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AUDIT SERVICE CORPORATION

DEVELOPMENT AND HOTEL COMPANY (S.C)

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2025

DEVELOPMENT & HOTEL COMPANY S.C.
REPORTS OF FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 30 JUNE 2025

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**DEVELOPMENT AND HOTEL COMPANY S.C.
REPORTS AND FINANCIAL STATEMENTS
MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2025**

TIN number
0 004936704

Executive management *(as of June 30, 2025)*

Name	Position
Teserra Kifetew	Head, Office of the Board of Directors
Shewangizaw Gutema	Finance Manager

Independent auditors

Audit Service Corporation

Corporate Office:

Addis Ababa, Sub city-Kirkos
Ethiopia
P.O.Box 1263

Principal Bankers

Commercial Bank of Ethiopia

DEVELOPMENT AND HOTEL COMPANY S.C.
REPORT OF THE MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2025

Management has the pleasure of presenting its report on the affairs of Development and Hotel Company (DHC) ("The Company") together with the financial statements for the year ended June 30, 2025. This report discloses the financial performance and state of affairs of the Company.

Incorporation:

Addis Ababa Ethiopia

Operating Results

The Company's results for the year ended June 30, 2025 are set out on page 5. The summarized results are presented below.

	June 30,2025	June 30,2024
	<u>ETB</u>	<u>ETB</u>
Revenue	506,458,628	256,517,317
Profit before income tax	437,090,598	193,056,260
Income tax expense	128,398,229	52,563,726
Profit for the year	<u>308,692,369</u>	<u>140,492,534</u>
 Total Comprehensive income	 <u>308,692,369</u>	 <u>140,457,772</u>

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

Teserra Kifetew
Head ,Office of Board of Directors

Shewangizaw Gutema
Finance Manager

DEVELOPMENT & HOTEL COMPANY S.C.
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2025

The financial reporting proclamation 847/2014 requires the Company to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year by using International Financial Reporting Standards (IFRS) as issued by the International Standards Board (IASB).

The Management is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. To enable the Management to meet these responsibilities it set standards and implement systems of internal controls, accounting and information systems. Management is responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and loss.

The management is responsible that the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Management is of the opinion that the Company has adequate resources to continue in operation for the foreseeable future based on forecasts and available cash resources and accordingly the annual financial statements have been prepared on a going concern basis.

It is the responsibility of the external auditors to express an opinion on the annual financial statements.

Signed on behalf of the Management by:

Teserra Kifetew
General manager

Shewangizaw Gutema
Finance Manager

**ASC.**

PUBLIC ACCOUNTABILITY | SHARED GROWTH

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Audit Service Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF DEVELOPMENT AND HOTEL COMPANY (SHARE COMPANY)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development and Hotel Company (the company), which comprise the statement of financial position as at 30 June 2025, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company 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 Company 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 of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion; we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

ASC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF DEVELOPMENT AND HOTEL COMPANY (SHARE COMPANY) (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Company's internal control.

ASC

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
DEVELOPMENT AND HOTEL COMPANY (SHARE COMPANY (continued)**

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is W/ro Kokeb Sime.

Audit Service Corporation

28 November 2025

DEVELOPMENT AND HOTEL COMPANY S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

	Notes	Birr	2024 Birr
INCOME			
Revenue from share of profit	7	484,477,621	238,641,679
Interest Income	8,13	21,973,007	17,875,638
Other Income		8,000	-
Total		<u>506,458,628</u>	<u>256,517,317</u>
EXPENSES			
Adminstartion Expense	9	68,931,530	62,270,057
Board Fees		264,000	313,500
Audit Fee		172,500	877,500
Total Expenses		<u>69,368,030</u>	<u>63,461,057</u>
Profit before tax		437,090,598	193,056,260
Income Tax Expense	19	<u>128,398,229</u>	<u>52,563,726</u>
Net profit after tax		<u>308,692,369</u>	<u>140,492,534</u>
Other Comprehensive Income		-	-
Net Profit for the Period		<u><u>308,692,369</u></u>	<u><u>140,492,534</u></u>

DEVELOPMENT AND HOTEL COMPANY S.C.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2025

	Notes	Birr	2024 Birr
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipmenet	10	1,238,734,256	1,161,979,128
Trade Receivables - Long Term	11	115,618,008	93,610,597
Total Non-Current Assets		1,354,352,264	1,255,589,725
CURRENT ASSETS			
Trade Receivables	12	202,429,003	115,588,117
Deposit and Prepayments	15	22,310	22,310
FIXED TIME deposit	13	418,487,975	309,280,574
Cash and Bank Balances	16	9,204,578	19,889,863
Total Current Assets		630,143,866	444,780,864
TOTAL ASSETS		1,984,496,130	1,700,370,589
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Capital	5.1	20,228,479	20,228,479
Legal Reserve	5.2	4,045,696	4,045,696
General Reserve	5.3	970,194	970,194
Revaluation reserve	5.4	102,695,040	102,695,040
Retained Earnings	5.5	687,124,557	594,516,846
Total Equity and Reserves		815,063,966	722,456,255
NON-CURRENT LIABILITY			
Deferred Tax Liability	17	224,404,792	226,490,401
CURRENT LIABILITIES			
Creditors and Accruals	18	1,212,849	2,752,188
Profit tax payable	19	130,483,838	54,287,788
State Dividend	20	317,043,154	198,096,425
Industrial Development Fund	21	496,287,531	496,287,531
Total Current Liability		945,027,372	751,423,932
TOTAL LIABILITY AND EQUITY		1,984,496,130	1,700,370,589

**DEVELOPMENT AND HOTEL COMPANY S.C.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2025**

	Capital Birr	Legal Reserve Birr	General Reserve Birr	Revaluation reserve Birr	Retained Earnings Birr	Total Birr
Balance as of June 30, 2023	20,228,479	4,045,696	970,194	102,695,040	592,792,784	720,732,193
Profit for the year					138,768,472	138,768,472
Other Comprehensive income					1,724,062	1,724,062
State Dividend					(97,137,930)	(97,137,930)
Industrial Development Fund					(41,630,542)	(41,630,542)
Balance as of June 30, 2024	20,228,479	4,045,696	970,194	102,695,040	594,516,846	722,456,255
Profit for the year					308,692,369	308,692,369
Other Comprehensive income						
State Dividend					(216,084,659)	(216,084,659)
Balance as of June 30, 2025	20,228,479	4,045,696	970,194	102,695,040	687,124,557	815,063,966

DEVELOPMENT AND HOTEL COMPANY S.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED June 30, 2025

	Birr	2024 Birr
Cash Flows from Operating Activities		
Profit(Loss) before T	437,090,598	193,056,260
Adjustment for:		
Income tax paid	(54,287,789)	(44,148,644)
Investment Income	(21,973,007)	(17,875,638)
Depreciation of PP&E	49,954,344	47,216,659
Movement in Working capital	410,784,147	178,248,637
Increase (decrease) in Trade Receivables	(86,840,886)	(1,455,817)
Increase (decrease) Trade Receivables - Long Term	(22,007,411)	(22,486,901)
Fixed time deposit		
Increase (decrease) Creditors and Accruals	(1,539,339)	1,482,141
Cash generated from operations	(110,387,636)	(22,460,577)
Net Cash flows from operating Activities	300,396,511	155,788,060
Cash Flow from Investing Activities		
Interest Received	21,973,007	17,875,638
Purchase of PP&E	(126,709,472)	(64,377,844)
Proceeds from sale of PP&E		326,086
Adjustment to Fixed assets		
Net Cash used in Investing Activities	(104,736,465)	(46,176,120)
Cash Flows from Financing Activities		
Dividend Paid	(97,137,930)	(69,160,673)
Net Cash used in Financing Activities	(97,137,930)	(69,160,673)
Increase (Decrease) in Cash and Cash Equivalents	98,522,118	40,451,267
Cas and Cash Equivalents at beginning of period	329,170,437	288,719,171
Cash and Cash Equivalents at end of period	427,692,555	329,170,438
Components of Cash and Cash Equivalens		
Cash and Bank Balance	9,204,580	19,889,863
Fixed Time Deposit	418,487,975	309,280,574
	427,692,555	329,170,437

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Development & Hotel Company S.C. is a public enterprise wholly owned by the government of Ethiopia. It is a subsidiary of Ethiopian Investment Holdings (EIH), the government's strategic investment arm. The Company was established in the year 1961 E.C (1969/70 G.C) with the primary objective of engaging in hotel development and related business activities.

The Company is the owner of Hilton Addis Ababa Hotel. This property is leased to Hilton international under a long term lease .The initial agreement which was for a period of 20 years with the right to extend the term for three successive periods of ten years has expired as at 31 December 2019. The Company and Hilton International subsequently agreed to a three year extension, with current lease term concluding December 31, 2025.

In accordance with this arrangement, the DHC S.C has been entrusted with the supervision and monitoring of the hotel's overall operations.

The Company's office is located in Addis Ababa Ethiopia.

2 BASIS OF PREPARATION AND COMPLIANCE

2.1 Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.2 Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value and assets classified as held for sale, which are measured at fair value less cost to sell. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Going Concern

The directors have reviewed the Company's operational and cash flow forecasts. On the basis of this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the directors confirm that they have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future.

2.4 Fiscal year

The Company's fiscal year runs from July 1 to June 30. These financial statements are for the year 2024/25 with comparative figures of 2023/24.

2.5 Significant Accounting Judgments, Estimates, and Assumptions

The preparation of financial statements in conformity with IFRS requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. These Judgments are based on historical experience, current trends, and other factors that management considers relevant.

Management regularly reviews its accounting policies, assumptions, and estimates to ensure the financial statements are presented fairly and in accordance with IFRS.

While management believes these estimate are reasonable, actual results could differ from forecasts and assumptions. Critical accounting estimates that carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in future period include:

- Useful lives of Property, Plant & Equipment (PP&E)
- Useful lives of intangible assets
- Impairment of financial assets
- Recoverability of the carrying value of retention funds
- Recognition of revenue and allocation of transaction prices
- Recognition and valuation of provisions for construction and environmental liabilities
- Recoverability and measurement of deferred tax assets and liabilities.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

The Company has applied the following new and amended IFRS standards and interpretations for the first time for its annual reporting period beginning on or after July 1, 2024. The impact of these standards is not considered material to the Company's financial statements unless otherwise noted.

- Classification of liabilities as current or non-current (Amendment to IAS1):
These amendments clarify when an entity's right to defer settlement of a liability at list twelve months after the reporting period exists the amendments also specify that this right must exist at the end of the reporting period.
- Deferred tax related to assets and liabilities arising from a single transaction (Amendment to IAS 12):
These amendments clarify how companies should account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences.
- Disclosure of accounting policies (Amendments to IAS1 and IFRS practice statement 2):
These amendments replace the requirement to disclose "significant" accounting policies with a requirement to disclose material accounting policy information.
- Definition of Accounting Estimates (Amendments to IAS 8):
These amendments clarify the distinction between changes in accounting policies and changes in accounting estimates, focusing on how a change is made and why.
- IFRS S1 general requirements for disclosure of Sustainability-related Financial information:
This standard requires the disclosure of information about sustainability-related risks and opportunities that could affect the Company's financial position & performance.
- IFRS S2 Climate-related Disclosures:
This standard requires the disclosure of information about climate-related risks and opportunities that could affect the Company's financial position and performance.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.2 Standards and Interpretations issued but not yet effective.

The following new and amended standards and interpretations have been issued but are not yet effective for the year ended June 30, 2025. The company has not early adopted these standards.

- IFRS 18, Presentation and disclosure in Financial Statements:

This new standard, effective for annual periods beginning on or after January 1, 2027, will introduce significant changes to the presentation of the statement of profit or loss and will require new disclosures, including those related to management defined performance measures.

- Lack of exchangeability (Amendments to IAS 21):

These amendments, effective for annual periods beginning on or after January 1, 2025, clarify how an entity should determine an exchange rate for a currency that lacks exchangeability.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DHC describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note's content. 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.

4.1 Leases (as Lessor)

Development and Hotel Company S.C (DHC) is a Lessor for its property under a long-term

Operating lease agreement with Hilton international. DHC retains substantially all the Risks and rewards incidental to ownership of the hotel property, and accordingly, the Lease is classified as an operating lease.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Lease Income

Lease income from the operating lease consists entirely of a variable component. The Company is entitled to a 75% share of the gross operating profit of the hotel, as defined in the lease agreement. Variable lease payments are recognized in profit or loss in the period in which the event that triggers the payment occurs (i.e., when the underlying profits are generated by the lessee).

Receivables

DHC receives its share of the gross operating profit in two annual installments. A lease Receivable is recognized in the statement of financial position for the portion of the profit share that has been earned but not yet received in cash at the reporting date, based on the accrued profits for the period.

4.2 Operating expenses

As per the conceptual framework expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment). [F 4.49]. DHC Operating expenses are recognized in profit or loss as per this definition.

4.3 Property, plant, and equipment

Property, Plant, and equipment are a long term asset that is primarily held for use by Company for its ordinary operations. Property, Plant, and equipment are treated as non-current investments and are carried at cost less accumulated depreciation and any recognized impairment in value.

4.3.1 Component of costs of Property, plant and equipment

The cost of Property, plant and equipment includes expenditure that is directly attributable to the acquisition or construction of the items and subsequent costs incurred to replace parts that are eligible for capitalization. Dismantlement, removal or restoration costs are included as part of the cost of Property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.3.2 Transaction costs

Costs directly attributable to an acquisition or construction of an asset are included as part of the cost of acquisition.

4.3.3 Measurement

Property, plant and equipment of the Company are valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. However, Freehold land is stated at revalued amount less accumulated impairment losses

4.3.4 Depreciation

Items of Property, plant and equipment are generally depreciated to its estimated residual value over its expected useful life on a straight-line basis. Depreciation commences when the asset is available for its intended use by management. The useful lives, depreciation method and residual values of Property, plant and equipment, if significant, are reviewed and adjusted annually. Changes resulting from the reassessment are accounted for prospectively as changes in estimates.

The residual values are estimated based on useful lives as well as other available information. The useful lives are estimated, by management, based on historic analysis and other available information. The useful life of an asset is the period in which the Company expects to utilize the benefits embodied in the assets, and not necessarily the assets' economic life. Useful lives of assets are reviewed annually.

The Company uses the following indicators to determine useful life: expected usage of assets, expected physical wear and tear, and technical and commercial obsolescence. An estimate is made of the amount the Company would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life. Depreciation of Property, plant and equipment is allocated to the appropriate expenses account by function in the Statement of Comprehensive Income.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The useful life of assets for the purposes of depreciation at DHC is as follows:

<u>Years</u>	<u>Useful Life</u>
Buildings	50
Water Well	20
Office Furniture and Fixtures	10
Special Auxiliary Equipment's	10
Motor Vehicles	10
Computer and Information Systems	5

4.3.5 Impairment

Property, plant, and equipment are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less direct costs to sell and the asset value in use (being the present value of the expected future cash flows of the asset). An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to.

Impairment losses recognized in prior periods for Property, plant, and equipment are assessed at each reporting date for any indications that the impairment loss has decreased or may no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized. Impairment losses, and any subsequent reversals, are recognized in the statement of comprehensive income.

DEVELOPMENT & HOTEL COMPANY S.C.
NOTES TO THE FINANCIAL STATEMENTS (continued)

4.3.6 Subsequent expenditure

Subsequent expenditure relating to Property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognized as an expense during the financial year in which it is incurred.

4.3.7 De-recognition/Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognized within other income in the income statement in the period the disposal occurs.

4.3.8 Development Asset (Asset under Construction)

Development asset (asset under construction) are property, plant and equipment being constructed or developed for future own use. They are stated at cost less accumulated impairment losses, until construction or development is completed, at which time they are reclassified to be accounted for as property, plant and equipment. Cost capitalized includes cost of land and other directly related development expenditure, including borrowing costs incurred in developing the properties.

4.4 Borrowing costs

Borrowing costs incurred to finance the development of asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized on a time-proportion basis in the income statement using the effective interest method. The amount of borrowing cost capitalized on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

4.7 Leased Assets

All lease contracts entered into by the Company (as a lessor or lessee) are accounted for as prescribed by IFRS 16.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.7.1 The Company as a lessee

A contract is assessed to determine if it contains a lease by evaluating whether it conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company controls the use of an identified asset if it has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct its use.

Upon the commencement of a lease the Company recognizes a right-of-use asset and a corresponding lease liability.

-Right- of use-Asset: The asset is initially measured at cost, which includes the initial amount of the lease liability, any lease payments made at or before the commencement Date, initial direct costs, and an estimate of dismantling and removal costs. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The asset is also periodically reviewed for impairment.

-Lease Liability: The liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease. When this rate not readily determinable, the Company uses its incremental borrowing rate. The lease liability is subsequently measured at amortized cost and re-measured when there is a change in future leases payments due to changes in an index, a rate, a residual value guarantee, or a lease option. Lease payments included in the liability's measurement comprise fixed payments, variable payments that depend on an index or rate, and amounts expected under a residual value guarantee.

4.7.2 The Company as a lessor

When acting as a lessor, DHC determines at the inception of a lease whether it is a finance lease or an operating lease. This classification is based on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If it does, the lease is a finance lease; if not, it is an operating lease.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- Operating Leases: Development and Hotel Company leases its hotel to Hilton International under a long-term lease agreement. This lease is classified as an operating lease because the variable nature of the lease payments being 75% of Hilton Addis Ababa's gross operating profit. The Company retains the significant risks and rewards of ownership. This includes the risk of variations in future economic benefits and losses from idle capacity. The agreement also does not transfer the title of the assets.
- **Accounting for Operating Leases:** Lease income from Hilton hotel is recognized as income in the period in which the variable lease payments are earned, which is based on the gross operating profit of the lessee. The Company retains the leased assets on its balance sheet and continues to recognize depreciation expense.

4.7.3 Short-term Leases and Leases of Low-Value Assets

The Company has elected to apply the recognition exemption for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

4.8 Financial Instruments

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.

4.8.1 Recognition

A financial asset and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instruments.

4.8.2 Classification

All financial instruments need to be classified as one of the following: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Cash equivalents, short term receivables and payables are measured at their carrying values due to the short-term maturity of these instruments.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

All current financial assets the Company has are classified under amortized cost. The Company Adopts the expected credit losses model of IFRS 9. The Company uses amortized cost to measure its financial assets along with providing for impairment allowance as per the requirement of IFRS 9. For its lease receivables and other financial assets, the Company measures the loss allowance at an amount equal to lifetime expected credit losses using provision matrix. The provision matrix is based on default rates in conjunction with more forward-looking information that is reasonably available without undue cost or effort. At every reporting date, the default rate is updated to reflect current and forecast credit conditions if there are conditions that indicate default rates have changed. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

4.8.3 De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- * The rights to receive cash flows from the asset have expired, or
- * The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) The Company has transferred substantially all the risks and rewards of the asset, or
 - (b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the contractual obligations are discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a New liability, and the difference in the respective carrying amounts is recognized in profit or loss.

4.8.4 Impairment of financial instrument

DHC assesses at each reporting date financial asset or a group of financial assets impairment, which is calculated based on expected loss on the future those loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the balance aged more than a year, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial asset is any asset that is cash or a contractual right to receive cash or another financial asset from another entity. All financial assets except trade receivables are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Subsequently, the financial asset is measured at amortized cost.

4.8.5 Financial Asset

Investments in equity instruments are measured at fair value. However, if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements, the Company uses cost to measure the investments as it represents the best estimate of fair value within the available ranges.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Cash and Cash Equivalent

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the statement of financial position. Cash equivalents also comprises short term liquid investment with maturity periods of three months or less, from the date of acquisition, including treasury bills when they are deemed payable within three months.

Trade receivables

Trade receivables are recognized initially at transaction price and subsequently measured at amortized cost, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the estimated future cash flows. The amount of the allowance is recognized in the income Statement.

Other Receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Company's other receivables are sundry receivables and other receivables from debtors.

4.8.6 Financial Liability

Financial liabilities are initially measured at fair value (the transaction price) using effective interest rate. After initial recognition, all financial liabilities of the Company are measured at amortized cost. The fair values of trade payables of the Company are similar with their transaction price.

Trade payables

Trade payables are initially measured at fair value, and subsequently measured at amortized cost, using the effective interest method.

Accruals

Accruals are liabilities to pay for goods or services that the Company received but not yet been billed for.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.9 Provisions, Contingent Assets and Contingent Liabilities

Provisions comprise liabilities of uncertain timing or amount that arise from construction, environmental, litigation and other risks. Provisions are recognized when the DHC has a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated.

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Company. The type and treatment of provisions and contingencies of the Company are described hereunder.

Legal Contingencies

The Company is party to litigations related to a number of matters. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company.

Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Company or the disclosure of any such suit or assertion, does not automatically indicate that a provision, may be appropriate.

4.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Cost is usually determined as the amount paid by the Group. Amortization is recognized together with depreciation in profit or loss. Intangible assets with indefinite lives are not amortized

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.11 Employee benefits

4.11.1 Defined contribution benefits

The Company has an employee benefit scheme which follows the Labor Proclamation No. 377/2003. The Company has a defined Contribution plan post-employment scheme in line with the provisions of Ethiopian pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively. The pension scheme is based on employees' monthly salary which needs to be submitted to pension fund administered by the federal government. This pension scheme is defined contribution plans where the Company's legal or constructive obligation is limited to the amount contributed to the fund. Contributions to the pension fund in respect of the services rendered in a particular month are recognized as an expense in that period.

4.12.2 Severance:

The Company effects severance payment as per the proclamation mentioned above for employees who leave the organization on will after five and plus years of experience. The Company treats the benefit scheme as other long term employee benefit. The Company uses estimates, averages and computational short cuts to provide a reliable approximation of the liability incurred on each year in relation to severance pay

4.12.3 Leave pay

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the liability for annual leave, as a result of services provided by employees up to the reporting date.

4.12.4 Bonus plans

A liability for employee benefits in the form of bonus plans is recognized as a provision as past practice has created a valid expectation by employees that they will receive a bonus and amounts can be determined before the time of issuing the financial statements. The annual bonus is calculated based on the profit performance of the Company. The actual bonus is approved by the board and is settled within a period of 12 months.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.12.5 Termination benefits

Termination benefits are payable to employees as per proclamation 715/2011 when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

4.13 Income Taxes

4.13.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authority, Ethiopian Revenues and Customs Authority.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in Ethiopia. During the reporting period, the Company didn't operate and generate taxable income in a foreign country. Management periodically evaluates positions taken in the tax returns with respect to disputable situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4.13.2 Deferred income tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets, if any, is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted by the end of the reporting period.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.13.3 Presentation Currency, Function currency and Foreign Currency Translation

Items included in the financial statements of the Companies are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'), which is determined in accordance with the requirement of IAS 21. The Company's functional and presentation currency is the Ethiopian Birr.

The accounts recorded in foreign currencies have been translated into Ethiopian Birr on the following basis:

- a) financial assets and liabilities at the rate of exchange in effect at the balance sheet date;
- b) non-financial assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- c) revenue and expenses at the exchange rates prevailing on the date of the transaction

Foreign exchange gains and losses resulting from the settlement of such transactions as well as the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they occur.

4.15 Cash flow Statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as depreciation charges and other non-cash items are adjusted to come up with cash flow from operating activities.

4.17 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. This definition includes subsidiaries, associates, and joint ventures.

Ethiopian Investment Holding is a parent and ultimate controlling party of Development and Hotel Company.

The company does not have related party transactions in which it has done business that requires disclosures.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company (directly or indirectly) and comprise of the board members, chief executive officer, and the Finance Manager. Salaries & related benefits for the year are indicated below.

<u>Year</u>	<u>2025</u>	<u>2024</u>
Salary	1,221,720	1,221,720
Incentives (Bonus)	470,844	222,750
Total (Birr)	1,692,564	1,444,470

4.18 Events after the reporting date

There were no significant events after the reporting date to date of this report.

5 CAPITAL AND OTHER RESERVE

5.1 Capital

The company is wholly owned by the Federal Democratic Republic of Ethiopia. The balance of Birr 20,228,479 represents the capital earmarked for Development & Hotel Company as stated in the letter from the ministry of Finance and Economic Development dated 16 Miazia 1981, Ref: No. md42/247/07-00/14.

5.2 Legal Reserve

The legal reserve is a statutory reserve to which not less than one-twentieth of the net profits shall be transferred each year until such fund amounts to one-fifth of the capital. No further transfer needs to be made to it, since the fund has already reached the obligatory legal limit.

5.3 General Reserve

The general reserve is a free reserve available for distribution to the owner.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5.4 Revaluation Reserve

This reserve is not part of the other reserves & thus a none distributable to the owners as it represents incremental revaluation value related to land which is not subject to depreciation as well.

5.5 Retained earnings

It represents the previous accumulated profit available for distribution and the revaluation adjustment of assets made upon conversion to IFRS.

6 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects of these risks on the Company's financial performance. Risk management is carried out under policies approved by the Company's board.

Capital Risk Management

The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its policyholders, regulators and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To allocate capital efficiently to support growth;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for the owners.

DEVELOPMENT & HOTEL COMPANY S.C.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's long-term receivables, trade and other receivables and cash and cash equivalents maintained with financial institutions. The Company places its cash and cash equivalents with Commercial Bank of Ethiopia, the biggest bank in the country. The maximum exposure of the Company to credit risk at the reporting date is the carrying value of cash and cash equivalents and other receivables.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company manages liquidity by maintaining adequate cash balances and tracking the due dates of its operating and financing obligations. In addition, the Company regularly monitors and reviews both actual and forecasted cash flows. It also deters certain discretionary expenditures and measures to reduce operating costs in order to preserve working capital.

Foreign exchange risk

The Company's operations are located in Ethiopia only and it is not as such exposed to significant foreign exchange risk. However, it imports equipment and other materials from abroad purchasing foreign currency from domestic banks mainly through letter of credit arrangement. The letter of credit is settled at the exchange rate that prevails on the settlement (clearance) date than on the date the letter of credit is opened. The Company is not legally allowed to enter into any foreign currency contracts or other derivatives to establish a foreign currency protection program.

7 AUTHORIZATION DATE

The General Manager of DHC has authorized the issue of these financial statements on November 28, 2025.

DEVELOPMENT AND HOTEL COMPANY S.C.
NOTES TO THE FINANCIAL STATEMENTS (continued)

7 REVENUES

A Lease agreement was reached between the government of Ethiopia and Hilton International, establishing the government as the hotel owner and Hilton as the operator. An amendment to this agreement was made in May 1991, which increased the owners share of profit to 75% of the gross operating profit of Hilton hotel.

Lease classification

A lease is an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset . In this case , Development and hotel company representing the government retains ownership of all assets (buildings, FFE and others) and is entitled to the majority of the profit (75%), suggesting it retains significant risks and rewards of ownership. Therefore the lease is classified as an operating lease.

Income Recognition & Measurement

Lease payments from an operating lease is recognized as income on a straight-line basis over the lease term. The profit sharing arrangement is a form of variable lease payment. IFRS 16 states that variable lease payments that do not depend on an index or a rate should be recognized as income. The below table shows income earned from the share of profit during the year.

	Birr	2024 Birr
Share of Profit from Operations	337,790,472	238,641,679
FFE reserve	<u>146,687,149</u>	<u>17,875,638</u>
Balance at the end of the year	<u><u>484,477,621</u></u>	<u><u>256,517,317</u></u>

This represents the annual share of profit being 75% of Hilton's Gross Operating Profit, in accordance with the amendment agreement of May 1991 , between the two parties. It is a variable lease payment that do not depend on an index or a rate and is recognized as income in the period it is earned. Gross Operating profit is computed after considering all revenues and income of any kind derived from directly or indirectly from the Hotel or from the use thereof by Hilton, including rental or other payments from sub lessees and concessionaires, and deducting the entire costs and expenses of maintaining, operating and supervising the operation of the Hotel (Article V of the agreement). The share of profit is settled by Hilton in two installments, on or before august 31 and end of February of each fiscal year.

DEVELOPMENT AND HOTEL COMPANY S.C.
NOTES TO THE FINANCIAL STATEMENTS (continued)

8 INTEREST INCOME

	Birr	2024 Birr
Income from Time Deposit	21,973,007	17,875,638
	<u>21,973,007</u>	<u>17,875,638</u>

The break down and the disclosure of interest income is presented under Note number 14 of this report .

9 ADMINSTARTIVE EXPENSES

	Birr	2024 Birr
Salaries and related benefits	1,763,503	1,563,708
Insurance	749,027	749,027
Land and Building Tax	11,282,868	11,282,868
Office Rent	1,200,000	1,180,000
Communications	45,658	43,425
Bad debt expense	26	
Handling Charges		41,941
Printing and Stationery	19,511	27,636
Tax expense	1,577,136	
Repair & maintenance	18,050	25,050
Depreciation	49,954,344	47,216,659
Bank Charges	3,742	3,141
Transportation	64,800	64,800
Penalty	16,500	31,800
Professional fee	2,198,513	
Miscellaneous Expenses	37,166	35,891
Registration fee	685	4,110
Total	<u>68,931,530</u>	<u>62,270,057</u>

The Company was assessed by Large Tax payers Office(LTO) for the Years ended June 30, 2021,2022 & 2023. As a result of this assessment, the Company was required to pay an additional tax of Birr 1,577,136.

The amount was paid during the current accounting period. Due to its nature as a prior - period tax liability and considering its materiality in the context of the Company's current year earnings the amount has been recognized as an expense in the statement of profit or loss.

DEVELOPMENT AND HOTEL COMPANY S.C.
NOTES TO THE FINANCIAL STATEMENTS (continued)

10	Account Description	Balance at 30/June/2024 ETB	Additions ETB	Disposals / Transfers ETB	Balance at 30/June/2025 ETB
	Note # 10-Propery plant and equipment-Hilton COST				
	Bulidings	1,139,999,240	98,032,558		1,238,031,798
	Water Well	15,653,363			15,653,363
	Office Furniture & Fixture	97,037,422	2,840,616		99,878,038
	Special Auxiliary Equipment	149,117,204	18,289,355		167,406,559
	Computer & Accessories	55,701,479	4,199,411		59,900,890
	Operating Equipment	3,813,240	-		3,813,240
	Motor Vehicle	34,003,287	3,347,533		37,350,820
	Work in progress	3,024,503	-		3,024,503
		<u>1,498,349,738</u>	<u>126,709,472</u>		<u>1,625,059,210</u>
	PPE at D.H.C.				
	Office Furniture & Equipment	54,168			54,168
	Computer & Accessories	12,095			12,095
	PPE with out movement				
	Office Furniture & Equipment	1			1
	Motor Vehicle owned by DHC	50	-		50
		<u>1,498,416,052</u>	<u>126,709,472</u>		<u>1,625,125,524</u>
	DEPRECIATION				
	Acc. Depr. Building	120,915,358	19,172,823		140,088,182
	Acc. Depr. Water Well	1,562,808	782,668		2,345,476
	Acc. Depr. Office Furniture & Fixture	58,470,185	10,196,000		68,666,185
	Acc. Depr. Special Auxiliary Equipment	81,894,702	14,766,973		96,661,675
	Acc. Depr. Computer & Accessories	39,566,176	4,494,002		44,060,178
	Acc. Depr. Vehicle	34,003,259	535,348		34,538,607
	PPE at DHC				
	Acc. Depr. Office Furniture & Equipment	14,944	4,649		19,593
	Acc. Depr. Computer & Accessories	9,492	1,880		11,372
	Total accumlated depreciation	<u>336,436,924</u>	<u>49,954,344</u>		<u>386,391,268</u>
	TOTAL NET BOOK VALUE	<u>1,161,979,127</u>			<u>1,238,734,255</u>

DEVELOPMENT AND HOTEL COMPANY S.C.
NOTES TO THE FINANCIAL STATEMENTS (continued)

10.1

The title of land is held in the name of Hilton Addis Ababa International Hotel under certificate No.cks 17/43/3228/00 dated 06 /03 /98 E.C, Kirkos sub city ,kebele, 17,block 7, parcel 1,house No :1042, Site level 1-1.In the FDRE Constitution, individuals or businesses only have the right to use land, as land legally belongs to the governemnt and the public. The Asset was valued using the current fair market value and determined its value attached to the buildings at Birr 102,695,040. For this DHC uses comparable recent lease transactions used by Addis Ababa City Administration as a measure of fair value.

11 Trade Receivables - Hilton hotel (FFE Resrve)

The Company has a receivable arising from the reserve fund set aside for the replacement of and additions to Furniture,Fixture, and Equipment in the hotel leased to Hilton International . The reserve account is part of the lease agreement ,designed to maintain the quality and operational readiness of the hotel's assets. It is to be used for those purposes and any remaining balance, if any, shall be paid only at the end of the lease period. The amount provided on account of the reserve of FF&E represents 10% of Hilton's Revenues. The amount of such charges is deducted from gross operating revenues in determining gross operating profit but only to the extent such gross operating revenues are sufficient.

The reserve account is adjusted annuall to reflect the actual cost of replacments and additions made during the year. According to the lease agreement , Addis Ababa Hilton International PLC has the obligation to replace the operating Equipments and furnishings using the reserve balance, and Development and Hotel Company representing the government maintains the the ownership of all operating Equipments and Furnishings. The following table shows movements of FFE reserve account during the year.

	Birr	2024 Birr
Open . Balance	93,610,597	71,123,696
Provision made during the year	146,687,149	86,864,745
FFE Purchases	(124,679,738)	(64,377,844)
Balance at the end of the period	<u>115,618,008</u>	<u>93,610,597</u>

12 TRADE RECEIVABLES

Development and Hotel Company recognizes its share of profit from the lease arrangement with Hilton international , as share of profit in the income statement,representing 75% of the gross operating profit. The portion of this income that is earned but not yet received from Hilton is recognized as a trade receivable on the balance sheet.

As shown in the table below, the outstanding balance of receivables from Hilton as of the reporting date is Birr 202,429,002 compared to Birr 115,588,117 in the previous year.

This fainancial asset is considered to have very low credit risk due to the following factors:

- The established contractual due date for collection is 60 days or less.
- The settlement of the share of profits occurs in two installments per fiscsal year (at the end of August and February), which ensures a consistent cash flow and further minimizes liquidity risk for the Company.

	Birr	2024 Birr
A. A-Hilton - Share of profit open.		
Balance	115,588,117	114,129,300
Share of profit for the year	337,790,472	151,776,933
Collection during the year	(250,949,586)	(150,318,117)
Balance at the end of the period	<u>202,429,003</u>	<u>115,588,117</u>

DEVELOPMENT AND HOTEL COMPANY (DHC)
NOTES TO THE FINANCIAL STATEMENTS (continued)

13 FIXED TIME DEPOSIT

Fixed time deposits are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, fixed time deposits are measured at amortized cost using effective interest method, as the objective of holding

Financial assets with maturities of less than 12 months from the reporting date are classified as current assets. Financial assets with maturities greater than 12 months from the reporting date are classified as non-current assets.

	Birr	2024 Birr
CBE A.A Branch	—	238,244,932
CBE Andinet Branch	—	71,035,642
Other Banks-Outstanding as below	418,487,975	
	<u>418,487,975</u>	<u>309,280,574</u>

The break down of Fixed time deposits as of June 30, 2025 are as

Bank	Principal	Interest rate	Issue date	Interest	Carrying Amount
Bank of Abyssinia	102,000,000	19%	8/5/2025	2,814,082	104,814,082
Cooperative Bank	102,000,000	18%	23/5/2025	1,911,452	103,911,452
Oromia Bank	102,000,000	19.25%	7/5/2025	2,857,537	104,857,537
Tsedey Bank	102,000,000	20.05%	10/5/2025	2,904,904	104,904,904
CBE - A.A Branch	235,000,000	7.20%	22/4/2024	751,589	-
CBE -A.A. Branch	235,000,000	7.20%	26/7/2024	4,040,436	-
CBE -A.A. Branch	235,000,000	7.20%	28/10/2024	4,043,685	-
CBE - Andinet Branch	70,000,000	7.20%	17/4/2024	217,498	-
CBE - Andinet Branch	70,000,000	7.20%	2/8/2024	1,266,885	-
CBE - Andinet Branch	65,000,000	7.20%	9/11/2024	1,164,938	-
Total				<u>21,973,007</u>	<u>418,487,975</u>

Reconciliation of Interest

Interest income for the year ended June 30, 2025 amounted to Birr 21,973,007 of which 11,485,032 with their corresponding principals were collected on maturity date, while the remaining balance Birr 10,487,975 represents interest accrued on outstanding fixed deposit up to the reporting date.

DEVELOPMENT AND HOTEL COMPANY (DHC)
NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Risk Measurements

Credit Risk

The Company is exposed to credit risk from its fixed time deposit with financial institutions. The maximum exposure to credit risk at the reporting date is the carrying amount of the deposits which is Birr 418,920,534. Development and Hotel Company mitigates credit risk by depositing funds with reputable banks that have strong financial status. Diversification among banks to further mitigate concentration risk was also taken in to consideration.

Liquidity Risk

The fixed deposits mature at various dates as disclosed in the table above. The Company manages its liquidity by staggering maturities to ensure sufficient funds are available for operational needs. The deposits mature within the next 12 months, providing adequate liquidity.

Interest Rate Risk

The fixed deposits carry fixed interest rates and are therefore not subject to significant fair value interest rate risk.

15 DEPOSITS & PREPAYMENT

Utility deposit

Birr
22,310.00

2024
Birr
22,310.00

- Total

22,310.00

22,310.00

DEVELOPMENT AND HOTEL COMPANY (DHC)
NOTES TO THE FINANCIAL STATEMENTS (continued)

16 CASH AND BANK BALANCES

	Birr	2024 Birr
CBE A.A Branch	2,446,845	5,437,870
CBE Andinet Branch	6,757,733	14,451,993
Total	<u>9,204,578</u>	<u>19,889,863</u>

17 DEFERRED TAX LIABILITY

	Birr	2024 Birr
Deprecation base carried for tax purpose	388,023,242	304,316,084
Deprecation base carried for report purpose	1,136,039,215	1,059,284,087
Temporary Difference	(748,015,974)	(754,968,003)
Deferred Tax Asset (Liability)	<u>(224,404,792)</u>	<u>(226,490,401)</u>
Deferred Tax Income (Expense)	<u>2,085,609</u>	<u>1,724,062</u>

18 CREDITORS AND ACCRUALS (continued)

	Birr	2024 Birr
Audit fee	172,500	172,500
Incentives	762,324	1,151,750
Telephone & internet pay.	-	3,304
Office rent	-	1,180,000
Annual leave pay	196,935	196,935
Tax payables	81,090	39,699
Sundry Creditors		8,000
	<u>1,212,849</u>	<u>2,752,188</u>

DEVELOPMENT AND HOTEL COMPANY (DHC)
NOTES TO THE FINANCIAL STATEMENTS (continued)

19 TAX LIABILITY

	Birr	2024 Birr
Profit before tax	437,090,598	193,056,260
Add: Dep per IFRS	49,954,344	47,216,659
Less: Dep per tax law	43,002,314	41,469,788
Taxable Income for the year	<u>444,042,628</u>	<u>198,803,132</u>
Tax at the appilacable rate of 30%	133,212,788	59,640,939
Tax effet of income not subject to taxation	(6,591,902)	(5,362,691)
Tax effect of income subject to taxation	3,862,951	9,540
Current Tax Expense	130,483,838	54,287,788
Tax Payable at the Beginning of the year	54,287,788	44,148,644
Paid during the year	<u>(54,287,788)</u>	<u>(44,148,644)</u>
Deferred Tax Income(Expense)	(2,085,609)	(1,724,062)
Total Tax expense for the year	128,398,229	52,563,726

20 STATE DIVIDEND

	Birr	2024 Birr
At the beginning of the year	198,096,426	170,119,169
Paid during the year	(97,137,930)	(69,160,673)
Current year payable (70%)	216,084,659	97,137,930
Total	<u>317,043,154</u>	<u>198,096,426</u>

21 INDUSTRIAL DEVELOPMENT FUND

	Birr	2024 Birr
At the beginning of the year	<u>496,287,531</u>	<u>496,287,531</u>
Total	<u>496,287,531</u>	<u>496,287,531</u>