

ELIAS ZELEKE

**Chartered Certified Accountants  
and Certified Audit Firm**

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INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF NATIONAL VETERINARY INSTITUTE

### Qualified Opinion

We have audited the accompanying financial statements of NATIONAL VETERINARY INSTITUTE, which comprise the statement of financial position as at 07 July 2021, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except the effects of the matters in the Basis for Qualified opinion paragraphs, the accompanying financial statements give a true and fair view of the financial position of NATIONAL VETERINARY INSTITUTE as of 07 July 2021, and of its profit or loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Commercial Code of Ethiopia 1960.

### Basis for Qualified Opinion

Advance collected amounting to ETB 10,940,227.32 treated as sales, and undelivered sales recorded against cost of sales, Under IFRS 15 revenue is recognized and measured using a five step model, revenue recognized with out performance obligation is satisfied, as a result we are not satisfied that the reported sales and cost of sales are overstated in addition it is non compliance with IFRS 15.

All direct and indirect costs such as material, labor costs and Other overhead costs are not absorbed to the cost of inventory at the year end Under current practice, vaccines Inventory are being valued at opening standard costing, under IAS 2 Inventory cost should be establish a system where all production costs including direct and indirect material, labor and other overhead costs should be absorbed as part of the cost of inventory; as a result we are not satisfied that the reported Inventory and cost of sales balance are fairly stated; in addition it is non compliance with IAS 2.

Total sales as per monthly VAT declaration and Annual sales register machine (Z report) have a difference of birr to 7,413,400 Z report balance is more, as a result non compliance to tax laws leads to penalty.

## Responsibilities of the Management for the Financial Statements

The management are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal controls as management determine are 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, the management are 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 the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The management 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF NATIONAL VETERINARY INSTITUTE**

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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

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

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

Elias Zeleke  
Principal  
Continued Audit Firm  
Addis Ababa, Ethiopia  
01 NOVEMBER 2021



NATIONAL VETERINARY INSTITUTE  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 7 JULY 2021

Currency: Ethiopian Birr

	Notes		<u>2020</u>
Revenue	4	172,448,635	177,367,840
Cost of sales	5	(65,709,795)	(93,325,131)
<b>Gross profit</b>		<b>106,738,839</b>	<b>84,042,709</b>
Other operating income	6	6,878,693	6,240,090
Gain for currency fluctuation	6.1	5,434,523	2,552,287
		<b>119,052,056</b>	<b>92,835,086</b>
General and administration expense	7	(42,374,030)	(33,031,014)
Allowance for doubtful debts		-	(2,490,503)
Audit fee		(39,500)	(130,820)
Board Fee		(290,000)	(198,500)
		<b>(42,703,530)</b>	<b>(35,850,837)</b>
<b>Operating profit</b>		<b>76,348,526</b>	<b>56,984,249</b>
Finance costs		-	-
<b>Profit before tax</b>		<b>76,348,526</b>	<b>56,984,249</b>
Profit tax expense	8	(19,182,576)	(14,155,130)
<b>Profit after tax</b>		<b>57,165,951</b>	<b>42,829,119</b>
Deferred tax asset/liability/		(3,453,501)	(2,783,786)
<b>Net profit for the year</b>		<b>53,712,450</b>	<b>40,045,332</b>



NATIONAL VETERINARY INSTITUTE  
STATEMENT OF FINANCIAL POSITION  
AS AT 7 JULY 2021

Currency: Ethiopian Birr

Assets	Notes		2020
<b>Non-current assets</b>			
Property, plant and equipment	9	376,638,891 ✓	253,537,324
Intangible asset	12	836,269 ✓	1,016,589
Investments in CBE & Government bond	15	28,122,329 ✓	26,349,900
Right use of asset - land	18	3,441,248 ✓	3,441,248
Non-current asset held for sale	11	43,708 ✓	2,000
		<u>409,082,445</u>	<u>284,347,061</u>
<b>Current assets</b>			
Inventories	17	166,298,057	203,041,748
Trade and other receivables	13	13,630,455	11,015,881
Advance and Prepayments	16	8,981,778	3,335,291
Cash and short-term deposits	10	153,575,522	131,302,644
		<u>342,485,811</u>	<u>348,695,563</u>
<b>Total assets</b>		<u>751,568,256</u>	<u>633,042,624</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid up capital		40,189,122	40,189,122
Donated capital	19	105,502,960	49,489,410
Capital reserve		7,543,588	7,543,588
Legal reserve	20	8,037,824	8,037,824
Retained earning		417,123,146	363,410,696
Revaluation reserve		76,429,663	76,429,663
<b>Total equity</b>		<u>654,826,303</u>	<u>545,100,303</u>
<b>Non-current liabilities</b>			
Termination benefit liabilities	21	3,975,589	3,410,075
Deferred tax liabilities	8	12,620,500	9,166,999
		<u>16,596,089</u>	<u>12,577,074</u>
<b>Current liabilities</b>			
Trade and other payables	22	60,898,166	62,540,494
Other taxes and obligations	23	2,543,923	1,276,041
Profit tax payables	8	16,703,775	11,548,710
		<u>80,145,864</u>	<u>75,365,245</u>
<b>Total liabilities</b>		<u>96,741,953</u>	<u>87,942,320</u>
<b>Total equity and liabilities</b>		<u>751,568,256</u>	<u>633,042,624</u>





NATIONAL VETERINARY INSTITUTE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 7 JULY 2021

Currency: Ethiopian Birr

	Share Capital	Donated capital	Retained earning	Capital Reserve	Legal reserve	First time IFRS adoption ADJ.	Total
July 7 2020	40,189,122	49,489,410	363,410,696	7,543,588	8,037,824	76,429,663	545,100,307
Additional Donated Capital Goods		56,013,550					56,013,550
Profit for the year			53,712,450				53,712,450
July 7 2021	40,189,122	105,502,960	417,123,146	7,543,588	8,037,824	76,429,663	654,826,307



NATIONAL VETERINARY INSTITUTE  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 7 JULY 2021

Currency: Ethiopian Birr

		2020
Operating activities		
Profit before tax	76,348,526	56,984,249
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation		
Amortization	16,247,853	14,181,419
change in Severance payable	180,320	162,046
Prior year adj	565,514	(351,558)
(Gain) / Loss on disposal of property, plant and equipment	-	-
Working capital adjustments:		
Decrease in trade and other receivables	(8,261,061)	2,108,679
Increase in inventories	36,743,691	(25,002,056)
Increase in trade and other payables	(374,446)	13,989,630
	<u>121,450,397</u>	<u>62,072,409</u>
Withholding Tax paid 2020		
Profit tax paid	(2,478,801)	(2,606,420)
Net cash flows from operating activities	<u>(11,548,710)</u>	<u>(17,138,034)</u>
	<u>107,422,886</u>	<u>42,327,955</u>
Investing activities		
Increase in of time deposit		
Purchase of property, plant and equipment	(1,772,429)	(26,299,900)
Purchase of Intangible assets	(139,349,420)	(26,030,950)
Increase in construction in progress	-	(287,500)
Increase in assets held for sale	-	(4,243,713)
Net cash flows used in investing activities	<u>(41,708)</u>	<u>-</u>
	<u>(141,163,557)</u>	<u>(56,862,063)</u>
Financing activities		
Donation received	56,013,550	1,795,599
Net cash flows from/(used in) financing activities	<u>56,013,550</u>	<u>1,795,599</u>
Net increase/ ( decrease ) in cash and cash equivalents	22,272,878	(12,738,512)
Cash and cash equivalents at 8 July 2020	131,302,644	144,041,156
Cash and cash equivalents at 7 July 2021	<u>153,575,521</u>	<u>131,302,644</u>

