recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. EEA-IGA initially recognizes trade and other receivables on the date of transaction.

At initial recognition, EEA-IGA measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

### 2.7.1.2 Classification of financial assets

EEA-IGA classifies financial assets at initial recognition as financial assets measured at amortized cost. EEA-IGA neither has debt instruments measured at fair value through other comprehensive income, nor equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

- The financial asset is held within EEA-IGA's business model whose objective is to hold assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

### 2.7.1.3 Derecognition of financial assets

EEA-IGA derecognizes its financial asset if the contractual rights to the cash flows from the financial assets expire, or EEA-IGA transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by EEA-IGA are recognized as a separate asset or liability.

### 2.7.2 Financial Liabilities

### 2.7.2.1 Recognition and measurement of financial liabilities

EEA-IGA recognizes financial liabilities when EEA-IGA becomes a party to the contractual provisions of the instruments. The measurement of financial liability is explained below Classification of financial liabilities.

### 2.7.2.2 Classification of financial liabilities

**Financial liabilities measured at amortized cost**

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

**Financial liabilities measured at fair value through profit or loss**

A financial liability measured at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

### 2.7.2.3 Derecognition of financial liabilities

EEA-IGA derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

### 2.7.3 Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when EEA-IGA currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 2.7.4 Impairment of financial assets

EEA-IGA recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance. Whether credit risk is significantly increased or not is determined based on the changes in default risk. However, EEA-IGA always measures loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses.

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

### 2.8 Employee Benefits

EEA-IGA has a defined benefit plan which follows the Labor Proclamation No. 377/2003 in which it effects severance pay for those employees who voluntarily leaves EEA-IGA after 5 and plus years of service. The payment made is based on employees' final salary.

EEA-IGA uses estimates, employee's retention rate beyond five years of employment services. The rate of employees who stay until retirement age and foregone the severance pays in favor of late retirement is also considered in the computation. The severance pay is then computed to the extent of company liability as of the reporting date. The management believes that key assumptions to be used for actuary computation are not readily available and too complex to estimate as there is no disaggregated and reliable national data on demography, life expectancy, GDP growth, inflation, and discounting rate. The management believes that the method used for estimation of the employee benefit liabilities is more reliable than any other alternate method.

EEA-IGA accounts for annual leaves by providing in full for all unused leaves.

EEA-IGA has a defined contribution plan 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 EEA-IGA respectively. The pension scheme is based on employees' monthly salary.

Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
ቁ.6
0118861296
0111541235
Original Copy Submited to the board

### 2.8.1 Termination benefits

Termination benefits are payable to employees as per proclamation 377/2003 when employment is terminated by EEA-IGA before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. EEA-IGA recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

## 2.9 Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Where EEA-IGA expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

## 2.10 Income Taxes

Income tax comprises current tax expense and deferred tax.

### 2.10.1 Current Income Taxes

Current tax is the amount of income taxes payable in respect of the taxable profit for a period.

### 2.10.2 Deferred Tax

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 2.11 Revenue Recognition

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

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

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to EEA-IGA;

Addis Ababa Ethiopia
GETACHEW WAKJIRA CHARTERED CERTIFIED ACCOUNTANT (UK) CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
Original Copy Submited to the board

- when the service delivered at the balance date can be measured reliably; and

- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

For Rental income: When a rental service is provided, revenue is recognised in the period the service is provided. Advance rental income received are recorded as a liability (as deferred revenue) and transferred to revenue as the service rendered.

Sales of Products: Revenue from sales of publications and other goods is recongnised up on delivery of the goods to the buyers at the agreed up on delivery point, where responsibility of ownership is transferred.

Sales of Scraps and product wastes: Revenue from sales of scraps is recongnised when the goods are delivered and ownership is transferred to the buyers.

interest revenue: Interest revenue is measured using the effective interest rate as per agreed with the bank or borrower.

### 2.12 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

Financing costs are capitalized at interest rates relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of Company borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

### 2.13 Foreign Currencies

The functional currency of EEA-IGA is the Ethiopian Birr. EEA-IGA's presentation currency is also the Ethiopian Birr (ETB). EEA-IGA's transactions are all in ETB

### 2.14 Investment in properties

Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment - cost less accumulated depreciation and less accumulated impairment losses.

Small portion of the investment property is used by EEA. The equivalent depreciation is charged to equity account. Hence, the P&L of EEA-IGA only contains the depreciation expenses net of the depreciation expense allocated to EEA internal use.

**ETHIOPIAN ECONOMIC ASSOCIATION - IGA**
**NOTES OF FINANCIAL STATEMENT**
**FOR THE YEAR ENDED 07 JULY 2025**

## 5. PROPERTYPLANT AND EQUIPMENT

| | Buildings | Computers | Office Equipment | Generator | Others | Total |
|---|---|---|---|---|---|---|
| | ETB | ETB | ETB | ETB | | ETB |
| **At 07 July 2024** | **33,647,315** | **872,640** | **3,854,830** | **1,999,629** | **516,307** | **40,890,721** |
| Additions | - | 160,217 | 870,965 | - | 1,173,115 | 2,204,298 |
| **At 07 July 2025** | **33,647,315** | **1,032,857** | **4,725,795** | **1,999,629** | **1,689,422** | **43,095,018** |
| Depreciation and impairment | | | | | | |
| **At 08 July 2024** | **9,460,976** | **201,939** | **488,185** | **652,339** | **142,001** | **10,945,440** |
| Depreciation charge for the year | 757,065 | 206,571 | 472,580 | 285,661 | 253,413 | 1,975,290 |
| **At 07 July 2025** | **10,218,040** | **408,510** | **960,765** | **938,000** | **395,415** | **12,920,730** |
| **Book value** | | | | | | |
| At 07 July 2024 | **24,186,340** | **670,701** | **3,366,645** | **1,347,290** | **374,306** | **29,945,281** |
| **At 07 July 2025** | **23,429,275** | **624,347** | **3,765,030** | **1,061,628** | **1,294,007** | **30,174,288** |

Note

Ethiopian Economic association is using part of the Building and Generator (14.61%) of total Area. There fore, part of the deprecation is deducted and the remaining (85.39 %) is charged to the profit and loss Statement of IGA as follows.

| | Building | Generator | Total |
|---|---|---|---|
| Total Deperdcation of the year | 757,065 | 285,661 | 1,042,726 |
| Transfer to EEA | (110,607) | (41,735) | (152,342) |
| Portion to IGA | 646,457 | 243,926 | 890,384 |

| **6. LEASED HOLD LAND** | 7-Jul-2024 | Adjustment | Birr |
|---|---|---|---|
| Lease Hold Land | 514,323 | | 514,323 |
| Accumulated Amortization | 32,863 | 5,715 | 38,577 |
| | 481,460 | 5,715 | 475,745 |

**7. Government Security**

Government security represents the present value of cash to be received by the end of the maturity date of a government security purchased by EEA-IGA. Refer Note 10.

| | | 07-Jul-24 |
|---|---|---|
| | Birr | Birr |
| Government Security | 50,000 | 42,145 |
| | 50,000 | 42,145 |

**8. Trade and other Receivables**

Trade and other receivables are non- derivatives financial assets carried at amortized cost which doesn't generate an interest and are a result of ordinary business transaction for the company. The carrying value maybe affected by changes in the credit risk of the counter parties.

| | | 7-Jul-2024 |
|---|---|---|
| | Birr | Birr |
| Staff loans | 219,912 | 179,086 |
| Rent Receivables | 1,045,282 | 425,834 |
| Withholding Tax Receivables | 162,418 | 162,418 |
| Purchase Advance | - | 139,122 |
| Prepayment | 95,730 | 37,041 |
| Consultancy Receivables | 714,710 | - |
| EEA receivable | | 2,000,000 |
| Sundry receivable | 110,000 | 288,912 |
| | **2,348,052** | **3,232,413** |

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
ቁ.6
0118861296
0111541235
Original Copy Submited to the board

### 9. Deffered Tax

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

| | Birr | Birr |
|---|---|---|
| Deferred tax asset **(Note c )** | 310,531 | 191,898 |
| Differed tax liabilities **(Note a)** | (3,591,227) | (3,272,103) |
| Total deferred tax assets/(liabilities) | (3,280,696) | (3,080,205) |
| Movement on deferred tax asset and liabilities) | **200,491** | **180,437** |
| **(a) Differed tax liability-PPE** | | |
| PPE Carrying amount per tax | 18,203,533 | 19,038,270 |
| PPE Carrying amount per IFRS | 30,174,288 | 29,945,281 |
| Temporary deference | 11,970,755 | 10,907,010 |
| Deferred tax liabilities on temporary differences at 30% | 3,591,227 | 3,272,103 |
| | **3,591,227** | **3,272,103** |
| **(b) deferred tax asset** | | |
| Severance **(Note ,c)** | 310,531 | 191,898 |
| | **310,531** | **191,898** |
| **(c) deferred tax Asset- Severance and annual live** | | |
| Annual live expense per company record | 649,645 | 390,737 |
| Severance expense per company record | 385,458 | 248,924 |
| Temporary deference | **1,035,103** | **639,660** |
| Deferred tax asset on temporary differences at 30% | **310,531** | **191,898** |

### 10. Cash and Cash equivalents

Any amount where it satisfies the definition of cash and cash equivalent categorized into cash accounts.

| | Birr | 7-Jul-2024 |
|---|---|---|
| Cash on hand | 55,382 | 45,628 |
| Cash at bank | 6,513,504 | 5,517,839 |
| | **6,568,886** | **5,563,467** |

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
0118861296
0111541235
Original Copy Submitted to the board

**11. Equity**

**11.1. Paid up Capital**

| | Birr | 7-Jul-2024 Birr |
|---|---|---|
| Registered Paid Up Capital | 150,000.00 | |
| UnRegistered Paid Up Capital | 27,571,563 | 27,721,563 |
| | **27,721,563** | **27,721,563** |

The initial capital of EEA-AG is ETB 27,571,563.05 which represents the initial transfer of net assets from EEA and cash contribution Birr 150,000 at the time of establishment of EEA-IGA, as of July 8, 2020.

The capital indicated on the trade license is only Birr 150,000.

**12. Retained earning**

| | Birr | 7-Jul-2024 Birr |
|---|---|---|
| **Opening Balance** | 3,546,759 | (3,883) |
| **Transferred to EEA** | (5,000,000) | - |
| Profit /loss/ for the year | 5,425,417 | 3,550,643 |
| Equity Charged for office space usage | - | (152,387) |
| Prior period year adjustment(Property Tax | (1,800,622) | 152,386 |
| Prior period year adjustment (Utilities Expense) | (384,207) | |
| | **1,787,347** | **3,546,759** |

**13. Employee Benefits**

| 13.1 Annual leave payable | Birr | 07-Jul-24 Birr |
|---|---|---|
| Opening balance | 390,737.01 | 227,547 |
| Current service cost | 258,907.69 | 163,189.72 |
| Payment | - | - |
| Ending balance | **649,644.70** | **390,737.01** |

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as

| 13.2 Severance payable | Birr | 07-Jul-24 Birr |
|---|---|---|
| Opening balance | 248,923.54 | 161,074 |
| Current service cost | 136,534.33 | 87,849 |
| Payment | - | - |
| Ending balance | **385,457.87** | **248,923.54** |

**14. Lease Payables**

The Associations obtained a 2011 meter square land at a lease cost of ETB 642,903.29 from Addis Ababa City Administration, Land Administration Authority for the lease life of 99 years, starting from June 23, 2003. The lease right granted with a 20% advance payment of lease price . The annual lease payment is ETB 25,716.13 for a period of 20 years. Interest also shall be paid on the outstanding unpaid lease amount at a prevailing bank interest rate.

| | Birr |
|---|---|
| Balance as at July 8, 2024 | 305,863 |
| Less : current year payment | (88,602) |
| Balance as at July 7, 2025 | **217,261** |

ETHIOPIAN ECONOMIC ASSOCIATION - IGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 7, 2025

**15. Trade and other payables**

| | | 07-Jul-24 |
|---|---|---|
| | Birr | Birr |
| Tenants' Security Deposit | 966,952 | 844,564 |
| Unearned Rent Income | 1,612,601 | 1,184,513 |
| Sundry Creditors | 367,270 | 32,518 |
| Accrued Payable | 69,269 | 3,033 |
| | 3,016,093 | 2,064,628 |

**16. Other tax payables**

| | | 07-Jul-24 |
|---|---|---|
| | Birr | Birr |
| VAT payables | 556,588 | 807,907 |
| Provident Fund Payables | 8,926 | 4,100 |
| Employee Income Tax Payable | 169,647 | 98,034 |
| Withholding Tax Payables | 262,277 | 83,720 |
| Pension Payables | 101,232 | 61,284 |
| Profit Tax Payable- Previous year | - | 33,855 |
| | 1,098,670 | 1,088,899 |

**17. Revenue**

| | | 07-Jul-24 |
|---|---|---|
| | Birr | Birr |
| Catering & Cafteria Income | 10,554,997 | 7,175,297 |
| Consultancy Income | 5,401,213 | 2,702,568 |
| Rent Income | 15,898,796 | 12,146,901 |
| | 31,855,006 | 22,024,765 |

**18. Other Income**

| | | |
|---|---|---|
| Other income | 338,001 | 58,272 |
| Interest income - Bank | 46,080 | 189,684 |
| | 384,081 | 247,957 |

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
0118861236
0111541235
Original Copy Submitted to the board

ETHIOPIAN ECONOMIC ASSOCIATION - IGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 7, 2025

| 19. Cost | | 7-Jul-2024 |
|---|---|---|
| | Birr | Birr |
| Facility service costs | 5,533,789 | 4,881,679 |
| Cafteria Service Costs | 7,925,759 | 4,728,172 |
| Depreciation Expense | 1,678,997 | 757,065 |
| | **15,138,545** | **10,366,916** |

| | | 07-Jul-24 |
|---|---|---|
| **20. Administrative Expense** | Birr | Birr |
| Salary and Wages - Admin Sta | 140,157 | 374,706 |
| Annual leave | 258,908 | 163,189 |
| Pension Expense | 47,130 | 30,097 |
| Employees Transport Allowance | 55,800 | 41,379 |
| Repair & maintenance-Building | 1,168,696 | 1,703,125 |
| Maint Material Purch or Rent | 219,905 | 480,506 |
| Maintenance Service Cost | - | 81,081 |
| Consultancy Fee | - | 410,122 |
| Uniforms & Outfits | 205,058 | 94,990 |
| Depreciation Expense | 296,294 | 252,027 |
| Amortization | 5,715 | 5,715 |
| Insurance Expense | 364,192 | 252,627 |
| Printing, Stationeries and Sup | 192,695 | 199,140 |
| Cleaning & Sanitation | 44,261 | 17,678 |
| Utilities Expense | 596,837 | 195,304 |
| Telephone & Internet Expense | 23,947 | 15,870 |
| Office Equi Repair & maintenance | 99,462 | 79,847 |
| Vehicle Running Costs | 178,048 | 342,334 |
| Bank Charges | 13,241 | 16,880 |
| Building Tax & Occupancy Permt | 43,792 | 40,180 |
| Advertisement and Promotion | 170,027 | 66,748 |
| Professional Fee | 3,139,960 | 1,161,408 |
| Audit Fee | 34,200 | 63,024 |
| Severance expense | 136,534 | 87,849 |
| Legal Fee | - | 20,870 |
| Fuel For Generator | 453,842 | 331,739 |
| Daily Laborer | 141,828 | 206,930 |
| Transport Expense | 196,282 | 80,095 |
| Disallowed Expense | 677,896 | 52,857 |
| Training for Capacity Building | 113,311 | - |
| Miscellaneous | 58,702 | 21,005 |
| | **9,076,720** | **6,889,324** |

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
0118861296
0111541235
Original Copy Submited to the board

ETHIOPIAN ECONOMIC ASSOCIATION - IGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 7, 2025

| **21. Tax Reconciliation as per IFRS and tax** | 7-Jul-2025 | 7-Jul-2024 |
|---|---|---|
| **Profit/Loss befor tax per IFRS** | 8,023,822 | 5,016,482 |
| Add : Dep of IFRS | 1,981,005 | 1,685,898 |
| Less: Dep of tax | (3,039,035) | (2,531,916) |
| Add: Non allowable expense | 677,896 | 52,857 |
| Impairement Loss on Government security | - | - |
| Less : Differed tax income/expense/ | - | |
| Interest Income | (46,080) | (189,684) |
| Employee benefit annual leave & severance | 395,442 | 251,039 |
| Taxable income | 7,993,050 | 4,284,675 |
| Profit tax for the period (30%) | 2,397,915 | 1,285,402.58 |
| Less: withholding tax receivable | (323,595) | (313,081) |
| **Current Tax Payable** | **2,074,320** | **972,322** |

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
0118861206
0111541235
Original Copy Submited to the board