SPA SERVICE ENTERPRISE

ACCOUNTS AND AUDIT REPORT

30 JUNE 2022

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Ref.N°. SA-224-15

Date. 05-04-2023

REVISED INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of SPA Service Enterprise set out on pages 4 to 21, which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, Statement of Changes in Equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 30 June 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with other 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

The Company's management are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) adopted by the company and the requirements of the Commercial Code of Ethiopia, and for such internal controls as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the management are 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 the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

a) 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 bases 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

d) Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



e) 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.

02 January 2023

Addis Ababa

Bezuayehu Mengesha, Certified Audit Firm

SPA SERVICE ENTERPRISE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 ETB	2021 ETB
REVENUE	5	169,788,272	118,689,271
COST OF SALES	7	83,053,618	53,983,646
		86,734,655	64,705,625
Overhead cost		11,136,319	14,840,240
GROSS PROFIT		**75,598,336**	**49,865,385**
Other income		1,655,863	1,595,915
		77,254,199	**51,461,300**
EXPENSES			
Administration	9	52,545,280	30,785,617
Borrowing cost	10	88,060	359,571
		52,633,340	31,145,188
PROFIT BEFORE TAX		**24,620,859**	**20,316,113**
Deferred tax charged to OCI		668,284	9,905,745
Leave and termination pay accrued written back		-	-
		25,289,144	**30,221,858**
Income tax expense	7.1	(9,468,014)	(8,223,983)
PROFIT FOR THE YEAR		**15,821,130**	**21,997,875**

SPA SERVICE ENTERPRISE
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	Notes	2022 ETB	2021 ETB
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment	12	162,001,493	164,857,481
Right use of asset	13	44,704,996	44,704,996
Government bond		300,000	300,000
Investment property	18	1,095,165	1,095,165
Intangible asset		1,298,292	1,298,292
		209,399,946	212,255,934
CURRENT ASSETS			
Trade and other receivables	14	21,316,342	21,509,330
Inventory	17	9,521,803	9,214,305
Cash and bank balances	15	2,525,571	9,324,999
		33,363,715	40,048,634
TOTAL ASSETS		**242,763,661**	**252,304,568**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid up capital		4,382,705	4,382,705
Legal reserve		795,620	795,620
Retained earning		136,126,389	131,611,968
		141,304,714	136,790,293
NON- CURRENT LIABILITIES			
Bank loan	22	207,465	7,040,798
		207,465	7,040,798
CURRENT LIABILITIES			
Trade and other payables	19	35,125,877	47,321,931
Industrial develpoment fund	23	11,898,481	12,295,320
State dividend payable	24	-	-
Other tax payable	21	1,769,477	1,020,757
Profit tax payable	11.1	9,203,430	8,104,034
Deferred tax liability	11.2	36,401,982	35,733,698
Employee benefit	20	6,852,235	3,997,737
		101,251,483	108,473,477
TOTAL EQUITY AND LIABILITIES		**242,763,661**	**252,304,568**

SPA SERVICE ENTERPRISE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Paid up Capital ETB	Legal Reserve	Retained earning ETB	Total ETB
At 1 July 2021	**4,382,705**	**795,620**	**131,611,968**	**136,790,293**
Prior period adjustment	-		(11,306,709)	**(11,306,709)**
Profit for the year	-		15,821,130	**15,821,130**
At 30 June 2022	**4,382,705**	**795,620**	**136,126,389**	**141,304,714**

SPA SERVICE ENTERPRISE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	2022 ETB
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit for the year before taxation	24,620,859
Adjustments for:	
Depreciation of property, plant and equipment	11,029,376
Prior period adjustment	(11,306,709)
Amortization	-
	24,343,527
Movements in working capital	
(Increase)/decrease in inventory	(307,497)
Government bond	-
(Increase)/decrease in trade and other receivables	192,988
Increase in trade and other payables	(12,196,054)
(Decrease)/increase in Differed tax payable	3,522,782
(Decrease)/increase in profit taxes payable	1,099,396
(Decrease)/increase in other taxes payable	748,721
Cash generated from operations	**17,403,862**
Profit tax paid	(9,468,014)
Net cash generated from operating activities	**7,935,849**
CASH FLOWS FROM INVESTING ACTIVITIES	
Property, plant and equipment	(14,335,349)
Adjustment on Property, plant and equipment	6,161,960
Net cash used in investing activities	**(8,173,389)**
CASH FLOWS FROM FINANCING ACTIVITIES	
State dividend	(396,839)
Deferred tax charged to OCI	668,284
loan repaid during the period	(6,833,333)
Net cash used in financing activities	**(6,561,888)**
Net increase in cash and cash equivalents	(6,799,426)
Cash and cash equivalents at 1 July	9,324,999
Cash and cash equivalents at 30 June	**2,525,571**
Represented by:	
Bank and cash balances	2,525,571
	2,525,571

SPA SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022

1.Company information

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

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

2. Significant accounting Policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are se out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

2.2 Going Concern

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

2.3 Basis of Consolidation

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

2.4 Summary of significant accounting policies

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

. The Company classifies all other liabilities as non-current.

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

b) Fair value measurement

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value ,maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized with in the fair value hierarchy, described as follows ,based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements at a fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by a re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) Revenue from contract with customers

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

Interest income

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

Trade receivables

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

Contract liabilities

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

d) Government bond

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

e) Taxes

Current income tax

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

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

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

Deferred tax liabilities are recognized in full.

f) Foreign currencies

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

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

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

g. Foreign currency translation

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

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

h) Property plant and equipment

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

Depreciation

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

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

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

i) Leases

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

The company as lessee

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

j) Borrowing cost

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

k) Investment properties

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

l) Financial instruments

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

m) Inventories

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

n)Cash and short term deposits

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

o) Provisions, contingent assets and contingent liabilities

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

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

Post - employment benefit plans

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

Defined Contribution Plans

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

Other long-term employee benefits

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

Short-term employee benefits

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

q) Provisions, contingent assets and contingent liabilities

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



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

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

Significant management judgement

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

Recognition of deferred tax assets

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

Estimations

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

Impairment of non-financial assets

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

Provision for expected credit losses of trade receivables and contract asset

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

Useful lives of depreciable asset

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

Inventories

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

Other long-term employee benefit obligations

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

Fair value measurement

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

4. Financial risk management

4.1 Introduction

4.1.1 Risk measurement and reporting systems

The company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.2 Risk Mitigation

The company uses various risk mitigating techniques to reduce its risk to the level acceptance. Risk controls and mitigates, identified and approved for the company, are documented for existing and new process and systems.

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

4.2 Financial risk

Financial instruments by category

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

4.3 Credit Risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. key areas where the company is exposed to credit risk is trade receivables.

4.3.1 Management of credit risk

The company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved executive management.

4.4 Credit Risk

a) credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short term investments that were neither past due nor impaired 2022,30 June 2021as 1 July 2020 and are held in banks have been classified as no credit rating agencies in Ethiopia.

b) Credit quality of trade and other receivables

i) Trade receivables

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

On the above basis the expected credit loss for trade receivables as at 30 June 2021 and 30 June 2020 was determines as follows:

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

ii) Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred and expected losses in its receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for companies of homogeneous assets in respect of losses that have been incurred and expected to incurred but have not been identified on receivables subject to assessment impairment.

4.5 Capital management

The company maintains an efficient capital structure of equity shareholders' funds, consistent with the company's risk profile and the regulatory and market requirements of its business.

The company objectives in managing its capital are:

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

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input is significant to the fair value measurement as a whole.

4.6 Fair value of financial assets and liabilities

4.6.1 valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on weather the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent source; unobservable inputs reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized with in the fair value hierarchy, describes as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 : Inputs that are quoted market price (unadjusted) in active markets for identical asset or liabilities

- Level 2 : Inputs other than quoted prices included with in level 1 that are observable for the asset or liability (i.e. as price) or indirectly (i.e derived from prices). This category includes instruments valued using: quoted active market for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data . In conclusion, this category is for valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category Includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have significant effect on asset or liabilities valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions required to reflect differences between the instruments.

4.6.2 Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.6.3 Valuation technique using significant observable inputs - level 3

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

4.6.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by this annual financial statements, there were no movements between levels as a result of significant inputs for the fair valuation process becoming observable or un observable.

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.

5 REVENUE

	2022 ETB	2021 ETB
Room service	5,294,337	9,758,392
Food ,cafeteria and beverages	39,091,131	19,068,735
Bath and shower	65,665,565	55,591,415
Therapy and sauna bath	53,107,537	28,162,613
Shop rent	6,629,702	6,108,116
	169,788,272	**118,689,271**

6 OTHER INCOME

Interest income	-	21,691
Laundry Income	-	7,088
Other income	1,655,863	1,567,136
	1,655,863	**1,595,915**

7 COST OF MATERIALS AND SERVICES

Food ,cafeteria and beverages	37,216,719	23,623,424
Bath and shower	17,478,249	10,048,348
Therapy and sauna bath	13,087,619	6,940,287
Water	14,523,429	12,035,969
Room service	683,140	749,593
Clinic	64,463	586,025
	83,053,618	**53,983,646**

8 OVERHEAD COST

Material & Supplies	-	577,331
Repair & maintenances	26,080	3,223,069
Depreciation	11,014,389	10,690,464
Cleaning and sanitation	48,803	113,693
Other	47,047	228,936
Printing and stationary	-	6,747
	11,136,319	**14,840,240**

9 ADMINISTRATION

Salary and related benefit	30,752,916	17,028,362
Travel and per dim	13,000	68,781
Training	3,598	187,332
Stationery and printing	1,116,160	849,602
Fuel and lubricant	2,912,535	1,703,208
Electricity	3,582,635	2,933,588
Commission	74,569	29,671
Hotel	272,607	129,062
Repair and maintenance	5,905,414	517,032
License and registration	102	36,134
Royalty	-	69,388
Cleaning and sanitation	1,311,352	1,091,913
Uniform and clothing	947,191	844,570
Transportation	12,155	6,500
Periodical	34,770	30,285
Membership fee	24,451	3,800
Insurance	703,571	780,171
Donation	762,910	592,000
Advertisement	410,687	456,709
Penalty	5,113	9,784
Professional fee	367,600	1,653,164
Rent	188,717	-
Bad debts	352,616	234,932
Entertainment	1,128,417	255,357
Board fee	390,000	103,149
Depreciation	14,987	-
Other supply	924,998	-
Bank service charge	7,800	299,446
Miscellaneous	324,411	871,679
	52,545,280	**30,785,617**

10 BORROWING COST

Interest on bank	88,060	359,571
	88,060	**359,571**

11 PROVISION FOR BUSINESS INCOME TAX

11.1 Business income tax

Profit before taxation	24,620,859	20,316,113
Add: non- allowable expenses		
Bad debts expense	352,616	234,932
Donation	762,910	592,000
and donating	1,133,530	265,142
Depreciation and amortization per accounting policy	11,029,376	10,690,464
Provision for stock obsolescence written off	-	-
	13,278,432	11,782,537
	37,899,292	32,098,650
Less - Bank Interest income	-	(21,691)
Depreciation and amortization per tax policy	(6,339,246)	(4,663,682)
	31,560,046	**27,413,277**
Taxable profit		
Tax expense for the year	9,468,014	8,223,983
Advance profit tax	(264,583)	(119,949)
At 7 July - Payable/(recoverable)	**9,203,430**	**8,104,034**

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11.2 Reconciliation with deferred tax

At 30 June, 2022 , the tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are detailed as follows:

At the beginning of the year			
Deferred tax		35,733,698	45,639,312
Relating to origination and reversal of temporary Differences in profit or loss			
			130
		35,733,698	45,639,443
Recognized in the profit or loss- PPE	1,250,666		(9,426,761)
Recognized in the profit or loss- allowance for credit loss	(582,382)		(478,984)
Deferred tax charged to OCI		668,284	(9,905,745)
		36,401,982	**35,733,698**

12 PROPERTY, PLANT AND EQUIPMENT

COST	At 8 July 2021 ETB	Addition ETB	Reclassification ETB	At 7 July 2022 ETB
Building	140,185,078	6,161,960	-	146,347,038
Machinery and vehicles	52,294,733	2,260,319	-	54,555,052
Furniture and equipment	5,151,721	26,000	-	5,177,721
Computer & Printer	2,326,031	59,169	-	2,385,200
Other fixed asset	9,216,277	154,616	-	9,370,893
Construction In Progress	775,365	5,673,285	(6,161,960)	286,690
	209,949,205	**14,335,349**	**(6,161,960)**	**218,122,594**
DEPRECIATION				
Building	17,079,711	3,658,676	-	20,738,387
Machinery and vehicles	20,324,445	5,576,154	-	25,900,599
Furniture and equipment	4,389,096	1,035,544	-	5,424,640
Computer & Printer	1,978,866	395,107	-	2,373,973
Other fixed asset	1,319,606	610,814	-	1,930,420
	45,091,724	**11,276,295**	-	**56,368,019**
NET BOOK VALUE	**164,857,481**			**161,754,574**

13 RIGHT USE OF ASSET

	2022 ETB	2021 ETB
Cost		
At 8 July	44,704,996	44,704,996
Additions during the year	-	-
At 07 July	44,704,996	44,704,996
Net Book Value	44,704,996	44,704,996

14 TRADE AND OTHER RECEIVABLES

Trade	3,528,434	8,093,750
Advance	3,415,990	2,696,879
VAT	5,798,041	6,395,319
Sundry	-	211,992
Withholding	619,834	-
Staff loan	4,141,461	3,024,393
Deposit & prepayment	5,753,853	2,683,611
	23,257,614	**23,105,944**
Less:- Provision for uncollectable debtors	(1,941,272)	(1,596,614)
	21,316,342	**21,509,330**

15 CASH AND BANK BALANCES

Cash at bank	1,800,207	8,423,615
Cash on hand	725,364	901,383
	2,525,571	**9,324,999**

16 LEGAL RESERVE

According to article 45 of the Commercial Code of Ethiopia, The company transfers 5% of profit after tax to legal reserve account until it amounts to one- fifth of the capital.

17 INVENTORY

	2022 ETB	2021 ETB
Beverages	3,270,097	142,090
Provisions	262,564	261,771
Stationery and supplies	800,494	1,290,307
Medical supplies	24,306	24,243
Uniforms and clothing's	162,423	417,912
Cases and bottles	310,986	254,436
Building material and spare parts	3,379,786	2,351,872
Others	1,397,447	4,357,237
Fixed asset	474,305	114,438
Allowance for inventory impairment	(560,605)	-
	9,521,803	**9,214,305**

18 INVESTMENT PROPERTY

Cost	1,095,165	1,095,165
Charge for the year	-	-
Net value	**1,095,165**	**1,095,165**

19 TRADE AND OTHER PAYABLES

Trade	8,812,532	10,357,076
Debtors with credit balance	-	2,861,258
Unearned Revenue	8,014,608	12,756,578
Advance	327,292	204,683
Tax	1,915,781	3,946
Accrual	5,382,833	6,515,917
Salary	79,405	54,494
Intercompany payable	7,539,321	7,239,393
Overdue profit tax payable	-	4,735,843
Sundry	1,110,831	57,378
Cash on hand with credit balance	-	368
Pension	27,448	177,448
Retention Payable	1,915,826	2,357,549
	35,125,877	**47,321,931**

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20 EMPLOYEES BENEFIT:- SEVERANCE

The enterprise is obliged by law to pay severance payment for eligible employees who served the enterprise for 5 years when the employment is terminated. The amount payable is one month final salary for he first year of one third of the final salary for the remaining year of services. Accordingly the present value of post employment obligation (severance) and the related current service cost were measured using the projected unit credit method.

21 OTHER TAXES PAYABLE

Income tax	1,534,126	834,218
Withholding tax	235,351	186,539
	1,769,477	**1,020,757**

22 BANK LOAN

	207,465	7,040,798
	207,465	**7,040,798**

23 INDUSTRIAL DEVELOPMENT FUND

Opening	12,295,320	14,890,476
Adjustment	-	-
Transfer from current year profit	-	-
	12,295,320	14,890,476
Settlement during the year	(396,839)	(2,595,156)
Adjustment		-
	11,898,481	**12,295,320**

24 STATE DIVIDEND PAYABLE

Opening	-	9,033,792
Adjustment		-
Transfer from current year profit	-	9,033,792
		-
Settlement during the year	-	(9,033,792)
	-	-

25 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which has been reported in these financial statements