



SPA SERVICE ENTERPRISE

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEAR ENDED 30 JUNE 2025**



TOLESSA BEYENE  
Certified Audit Firm

*Tolessa Beyene Certified Audit Firm*

Addis Ababa, Ethiopia

E-mail: [tolecertifiedaudit@gmail.com](mailto:tolecertifiedaudit@gmail.com)

P.O.Box 2862 Code 1250

Tel: +251 937 604053

Ledata Sub city around South Africa Embassy, Sarebet Building, 5<sup>th</sup> Floor, Office No.502B

**SPA SERVICE ENTERPRISE  
REPORT AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2025**

---

<u>Table of Content</u>	<u>Page</u>
1. Independent Auditor's Report	1-3
2. Statement of Profit or Loss and other comprehensive income'	5
3. Statement of Financial Position	4
4. Statement of Changes in Equity	6
5. Statement of Cash Flows	7
6. Notes to the Financial Statements	8-23





## Tolessa Beyene Certified Audit Firm

Mobile: +251 911 004053  
Website: <http://thaadit.com>  
E-mail: [tolessa@thaadit.com](mailto:tolessa@thaadit.com)  
P.O. Box 2862, Code 1150

Lodans, Sub city  
around South Africa - Embasse  
Korber Districts Bldg  
3<sup>rd</sup> Floor, Office No.502B

### INDEPENDENT AUDITOR'S REPORT

#### Report on the Audit of the Financial Statements

##### Unqualified Opinion

We have audited the accompanying financial statements of **SPA Service Enterprise**, set out on pages 4 to 23, which comprise the Statement of Financial Position as at 30 June 2025, and the Statement of Profit and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Enterprise as at 30 June 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 (ISAs). 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 Enterprise in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.



## Independent Auditor's Report (Continued)

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from a material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 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 scepticism throughout the audit. We also:

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



### Independent Auditor's Report (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the 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 Enterprise's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Enterprise 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Enterprise to express an opinion on the financial statements. We remain solely responsible for our audit opinion

We communicate with 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.

Tolessa Beyene  
Certified Audit Firm  
Addis Ababa, Ethiopia

12<sup>th</sup> December 2025



**SPA SERVICE ENTERPRISE  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE YEAR ENDED 30 JUNE 2025**

	Notes	2025 ETB	2024 ETB
REVENUE			
COST OF SALES	5	335,002,255	296,131,426
GROSS PROFIT	7	180,648,903	151,805,191
Other income		154,353,352	144,326,235
		21,128,727	8,225,614
		<b>175,482,078</b>	<b>152,551,849</b>
<b>EXPENSES</b>			
Impairment loss	14	307,822	730,230
Administration	8	100,485,231	79,675,160
Finance cost	9	658,622	2,522,632
		101,451,675	82,928,021
<b>PROFIT BEFORE TAX</b>		<b>74,030,403</b>	<b>69,623,828</b>
Income tax expense	10.2	(21,565,275)	(26,314,922)
<b>PROFIT FOR THE YEAR</b>		<b>52,465,128</b>	<b>43,308,906</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>52,465,128</b>	<b>43,308,906</b>



SPA SERVICE ENTERPRISE  
STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2025

	Notes	2025 ETB	2024 ETB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	198,757,430	184,508,016
Right use of asset	13	44,753,996	44,753,996
Government bond		300,000	300,000
Investment property	18	1,095,165	1,156,008
Intangible asset	19	1,298,292	1,298,292
		<u>246,204,882</u>	<u>232,016,311</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	41,314,181	42,483,881
Inventory	17	35,251,567	21,753,166
Cash and bank balances	15	18,469,206	9,196,300
		<u>95,034,953</u>	<u>73,433,346</u>
<b>TOTAL ASSETS</b>		<u><b>341,239,836</b></u>	<u><b>305,449,657</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Paid up capital		4,382,705	4,382,705
Legal reserve		2,961,065	2,165,445
Retained earning		171,926,681	152,293,213
		<u>179,270,451</u>	<u>158,841,363</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit-Long term		4,940,775	4,077,574.14
Deferred tax liability	11.2	34,740,317	39,191,502
Bank loan	23	30,392,176	207,465
		<u>70,073,269</u>	<u>43,476,541</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	35,836,363	46,956,798
Industrial development fund	24	11,898,481	11,898,481
State dividend payable	25	5,701,426	10,819,375
Other tax payable	22	7,884,961	4,988,593
Profit tax payable	10.1	25,375,443	23,992,327
Employee benefit-short term	21	5,507,263	4,476,181
		<u>92,203,938</u>	<u>103,131,755</u>
<b>TOTAL LIABILITIES</b>		<u><b>162,277,207</b></u>	<u><b>146,608,296</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>341,547,658</b></u>	<u><b>305,449,659</b></u>



**SPA SERVICE ENTERPRISE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2025**

	Paid up Capital ETB	Legal Reserve	Retained earning ETB	Total ETB
At 1 July 2023	4,382,705	795,620	138,107,235	143,285,560
Profit for the year	-	-	43,308,906	43,308,906
Prior year adjustment	-	-	(26,957,483)	-26,957,483
Transfer to legal reserve	-	2,165,445	(2,165,445)	-
At 30 June 2024	<u>4,382,705</u>	<u>2,961,065</u>	<u>152,293,213</u>	<u>159,636,983</u>
At 1 July 2024	4,382,705	2,961,065	152,293,213	159,636,983
Profit for the year	-	-	52,465,128	52,465,128
Prior year adjustment	-	-	(32,831,660)	(32,831,660)
Transfer to legal reserve	-	-	-	-
At 30 June 2025	<u>4,382,705</u>	<u>2,961,065</u>	<u>171,926,681</u>	<u>179,270,451</u>



**SPA SERVICE ENTERPRISE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2025**

	Note	2025 ETB	2024 ETB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation	5	74,030,403	69,623,828
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	12	16,619,157	14,142,866
Impairment loss	14	(307,822)	-
Prior period adjustment		(32,036,040)	(26,957,483)
		<b>58,305,698</b>	<b>56,809,211</b>
<b>Movements in working capital</b>			
(Increase)/decrease in inventory	17	(13,498,400)	(2,577,238)
(Increase)/decrease in trade and other receivables	14	1,169,701	(16,836,427)
Increase in trade and other payables	20	(11,120,435)	3,148,681
(Decrease)/increase in employee benefit	10.1	1,894,284	1,130,917
(Decrease)/increase in other taxes payable	22	2,896,368	3,077,269
		<b>39,647,215</b>	<b>44,752,413</b>
<b>Cash generated from operations</b>			
Withholding tax paid		(641,017)	(533,593)
Profit tax paid	10.2	(23,992,327)	(13,529,868)
		<b>15,013,871</b>	<b>30,688,952</b>
<b>Net cash generated from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment	12	(45,025,668)	(34,310,252)
Addition to Right of Use asset			(170,686)
Adjustment on Property, plant and equipment		14,217,944	602,397
		<b>(30,807,724)</b>	<b>(33,878,541)</b>
<b>Net cash used in investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
State dividend		(5,117,949)	9,914,141
loan proceed/settlement	23	30,184,712	220
		<b>25,066,763</b>	<b>9,914,361</b>
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
		9,272,906	6,724,772
Cash and cash equivalents at 1 July 2023		9,196,301	2,471,529
		<b>18,469,206</b>	<b>9,196,301</b>
<b>Cash and cash equivalents at 30 June 2024</b>			
Represented by:			
Bank and cash balances	15	18,469,206	9,196,300
		<b>18,469,206</b>	<b>9,196,300</b>



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

**1. Company information**

SPA Service Enterprise is a public Enterprise re - Established in accordance with the Council of Ministers Regulation 111/1993 on January 1993 with its objective stated on Article of Association.

As per the Regulation, the authorized capital of The enterprise is Birr 4,382,705.00

The main objectives of the Company are to engaged in Star hotel service, Bath and massage, Wholesale and retail trade repair hotels and restaurants import and export business and community social and personal services.

**2. 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.

**2.1 Basis of preparation**

The company's financial statements have been prepared in accordance with an accrual basis in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**2.2 Going Concern**

The financial statements have been prepared on a going concern basis which assumes the company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

**2.3 Basis of Consolidation**

The company has no parent and subsidiary to prepare consolidated financial statements.

**2.4 Summary of significant accounting policies**

**a) Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realized or sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.



#### b) Fair value measurement

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. 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.

For assets and liabilities that are recognized in the financial statements at a fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by a 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.

#### c) Revenue from contract with customers

For the purpose of the transition requirements, the date of initial application of IFRS 15 is the start of the report the company first apply the standard. It applies the standard retrospectively only to contracts that are not yet completed. It recognize revenue when (or as) the company satisfies a performance obligation -the company recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognized is the amount allocated to the satisfied a performance obligation. Performance obligation may be satisfied at appoint in time (Typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, the Company recognizes revenue over time by selecting an appropriate method for measuring the company's progress towards complete satisfaction of that performance obligation.

#### Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit or loss.

#### Trade receivables

A receivables represent the right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

#### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or service to customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the company performs under the contract.

#### d) Government bond

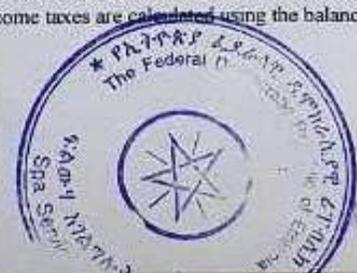
A Government bond with a value of Birr 300,000 is a debt instrument measured at amortized cost. The bond according to the purchase contract and interest income is accrued based on the market rate for the same type of reported as investment under local GAAP.

#### e) Taxes

##### Current income tax

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.



Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non taxable income and expenses and specific limits on the use of unused tax loss or credit.

Deferred tax liabilities are recognized in full.

**f) Foreign currencies**

Foreign currency transactions are translated in to the functional currency of the respective entity, using the exchange rates prevailing at the dates of transactions ( spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement items denominated in foreign currency at year end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated are year- end and are measured at historical cost ( translated using the exchange rates at the transaction date),except for non-monetary items measured at fair value which are translated using the exchange rate at the date when fair value was determined.

**g. Foreign currency translation**

**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).

**Transaction and balances**- Foreign currency transactions are translated in to the functional currency using the prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of currency transactions and from the translation at exchange rates of monetary assets and liabilities dominated in currencies other than the company's functional currency are recognized in profit or loss with in other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rates as at the reporting date.

**h ) Property plant and equipment**

Plant, buildings, machineries and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the company's management. Buildings, and equipment also include leasehold property held under finance lease. Plant, Buildings, machineries and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

**Depreciation**

Depreciation is recognized on a straight line basis to write down the cost less estimated residual value of building and other equipment's. The following useful lives are applied.

	%
Building	2.5
Computers	20
Furniture and equipment's	20
Machineries	10
Motor Vehicle	10
Other fixed asset	5

In the case of leased assets, expected useful live are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gain or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.



**i) Leases**

All leased assets are treated as if finance lease except short - term and small value lease. The interest element charged to profit or loss, as finance costs over the period of the lease. All other lease are treated as operating company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line term. Associated costs, such as maintenance and insurance, are expensed as incurred.

**The company as lessee**

The company measures and recognizes right of use assets representing its right to use underlying leased assets fair value or, if lower, at the present value of the minimum lease payment and lease liabilities representing its payments. Lease payments are apportioned between finance and reduction of the lease liability so as to achieve of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statements.

**j) Borrowing cost**

Borrowing costs directly attribute to the acquisition, construction or production of qualifying asset are capitalized of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs a period in which they are incurred and reported in finance costs.

**k) Investment properties**

Investment properties are held to earn rentals or for capital appreciation, or both, and are accounted valued model.

**l) Financial instruments**

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those for carried at fair value through profit or loss which are measured initially at fair value.

**m) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the service or manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

**n) Cash and short term deposits**

Cash and cash equivalents comprise cash on hand an demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.



**o) Provisions, contingent assets and contingent liabilities**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the company is virtually certain to collect from the third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of related provision. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

**p) Post - employment benefits, Other-long-term benefits and short term employee benefits.**

**Post - employment benefit plans**

The company provides post employment benefits through defined contribution benefit plans.

**Defined Contribution Plans**

The company pays fixed contribution into state pension 11% from it and deducting 7% from the individual employees. The company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

**Other long-term employee benefits**

The company accrues annual leave and severance payment using the projected unit credit method. Management estimates the obligation annually with the assistance of actuarial estimates. This is based on standard rates of inflation, salary growth rate and mortality.

**Short-term employee benefits**

Short-term employee benefits, including bonus, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the company expects to pay as a result of unused entitlement.

**q) Provisions, contingent assets and contingent liabilities**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the company present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic requirement is required from the company and amounts can be estimated reliably. The timing or amount of the outflow may provisions are measured at the estimated expenditure required to settle the present obligation, based on the movements available at the reporting date, including the risks and uncertainties associated with the present obligation. Where the risk of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering obligations as a whole. provisions are discounted to their present values, where the time value of money is reimbursement that the company is virtually certain to collect from the third party with respect to the obligation separate asset. However, this asset not exceed the amount of the related provision. No liability is recognized economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent the outflow of resources is remote.



### 3. Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgments, estimates and assumption about the recognition and measurement of assets, liabilities, income and expenses.

#### Significant management judgement

The following are the judgements made by management in applying the accounting policies of the company that have the most significant effect on the financial statements

#### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

#### Estimations

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of suitable discount rate.

#### Provision for expected credit losses of trade receivables and contract asset

The company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns.

#### Useful lives of depreciable asset

Management reviews its estimate of useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolesce that may change the utility of certain software and IT equipment.

#### Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market - driven changes that may reduce future selling prices.

#### Other long-term employee benefit obligations

Management's estimate of other long-term employee benefit obligations includes annual leave and severance pay obligation is based on a number of critical underlying assumptions such as standard rates of inflation, morality, discount rate and anticipation of future salary increase. Variation in these assumptions may significantly impact the obligation amount and the annual benefit expenses.



### Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 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 acceptance. Risk controls and mitigates, identified and approved for the company, are documented for existing and new process and systems.

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

## 4.2 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.

## 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 executive management.



#### 4.4 Credit Risk

##### 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 as 30 June 2025 and are held in banks have been classified as no credit rating agencies in Ethiopia.

##### b) Credit quality of trade and other receivables

###### i) Trade receivables

a 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.

On the above basis the expected credit loss for trade receivables as at 30 June 2025 and 30 June 2024 was determined as follows:

Number expected	180 to 365	<2 year	<3 year	<4 year	<5 year	<6 year	>6 year
Credit loss	1%	5%	10%	20%	40%	60%	100%

###### 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 be incurred but have not been identified on receivables subject to assessment impairment.

#### 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 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 range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the company's ability to continue a going concern so that it can continue to provide returns for share holders and benefits for other stockholders; and
- to provide adequate return to share holders by pricing products commensurately with the level of risk.

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 is significant to the fair value measurement as a whole.



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

5	<b>REVENUE</b>	<b>2025</b>	<b>2024</b>
		<b>ETB</b>	<b>ETB</b>
	Room service	10,797,857	9,989,598
	Food ,cafeteria ,and beverages	91,046,026	78,686,508
	Bath and shower	127,675,454	112,143,335
	Therapy and sauna bath	105,482,919	91,157,722
		<u>335,002,255</u>	<u>291,977,164</u>
6	<b>OTHER INCOME</b>	<b>2025</b>	<b>2024</b>
		<b>ETB</b>	<b>ETB</b>
	Bakery income	1,284,457	1,880,524
	Laundry Income	4,879	10,760
	Parking income	8,436,791	3,296,859
	Shop rent	7,790,207	4,154,262
	Other income	3,612,394	3,037,470
		<u>21,128,727</u>	<u>12,379,876</u>
7	<b>COST OF SALES</b>		
7.1	<b>COST OF MATERIALS AND SERVICES</b>	<b>2025</b>	<b>2024</b>
		<b>ETB</b>	<b>ETB</b>
	Food ,cafeteria and beverages	41,933,407	39,182,507
	Bath and shower	19,914,517	19,166,623
	Therapy and sauna bath	1,262,410	1,585,429
	Water	44,840,669	26,824,330
	Room service	-	-
	Clinic	-	-
		<u>107,951,003</u>	<u>86,758,889</u>
7.2	<b>OVERHEAD COST</b>	<b>2025</b>	<b>2024</b>
		<b>ETB</b>	<b>ETB</b>
	Salary and related	56,394,421	50,819,205
	Repair & maintenances	16,558,314	14,082,023
	Depreciation	(70,836)	90,595
	Cleaning and sanitation	(183,998)	54,478
	Other supplies	72,697,900	65,046,301
		<u>180,648,903</u>	<u>151,805,191</u>
	<b>Total Cost of sales</b>		



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

**8 ADMINISTRATION**

	2025	2024
	ETB	ETB
Salary and related benefit	49,566,668	40,360,718
Travel and per diem	-	42,630
Stationery and printing	1,656,402	1,012,477
Fuel and lubricant	7,057,333	5,343,630
Electricity	6,801,995	5,727,354
Commission	162,968	148,038
Hotel	390,491	459,232
Repair and maintenance	8,139,876	8,271,116
License and registration	11,991	8,212
Cleaning and sanitation	3,214,634	3,001,648
Uniform and clothing	2,936,977	341,881
Transportation	424,416	162,936
Periodical	29,628	193,031
Membership fee	112,556	17,500
Insurance	1,242,637	1,285,347
Donation	328,800	482,276
Advertisement	623,816	1,194,785
Penalty	439,951	1,222
Legal and Professional fee	1,095,874	387,185
Communication	688,564	536,406
Entertainment	2,901,322	1,903,802
Board fee/management fee	335,500	435,500
Property tax	2,596,806	2,485,264
Electrical and other supply	8,019,036	4,146,160
Extra ordinary	1,299,175	-
Bank service charge	14,352	21,409
Miscellaneous	701,284	1,105,400
	<b>100,793,053</b>	<b>79,675,160</b>



**9 FINANCE COST**

	2025	2024
	ETB	ETB
Interest on bank loan	658,622	2,522,632
	<b>658,622</b>	<b>2,522,632</b>



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

**10 PROVISION FOR BUSINESS INCOME TAX**

**10.1 Business income tax**

	2025 ETB	2024 ETB
Profit before taxation	74,030,403	69,623,828
<b>Add: non- allowable expenses</b>		
Impairment loss	307,822	730,230
Property tax	2,596,806	2,485,264.45
Donation	328,800	482,276.45
Entertainment penalty and donating	3,341,274	1,905,024
Depreciation and amortization per accounting policy	16,558,311	14,051,152
Provision for stock obsolescence written off	-	-
	<u>23,133,013</u>	<u>19,653,947</u>
Less - Bank Interest income	97,163,417	89,277,774
Depreciation and amortization per tax policy	(10,441,884)	(7,524,706)
<b>Taxable profit</b>	<b>86,721,532</b>	<b>81,753,068</b>
Tax expense for the year	26,016,460	24,525,920
Advance profit tax	(641,017)	(513,593)
At 30 June - Payable/(recoverable)	<u>25,375,443</u>	<u>23,992,327</u>



**10.2 Income tax expense**

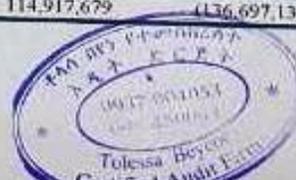
Figures in Birr	30 June 2025	30 June 2024
<b>Current Income tax:</b>		
Income tax Provision for the current year (note 11.1)	(26,016,460)	(24,525,920)
(Decrease)/increase in deferred tax liabilities (note 11.3)	4,451,185	(1,789,001)
<b>Income tax expense charged to the statement of profit or loss</b>	<b>(21,565,275)</b>	<b>(26,314,922)</b>

**11 Deferred Tax**

**11.1 Deferred tax assets and liabilities**

Deferred Tax as at 30 June 2025 is shown on the table below:

Items	IFRS Carrying Amount	"GAAP" Book Value (Tax Base)	Deductible (Taxable) Temporary Difference	Deferred Tax Asset (Liability)
Property, Plant and E	199,852,595	70,526,761	(129,325,833)	(38,797,750)
Annual Leave Liabil	5,507,263	-	(5,507,263)	1,652,179
Severance Pay Liabil	4,940,775	-	(4,940,775)	1,482,233
Trade and other rece	41,314,181	44,390,917	3,076,737	923,021
<b>Deferred Tax Li</b>	<b>251,614,814</b>	<b>114,917,679</b>	<b>(136,697,135)</b>	<b>(34,740,317)</b>



#### b) Fair value measurement

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. 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.

For assets and liabilities that are recognized in the financial statements at a fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by a 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.

#### c) Revenue from contract with customers

For the purpose of the transition requirements, the date of initial application of IFRS 15 is the start of the report the company first apply the standard. It applies the standard retrospectively only to contracts that are not yet completed. It recognizes revenue when (or as) the company satisfies a performance obligation -the company recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognized is the amount allocated to the satisfied a performance obligation. Performance obligation may be satisfied at appoint in time (Typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, the Company recognizes revenue over time by selecting an appropriate method for measuring the company's progress towards complete satisfaction of that performance obligation.

#### Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit or loss.

#### Trade receivables

A receivables represent the right to an amount of consideration that is unconditional ( i.e. only the passage of time is required before payment of the consideration is due).

#### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or service to customer , a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the company performs under the contract.

#### d) Government bond

A Government bond with a value of Birr 300,000 is a debt instrument measured at amortized cost. The bond according to the purchase contract and interest income is accrued based on the market rate for the same type of reported as investment under local GAAP.

#### e) Taxes

##### Current income tax

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

