

CATERING & TOURISM TRAINING INSTITUTE

GUENET HOTEL

AUDITORS' REPORT AND ACCOUNTS

JUNE 30, 2025

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Getachew Wakjira

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Chartered Certified Accountant (U.K.)

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CATERING & TOURISM TRAINING INSTITUTE  
GUENET HOTEL  
FULL IFRS FINANCIAL STATEMENTS REPORT  
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FOR THE YEAR ENDED JUNE 30 2025

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**CATERING & TOURISM TRAINING INSTITUTE  
GUENET HOTEL  
FULL IFRS FINANCIAL STATEMENTS REPORT  
REPORT OF THE MANAGEMENT  
FOR THE YEAR ENDED JUNE 30 2025**

Management has pleasure of presenting their report on the affairs of Guenet Hotel together with the financial statements for the year ended 30 June 2025, to the stakeholders of Guenet Hotel. This report discloses the financial performance and state of affairs of the Enterprise.

**Incorporation and address**

Guenet Hotel, which was previously under Ras Hotels Enterprise a business undertaking company transferred to Catering & Tourism Training Institute as of July 1, 1998 as a going concern as per letter dated Hidar 29, 1990 from the federal democratic Republic of Ethiopia, office of the Prime Minister, Economic Affairs Section.

**Principal activities**

The Company is principally engaged in:

- 1 Tourism and hospitality Industry,
- 2 Training & education service
- 3 Wedding Service,
- 4 And take a part in other endeavors that would enhance Company's business objectives

**Operating results**

The Enterprise's results for the year ended 30 June 2025 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2025	30 June 2024
	ETB	ETB
Revenue	66,370,674	64,315,330
Profit before income tax	15,073,743	7,368,214
Income tax expense	(2,267,768)	(2,948,229)
Total comprehensive income for the year	12,805,975	4,419,984

**Management**

The management who held office during the year and to the date of this report are set out on

Ato Tilahun Zewdu  
General Manager  
Addis Ababa, Ethiopia

W/ro: Etsegenet Teshome  
Finance and Administration Manager





GUENET HOTEL  
FULL IFRS FINANCIAL STATEMENTS REPORT  
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES  
FOR THE YEAR ENDED JUNE 30 2025

The Commercial Code of Ethiopia 1960 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 1960 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 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibilities include;

- a) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;
- a)
- b) Selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company.

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

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

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

Signed on behalf of the Management by:

\_\_\_\_\_  
Ato Tilahun Zewdu  
General Manager

\_\_\_\_\_  
W/ro: Etsegenet Teshome  
Finance and Administration Manager





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**ወርሐይድ የሕዳት ድርጅት (ኢትዮ)**

**GETACHEW WAKJIRA**  
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**AUDITORS' REPORT TO THE**  
**SHAREHOLDERS OF CATERING & TOURISM TRAINING INSTITUTE GUENET HOTEL**  
**ON THE ACCOUNTS OF CATERING & TOURISM TRAINING INSTITUTE GUENET HOTEL**

**OPINION**

We have audited the accompanying financial statements of Catering & Tourism Training Institute Guenet Hotel which comprise statement financial position as at June 30, 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.

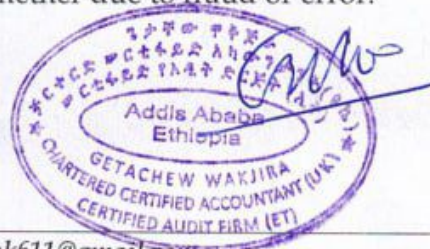
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**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 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.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have no comments to make on the reports of the Board of Directors of the company so far as it related to these financial statements and pursuant to Article 349/1 of the commercial code of Ethiopia 2021 and we recommend pursuant to article 349/2 approval of the financial statements.



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

Addis Ababa  
September 3, 2025

**GUENET HOTEL**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30 2025**

	Notes	'30 June 2025 ETB	'30 June 2024 ETB
Revenue	5	62,737,512	60,538,842
Cost of sales	7	(35,177,980)	(36,578,626)
<b>Gross profit</b>		<b>27,559,532</b>	<b>23,960,217</b>
Other income	6	3,633,161	3,776,488
		<u>31,192,694</u>	<u>27,736,704</u>
<b>Operating Expenses</b>			
General and administrative expenses	9	(16,055,814)	(20,291,641)
Finance cost on Saving Account	8	(63,137)	(76,849)
		<u>(16,118,950)</u>	<u>(20,368,491)</u>
<b>Profit before tax</b>		<b>15,073,743</b>	<b>7,368,214</b>
Income tax expense	10.1	(2,267,768)	(2,948,229)
<b>Profit after tax for the year</b>		<b>12,805,975</b>	<b>4,419,984</b>
<b>Other comprehensive income, net of income tax:</b>			
Part of Deprecation on Remeasurement Reserve		5,718,557	37,738,159
Deferred tax (liability)/ asset on remeasurement Remeasurement Reserve		(1,715,567)	(11,321,448)
<b>Other comprehensive income, net of income tax</b>		<b>4,002,990</b>	<b>26,416,711</b>
<b>Total comprehensive income for the year</b>		<b>16,808,965</b>	<b>30,836,695</b>

The notes on pages 9 to 45 are an integral part of these financial statements.





**GUENET HOTEL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30,2025**

		JUNE 30,2025	JUNE 30, 2024
	Notes	ETB	ETB
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property,Plant and Equipment	12	146,165,745	145,934,298
Investment Property	15	4,919,003	5,238,104
Right of Use land	13	1,304,774,673	1,304,774,673
Bond -Instrument	14	1,000,000	1,000,000
<b>Total Non-Current Assets</b>		<b>1,456,859,421</b>	<b>1,456,947,075</b>
<b>Current Assets</b>			
Inventories	16	5,956,418	1,603,364
Trade Receivables	17	6,187,775	3,043,294
Other Receivables	18	283,173	414,758
Cash and Bank Balances	19	23,900,142	30,335,039
<b>Total Current Assets</b>		<b>36,327,507</b>	<b>35,396,455</b>
<b>Total Assets</b>		<b>1,493,186,928</b>	<b>1,492,343,530</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid Up Capital	20	1,177,283	1,177,283
Retained Earnings	21	68,978,036	56,719,915
Deemed Cost In excess of carrying value	22	1,377,475,520	1,381,478,509
Legal Reserve	23	-	-
<b>Total Equity</b>		<b>1,447,630,839</b>	<b>1,439,375,707</b>
<b>Non-Current Liability</b>			
Provision for fence Construction	25	661,803	850,703
Retirement Benefit Obligation	26	3,271,130	2,906,121
Deferred Tax Liability	11.9	29,903,008	34,636,184
<b>Total Non-Current Liability</b>		<b>33,835,941</b>	<b>38,393,008</b>
<b>Current Liabilities</b>			
Trade Payables	27	2,171,707	3,748,409
Other Liabilities	28	3,290,363	5,568,780
Current Income Tax Liabilities	10.3	6,258,077	5,257,624
<b>Total Current Liabilities</b>		<b>11,720,147</b>	<b>14,574,813</b>
<b>Total Liability</b>		<b>45,556,088</b>	<b>52,967,822</b>
<b>Total Equity and Liabilities</b>		<b>1,493,186,928</b>	<b>1,492,343,530</b>

The notes on pages 9 to 45 are an integral part of these financial statements.

The financial statements on pages 9 to 45 were approved and authorized for issue by the Company management on September 3, 2025 and were signed on its behalf by:

Ato Tilahun Zewdu  
General Manager



Mr. Etsegenet Teshome  
Finance and Administration Manager



GUENET HOTEL  
STATEMENT OF CHANGES IN EQUITY  
AS AT JUNE 30,2025

		Paid up capital	Retained earnings	Reserve for excess deemed cost over carrying value	Total
	Note	ETB	ETB	ETB	ETB
As at 31 JULY 2022		1,177,283	41,544,003	1,407,895,221	1,450,616,507
Profit for the year	21	-	(2,199,868)	-	(2,199,868)
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income For The Year</b>		-	(2,199,868)	-	(2,199,868)
Deferred tax asset utilized		-	-	-	-
Transfer to Legal Reserve		-	-	-	-
Paid to Dividend		-	-	-	-
Payment to ERCA		-	(11,693,856)	-	(11,693,856)
Rollover adj		-	(834,478)	-	(834,478)
		-	(12,528,333)	-	(12,528,333)
As at 30 JUNE 2023		1,177,283	26,815,802	1,407,895,221	1,435,888,305
As at 1 JULY 2023		1,177,283	26,815,802	1,407,895,221	1,435,888,305
Profit for the year	21	-	30,836,695	(26,416,711)	4,419,984
<b>Total Comprehensive Income For The Year</b>		-	30,836,695	(26,416,711)	4,419,984
Transfer to Legal Reserve		-	-	-	-
Paid to Dividend		-	-	-	-
Payment to ERCA Profit tax Assesment		-	(236,253)	-	(236,253)
Rollover adjustment Bones		-	(444,983)	-	(444,983)
Opening Stock Adjustment		-	(210,274)	-	(210,274)
		-	(891,510)	-	(891,510)
As at 30 JUNE 30 2024		1,177,283	56,760,987	1,381,478,510	1,439,416,780
Transfer to Legal Reserve					
Paid to Dividend for EIH			(3,066,690)	-	(3,066,690)
Payment to ERCA Profit tax Assesment			(2,774,856)	-	(2,774,856)
Rollover adjustment			92,786	-	92,786
Profit for the year			16,808,965	(4,002,990)	12,805,975
Adjustment of Remeasurment		-	1,197,916	-	1,197,916
As at 30 JUNE30 2025		1,177,283	69,019,108	1,377,475,520	1,447,671,911

The notes on pages 9 to 45 are an integral part of these financial statements.

**Adjustment of Remeasurment resreve**

Birr 1,197,916 is a roll over Adjustment of due to Deferred tax (liability)/asset on Remeasurement Reserve of Part of Deprecation on Remeasurement Reserve.



**GUENET HOTEL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30 2025**

		JUNE 30,2025	JUNE 30,2024
	Notes	ETB	ETB
<b>Cash Flows From Operating Activities</b>			
Cash generated from operations	29	12,870,993	17,744,742
Interest paid on Saving Account	8	(63,137)	(76,849)
Prior Period Adjustment		718,394	(655,257)
Other tax Assesment Taxation Paid		(2,774,856)	-
Income tax paid &Other tax Paid	10.1	(5,365,046)	(1,935,563)
<b>Net cash generated from (used in) operating activities</b>		<b>5,386,348</b>	<b>15,077,073</b>
<b>Cash Flows From Investing Activities</b>			
Acquisition of investment security		-	-
Acquisition of property,plant and equipment		(8,754,556)	(17,632,589)
Cash payment for construction in progress		-	-
Proceeds from sales of PPE		-	-
<b>Net cash generated from (used in) investing activities</b>		<b>(8,754,556)</b>	<b>(17,632,589)</b>
<b>Cash Flows From Financing Activities</b>			
Bank laons		-	-
Refunds/settlements		-	(38,346)
Additional Investment	20	-	-
Dividend Paid		(3,066,690)	-
Settlement of Lease Obligation	24	-	-
<b>Net cash generated from (used in) financing</b>		<b>(3,066,690)</b>	<b>(38,346)</b>
<b>Net increase (decrease) in cash and cash</b>		<b>(6,434,897)</b>	<b>(2,593,863)</b>
Cash and Cash equivalents at the beginning of the	19	30,335,039	32,928,902
<b>Cash and Cash equivalents at the end of the year</b>	<b>19</b>	<b>23,900,141</b>	<b>30,335,039</b>
<b>Cash and cash equivalent is composed of:</b>			
Cash on hand		57,154	101,898
Cash at bank		23,842,988	30,233,141
		<b>23,900,142</b>	<b>30,335,039</b>





**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**1 General information**

Guenet Hotel, which was previously under Ras Hotels Enterprise a business undertaking company transferred to Catering & Tourism Training Institute as of July 1, 1998 as a going concern as per letter dated Hidar 29, 1990 from the federal democratic Republic of Ethiopia, office of the Prime Minister, Economic Affairs Section.

Company's business objective as stipulated in the Memorandum of Association includes the following activities:

- 1 To engage in tourism and hospitality Industry,
- 2 Training & education service
- 3 Wedding Service,
- 4 To engage in service delivery,
- 5 And to take part in other endeavors that would enhance Company's business objectives

**COMPANY LOCATION**

At present, the company's head office is located in Addis Ababa City Administration, Kirkos Sub City, Woreda xxx, House no. xxx..

**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 June 30, 2025 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 Company has prepared its 1st IFRS report on June 30/2023 in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the 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 for the next 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 JUNE 30,2025, 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 which is set out below:

#### 1 January 2024 New accounting standards or amendments

- Non-current Liabilities with Covenants-Amendments to IAS 1 and Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current Amendment to IAS 1-

#### New IFRS accounting standards effective after 1 April 2024

- Amendment to IAS 1 - Non-current liabilities with covenants
- Amendment to IFRS 16 - Leases on sale and leaseback
- Amendment to IAS 7 and IFRS 7 - Supplier finance
- Amendments to IAS 21 - Lack of Exchangeability

## 2 Summary of significant accounting policies (continued)

### IFRS 16 Leases

This standard was issued in January 2016 (Effective on after 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The entity is assess the expected impact of this standard and implemented in this accounting period before the effective date at 31 December, 2018 as permitted by IFRS 16 .the entity applied the modified retrospective approach to existing operating leases which are capitalized under the new standard with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements. For existing finance leases, the carrying amounts before transition represented the 31 December, 2018 values assigned to the right of use asset and lease liability.

#### 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 revaluation model.
- 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.
- 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.

#### **Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle**

The amendment specifies that the income tax consequences on dividends are recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January 2019 and the impact of this amendment is currently being assessed.

#### **Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle**

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalizing borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after 1 January 2019 and the impact of this amendment is currently being assessed.

#### **Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the amendment is for years beginning on or after 1 January 2019 and the impact of this amendment is currently being assessed.

#### **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).

## **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 (Continued)**

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

### Deemed Cost

The Company has elected to measure its items of property, plant and equipment at the date of transition to IFRSs at their Revalued amount and use the Revalued amount as deemed cost at that date. Accordingly, the Company has measured the revalued amount of its property, plant and equipment by establishing capable independent valuator and the reconstructed historical cost was taken as deemed cost in the preparation of the statement of financial position as at 31 December 2021.

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:

### Asset class

### Estimated economic Life

Building	50
Motor vehicles and Machinery	12
Office furniture and equipment	10
Computer and accessories	10
Office equipment	10
Plant and Machinery	15
Garage Tools	12





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.

## 2 Summary of significant accounting policies (continued)

### 2.4 Property, plant and equipment (Continued)

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 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.

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.

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.





## 2.6 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 expires.

## 2.7 Financial instruments - initial recognition and subsequent measurement

### 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 with 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)

In the periods presented the Company does not have any financial assets categorized as FVOCI.

## 2 Summary of significant accounting policies (continued)

## 2.7 Financial instruments - initial recognition and subsequent measurement (continued)

### Classification and initial measurement of financial assets (continued)

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.

### 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
- 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.

- 2 Summary of significant accounting policies (continued)
- 2.7 Financial instruments - initial recognition and subsequent measurement (continued)

### **Impairment of financial assets (continued)**

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.

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

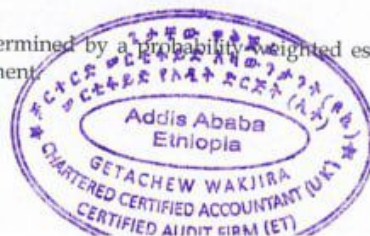
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

### **Impairment of financial assets**

'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 and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets 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. Refer to Note 4.4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

### Classification and measurement of financial liabilities

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

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.

### 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 Summary of significant accounting policies (continued)

### 2.7 Financial instruments - initial recognition and subsequent measurement (Continued)

#### 2.8 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.

##### (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.



## 2.9 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, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings as current liabilities in the statement of financial position.

## 2.10 Revenue recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales.

Revenue is recognized at an amount that reflects the consideration to which company expects to be entitled for performing its services for a customer. Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes income when it has fulfilled its obligation and the right to receive the related sum as assured.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the company's activities. Income is recognized when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of income, and associated costs incurred or to be incurred can be measured reliably.

The entity revenues are earned mainly from the following services:

- Tourism and hospitality,
- Car rental business,
- wedding car rental and event organization,
- Air transport ticket sales and Delivery Services

Revenue from provision of services is recognized when all the following conditions have been satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods services;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold service provided;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *Investment income*

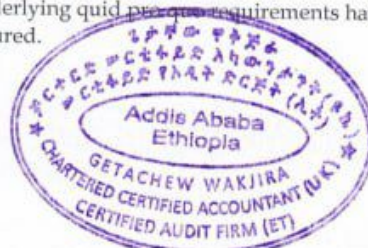
Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

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.

Other instances of revenue are recognized when the underlying quid pro quo requirements have been fairly met and the right to receive the related sum is assured.





## 2.11 Employee benefits

The Company's 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.

## 2 Summary of significant accounting policies (continued)

### 2.11 Employee benefits (continued)

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

The Company operates one defined contribution plan;

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.

### 2.12 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions note 4.6.1.
- Quantitative disclosures of fair value measurement hierarchy note 4.6.2.
- Financial instruments (including those carried at amortized cost) note 4.6.2.

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 available-for-sale financial assets.

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.

## 2.13 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.

## 2.14 Paid Up 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.

### Summary of significant accounting policies (continued)

#### 2 Reserve for deemed cost over carrying value

#### 2.15 Deemed Cost

In Transition to IFRS, the excess of deemed cost (fair value) over the carrying value of properties plant and equipment and ROU Assets is credited either to retained earnings or another form of equity, as appropriate. One of the conditions when such difference is credited to another form of equity is when there is a regulatory restriction of its distribution to shareholders. The Commercial Code of Ethiopia 1960 stipulates that dividend can be distributed only from reserves in the approved balance sheet resulting from profit after taxation. Therefore, the increase of the fair value over the carrying value of such long-term assets at date of transition to IFRS does not qualify to be credited to retained earnings, hence has been credited to a non-distributable reserve under the heading "Reserve for Excess deemed cost over carrying value". Management believes that as the assets are used by the Company with the passage of time the surplus will crystalize/ will be earned. Therefore, the surplus would be transferred to retained earnings each time a revalued asset is derecognized.





## 2.16 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 fulfillment 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.

## 2.17 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 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 4.2

#### 3.1 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:

#### 3.2 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.

#### *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. See note 3.2 for further disclosures.

#### *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 Directors 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.

#### **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.





#### 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.

#### Finance lease commitments (Estimate)

The company has entered into land lease arrangement with Ethiopian Airport enterprise for the use and construction of open space warehouse . Management has determined, based on all available information, that the Company does retain the significant risks and rewards of ownership of the land and, consequently, the land lease has been accounted for as operating lease.

#### 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 JUNE 30,2024 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed.



**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**4 Financial risk management**

**4.1 Introduction**

**4.1.1 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.

**4.1.2 Risk mitigation**

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

The adequacy of these mitigations 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.

**4.2 Financial risk**

**Financial instruments by category**

The Company's financial assets are classified into the following categories: at amortized cost, at fair value through P&L and at FV through OCI and the financial liabilities are classified into other liabilities at amortized cost.

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

30 June 2025	Notes	At fair value through profit or loss	At amortized cost	Total
		ETB	ETB	ETB
Cash and balances with banks	19	23,900,142	-	23,900,142
Trade receivables	17	6,187,775	-	6,187,775
Other receivables excluding prepayr	18	283,173	-	283,173
<b>Total financial assets</b>		<b>30,371,089</b>	<b>-</b>	<b>30,371,089</b>
<b>30 June 2024</b>				
Cash and balances with banks	19	30,335,039	-	30,335,039
Trade receivables	17	3,043,294	-	3,043,294
Other receivables excluding prepayr	18	414,758	-	414,758
<b>Total financial assets</b>		<b>33,793,091</b>	<b>-</b>	<b>33,793,091</b>





GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025

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 and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved. 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:

	JUNE 30, 2025	JUNE 30, 2024
	ETB	ETB
Cash and balances with banks	23,900,142	30,335,039
Trade receivables	6,187,775	3,043,294
Other receivables excluding prepayr	283,173	414,758
	<u>30,371,089</u>	<u>33,793,091</u>

4.4 Credit risk

4.4.1 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as June 30, 2025, June 30, 2024 and are held in banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of Trade and other receivables

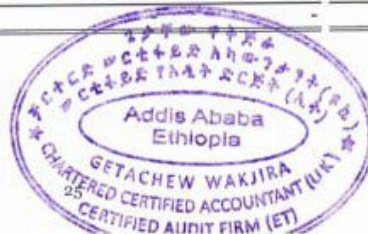
(i) Trade receivables

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

The expected loss rates are based on the payment profile for sales over the past 48 months before JUNE 30, 2025 and JUNE 30, 2024 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The range of the classification for past due is based on the historical credit loss rate expriance and mangment observation, judgment and belive is put in to account. The mangment considered the contractual engagment with the customers as well as customers current economic condtion and business involvememtn is given a top consderation. On the above basis the expected credit loss for trade receivables as well as related party receivables together as at June 30, 2023 and June 30, 2024 was determined as follows:

30-Jun-25	> 360 days	> 730 days	> 6 year	Total
Expected credit loss rate	15%	20%	100%	
Gross carrying amount (ETB)				
Lifetime expected credit loss (ETB)	-	-	-	
30-Jun-24	> 360 days	> 730 days	> 6 year	Total
Expected credit loss rate	15%	20%	100%	
Gross carrying amount (ETB)				
Lifetime expected credit loss (ETB)	-	-	-	



GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
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4 Financial risk management (continued)

4.4 Credit risk (continued)

4.4.2 Credit quality analysis(continued)

(b) Credit quality of Trade and other receivables (continued)

(i) Trade receivables (continued)

The closing balances of the of the trade receivables loss allowance as at 30 June 2025 and 30 June 2024 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Trade receivables	3,078,380
Loss allowance as at June 30,2024 calculated under previous framewor	-
IFRS 9 transition adjustments	-
Opening loss allowance at June 30,2024	(1,326)
Loss allowance recognized during the year	(33,760)
Loss allowance as at June 30,2024	(35,085)
Loss allowance recognized during the year	35,085
Loss allowance as at June 30,2025	-

(ii) 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

	JUNE 30,2025	JUNE 30,2024
	ETB	ETB
Expected (reversal) / loss	-	(33,760)
	-	(33,760)

4.4.3 Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at JUNE 30,2024 and JUNE 30,2023.The Company concentrates all its

	Public	Private	Total
	ETB	ETB	ETB
JUNE 30,2025			
Cash and balances with banks	-	23,900,142	23,900,142
	-	23,900,142	23,900,142
JUNE 30,2024			
Cash and balances with banks		30,335,039	30,335,039
	-	30,335,039	30,335,039





GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025

4 Financial risk management (continued)

4.4 Credit risk (continued)

4.4.2 Credit quality

4.5 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.

The Company's objectives in managing its capital are :

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the 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
- to 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.

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.

4.6 Fair value of financial assets and liabilities

4.6.1 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 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.



**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

- 4 Financial risk management (continued)  
 4.6 Fair value of financial assets and liabilities (Continued)  
 4.6.1 Valuation models (Continued)

	JUNE 30,2025		JUNE 30,2024	
	ETB	Fair value ETB	Carrying amount ETB	Fair value ETB
<b>Financial assets</b>				
Cash and balances with banks	23,900,142	23,900,142	30,335,039	30,335,039
Trade receivables	6,187,775	6,187,775	3,043,294	3,043,294
Other receivables excluding prepayments	283,173	283,173	414,758	414,758
<b>Total</b>	<b>30,371,089</b>	<b>30,371,089</b>	<b>33,793,091</b>	<b>33,793,091</b>
<b>Financial liabilities</b>				
Trade payables	2,171,707	2,171,707	3,748,409	3,748,409
Other liabilities	3,290,363	3,290,363	5,568,780	5,568,780
<b>Total</b>	<b>5,462,070</b>	<b>5,462,070</b>	<b>9,317,190</b>	<b>9,317,190</b>

4.6.3 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.

4.6.4 Valuation technique using significant unobservable inputs - Level 3

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

4.6.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming

4.7 Offsetting financial assets and financial liabilities

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





**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

5	Revenue	30 June 2025	30 June 2024
		ETB	ETB
	Food Income	28,338,580	34,396,220
	Beverage Income	9,673,098	7,460,344
	Rental Income	16,159,686	10,150,922
	Cafteria Income	2,542,485	2,508,856
	Corckage & Brakage	142,282	151,106
	Service Charge	5,881,382	5,871,395
		<u>62,737,512</u>	<u>60,538,842</u>
6	Other income		
	Parking	1,310,734	444,119
	Others	1,059,692	1,795,379
	Interest Income	1,262,736	1,536,990
	Total other income	<u>3,633,161</u>	<u>3,776,488</u>
	Total income during the year	<u>66,370,674</u>	<u>64,315,330</u>
7	Cost of sales		
	Hotel Service cost-Food	12,076,704	13,498,719
	Hotel Service cost -Beverage & others	5,509,315	3,624,167
	Salary & Wage	4,654,381	4,659,459
	Service Charge	3,749,925	3,015,776
	Over Head Costs ( Note 6.1)	<u>9,187,656</u>	<u>11,780,505</u>
		<u>35,177,980</u>	<u>36,578,626</u>
7.1.	Over Head Costs		
	Other	-	81,528
	Stationary	325,546	62,618
	Clearing	268,392	392,354
	Fuel & Charcool		988,095
	Maintenance	51,200	326,599
	Cash Indeminity	4,140.00	3,360
	Depersation	<u>8,538,378</u>	<u>9,925,950</u>
		<u>9,187,656</u>	<u>11,780,505</u>
8	Finance costs		
	interest on Saving	63,137	76,849
		<u>63,137</u>	<u>76,849</u>



**GUENET HOTEL**  
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9	General and administration expenses	30 June 2025	30 June 2024
		ETB	ETB
	Advertisement Expense	77,746	211,531
	Bank Service Charge	19,992	11,943
	Depreciation & Amortiation	303,832	861,813
	Annual leave Expense	829,332	791,862
	Severance expense	409,388	91,069
	Expected Credit loss	-	33,760
	Fuel and Lubricant Expenses	713,452	109,558
	Insurance Expenses	220,599	217,261
	Donation Expense	89,979	42,165
	Printing and Supplies Expenses	4,974	204,815
	Board of Directors fee	551,000	242,500
	Utility	19,957	691
	Miscellaneous Expenses	182,084	184,975
	Penalty and Fines Expenses	-	1,870
	Professional and Membership Fees	466,346	369,361
	Repair and Maintenance Expenses	431,451	1,058,956
	Entertainment expense	-	64,245
	Salary and Wage Expenses	4,600,728	7,946,315
	Service Charge Benefit Expenses	2,243,569	2,475,924
	Pension Contribution	1,098,971	1,039,346
	Telephone, Internet & other subscriptions	131,571	88,887
	Audit Fee	65,000	43,474
	Cleaning and Sanitation	22,672	128,532
	Other Emloye Benefit	2,662,067	2,007,697
	Transportation Expenses	2,800	1,150
	Property Tax	877,819	2,061,940
	Other Material Rent	26,087	-
	Penalty	4,398	-
		<u>16,055,814</u>	<u>20,291,641</u>
10	Income and deferred tax		
10.1	Current income tax		
	Current taxation based on taxable profit (note 10.2)	6,495,150	5,350,980
	Deferred income tax charge(credit) to profit or loss (note 11.9)	<u>(4,227,382)</u>	<u>(2,402,751)</u>
	Total charge to profit or loss	2,267,768	2,948,229
	Tax charge (credit) on other comprehensive income	-	-
	Total tax in statement of comprehensive	<u>2,267,768</u>	<u>2,948,229</u>





**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10 Income and deferred tax (continued)**

**10.2 Current taxation based on taxable profit**

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:

	30 June 2025	30 June 2024
	ETB	ETB
<b>Profit before tax</b>	<b>15,073,743</b>	<b>7,368,214</b>
<b>Non-Deductible expenses</b>		
Depreciation per accounting policy	8,842,210	10,787,763
Amortization per accounting policy	-	-
Interest income	(1,262,736)	(1,536,990)
Donation Expnese		
Dividend income (Taxed)		-
Severance Expense	409,388	54,737
Expected Credit Loss	-	33,760
Accrued annual leave expense	829,332	791,862
Non taxable Gain on disposal of PPE	-	-
Property Tax	877,819	2,061,940.00
Penalty	4,398	1,870
	<b>24,774,154</b>	<b>19,563,155</b>
<b>Less:</b>		
Unrealized foreign exchange gain	-	-
De-recognized expense	-	-
Loss Carry forward-2017	-	-
Capital Allowance (Depreciation per tax law)	(3,123,654)	(1,680,457)
Capital Allowance (amortization of deferred expenditure per tax law)	-	-
Severance Expense	-	(27,133)
Annual leave expense	-	(18,964)
<b>Taxable income</b>	<b>21,650,500</b>	<b>17,836,602</b>
<b>Current Tax Expense (30%)</b>	<b>6,495,150</b>	<b>5,350,980</b>
<b>10.3 Current income tax liability</b>		
Balance at the beginning of the year	5,257,624	1,699,310
Charge for the year (note 14.2)	6,495,150	5,350,980
Advance profit tax paid	(237,073)	(93,356)
Payment during the year	(5,257,624)	(1,699,310)
<b>Balance at the end of the year</b>	<b>6,258,077</b>	<b>5,257,624</b>



**GUENET HOTEL**  
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**11 Deferred income tax**

Deferred taxation is calculated on all temporary differences using the enacted principal tax rate of 30%. The temporary difference is a result of difference in tax base which raised from revaluation of PPEs and difference in tax rates of depreciation of property plant and equipment and difference in accounting for pre-operational expenditure and post-employment benefit obligation for financial reporting and tax purpose.

	30 June 2025 ETB	30 June 2024 ETB
<b>11.1 Property, plant and equipment (PPE)</b>		
Carrying amount of PPE (Note 11)	146,165,745	145,934,298
Less: Tax written-down value	(47,226,395)	(33,669,634)
<b>Total temporary difference</b>	<b>98,939,350</b>	<b>112,264,664</b>
Attributable to deemed cost exercise	(141,119,661)	(141,119,661)
Attributable to other differences recognized in Profit or Loss	(42,180,311)	(28,854,997)
Deferred Tax Attributable to deemed cost exercise	42,335,898	42,335,898
Effect of current year excess Depreciation	-	-
	42,335,898	42,335,898
Attributable to other differences recognized in Profit or Loss	(12,654,093)	(8,656,499)
<b>Total Deferred Tax Liability (asset) on PPE</b>	<b>29,681,805</b>	<b>33,679,399</b>





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11.2 Right of Use Land-Owner occupied	30 June 2025	30 June 2024
	ETB	ETB
Carrying amount of ROU-land (Note 12)	1,304,774,673	1,304,774,673
Less: Tax written-down value (Annex 1)	-	-
Total temporary difference	1,304,774,673	1,304,774,673
Attributable to deemed cost exercise	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Total Deferred Tax Liability (asset) on ROU Land-Leasehold	-	-
<b>11.3 Investment Property</b>		
Carrying amount of ROU Building (Note 12)	4,919,003	5,238,104
Less: Tax written-down value	-	-
Total temporary Difference	4,919,003	5,238,104
Attributable to deemed cost exercise	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Deferred Tax Attributable to deemed cost exercise	-	-
Effect of current year excess depreciation	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Total Deferred Tax Liability (asset) on ROU Building	1,475,701	1,571,431
<b>11.4 Trade Receivable and Related Party Receivable (Expected Credit Loss)</b>		
Carrying amount Trade receivable	6,187,775	3,043,294
Carrying amount Related party	-	-
Less: Tax Base Trade Receivable	(6,187,775)	(3,078,380)
Tax Base Related party	-	-
Deductible Temporary Difference	-	35,085
Deferred Tax Liability (asset) on ECL	-	(10,526)
The deferred tax asset on the trade receivable was not recognized as the probability of realization in the near future is remote.		
<b>11.5 Termination benefit obligation:</b>		
Carrying amount	3,342,642	2,933,254
Less: Tax Base	-	-
Total Temporary Difference	3,342,642	2,933,254
Total Deferred Tax Liability (asset) on PPE	(1,002,793)	(879,976)
<b>11.6 Lease Obligation</b>		
Carrying amount	-	-
Less: Tax Base	-	-
Deductible Temporary Difference	-	-
Deferred Tax Liability (asset) on LO	-	-
<b>11.7 Trade and Other Payables</b>		
Carrying amount	4,433,503	7,038,552
Less: Tax Base	(3,604,171)	(6,246,690)
Deductible Temporary Difference	829,332	791,862
Deferred Tax Liability (asset) on TOD	(248,800)	(237,559)



**GUENET HOTEL**  
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**11.8 Deferred Expenditure**

Carrying amount		-
Less: Tax Base		-
Timing difference		-
Deferred Tax Liability (asset) on Derecognized Deferred Exp.		
Total Deferred Tax Liability (asset)		

The analysis of Deferred tax assets/(liabilities) is as follows:

To be recovered after more than 12 months	
To be recovered within 12 months	

**11.9** The movement in deferred income tax assets (liabilities) and deferred income tax charge/(credit) in profit or loss, in equity and other comprehensive income are as follows:

Deferred income tax liabilities/(assets):	At 30 June 2025		At 30 June 2024	
	ETB	Credit/ (charge) to profit or loss ETB	ETB	Credit/ (charge) to equity ETB
Reserve for Excess Deemed Cost over Carrying Value	42,335,898	-	42,335,898	
Other timing Differences on Property, Plant and Equipment	(12,654,093)	(3,997,594)	(8,656,499)	
Trade and Other Receivable	(10,128)	-	(10,128)	
ROU Land- Leasehold	-	-	-	
investment Property	1,475,701	(95,730)	1,571,431	
Lease Obligation-Right of use Land	-	-	-	
Post Employment Benefit Obligation	(1,002,793)	(122,816)	(879,976)	
Trade and Other Payables	(248,800)	(11,241)	(237,559)	
Deferred Expenditure	7,222	-	7,222	
Total Deferred Tax Liabilities/(Assets)	29,903,008	(4,227,382)	34,130,390	





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**11 Deferred income tax**

Deferred taxation is calculated on all temporary differences using the enacted principal tax rate of 30%. The temporary difference is a result of difference in tax base which raised from revaluation of PPEs and difference in tax rates of depreciation of property plant and equipment and difference in accounting for pre-operational expenditure and post-employment benefit obligation for financial reporting and tax purpose.

**11.1 Property, plant and equipment (PPE)**

	30 June 2025 ETB	30 June 2024 ETB
Carrying amount of PPE (Note 11)	146,165,745	145,934,298
Less: Tax written-down value	(47,226,395)	(33,669,634)
<b>Total temporary difference</b>	<b>98,939,350</b>	<b>112,264,664</b>
Attributable to deemed cost exercise	(141,119,661)	(141,119,661)
Attributable to other differences recognized in Profit or Loss	(42,180,311)	(28,854,997)
Deferred Tax Attributable to deemed cost exercise	42,335,898	42,335,898
Effect of current year excess Depreciation	-	-
	42,335,898	42,335,898
Attributable to other differences recognized in Profit or Loss	(12,654,093)	(8,656,499)
<b>Total Deferred Tax Liability (asset) on PPE</b>	<b>29,681,805</b>	<b>33,679,399</b>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

11.2 Right of Use Land-Owner occupied	30 June 2025	30 June 2024
	ETB	ETB
Carrying amount of ROU-land (Note 12)	1,304,774,673	1,304,774,673
Less: Tax written-down value (Annex 1)	-	-
Total temporary difference	1,304,774,673	1,304,774,673
Attributable to deemed cost exercise	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Total Deferred Tax Liability (asset) on ROU Land-Leasehold	-	-
<b>11.3 Investment Property</b>		
Carrying amount of ROU Building (Note 12)	4,919,003	5,238,104
Less: Tax written-down value	-	-
Total temporary Difference	4,919,003	5,238,104
Attributable to deemed cost exercise	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Deferred Tax Attributable to deemed cost exercise	-	-
Effect of current year excess depreciation	-	-
Attributable to other differences recognized in Profit or Loss	-	-
Total Deferred Tax Liability (asset) on ROU Building	1,475,701	1,571,431
<b>11.4 Trade Receivable and Related Party Receivable (Expected Credit Loss)</b>		
Carrying amount Trade receivable	6,187,775	3,043,294
Carrying amount Related party	-	-
Less: Tax Base Trade Receivable	(6,187,775)	(3,078,380)
Tax Base Related party	-	-
Deductible Temporary Difference	-	35,085
Deferred Tax Liability (asset) on ECL	-	(10,526)
The deferred tax asset on the trade receivable was not recognized as the probability of realization in the near future is remote.		
<b>11.5 Termination benefit obligation:</b>		
Carrying amount	3,342,642	2,933,254
Less: Tax Base	-	-
Total Temporary Difference	3,342,642	2,933,254
Total Deferred Tax Liability (asset) on PPE	(1,002,793)	(879,976)
<b>11.6 Lease Obligation</b>		
Carrying amount	-	-
Less: Tax Base	-	-
Deductible Temporary Difference	-	-
Deferred Tax Liability (asset) on LO	-	-
<b>11.7 Trade and Other Payables</b>		
Carrying amount	4,433,503	7,038,552
Less: Tax Base	(3,604,171)	(6,246,690)
Deductible Temporary Difference	829,332	791,862
Deferred Tax Liability (asset) on TOD	(248,800)	(237,559)





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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11.8 Deferred Expenditure**

Carrying amount		-
Less: Tax Base		-
Timing difference		-
Deferred Tax Liability (asset) on Derecognized Deferred Exp.		
Total Deferred Tax Liability (asset)		

The analysis of Deferred tax assets/(liabilities) is as follows:

To be recovered after more than 12 months  
To be recovered within 12 months

**11.9 The movement in deferred income tax assets (liabilities) and deferred income tax charge/(credit) in profit or loss, in equity and other comprehensive income are as follows:**

Deferred income tax liabilities/(assets):	At 30 June 2025		At 30 June 2024	
	ETB	Credit/ (charge) to profit or loss ETB	ETB	Credit/ (charge) to equity ETB
Reserve for Excess Deemed Cost over Carrying Value	42,335,898	-	42,335,898	
Other timing Differences on Property, Plant and Equipment	(12,654,093)	(3,997,594)	(8,656,499)	
Trade and Other Receivable	(10,128)	-	(10,128)	
ROU Land- Leasehold	-	-	-	
investment Property	1,475,701	(95,730)	1,571,431	
Lease Obligation-Right of use Land	-	-	-	
Post Employment Benefit Obligation	(1,002,793)	(122,816)	(879,976)	
Trade and Other Payables	(248,800)	(11,241)	(237,559)	
Deferred Expenditure	7,222	-	7,222	
Total Deferred Tax Liabilities/(Assets)	29,903,008	(4,227,382)	34,130,390	



GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2025

## Property, plant and equipment

	Building		Motor Vehicles		Computer and Electronics		Office Furniture		Office Equipment & Machinery		KITCHEN UTILITIES		Other Assets		CIP		Total	
	ETB		ETB		ETB		ETB		ETB		ETB		ETB		ETB		ETB	
<b>Cost</b>																		
2024	150,073,265	2,800,000			1,543,912		2,809,675		10,463,966		4,203,089		-		4,566,164		176,460,072	
As at 1 July 2024	150,073,265	2,800,000			1,543,912		2,809,675		10,463,966		4,203,089		-		4,566,164		176,460,072	
Additions	706,345	-			1,667,122		6,373,778		-		-		7,310		-		8,754,556	
Disposal	3,871,879												(3,871,879)				-	
2025	154,651,489	2,800,000			3,211,035		9,183,453		10,463,966		4,203,089		7,310		694,286		185,214,628	

Accumulated Depreciation

As at 30 JUNE 20:	25,447,807	420,000			368,638		1,277,901		2,276,678		734,750		-		-		30,525,774	
As at 1 July 2024	25,447,807	420,000			368,638		1,277,901		2,276,678		734,750		-		-		30,525,774	
Charge for the year	7,078,075	140,000			163,832		392,911		568,709		179,306		276				8,523,109	
As at 30 JUNE 20:	32,525,881	560,000			532,469		1,670,813		2,845,387		914,056		276		-		39,048,883	

Net book value

As at 30 JUNE 20:	124,625,459	2,380,000			1,175,275		1,531,773		8,187,288		3,468,339		4,566,164				145,934,298	
As at 30 JUNE 20:	122,125,608	2,240,000			2,678,565		7,512,640		7,618,579		3,289,033		694,286				146,165,745	

13a Construction in progress

Construction in progress relates to the construction of xxxx in xxx Regional state, xxx town.

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.





**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**13 Right of Use Asset (ROUA)**

	Lease hold Asset ETB	Total ETB
<b>Cost</b>		
As at JUNE 30,2024	1,304,774,673	1,304,774,673
As at JUNE 30,2025	1,304,774,673	1,304,774,673
<b>Accumulated Amortization</b>		
Charge for the year June 30,2024	-	-
Charge for the year June 30,2025	-	-
<b>Net book value</b>		
As at JUNE 30,2024	1,304,774,673	1,304,774,673
As at JUNE 30,2025	1,304,774,673	1,304,774,673

	30 June 2025 ETB	30 June 2024 ETB
<b>14 Investment -Financial instrument</b>		
Balance brought forward	1,000,000	1,000,000
Current Period Change( Change in FV)		
Additional Investment		
Equity instrument	1,000,000	1,000,000

**15 Investment Property**

Balance brought forward	6,195,408	6,195,408
Additional Investment	-	-
<b>Total Investment Property</b>	<b>6,195,408</b>	<b>6,195,408</b>
Accumulated Depreciation	957,303	638,202
Current Period Depreciation	319,101	319,101
<b>Total Depreciation</b>	<b>1,276,404</b>	<b>957,303</b>
<b>Net Book Value</b>	<b>4,919,003</b>	<b>5,238,104</b>

	30 June 2025 ETB	30 June 2024 ETB
<b>16 Inventories</b>		
Beverages	1,002,748	110,743
Stationary & Cleaning	295,951	147,894
Bottles & Containers	194,060	100,147
Others	4,463,658	1,244,581
<b>Gross amount</b>	<b>5,956,418</b>	<b>1,603,364</b>
Allowance for write-down of inventory	-	-
	5,956,418	1,603,364
Goods in transit		-
	5,956,418	1,603,364



GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025

	30 June 2025 ETB	30 June 2024 ETB
<b>17 Trade receivables</b>		
Trade receivable	6,222,860	3,078,380
Less: Allowance for Expected Credit Loss	(35,086)	(35,085)
	<b>6,187,775</b>	<b>3,043,294</b>

The average credit period on rendering of services is 30 days. No interest is charged on trade receivables. The Company has recognized an allowance for doubtful debts based on the expected credit loss. In measuring the expected credit losses, the trade receivable have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on their age profiles.

**17a** The movements in impairment allowance for trade receivable is analyzed below:

Balance at the beginning of year	35,085	1,326
Impairment loss recognized on receivables	-	33,760
Impairment loss reversed	-	-
Balance at end of the year	<b>35,085</b>	<b>35,085</b>

**18 Other receivables**

Other financial Assets	-	-
Staff Debtor	283,173	414,758
	<b>283,173</b>	<b>414,758</b>

*Other non - financial Assets*

Withholding tax receivable	237,073	-
Value added tax receivable	-	-
Withholding tax receivable transfer to Tax	(237,073)	-
	-	-

Gross amount	283,173	414,758
Collective impairment	-	-
	<b>283,173</b>	<b>414,758</b>

*Maturity analysis*

Current	283,173	414,758
Non- current	-	-
	<b>283,173</b>	<b>414,758</b>

**19 Cash and bank balances**

Cash on hand	57,154	101,898
Cash at bank	23,842,988	30,233,141
	<b>23,900,142</b>	<b>30,335,039</b>





GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
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20 Paid Up capital

The Company has authorized and fully paid capital as follows. The shares have equal voting rights and shares are equal in the distribution of profit.

	30 June 2025	30 June 2024
Authorized:	ETB	ETB
REGISTERD CAPITAL	1,177,283	1,177,283
Issued and fully paid:		
REGISTERD CAPITAL	1,177,283	1,177,283

21 Retained earnings

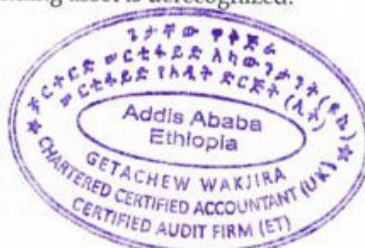
At the beginning of the year	56,719,915	26,813,727
Transfer to Paid up capital	-	-
Profit for the year	16,808,965	30,836,695
Paid to Dividend for EIH	(3,066,690)	-
Rollover adj from last	92,786	(483,981)
Adjustment of Remeasurment resreve	1,197,916	-
Profit tax piad to ERCA	(2,774,856)	(236,253)
Opening Inventory Balance Adjustment	-	(210,274)
Transfer to Legal Reserve (Note 20)	-	-
Transfer to retained earnings in respect of	-	-
At the end of the year	68,978,036	56,719,915

The company made a backyear adjustment of 858,399.65 birr for the year ended june 30,2024 and dedcuted form the retained earnings account.This cost is incurred for construction of houses as donation for poor citizens in the subcity and 23,922 birr of roll over adjustment is an audit error of 15,125 birr committed since 2021 and remaining error.And due to tax assesment and opening balance Adjustment during the reporting year birr 891,510 is adjusted .

22 Reserve for excess deemed cost over carrying value

	30 June 2025	30 June 2024
	ETB	ETB
Revalued amount at date of transition PPE	146,165,745	145,934,298
Revalued amount at date of transition IP	4,919,003	5,238,104
	151,084,748	151,172,402
Carrying value at date of transition PPE	(47,226,395)	(41,595,493)
Revaluation surplus at date of transition	103,858,353	109,576,909
Deferred Tax on Revaluation	(31,157,506)	(32,873,073)
Revalued amount at date of transition ROU LAN	1,304,774,673	1,304,774,673
	1,377,475,520	1,381,478,509
Transfer to retained earnings in respect of excess depreciation of the revalued assets net of deferred tax	30,419,701	26,416,712
Reserve for excess deemed cost over carrying value	1,407,895,221	1,407,895,221

Deemed cost in excess of carrying value account is a surplus/gain arising from revaluation of PPEs & ROU Assets as at the transition date ( considered as deemed cost for the first time adoption of IFRS) and non-distributable to shareholders in the form of dividend and non-taxable income, rather kept under equity section. The reserve remains in the equity and transfered to retained earnings when the corresponding asset is derecognized.



**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

23	<b>Legal reserve</b>		
	Balance at the beginning of the year		-
	Transfer from retained earnings		-
	At the end of the year		-
24	<b>Lease Obligation</b>		
		30 June 2025	30 June 2024
		ETB	ETB
	Balance at beginning of year		-
	Addition during the year		
	Settlement made during the year		
	Balance at the end of the year		-
24.1	<b>Lease Obligation- Current Portion</b>		
	lease obligation -current portion		
	lease obligation - non current portion		-
	Balance at the end of the year		-
25	<b>Provision for fence construction</b>		
		30 June 2025	30 June 2024
		ETB	ETB
	Balance at beginning of year	850,703	850,703
	Addition during the year	-	-
	Settlement made during the year	(188,900)	-
	Balance at the end of the year	661,803	850,703
26	<b>Retirement benefit obligation</b>		
		30 June 2025	30 June 2024
		ETB	ETB
	Defined benefits liabilities:		
	- Severance benefit plan (note 23.1)	3,271,130	2,906,121
	Liability in the statement of financial position	3,271,130	2,906,121
	Income statement charge included in personnel expenses:		
	- Severance benefit plan (note 23.1)	409,388	54,737
	Total defined benefit expenses	409,388	54,737





**GUENET HOTEL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**26.1 Retirement benefit obligation**

**Severance benefit plan**

The severance benefit plan is an unfunded defined benefit scheme. The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize.

The severance benefits are based on the statutory severance benefit as set out in Labor Proclamation No. 377/2003, as amended by the Labor (Amendment) Proclamation No. 494/2006. 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.

**26.2 The principal assumptions used in determining defined benefit obligations**

	30 June 2025	30 June 2024
	ETB	ETB
Discount rate (p.a)	20.00%	20.00%
Long term salary increases (p.a)	12.0%	12.0%

(i) *Discount rate*

In Ethiopia, there is no liquid market for bonds including government bonds of Ethiopia. Based on this we have assumed a long-term rate of discount based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

The Company therefore opted to use a discount rate of (June 30,2024:20% June 30,2023) based on a rate that brings the real rate to an reasonable level.

(ii) *Long term salary increases*

The salary increase assumption rate of 12% p.a has been applied

**26.3 Risk exposure**

Through its post-employment benefit schemes, the Company is exposed to a risk. The most significant is detailed below:

(i) *Liquidity risk*

The defined liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

(ii) *Legal Risk*

The benefits are defined as per the Labor Proclamation. Amendments to the Labor Proclamation could change these benefits and materially change the costs of the Company.

(iii) *Life Expectancy*

Severance Benefits is payable where an employee's contract of employment is terminated by the imitation of the employer against the provision of Law. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

	30 June 2025	30 June 2024
	ETB	ETB
27 Trade payables	2,171,707	3,748,409
Trade payables	2,171,707	3,748,409



The average credit period of purchases of certain goods from suppliers is 2 months. No interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

GUENET HOTEL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025

28	Other liabilities	30 June 2025	30 June 2024
		ETB	ETB
	<i>Other financial liabilities</i>		
	Accruals	2,261,796	3,290,143
	Deferred Income	-	-
	Sundry Payables	-	-
		<u>2,261,796</u>	<u>3,290,143</u>
	<i>Other non - financial liabilities</i>		
	Value added tax payable	403,753	1,332,808
	Income Tax	429,628	809,398
	Pension & Provident Payable	151,301	133,791
	Withholding tax payable	41,245	-
	Cash Indmentiy	2,640	2,640
		<u>1,028,567</u>	<u>2,278,637</u>
		<u>3,290,363</u>	<u>5,568,780</u>





## FOR THE YEAR ENDED 30 JUNE 2025

17,744,742

### 30 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

### 30b 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 incorporated in the statement of Profit and loss .

### 31 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 is not involved in any cases .

10

The Company has no Finance lease liability. All lease are short term which is consdered as operating lease .