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ዘመድህን አዲስ አበባ
የተገኘው የፋይናንስና ሥራ
አገልግሎት ይሰጣል (አገልግሎት)

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants (London)
Certified Audit Firm

FOR THE YEAR ENDED 30 JUNE 2022

GHION HOTELS ENTERPRISE

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

GHION HOTELS ENTERPRISE

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

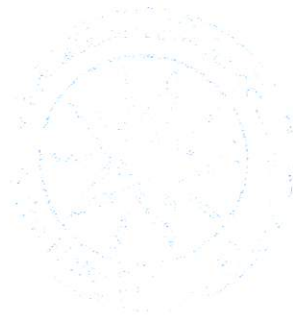
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GHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Enterprise Tax Identification number(TIN) : 0000030989

Executive management (as of 30 June 2022)

Binyam Worku
Kassahun Nahusenay
Managing Director
Finance Manager

Principal Office of Operation
Addis Ababa
Ethiopia
P O Box 1643

Principal bankers
Commercial Bank of Ethiopia S.C
P.O. Box 255
Addis Ababa

Independent auditors

Zemedhun Adane, FCCA
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Ethiopia



GHION HOTELS ENTERPRISES STATEMENT OF MANAGEMENT RESPONSIBILITY AND MANAGEMENT REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The management are responsible for the preparation and fair presentation of the annual financial statements as of 30 June 2022 and the Enterprise notes to the statement which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), the requirements of the Accounting and Auditing Board of Ethiopia (AABE), and legal requirements of the country. The management are also responsible for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The management have made an assessment of the ability of the Enterprise to continue as a going concern and have no reason to believe that the business will not be going concern in the year ahead. The annual financial statements have accordingly been prepared on this basis. When management is aware of material uncertainties relating to events or conditions which may cast significant doubt upon the Enterprise's ability to continue as a going concern, those uncertainties shall be disclosed.

Incorporation and address

The Hotel is a Government Owned Enterprise domiciled in Ethiopia. The Enterprise was established in 1960 in accordance with the provisions of the Commercial Code of Ethiopia.

Principal activities

The Enterprise is principally engaged in the provision of hotel services such as:

- Rooms
- Restaurant and Bar services
- Meeting and Events
- Spa and Health club

Operating results

The Enterprise's results for the year ended 30 June 2022 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 2022	30 June 2021
Revenue	98,024,026	70,006,878
Profit before income tax	23,371,533	7,122,195
Income tax expense	(9,322,920)	2,327,296
Total comprehensive income for the year	14,048,614	9,449,491

Management

The management who held office during the year and to the date of this report are set out on page 1.

Binyam Worku
General Manager

Kassahun Nahusenay
Finance & Property Administration Manager
Addis Ababa, Ethiopia

**INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS OF
GHION HOTELS ENTERPRISE**

Report on the audit of the financial statements

Unqualified Opinion

We have audited the accompanying Financial Statements of Ghion hotels enterprise, which comprise the statement of financial position as at 07 July 2022, and the statement of profit or loss, the statement of changes in equity / net assets and the statement of cash flows for the year then ended, together with significant accounting policies and other explanatory notes to these financial statements set out on pages 7 to 8.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 07 July 2022, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described below under Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to be used as a basis for our opinion.

Responsibilities of Management on the Financial Statements

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF GHION HOTELS ENTERPRISE

Report on the audit of the financial statements

Opinion

We have audited the accompanying Financial Statements of Ghion Hotels Enterprise, which comprise the Statement of Financial Position as at 07 July 2022, and the Statement of Profit or Loss, the Statement of Changes in Equity / Net Assets and the Statement of Cash Flows for the year then ended, together with significant accounting policies and other explanatory notes to these financial statements set out on pages 10 to 41.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the Financial Position of the Entity as at 07 July 2022, and its Financial Performance, Changes in Equity and its Cash Flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described below under Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to be used as a basis for our opinion.

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Responsibilities of Management on the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), 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 Entity'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 Entity, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 International Standards on Auditing (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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are in adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants (London)
Certified Audit Firm



Addis Ababa, Ethiopia
29 October 2022

GHION HOTELS ENTERPRISES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022	30 June 2021
Revenue	5	98,024,026	70,006,878
Cost of Sales	6	(13,985,462)	(6,218,048)
Gross profit		84,038,563	63,788,830
Other Income	7	8,369,840	5,881,143
General and Administration Expense	8	(56,896,302)	(52,997,279)
Impairment (losses) and gains on financial assets	9	(10,975,870)	(7,241,331)
Audit fee		(64,000)	(70,000)
Board Fee		(449,000)	(634,200)
Operating Profit		24,023,231	8,727,164
Finance cost	10	(651,697)	(1,604,969)
Profit before tax		23,371,533	7,122,195
Income tax	11a	(9,322,920)	2,327,296
Profit after tax		14,048,614	9,449,491

The notes on pages 10 to 41 are an integral part of these financial statements.

GHION HOTELS ENTERPRISES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

ASSETS		Notes	30 June 2022	30 June 2021
Non-current assets				
Property, Plant and Equipment		#REF!	374,101,696	365,517,549
Right of Use Land		13	997,438,365	997,438,365
Deferred tax asset		11c	9,696,466	6,795,382
Total non-current assets			<u>1,381,236,527</u>	<u>1,369,751,296</u>
Current assets				
Inventories	14		2,601,434	2,106,122
Trade and Other Debtors	15		17,279,153	20,738,245
Prepayments	16		2,478,655	5,017,709
Cash and Cash Equivalent	17		7,332,830	13,410,616
Total current assets			<u>29,692,073</u>	<u>41,272,692</u>
Total Assets			<u>1,410,928,600</u>	<u>1,411,023,988</u>
EQUITY AND LIABILITIES				
Equity				
State Capital	18		19,280,040	19,241,440
General Reserve			499,473	499,473
Revaluation Reserve			1,232,535,044	1,232,535,044
Retained Earnings	19		20,367,866	8,266,124
Legal reserve	20		3,848,289	3,848,289
Total equity			<u>1,276,530,712</u>	<u>1,264,390,370</u>
Liabilities				
Non-current liability				
Deferred tax liability	12.B		89,672,969	89,124,343
Employee Benefit Obligations	21		3,277,652	3,214,036
Total non-current liability			<u>92,950,621</u>	<u>92,338,379</u>
Current liabilities				
Trade and Other Creditors	22		20,618,375	16,318,839
State dividend payable	23		3,263,629	9,827,400
Bank overdraft	27		2,918,411	17,468,429
Borrowings - Current portion	26		-	2,363,627
Employee Benefit Obligations	21		2,239,288	1,277,328
Provisions	25		47,000	810,123
Other Tax payable	24		1,579,920	6,229,494
Profit Tax Payable	11b		10,780,643	54,295,239
Total current liabilities			<u>41,447,267</u>	<u>134,397,888</u>
Total liability			<u>134,397,888</u>	<u>146,633,618</u>
Total equity and liabilities			<u>1,410,928,600</u>	<u>1,411,023,988</u>

The notes on pages 10 to 41 are an integral part of these financial statements.

GHION HOTELS ENTERPRISES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	State Capital	General Reserve	Retained earnings	Revaluation Reserve	Legal Reserve	Total
	<u>ETB</u>	<u>ETB</u>	<u>ETB</u>	<u>ETB</u>	<u>ETB</u>	<u>ETB</u>
Balance as at 30 June 2020	19,241,440	499,473	8,350,029	1,232,535,044	3,848,288	1,264,474,274
Prior Period Adjustment	-	-	(5,076,869)	-	-	(5,076,869)
Profit/(Loss) for the year	-	-	9,449,492	-	-	9,449,492
Transfer to State Dividend	-	-	(4,456,529)	-	-	(4,456,529)
Transfer to legal reserve	-	-	-	-	-	-
Balance as at 30 June 2021	19,241,440	499,473	8,266,123	1,232,535,044	3,848,288	1,264,390,368
Balance as at 01 July 2021	19,241,440	499,473	8,266,123	1,232,535,044	3,848,288	1,264,390,368
Prior Period Adjustment	-	-	(1,908,272)	-	-	(1,908,272)
Profit/(Loss) for the year	-	-	14,048,614	-	-	14,048,614
Transfer to Capital	38,600	-	(38,600)	-	-	-
Transfer to Legal Reserve	-	-	-	-	-	-
Balance as at 30 June 2022	19,280,040	499,473	20,367,866	1,232,535,044	3,848,288	1,276,530,711

The notes on pages 10 to 41 are an integral part of these financial statements.

CHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

30 June 2022	ETB	30 June 2021	ETB
Cash flows from operating activities			
Profit before income tax	23,371,533	7,122,195	
Adjustments for non-cash items:			
Interest expenses	10	1,604,969	
Expected Credit Loss	9	7,241,331	
Allowance for Writedown of inventories	14a	(82,440)	
Depreciation of property, plant and	12	10,876,521	
Prior Year Adjustment	30	(1,908,272)	
Changes in working capital:			
Change in inventory	14	(480,770)	
Change in trade and other receivables	15	(7,516,779)	
Change in prepayments	16	2,539,054	
Change in Other Liabilities	22	4,299,537	
Change in trade and other payables	24	769,797	
Change in Other Tax payable	21	(60,723)	
Change in Employee Benefit Obligations	25	(1,230,328)	
Change in provisions	10	(651,697)	
Interest Paid	11b	(7,124,228)	
Income tax Paid		(8,768,917)	
Net cash inflow from operating activities		(3,513,536)	
Cash flows from investing activities			
Proceeds from disposal of PPE	12	5,082,215	
Purchase of property, plant and equipment	12	(13,982,649)	
Net cash outflow from investing activities		(8,900,433)	
Cash flows from financing activities			
State Dividend Paid	23	(3,000,000)	
Loan /Settled during the year	26	9,752,797	
Net cash outflow from financing activities		6,752,797	
Net increase (decrease) in cash and cash equivalents		(5,661,172)	
Cash and Cash equivalents at the beginning of the year		19,071,786	
Cash and cash equivalents at year end		13,410,614	
Cash and cash equivalent is composed of:			
Cash on hand		199,380	
Cash at bank		7,133,450	
Bank overdraft		(2,918,411)	
		13,410,615	

1 General information

GHION HOTELS ENTERPRISE is a company domiciled in Ethiopia and was initially established in 1951 by four shareholders and subsequently nationalized by the government. Currently the hotel is fully owned by the government as per the council of ministers' regulation No. 107/1993. The hotel is rendering the following services :-

- Rooms
- Restaurant and Bar services
- Meeting and Events
- Spa and Health club

The Enterprise's head office:

Ras Desta Damtew Avenue, 5 KM from bole international airport
P.O. Box 1643, Addis Ababa

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 30 June 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

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

The preparation of 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 Entity'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 Entity's financial statements therefore present the financial position and its results fairly.

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 amendments to standards and interpretations are effective for annual periods beginning after 07 July 2021, 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 Entity, except the following set out below:

New and Amendments to standards

Effective for annual periods beginning on or after

After 1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
After 1 January 2023	Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
After 1 January 2023	Reference to the Conceptual Framework (Amendments to IFRS 3)
After 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
After 1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
After 1 January 2022	Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 IAS 41)
After 1 January 2022	IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023. The adoption is not expected to have any material impact on the company's financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

The amendment require an entity to recognize deferred tax on certain transactions (eg lease and decommissioning liabilities) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The amendment clarify that the initial recognition exemption set out in IAS 12 income taxes does not apply and entities are required to recognize deferred tax on these transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on cases and decommissioning obligation.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Makes amendments to the following standards:

- IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. When an IFRS Standard or IFRS Interpretation specifically applies to a transaction, other event or condition, an entity must apply that Standard.

Changes in an accounting policy are applied retrospectively unless this is impracticable or unless another IFRS Standard sets specific transitional provisions.

Changes in an accounting estimate result from new information or new developments and, accordingly, are not corrections of errors. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in:

- The period of the change, if the change affects that period only; or
- The period of the change and future periods, if the change affects both.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, available reliable information. Unless it is impracticable to determine the effects of the error, an entity corrects material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred.

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.

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.

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:

Class of assets	Useful Life
Building	50
Motor vehicles	20
Office furniture and equipment	15
Machinery	25
Special Equipment	3
Computer and accessories	5

The entity commences depreciation when the asset is available for use. Residual value 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 or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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 Entity 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.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Entity'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 assets' 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, 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.

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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at fair value adjusted for transaction costs (where applicable), 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.

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

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

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

Impairment of financial assets

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

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

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 Entity 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 Entity 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 Entity'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 Entity 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 Entity or the counterparty.

2.7 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 Entity's other receivables are staff advances and other receivables from debtors.

2.8 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.

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, rebates and discounts. Revenue is derived from hotel operations and included rental of rooms, food and beverage sales, car park revenue and leisure center (gym, swimming pool etc) income. Revenues from contracts with customers are assessed in line with IFRS 15. Revenue from Contracts with Customers and revenue is recognized when the performance obligations inherent in the contract are met.

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

Sales discount and allowances

The enterprise recognizes revenue on a gross basis and makes various deductions to arrive at net revenue as reported in profit or loss. These adjustments are referred to as sales discounts and allowances.

2.10 Employee benefits

The Entity'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.

(b) *Defined contribution plan*

The Entity 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.

(c) *Severance Obligations*

The Entity has a severance obligation which is unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes set out in IAS 19, Employee benefits, by using actuarial assumptions to determine the amount of the obligation.

2.11 Fair value measurement

The Entity 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.

2.12 Provisions

Provisions are recognized when the Entity 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.

2.13 Reserve for deemed cost over carrying value

In Transition to IFRS, the excess of deemed cost (fair value) over the cost carrying value of properties plant and equipment, long term intangible assets and investment properties 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 crystallize/ will be earned. Therefore, the surplus would be transferred to retained earnings annually by the amount of the difference between depreciation based on the revalued amount carrying amount of the asset and depreciation based on the asset's original cost.

2.14 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.

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.

2.15 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 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.

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 Entity'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 Entity 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 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 Entity 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.

CHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

4 Financial risk management

4.1 Introduction

4.1.1 Risk measurement and reporting systems

The Entity'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.

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

The adequacy of these mitigants 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 Entity'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. Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

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

30 June 2022

Notes		F.V through			Total
		profit or loss	At amortized	cost	
		ETB	ETB	ETB	ETB
17	Cash and balances with banks		4,414,419		4,414,419
	Investment securities	-	-	-	-
	- Financial assets measured at FVPL	-	-	-	-
	- Financial assets measured at amortized cost	-	-	-	-
15	Trade receivables and other receivable		17,279,153		17,279,153
	Total financial assets		21,693,572		21,693,572
		-			

		F.V through profit or loss	At amortized cost	Total
		ETB	ETB	ETB
Cash and balances with banks	17	13,410,615	13,410,615	13,410,615
Investment securities		-	-	-
- Financial assets measured at FVPL		-	-	-
- Financial assets measured at amortized cost		-	-	-
Trade receivables and other receivable	15	20,738,245	20,738,245	20,738,245
Total financial assets		-	34,148,860	34,148,860

4.3 Credit risk

The Entity 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 Entity 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 executive management.

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

Cash and balances with banks	4,414,419	ETB	2021
Investment securities:		ETB	2020
- Financial assets measured at FVPL	13,410,615.42		
- Financial assets measured at amortized cost	-		
Trade receivables and other receivable	17,279,153		
	21,693,572		
	20,738,245.06		
	34,148,860		

4.5 Capital management

The Entity 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 Entity'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 to the fair value measurement is directly or indirectly observable.

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.

4.6.2 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.

4.6.3 Valuation technique using significant unobservable inputs – Level 3

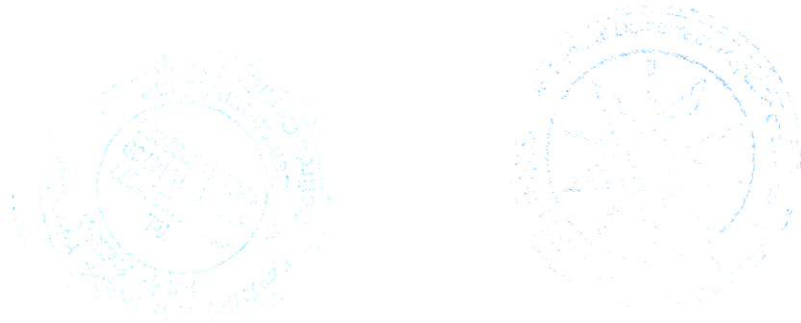
The Entity has no financial asset measured at fair value on subsequent recognition.

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 observable or unobservable.

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.



CHION HOTELS ENTERPRISE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5 Revenue

The enterprise derives revenue at a point in time. The company has no contract assets or contract liabilities. Disaggregation of the revenue from contracts with customers for the current fiscal year at a point in time are indicated below:

	30 June 2022	30 June 2021
Room	30,619,797	27,538,285
Food	34,595,607	18,012,361
Beverage	5,548,433	3,316,118
Laundry	195,078	47,432
Entrance fee	8,763,131	3,587,921
Garden	-	11,271,972
Rent	18,305,483	6,247,172
Gross income	98,027,528	70,021,261
Discount	(3,503)	(14,383)
Net sales	98,024,026	70,006,878

6 Cost of Sales

	30 June 2022	30 June 2021
Food	11,943,574	4,997,502
Beverage	2,041,888	1,220,546
Total	13,985,462	6,218,048

7 Other income

	30 June 2022	30 June 2021
Other income	5,061,350	5,798,703
Reversal of Inventory Writedown	14,542	82,440
Reversal of litigation provision	1,230,328	-
Foreign exchange gain	1,939,280	-
Reversal gain/Annual leave	124,340	-
Total Other income	8,369,840	5,881,143

GHION HOTELS ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

8 General and Administration Expense

Salary and wages
Employee benefits
Food accommodation
Printing and office supplies
Cleaning and sanitation
Repair and maintenance
Fuel and lubricant
Municipality and other local taxes
Insurance
Utilities
Accrued Annual leave expense
Accrued severance expense
Advertisement
Consultancy
Travel and Perdiem
Entertainment
Commission
Depreciation
Rent
Litigation Expense
Donation
Miscellaneous
Total general and administrative expenses

30 June 2022	30 June 2021
18,084,630	16,895,974
7,517,108	5,756,327
3,426,995	2,604,495
817,336	511,733
2,501,165	3,202,509
2,084,267	2,848,873
967,126	576,271
13,493	1,101,811
277,493	200,327
6,265,424	3,807,147
260,796	601,139
63,616	55,840
338,796	231,556
412,447	242,936
34,834	128,916
30,449	27,242
1,558,918	513,515
10,876,521	11,391,858
202,229	309,970
-	1,277,328
485,878	200,000
676,779	511,512
56,896,302	52,997,279

9 Impairment losses and gains on financial assets

Expected Credit Loss
Total

30 June 2022	30 June 2021
10,975,870	7,241,331
10,975,870	7,241,331

10 Finance Income (Cost), net

Interest Expense
Total

30 June 2022	30 June 2021
651,697	1,604,969
651,697	1,604,969

GHION HOTELS ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

11 Provision for profit tax computation

Profit Before tax
Add: Non-deductible Expense
Entertainment
Depreciation as per accounting policy
Provision for litigation
Accrued Annual Leave Expense
Expected Credit Loss
Accrued Severance Expense
Less:
Depreciation per tax law
Reversal of Provision for litigation
Reversal of annual leave accrual
Reversal of writedown on inventories
Taxable Income
Current Income Tax Expense (30%)

30 June 2022	30 June 2021
23,371,533	7,122,195
30,449	27,242
10,876,521	11,391,858
-	1,277,328
-	601,139
10,975,870	7,241,331
63,616	55,840
21,946,456	20,594,738
(5,030,856)	(4,389,094)
(1,230,328)	-
(124,340)	-
(14,542)	(82,440)
(6,400,066)	(4,471,534)
38,917,924	23,245,398
11,675,377	6,973,619
FTB	FTB

11a Current income tax charge

Current income tax expense
Deferred income tax/(credit) to profit or loss (note 12)
Total (charge)/ credit to profit or loss

30 June 2022	30 June 2021
11,675,377	6,973,619
(2,352,457)	(9,300,915)
9,322,920	2,327,296
FTB	FTB

11b Current income tax liability

Balance at the beginning of the year
Less: Settlement during the year
Current income tax expense
Withholding tax Receivable
Balance at the end of the year

30 June 2022	30 June 2021
6,229,494	8,024,791
(6,229,494)	(8,024,791)
11,675,377	6,973,619
(894,734)	(744,126)
10,780,643	6,229,494
FTB	FTB

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11c Deferred Tax

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The deferred tax asset at year end is attributable to deductible temporary difference and deferred tax liabilities are attributed to taxable temporary differences between the tax base of assets and liabilities and their corresponding carrying value for financial reporting purposes.

The movement in the deferred tax account is as follows:

Deferred tax Liability

At the beginning of the year
Charge/(credit) recognized in profit or loss
At the end of the year

30 June 2022	30 June 2021
FTB	FTB
89,124,343	95,474,667
89,672,969	(6,350,324)
89,124,343	89,124,343

Deferred tax Asset

At the beginning of the year
Credit/(charge) recognized in profit or loss
At the end of the year

2022	2021
FTB	FTB
6,795,383	3,844,791
2,901,083	2,950,591
9,696,466	6,795,383

DEFERRED TAX ASSET

Inventories (Note 11d)
Trade Debtors (Note 11d)
Provisions (Note 11d)
Employee Benefit (Note 11d)
Total deductible temporary difference
Deferred tax(30%)

30 June 2022	30 June 2021
FTB	FTB
7,910	22,453
26,749,702	15,773,831
47,000	1,277,328
5,516,940	5,577,663
32,321,552	22,651,275
9,696,466	6,795,382

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11c Deferred Tax

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The deferred tax asset at year end is attributable temporary difference and deferred tax liabilities are attributed to taxable temporary differences between the tax base of assets and liabilities and their corresponding carrying value for financial reporting purposes.

The movement in the deferred tax account is as follows:

Deferred tax Liability

At the beginning of the year
Charge/(credit) recognized in profit or loss
At the end of the year

30 June 2022	FTB
89,124,343	89,672,969
89,124,343	548,626
(6,350,324)	95,474,667
FTB	FTB
30 June 2021	30 June 2021

Deferred tax Asset

At the beginning of the year
Credit/(charge) recognized in profit or loss
At the end of the year

2022	FTB
6,795,383	2,901,083
3,844,791	6,795,383
FTB	FTB
2021	2021

DEFERRED TAX ASSET

Inventories (Note 11d)
Trade Debtors (Note 11d)
Provisions (Note 11d)
Employee Benefit (Note 11d)
Total deductible temporary difference
Deferred tax(30%)

30 June 2022	FTB
9,696,466	32,321,552
22,453	5,516,940
15,773,831	47,000
1,277,328	26,749,702
5,577,663	7,910
22,651,275	22,453
FTB	FTB
30 June 2021	30 June 2021

12. Property, plant and equipment

	Balance as at 1-Jul-20	Additions / Transfer	Disposal / Adjustment	Impairment	Balance as at 30-Jun-21
	ETB	ETB	ETB	ETB	ETB
Cost					
Building	227,769,294.00	0.00	0.00	0.00	227,769,294.00
Machinery & equipment	43,248,101.48	203,542.62	0.00	0.00	43,451,644.10
Office equipment	873,576.18	0.20	0.00	0.00	873,576.38
Furniture and fixture	15,075,459.09	(0.42)	0.00	0.00	15,075,458.67
Kitchen utensils	933,949.75	0.00	0.00	0.00	933,949.75
Cilverware and cutlery	488,827.98	181,195.27	0.00	0.00	670,023.25
Soft furnishings	14,841,043.10	1,722,407.39	0.00	0.00	16,563,450.49
Glassware & proclain	641,540.65	103,818.50	0.00	0.00	745,359.15
Others	3,342,570.49	284,886.75	0.00	0.00	3,627,457.24
Computers & accessories	3,811,340.52	0.00	0.00	0.00	3,811,340.52
Motor vehicles	11,693,577.00	0.00	0.00	0.00	11,693,577.00
Infrastructure & civil work	104,509,413.65	0.00	0.00	0.00	104,509,413.65
Work in progress	15,343,212.70	12,840,602.94	0.00	0.00	28,183,815.64
Fixed assets in transit	12,106,135.39	4,124,214.98	0.00	0.00	16,230,350.37
Total	454,678,041.98	19,460,668.23	0.00	0.00	474,138,710.21
Building	34,070,567.39	4,555,385.87	0.00	0.00	38,625,953.26
Machinery & equipment	11,368,867.83	1,736,972.29	0.00	0.00	13,105,840.12
Office equipment	372,998.14	58,267.53	0.00	0.00	431,265.67
Furniture and fixture	6,709,631.76	1,005,363.13	0.00	0.00	7,714,994.89
Kitchen utensils	930,740.73	1,069.66	0.00	0.00	931,810.39
Cilverware and cutlery	474,111.55	36,814.38	0.00	0.00	510,925.93
Soft furnishings	13,192,784.25	236,785.05	0.00	0.00	13,429,569.30
Glassware & proclain	622,640.93	40,766.87	0.00	0.00	663,407.80
Others	2,623,200.37	259,959.43	0.00	0.00	2,883,159.80
Computers & accessories	2,124,189.15	270,269.49	0.00	0.00	2,394,458.64
Motor vehicles	2,866,423.77	584,678.86	0.00	0.00	3,451,102.63
Infrastructure & civil work	13,804,337.53	2,090,188.27	0.00	0.00	15,894,525.80
Total	89,160,493.40	10,876,520.83	0.00	0.00	100,037,014.23

Accumulated depreciation

Net book value

	30-Jun-22	30-Jun-21
Building	189,143,340.74	193,698,726.61
Machinery & equipment	30,345,803.98	31,879,233.65
Office equipment	442,310.71	500,578.04
Furniture and fixture	7,360,463.78	8,365,827.33
Kitchen utensils	2,139.36	3,209.02
Cilverware and cutlery	159,097.32	14,716.43
Soft furnishings	3,133,881.19	1,648,258.85
Glassware & proclain	81,951.35	18,899.72
Others	744,297.44	719,370.12
Computers & accessories	1,416,881.88	1,687,151.37
Motor vehicles	8,242,474.37	8,827,153.23
Infrastructure & civil work	88,614,887.85	90,705,076.12
Work in progress	28,183,815.64	15,343,212.70
Fixed assets in transit	16,230,350.37	12,106,135.39
	<u>374,101,695.98</u>	<u>365,517,548.58</u>

13 RIGHT OF USE ASSET

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.

	As at 1 July 2020	As at 1 July 2021	As at 30 June 2021	As at 30 June 2022
Cost	997,438,365.00	997,438,365.00	997,438,365.00	997,438,365.00
Additions	0.00	0.00	0.00	0.00
Transfer	0.00	0.00	0.00	0.00
Disposal/Adjustments	0.00	0.00	0.00	0.00
	<u>997,438,365.00</u>	<u>997,438,365.00</u>	<u>997,438,365.00</u>	<u>997,438,365.00</u>

The enterprise has a right of use freehold land on which it is not required to pay leases. The details of land are follows:-

Location	Valuation Amount	Area in m ²
Kirkos Subcity Woreda-16	997,438,365.00	123,000

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14 Inventories

Beverages
 Provision food and related supplies
 Bar restaurant and snacks
 Stationary and supplies
 Sundry materials
Gross amount
 Allowance for inventory impairment

30 June 2022	30 June 2021
2,601,434	2,106,122
2,609,345	2,128,575
(7,910)	(22,453)
-	614,849
291,674	309,420
647,633	257,464
1,178,315	946,842
491,723	614,849
FTB	FTB

14a Impairment allowance on inventory

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

30 June 2022	30 June 2021
22,453	104,893
(14,542)	(82,440)
7,910	22,453
FTB	FTB

At 1 July
 Charge for the year
 Reversal on writedown of inventory
 At 30 June

15 Trade and Other Debtors

Trade Debtors
 Sundry Debtors
 Staff debtors
 Prepayment
 Creditors With Debit Balance

Allowance for Expected Credit Loss

30 June 2022	30 June 2021
44,028,855	36,512,076
(26,749,702)	(15,773,831)
17,279,153	20,738,245
2,163	32,244,696
-	2,569,301
2,205,002	1,698,079
1,811,316	2,569,301
40,010,374	32,244,696
FTB	FTB

15a The movements in impairment allowance for trade receivable is analyzed below:

30 June 2022	ETB	30 June 2021	ETB
15,773,831	8,532,438	7,241,394	15,773,831
10,975,870	26,749,702	15,773,831	15,773,831
Impairment loss reversed			
Balance at the beginning of year			
Impairment loss recognized on receivables			
Balance at end of the year			

16 Prepayments

Advance payment to suppliers
Total

30 June 2022	ETB	30 June 2021	ETB
2,478,655	5,017,709	2,478,655	5,017,709
2,478,655	5,017,709	2,478,655	5,017,709

17 Cash and bank balances

Cash on hand
Cash at bank

30 June 2022	ETB	30 June 2021	ETB
199,380	67,276	199,380	67,276
7,133,450	13,343,340	7,133,450	13,343,340
7,332,830	13,410,616	7,332,830	13,410,616

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

30 June 2022	ETB	30 June 2021	ETB
199,380	67,275	199,380	67,275
7,133,450	13,343,340	7,133,450	13,343,340
(2,918,411)	-	(2,918,411)	-
4,414,419	13,410,615	4,414,419	13,410,615

Cash on hand
Cash at bank
Bank overdraft

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18 STATE PAID UP CAPITAL

Balance at the Beginning	19,241,440	38,600	-
Adjustment to capital			
Add: Additional investment			
Total	19,280,040	19,241,440	-
	ETB	ETB	ETB
	30 June 2022	30 June 2021	

19 RETAINED EARNINGS

Balance at the Beginning	8,266,124	8,350,029	0	0
Adjustment on opening balance	89,260			
Adjustment on state capital	(38,600)			
Profit for the year	14,048,614	9,449,492		
Transfer to Legal Reserve				
Transfer to State Dividend				
Prior year Adjustment (Note 30)	(1,997,532)	(5,076,869)		
Total	20,367,866	8,266,124		
	ETB	ETB	ETB	ETB
	30 June 2022	30 June 2021		

20 LEGAL RESERVE

Balance at the Beginning	3,848,289	3,848,289	-	
Transfer from retained earnings				
Total	3,848,289	3,848,289	-	
	ETB	ETB	ETB	ETB
	30 June 2022	30 June 2021		

21 Employee Benefit Obligations21a Defined Benefit Obligation

Defined benefits liabilities:
– Severance benefit plan

Total defined benefit expenses

i) Severance Obligation

The severance benefits plan is an unfunded defined benefit that is based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003 and its subsequent Amendment, Proclamation No. 494/2006. The vesting condition for the benefit is for employees to served the Company for 5 years and above and who are below the retirement age (i.e. have not met the requirement to access the pension fund). The eventual settlement of the severance is determined by reference to years of service to the company and based on the final monthly salary of the employee (30 days salary for the first year of service and one-third of the final salary for the remaining period the employee is entitled the benefit- to a maximum of twelve months salary).

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes. The key financial assumptions are the discount rate and the rate of salary increases. The provision was based on the projected unit credit method as prescribed by IAS 19.

ii) Liability recognised in the financial position

	30 June 2022	30 June 2021
FTB	FTB	
Severance pay	3,277,652	3,214,036
	<u>3,277,652</u>	<u>3,214,036</u>

iii) The principal assumptions used in determining defined benefit obligations

(a) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Company therefore opted to use a real rate of 2.4% taking inflation into account .

(b) Long term salary increases

The average salary escalation rates of the past few years is assumed to prevail in the subsequent years in determining severance pay for an accounting period. The company will annually review the validity of this assumption.

(c) Mortality rate

Mortality is normally expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was A1949/52 as published by the Institute of Actuaries.

iv) Risk exposure

Through its post-employment benefit schemes, the Company is exposed to a number of risks. The most significant of which are detailed below:

(a) 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.

(b) Life expectancy

Increases in life expectancy will result in an increase in the schemes' liabilities.



FOR THE YEAR ENDED 30 JUNE 2022

22 TRADE AND OTHER PAYABLES

	30 June 2022	30 June 2021
Trade Creditors	863,094	637,258
Accrued Liabilities	-	142,146
Sundry Creditors	6,827,308	5,238,157
Debtors with credit balance	12,927,973	10,301,278
Total	20,618,375	16,318,839

STATE DIVIDEND PAYABLE 23

30 June 2022	30 June 2021
FTB	FTB
9,827,400	8,370,871
(144,731)	4,456,529
-	12,827,400
9,682,669	(3,000,000)
(6,419,040)	9,827,400
3,263,629	

Outstanding balance

Less: Settlement during the year

Add: Appropriation of the current year

Adjustment on opening balance

Balance at the Beginning

24 OTHER TAXES PAYABLE

	30 June 2022	30 June 2021
Employment income Tax	599,470	400,512
Pension Contribution	265,479	217,235
Tax Payable	714,972	192,375
Total	1,579,920	810,123

25 PROVISIONS

Legal Claim		Total	
30 June 2022	ETB	47,000	1,277,328
30 June 2021	ETB	47,000	1,277,328

In the current fiscal period, an unfavourable judgement was handed down against the enterprise in respect of a legal claim made by a former employee for wrongful dismissal. Portion of the payment has been made to the claimant while there is still an amount pending which will be settled in the subsequent accounting period.

Movement in provision

Movement of litigation provision during the financial year are set out below:

Carrying amount at the start of the period	1,277,328
Release of provision	(1,230,328)
	<u>47,000</u>

26 BORROWINGS

Bank Loan-payable to Commercial Bank of Ethiopia

30 June 2022	FTB	
30 June 2021	FTB	
		17,468,429
		17,468,429
		-
		-
		-
		17,468,429

Movement of bank loan

Balance at beginning of the period
Additional loan received during the period
Settlement made during the period
Balance at the end of the period

30 June 2022	FTB	
30 June 2021	FTB	
		17,468,429
		17,468,429
		-
		9,752,797
		-
		17,468,429

27 BANK OVERDRAFT

The Enterprise has obtained overdraft facility from the following

Overdraft from Commercial Bank of Ethiopia, bearing interest at 11.5%

30 June 2022	FTB	
30 June 2021	FTB	
		2,918,411
		-

In October 2021, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. However, after taking appropriate legal advice, the directors have decided to appeal against the decision.

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28 Related party transactions

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

	30 June 2022	30 June 2021
Salaries and other benefits	3,179,852	2,269,584
	3,179,852	2,269,584

29 Contingent liabilities

There are no contingent liabilities and commitments as at 30 June 2022

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30 Prior Period Adjustments

IAS 8 prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in:

The period of the change, if the change affects that period ; or
The period of the change and future periods, if the change affects both.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, available reliable information. Unless it is impracticable to determine the effects of the error, an entity corrects material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred.

GHION HOTELS ENTERPRISE, determined that during the Ethiopian fiscal periods 2008-2012, the monthly VAT declarations made to the Ethiopian tax authority had discrepancy with the annual declarations made during the stated periods. As a result the enterprise was obliged to pay 1,997,532 to the tax authority.

The misstatement on the VAT declarations in the previous years' financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. The effect of the adjustments on retained earnings is as indicated below:

Retained earnings	
Amount before correction of error	8,266,123
i) Payment made to ERCA	(1,997,532)
	<u>6,268,591</u>

31 Subsequent events

There were no events after the reporting date which could have had a material effect on the financial position of the Enterprise as at 30 June 2022 which have not been adequately provided for in the financial statements.

32 Approval of the Financial Statements

These separate financial statements of the Enterprise for the year ended 30 June 2022 were approved by the Directors on 29 October 2022.

Binyam Worku
Managing Director

Kassahun Nahusenay
Finance Manager