

INDEPENDENT AUDITORS' REPORT **AND FINANCIAL STATEMENTS**

GHION **HOTELS ENTERPRISE**

FOR THE YEAR ENDED 30 JUNE 2023

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

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GHION HOTELS ENTERPRISE
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
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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 30 June 2023, 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 30 June 2023, 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.

Severance calculation

The enterprise estimated the long term employees benefit based on projected credit unit method. Using of the method the enterprise used many variables for its judgment and estimation. In our opinion, there might be estimation uncertainty.

Provision of Receivables

As required by IFRS 9, the enterprise calculated provision for trade and other receivables. There might estimation uncertainty in this respect.

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Tax Center – Oromia Regional State, Sebeta Town - Kebele 01 – House No. New TIN 0005312526 VAT Reg. No.1434870032

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

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.

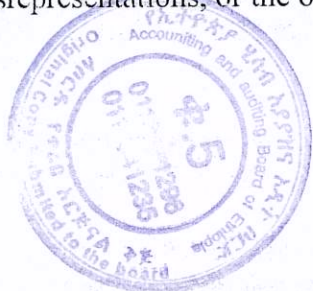
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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



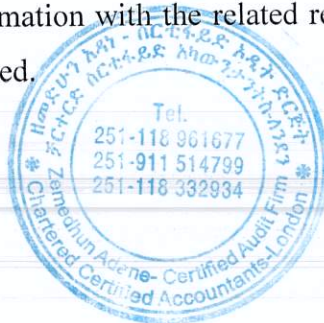
Addis Ababa, Ethiopia
03 November 2023



In accordance with our appointment as auditors, we have audited the financial statements of the Ghion Hotels Enterprise for the year ended 30 June 2023 and have forwarded the audited financial statements and auditors' reports there on and the management letter under separate covers.

During our audit of the accounts of the Entity for the year stated above, we have examined certain aspects of compliance practices of the Enterprise with reference to working manuals of the enterprise which include the finance and property administration manual approved in Miazia 1997 and procurement procedures manual approved in Hidar 1997 and applicable national laws as the income tax proclamation and value added tax proclamation with the related regulations.

Our audit engagement was to perform audit procedures primarily designed to express our opinion on the financial statements of the year ended 30 June 2022 as a whole and provide also management letter and compliance report. As there are no pre – set agreed up on audit procedures on areas of matters to be covered under compliance report, we have planned and designed our audit procedures to check whether the Entity complied with its working manuals as the finance and property administration manual approved in Miazia 1997 and procurement procedures manual approved in Hidar 1997 and applicable national laws as the income tax proclamation and value added tax proclamation with the related regulations during our audit of the financial statements of the year stated.



Please note that the compliance report attached hereto is not a comprehensive statement that enumerates all the strength and weaknesses of the Entity in compliance matters. It documents only those matters which came to our attention as a result of the audit procedures we have performed with the primary objective of expressing our opinion on the financial statements as a whole based on the audit procedures conducted on a test basis 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. Hence, based on these audit procedures our assignment for the audit is to express our opinion on the financial statements as a whole and to provide recommendations for improvements in accounting and control procedures and compliance matters, but not to express an opinion on the effectiveness these procedures. Hence, our compliance report cannot be expected to include all possible improvements and to disclose all irregularities on compliance matters, if any, should special audits have been performed.

Our opinion

The results of our tests disclosed no instances of noncompliance that are required to be reported here under working manuals and applicable national laws and hence we are of the opinion that Ghion Hotels Enterprise has performed its activities, in all material respects, during the year ended 30 June 2023 in compliance with its working manuals and applicable national laws and the related regulations.



This report is intended for the information of Ghion Hotels Enterprise. However, upon release by Ghion Hotels Enterprise, this report is a matter of public record and its distribution is not limited.

We express our appreciation to the management and staffs of the Entity for the courtesy and assistance in the conduct of our audit.

Warm regards,

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants
Certified Audit Firm
03 November 2023



GHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Enterprise Tax Identification number(TIN) : 0000030989

Executive management (as of 30 June 2023)

Adanech Gaenamo	Managing Director
Kassahun Nahusenay	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

Chartered Certified Accountant (London)

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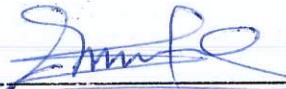
Addis Ababa

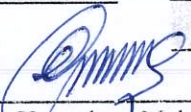
Ethiopia



GHION HOTELS ENTERPRISES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023	30 June 2022
	Notes	ETB	ETB
Revenue	5	156,163,664	98,024,026
Cost of Sales	6	(28,709,080)	(13,985,462)
Gross profit		127,454,584	84,038,563
Other Income	7	2,099,548	8,369,840
General and Administration Expense	8	(73,838,407)	(56,896,302)
Impairment (losses) and gains on financial assets	9	(14,944,385)	(10,975,870)
Audit fee		(64,000)	(64,000)
Board Fee		(406,500)	(449,000)
Operating Profit		40,300,839	24,023,231
Finance cost	10	-	(651,697)
Profit before tax		40,300,839	23,371,533
Income tax	11a	(13,023,965)	(9,322,920)
Profit after tax		27,276,873	14,048,614
Other comprehensive income			
Other comprehensive income reclassified from revaluation reserve to profit or loss in in periods:	31	16,914,541	-
Total comprehensive income for the year, net of tax		44,191,415	14,048,614


Adanech Gaenamo
A/General Manager


Kassahun Nahusenay
Finance & Property Administration Manager

GHION HOTELS ENTERPRISES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	30 June 2023 ETB	30 June 2022 ETB
ASSETS			
Non-current assets			
Property, Plant and Equipment	12	370,782,169	374,101,696
Right of Use Land	13	997,438,365	997,438,365
Deferred tax asset	11c	14,480,511	9,696,466
Total non-current assets		1,382,701,044	1,381,236,527
Current assets			
Inventories	14	2,315,412	2,601,434
Trade and Other Debtors	15	29,212,811	17,279,153
Prepayments	16	4,313,378	2,478,655
With holding tax receivable		1,269,980	
Receivable from State		7,226,288	-
Cash and Cash Equivalent	17	21,788,006	7,332,830
Total current assets		66,125,875	29,692,073
Total Assets		1,448,826,919	1,410,928,600
EQUITY AND LIABILITIES			
Equity			
State Capital	18	19,280,040	19,280,040
General Reserve		499,473	499,473
Revaluation Reserve		1,215,620,503	1,232,535,044
Retained Earnings	19	65,128,580	20,367,866
Legal reserve	20	3,848,289	3,848,289
Total equity		1,304,376,884	1,276,530,712
Liabilities			
Non-current liability			
Deferred tax liability	12.B	88,843,505	89,672,969
Employee Benefit Obligations	21	4,241,006	3,277,652
Total non-current liability		93,084,510	92,950,621
Current liabilities			
Trade and Other Creditors	22	21,828,492	20,618,375
State dividend payable	23	-	3,263,629
Bank overdraft	27	-	2,918,411
Employee Benefit Obligations	21	2,278,365	2,239,288
Provisions	25	47,000	47,000
Other Tax payable	24	8,574,193	1,579,920
Profit Tax Payable	11b	18,637,474	10,780,643
Total current liabilities		51,365,525	41,447,267
Total liability		144,450,035	134,397,888
Total equity and liabilities		1,448,826,919	1,410,928,600

Adanech Gaenamo
A/General Manager

Kassahun Nahusenay
Finance & Property Administration Manager
Addis Ababa, Ethiopia

GHION HOTELS ENTERPRISES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	State Capital	General Reserve	Retained earnings	Revaluation Reserve	Legal Reserve	Total
	ETB	ETB	ETB	ETB	ETB	ETB
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
Balance as at 01 July 2022	19,280,040	499,473	20,367,866	1,232,535,044	3,848,288	1,276,530,711
Prior Period Adjustment	-	-	569,299	-	-	569,299
Profit/(Loss) for the year	-	-	27,276,873	-	-	27,276,873
Transfer to Capital	-	-	(16,914,541)	(16,914,541)	-	-
Other comprehensive income	-	-	-	-	-	-
Transfer to Legal Reserve	-	-	-	-	-	-
Balance as at 30 June 2023	19,280,040	499,473	65,128,580	1,215,620,503	3,848,288	1,304,376,883


Adanech Gachamo
 A/General Manager





Kassahun Nahusenay
 Finance & Property Administration Manager



GHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023	30 June 2022
	Notes	ETB	ETB
Cash flows from operating activities			
Profit before income tax		40,300,839	23,371,533
Adjustments for non- cash items:			
Interest expenses	10	-	651,697
Expected Credit Loss	9	14,944,385	10,975,870
Allowance for Writedown of inventories	14a	-	(14,542)
Depreciation of property, plant and	12	11,281,095	10,876,521
Prior Year Adjustment	30	569,299	(1,908,272)
Receivable from State		(7,226,288)	
Changes in working capital:			
Change in inventory	14	286,022	(480,770)
Change in trade and other receivables	15	(26,878,043)	(7,516,779)
Change in prepayments	16	(1,834,723)	2,539,054
Change in Other Liabilities			
Change in trade and other payables	22	1,210,116	4,299,537
Change in Other Tax payable	24	6,994,273	769,797
Change in Employee Benefit Obligations	21	1,002,431	(60,723)
Change in provisions	25	-	(1,230,328)
Interest Paid	10	-	(651,697)
WHT		(1,269,980)	
Income tax Paid	11b	(10,780,643)	(7,124,228)
Net cash inflow from operating activities		28,598,783	34,496,671
Cash flows from investing activities			
Proceeds from disposal of PPE	12	-	-
Purchase of property, plant and equipment	12	(7,961,568)	(19,460,668)
Net cash outflow from investing activities		(7,961,568)	(19,460,668)
Cash flows from financing activities			
State Dividend Paid	23	(3,263,629)	(6,563,771)
Loan /Settled during the year	26	0	(17,468,429)
Net cash outflow from financing activities		(3,263,629)	(24,032,200)
Net increase (decrease) in cash and cash equivalents		17,373,587	(8,996,197)
Cash and Cash equivalents at the beginning of the year		4,414,417	13,410,614
Cash and cash equivalents at year end		21,788,004	4,414,417
Cash and cash equivalent is is composed of:			
Cash on hand		98,473	199,380
Cash at bank		21,689,533	7,133,450
Bank overdraft		-	(2,918,411)
		21,788,004	4,414,419

Adanech Gaenamo
A/General Manager

Kassahun Nahusenay
Finance & Property Administration Manager

GHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 ministries' 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.

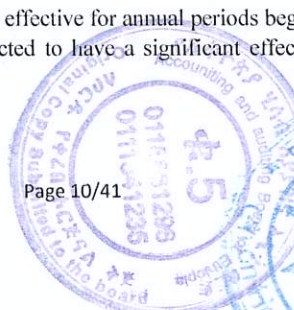
2.2.1 Going concern

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**

IFRS 17 Insurance Contracts	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 requires 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 clarifies 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 leases and decommissioning obligations.

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 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 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*

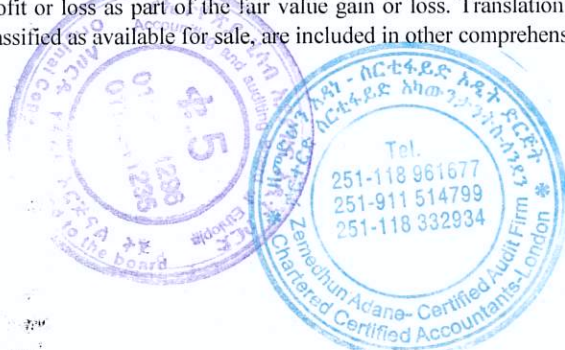
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Ethiopian Birr (ETB).

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. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.



2.4 Property, plant and equipment

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
Buildings	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. Freehold land is not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

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.



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 asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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

2.6 Financial 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.

Financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

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

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.

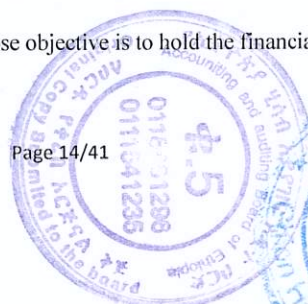
All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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:

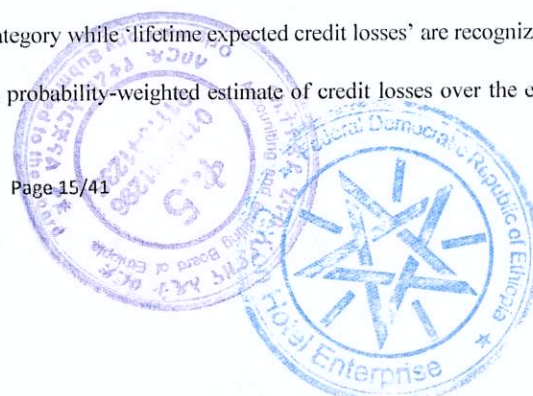
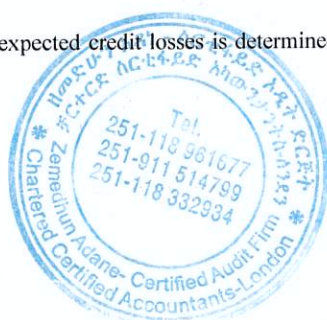
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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.

Allowance for doubtful accounts

Allowance for doubtful accounts shall be determined using the simplified approach that is an estimated percentage of for expectd uncollectible accounts shall be allowed. The amount of the allowance should be based on past experiences and on a continuing review of receivable aging reports and other relevant factors. The provision for doubtful accounts shall be made as per the provision table below.

Days Past Due (Age Group)	Provision Rate(%)
0-90 days	0%
91-181 days	25%
182-361 days	50%
362-721 days	75%
> 721 days	100%

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

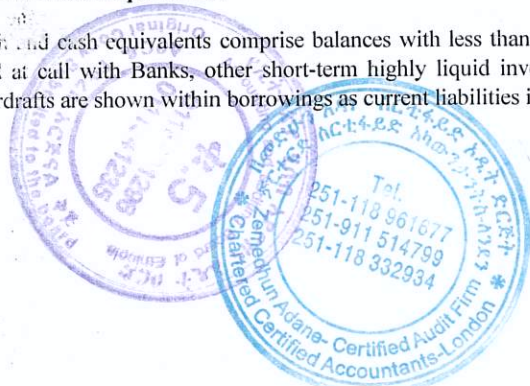
Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

(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.



2.9 Revenue recognition

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

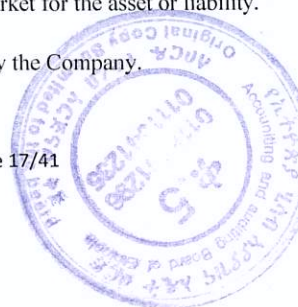
The Entity measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in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

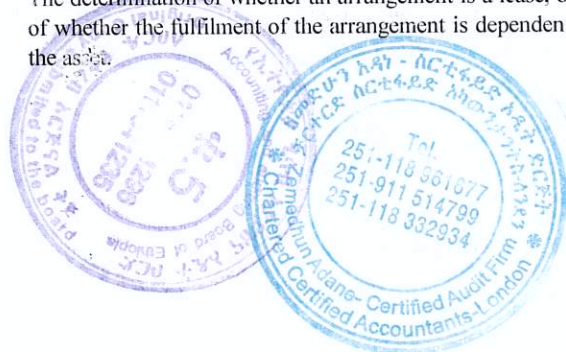
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

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 crystalize/ 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.



Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.15 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 assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.16 Other comprehensive income

Revaluation Surplus represents the accumulated amount, net of deferred income taxes, arising from revaluation of all items of property, plant and equipment.

The company Property, Plant and Equipment carrying amount is increased as a result of a revaluation since IFRS implemented, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.



3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgements, 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 Judgements

In the process of applying the Entity's accounting policies, Management has made the following judgements, 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 judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 3.2 for further disclosures.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

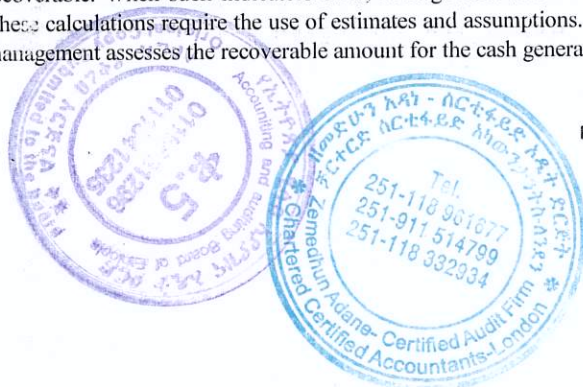
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement by the Directors is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value estimation (Judgement)

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.



GHION HOTELS ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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.

4.1.2 Risk mitigation

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 2023

	NOTES	F.V through profit or loss ETB	At amortized cost ETB	Total ETB
Cash and balances with banks	17		21,788,006	21,788,006
Investment securities			-	-
Financial assets measured at FVPL			-	-
– Financial assets measured at amortized cost			-	-
Trade receivables and other receivable	15		29,212,811	29,212,811
Total financial assets		-	51,000,816	51,000,816



30 June 2022

		F.V through profit or loss ETB	At amortized cost ETB	Total ETB
Cash and balances with banks	17		7,332,830	7,332,830
Investment securities			-	-
– Financial assets measured at FVPL			-	-
– Financial assets measured at amortized cost			-	-
Trade receivables and other receivable	15		17,279,153	17,279,153
Total financial assets		-	24,611,983	24,611,983

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:

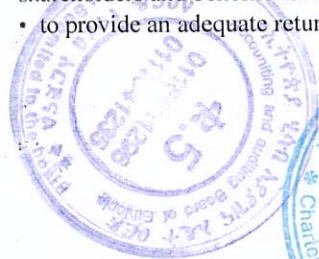
	2023 ETB	2022 ETB
Cash and balances with banks	21,788,006	7,332,830.10
Investment securities:		
– Financial assets measured at FVPL	-	-
– Financial assets measured at amortized cost	-	-
Trade receivables and other receivable	29,212,811	17,279,153.36
	<u>51,000,816</u>	<u>24,611,983</u>

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.



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.



GHION HOTELS ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
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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 2023	30 June 2022
	ETB	ETB
Room	42,456,957	30,619,797
Food	59,578,703	34,595,607
Beverage	8,367,276	5,548,433
Laundry	507,475	195,078
Entrance fee	11,200,583	8,763,131
Garden	1,925,902	-
Rent	9,096,709	18,305,483
Package	10,119,795	-
Games	531,659	-
Parking	352,832	-
GYM	1,351,777	-
Sauna/Jacussy	823,517	-
Cafeteria	2,381,895	-
Concert	7,497,714	-
Gross income	156,192,794	98,027,528.34
Discount	(29,130)	(3,503)
Net sales	156,163,664	98,024,026

6 Cost of Sales

	30 June 2023	30 June 2022
	ETB	ETB
Food	25,464,930	11,943,574
Beverage	3,244,151	2,041,888
Total	28,709,080	13,985,462

7 Other income

	30 June 2023	30 June 2022
	ETB	ETB
Other income	679,214	5,061,350
Reversal of Inventory Writedown	7,910	14,542
Reversal of litigation provision	-	1,230,328.00
Foreign exchange gain	1,412,423.39	1,939,279.52
Reversal gain/Annual leave	-	124,339.58
Total Other income	2,099,548	8,369,840

GHION HOTELS ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
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8 General and Administration Expense

	30 June 2023	30 June 2022
	ETB	ETB
Salary and wages	25,354,071	18,084,630
Employee benefits	6,896,343	7,517,108
Food accommodation	3,248,047	3,426,995
Printing and office supplies	3,067,018	817,336
Cleaning and sanitation	3,164,762	2,501,165
Repair and maintenance	5,070,832	2,084,267
Fuel and lubricant	1,334,452	967,126
Municipality and other local taxes	204,747	13,493
Insurance	904,424	277,493
Utilities	5,774,584	6,265,424
Accrued Annual leave expense	39,078	260,796
Accrued severance expense	963,353	63,616
Advertisement	731,094	338,796
Consultancy	274,957	412,447
Travel and Perdiem	18,426	34,834
Entertainment	237,522	30,449
Commission	1,081,722	1,558,918
Depreciation	11,281,095	10,876,521
Rent	286,200	202,229
Litigation Expense	-	-
Donation	2,551,690	485,878
Miscellaneous	1,353,990	676,779
Total general and administrative expenses	73,838,407	56,896,302

9 Impairment losses and gains on financial assets

	30 June 2023	30 June 2022
	ETB	ETB
Expected Credit Loss	14,944,385	10,975,870
Total	14,944,385	10,975,870

10 Finance Income (Cost), net

	30 June 2023	30 June 2022
	ETB	ETB
Interest Expense	-	651,697
Total	-	651,697

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11 Provision for profit tax computation

	30 June 2023 ETB	30 June 2021 ETB
Profit Before tax	40,300,839	23,371,533
Add: Non-deductible Expense		
Entertainment	237,522	30,449
Depreciation as per accounting policy	11,281,095	10,876,521
Provision for litigation	-	0
Accrued Annual Leave Expense	39,077.57	0
Expected Credit Loss	14,944,385	10,975,870
Accrued Severance Expense	963,353	63,616
	27,465,433	21,946,456
Less:		
Depreciation per tax law	(5,633,446)	(5,030,856)
Reversal of Provision for litigation	-	(1,230,328)
Reversal of annual leave accrual	-	(124,340)
Reversal of writedown on inventories	(7,910)	(14,542)
	(5,641,357)	(6,400,066)
Taxable Income	62,124,915	38,917,924
Current Income Tax Expense (30%)	18,637,474	11,675,377

11a Current income tax charge

	30 June 2023 ETB	30 June 2022 ETB
Current income tax expense	18,637,474	11,675,377
Deferred income tax/(credit) to profit or loss (note 12)	(5,613,509)	(2,352,457)
Total (charge)/ credit to profit or loss	13,023,965	9,322,920

11b Current income tax liability

	30 June 2022 ETB	30 June 2021 ETB
Balance at the beginning of the year	10,780,643	6,229,494
Less: Settlement during the year	(10,780,643)	(6,229,494)
Current income tax expense	18,637,474	11,675,377
Withholding tax Receivable	-	(894,734)
Balance at the end of the year	18,637,474	10,780,643

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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

	30 June 2023 ETB	30 June 2022 ETB
At the beginning of the year	89,672,969	89,124,343
Charge/(credit) recognized in profit or loss	(829,464)	548,626
At the end of the year	<u>88,843,505</u>	<u>89,672,969</u>

Deferred tax Asset

	2023 ETB	2022 ETB
At the beginning of the year	9,696,466	6,795,383
Credit/(charge) recognized in profit or loss	4,784,045	2,901,083
At the end of the year	<u>14,480,511</u>	<u>9,696,466</u>

DEFERRED TAX ASSET

	30 June 2023 ETB	30 June 2022 ETB
Inventories (Note 11d)	7,910	7,910
Trade Debtors (Note 11d)	41,694,087	26,749,702
Provisions (Note 11d)	47,000	47,000
Employee Benefit (Note 11d)	6,519,371	5,516,940
Total deductible temporary difference	<u>48,268,369</u>	<u>32,321,552</u>
Deferred tax(30%)	<u>14,480,511</u>	<u>9,696,466</u>



DEFERRED TAX LIABILITY

	30 June 2023 ETB	30 June 2022 ETB
Property, Plant & Equipment		
Carrying Value	370,782,169	374,101,696
Tax Base	(74,637,157)	(75,191,804)
Taxable Temporary Difference	296,145,012	298,909,892
Deferred tax liability	<u>88,843,503</u>	<u>89,672,968</u>

11d

	Inventories	Trade Debtors	Provision	Employee Benefits	Total
Carrying Value	2,315,412	29,212,811	47,000	6,519,371	38,094,594
Tax Base	2,323,323	70,906,898	-	-	73,230,221
Deductible Temporary Difference	7,910	41,694,087	47,000	6,519,371	48,268,369
Deferred Tax Asset	<u>2,373</u>	<u>12,508,226</u>	<u>14,100</u>	<u>1,955,811</u>	<u>14,480,511</u>



12. Property, plant and equipment

	Balance as at 1-Jul-22	Additions / Transfer	Disposal /Adjustment	Impairment	Balance as at 30-Jun-23
	ETB	ETB	ETB	ETB	ETB
COST					
Building	227,769,294.00	355,500.00	-	-	228,124,794.00 ✓
Machinery & equipment	43,451,644.10	2,793,264.37	-	-	46,244,908.47 ✓
Office equipment	873,576.38	104,781.93	-	-	978,358.31 ✓
Furniture and fixture	15,075,458.67	-	-	-	15,075,458.67 ✓
Kitchen utensils	933,949.75	31,878.00	-	-	965,827.75 ✓
Cilverware and cuttlery	670,023.25	434,365.25	-	-	1,104,388.50 ✓
Soft furnishings	16,563,450.49	632,460.85	-	-	17,195,911.34 ✓
Glassware & proclain	745,359.15	35,478.00	-	-	780,837.15 ✓
Others	3,627,457.24	299,380.40	-	-	3,926,837.64 ✓
Computers & accessories	3,811,340.52	344,691.23	-	-	4,156,031.75 ✓
Motor vehicles	11,693,577.00	0.00	-	-	11,693,577.00 ✓
Infrastructure & civil work	104,509,413.65	0.00	-	-	104,509,413.65 ✓
Work in progress	28,183,815.64	72,826.73	-	-	28,256,642.37 ✓
Fixed assets in Store	16,230,350.37	2,856,940.78	-	-	19,087,291.15 ?
Total	474,138,710.21	7,961,567.54	-	-	482,100,277.75

ACCUMULATED DEPRECIATION

Building	38,625,953.26	4,555,385.88	-	-	43,181,339.14 ✓
Machinery & equipment	13,105,840.12	1,774,141.20	-	-	14,879,981.32 ✓
Office equipment	431,265.67	61,428.96	-	-	492,694.63 ✓
Furniture and fixture	7,714,994.89	1,005,030.61	-	-	8,720,025.50 ✓
Kitchen utensils	931,810.39	5,843.62	-	-	937,654.01 ✓
Cilverware and cuttlery	510,925.93	315,767.04	-	-	826,692.97 ✓
Soft furnishings	13,429,569.30	252,912.42	-	-	13,682,481.72 ✓
Glassware & proclain	663,407.80	32,677.69	-	-	696,085.49 ✓
Others	2,883,159.80	328,357.35	-	-	3,211,517.15 ✓
Computers & accessories	2,394,458.64	274,683.07	-	-	2,669,141.71 ✓
Motor vehicles	3,451,102.63	584,678.85	-	-	4,035,781.48 ✓
Infrastructure & civil work	15,894,525.80	2,090,188.27	-	-	17,984,714.07 ✓
Total	100,037,014.23	11,281,094.95	-	-	111,318,109.18



Net book value

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Building	184,943,454.86	189,143,340.74
Machinery & equipment	31,364,927.15	30,345,803.98
Office equipment	485,663.68	442,310.71
Furniture and fixture	6,355,433.17	7,360,463.78
Kitchen utensils	28,173.74	2,139.36
Silverware and cutlery	277,695.53	159,097.32
Soft furnishings	3,513,429.62	3,133,881.19
Glassware & proclain	84,751.66	81,951.35
Others	715,320.49	744,297.44
Computers & accessories	1,486,890.04	1,416,881.88
Motor vehicles	7,657,795.52	8,242,474.37
Infrastructure & civil work	86,524,699.58	88,614,887.85
Work in progress	28,256,642.37	28,183,815.64
Fixed assets in transit	<u>19,087,291.15</u>	<u>16,230,350.37</u>
	<u>370,782,168.57</u>	<u>374,101,695.98</u>

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.

13 RIGHT OF USE ASSET

	<u>Land ETB</u>
Cost	
As at 1 July 2022	997,438,365.00
Additions	
Transfer	-
Disposal/Adjustments	-
As at 30 June 2023	<u>997,438,365.00</u>
As at 1 July 2022	997,438,365.00
Additions	-
Transfer	-
Disposal/Adjustments	-
As at 30 June 2023	<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:-

<u>Location</u>	<u>Valuation Amount</u>	<u>Area in m²</u>
Kirkos Subcity Woreda-16	<u>997,438,365.00</u>	<u>123,000</u>



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14 Inventories

	30 June 2023 ETB	30 June 2022 ETB
Beverages	332,599	291,674
Provision food and related supplies	972,471	647,633
Ba. restaurant and snacks	-	1,178,315
Stationary and supplies	1,018,253	491,723
Other materials	-	0
Gross amount	2,323,323	2,609,345
Allowance for inventory impairment	(7,910)	(7,910)
	2,315,412	2,601,434

14a Impairment allowance on inventory

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

	30 June 2023 ETB	30 June 2022 ETB
At 1 July	7,910	22,453
Charge for the year		
Reversal on writedown of inventory	(7,910)	(14,542)
At 30 June	-	7,910

15 Trade and Other Debtors

	30 June 2023 ETB	30 June 2022 ETB
Trade Debtors	57,270,419	40,010,374
Sundry Debtors	11,376,682	1,811,316
Staff debtors	2,255,611	2,205,002
Creditors With Debit Balance	4,186	2,163
	70,906,898	44,028,855
Allowance for Expected Credit Loss	(41,694,087)	(26,749,702)
	29,212,811	17,279,153



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

	30 June 2023 ETB	30 June 2022 ETB
Balance at the beginning of year	26,749,702	15,773,831
Impairment loss recognized on receivables	14,944,385	10,975,870
Impairment loss reversed		
Balance at end of the year	41,694,087	26,749,702

16 Prepayments

	30 June 2023 ETB	30 June 2022 ETB
Prepayments	4,313,378	2,478,655
Total	4,313,378	2,478,655

17 Cash and Cash Equivalent

	30 June 2023 ETB	30 June 2022 ETB
Cash on hand	98,473	199,380
Cash at bank	21,689,533	7,133,450
	21,788,006	7,332,830

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

	30 June 2023 ETB	30 June 2022 ETB
Cash on hand	98,473	199,380
Cash at bank	21,689,533	7,133,450
Bank overdraft	-	(2,918,411)
	21,788,006	7,332,830



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18 STATE PAID UP CAPITAL

	30 June 2023	30 June 2022
	ETB	ETB
Balance at the Bignning	19,280,040	19,241,440
Adjustment to capital	-	38,600
Add: Additional investment	-	-
Total	19,280,040	19,280,040

19 RETAINED EARNINGS

	30 June 2023	30 June 2022
	ETB	ETB
Balance at the Bignning	20,367,866	8,266,124
Adjustment on opening balance deffered tax liability	3,112,770	89,260
Adjustment on state capital	0	(38,600)
Profit for the year	27,276,873	14,048,614
Transfer to Legal Reserve	-	-
Transfer to State Dividend	-	-
Prior year Adjustment (Note 30)	(2,543,471)	(1,997,532)
Transfer from Revaluation reserve	16,914,541	-
Total	65,128,580	20,367,866

20 LEGAL RESERVE

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

The Legal reserve of the Enterprises reaches 20% of paid up capital and on previous year 5% of profit after tax to legal reserve till the balance reach's 20% of share capital. But now the enterperises meets minimum legal reserve requiremnts of Commercial Code of Ethiopia and entererises articles of association.



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21 Employee Benefit Obligations

Annual Leave Obligations
 Severance obligations (Note 20a)
Total

30 June 2023	30 June 2022
ETB	ETB
2,278,365	2,239,288
4,241,006	3,277,652
6,519,371	5,516,940
2,278,365	2,239,288
4,241,006	3,277,652

Maturity Analysis

Current
 Non Current

21a Defined Benefit Obligation

Defined benefits liabilities:

Severance benefit plan

Liability in the statement of financial position

**Income statement
 charge included in
 personnel expenses:**

– Severance benefit plan

Total defined benefit expenses

30 June 2023	30 June 2022
ETB	ETB
4,241,006	3,277,652
4,241,006	3,277,652
963,353	63,616
963,353	63,616



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.

	30 June 2022	30 June 2021
	ETB	ETB
ii) Liability recognised in the financial position		
Severance pay	4,241,006	3,277,652
	4,241,006	3,277,652

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 .



GHION HOTELS ENTERPRISE
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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 2023	30 June 2022
	ETB	ETB
Salaries and other benefits	3,179,852	3,179,852
	3,179,852	3,179,852

29 Contingent liabilities

There are no contingent liabilities and commitments as at 30 June 2023



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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 delarations made to the Ethiopian tax authority had descripancy with the annual declarations made during the stated periods. As a result the enterprise was obliged to pay 2,543,471 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	2,543,471
i) Payment made to ERCA	(2,543,471)
	<u>(2,543,471)</u>

31 Other comprehensive income

Property, Plant and Equipment Deperecation as per revalued amount	11,281,094.95
Property, Plant and Equipment Deperecation as per original cost	(5,633,446.39)
Movement in Revaluaton surplus to OCI	<u>16,914,541.34</u>

32 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.

33 Approval of the Financial Statements

These separate financial statements of the Enterprise for the year ended 30 June 2023 were approved by the Directors on 03 November 2023.

