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**AUDIT SERVICES  
CORPORATION**

**ETHIOPIAN POSTAL SERVICE ENTERPRISE**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**30 SENE 2013 (7 JULY 2021)**

**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
IFRS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED July 7, 2021  
EXECUTIVE MANAGEMENT**

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**Management Board**

Ato Mesfine Tassew	Chairman
Ato Mulugeta Beyene	Member
Ato Ayalkibet Shiferaw	Member
Ato Solomon Debebe	Member
W/ro Meteriash Hayilegiyorgis	Member
Ato Degsew Babaw	Member
Ato Nebiyu Samuel	Member
W/ro Wubamilak Mengisitu	Member

**Executive Management**

Ato Dagmawi Haileye	Chief Executive Officer
Ato Gashaw Mersha	Chief Resource & Supply Administration
Ato Teshome Bireda	Chief Human Resource Officer
W/ro Alemgena Zerihun	Chief Finance Officer
W/ro Tigist Bekele	Chief Commercial Officer
Ato Henok G/wolde	Chief operation Officer
Ato Abrha Gebregiorgis	Chief of Staff to CEO
Ato Assefa Dessie	Internal Audit Director
W/ro.Tsega Asseffa	Customer Service Director
Ato Gelana Deresa	Legal Director
Ato Ibrahim	IT Director

**Independent auditor**

Audit Services Corporation  
Addis Ababa  
Ethiopia

**Corporate office**

Ethiopost headquarters  
Churchill Road  
P.O. Box 5555  
Addis Ababa, Ethiopia  
Tel. +251115155886  
web: www.ethiopost.et

**Principal banker**

Commercial Bank of Ethiopia  
Addis Ababa Branch  
Addis Ababa, Ethiopia



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
IFRS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED July 7, 2021  
REPORT OF THE MANAGEMENT**

The management members submit their report together with the financial statements for the period ended July 7, 2021, to the Public Enterprises Ownership and Management Agency.

**Incorporation and address**

Ethiopian Postal Service (Ethiopost) is the national designated postal operator which has been operational since 1894. enterprise was established as a public enterprise under Council of Ministers Regulations No. 165/2009.

The Enterprise's address is as below :

Ethiopian Postal Service Enterprise Headquarter  
Churchill Road  
P.O. Box 5555  
Addis Ababa, Ethiopia  
Tel. +251115155886  
web: www.ethiopost.et

**Principal activities**

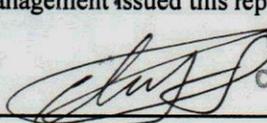
The enterprise's primary activity is providing postal service including letter, parcel and EMS services in its over 700 branches. In addition, it has ventured into new areas over the past years and provides agency services, transport and logistics services as well as sales of telecom goods.

**Results**

The Enterprise's results for the year ended July 7, 2021 are set out on page 7. The summarised results are presented below.

	7,july 2021 Birr	30 Sene 2012 Birr
Revenue/Income	651,309,159	447,749,194
Profit before tax	76,089,204	(40,861,280)
Net Profit for the year	63,779,723	(37,938,170)
Total comprehensive income for the year	63,779,723	(37,938,170)

The management issued this report are set out on page 3.

  
Dagmawi Haniye  
Chief Executive officer



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**IFRS FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED July 7, 2021**  
**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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In accordance with the Financial Reporting Proclamation (No. 847/2014), the Accounting and Auditing Board of Ethiopia (AABE) has directed the Enterprise to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS").

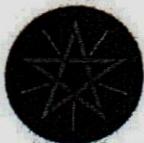
The management is responsible for ensuring proper books of accounts are kept, systems of internal control is in place and financial statements are prepared in accordance with IFRS and applicable local laws and regulations.

Nothing has come to the attention of the management to indicate that the Enterprise will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the management by:

  
Wagmawi Hailiye  
Chief Executive officer





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Office of the Federal Auditor General  
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE**

**Report on the Audit of the Financial Statements**

***Qualified Opinion***

We have audited the financial statements of Ethiopian Postal Service Enterprise which comprise the statements of financial position as at 30 Sene 2013, and the statements of profit or loss and other comprehensive income, statements of change in equity and statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for effects of matters described in the *Basis for Qualified Opinion* section of our report the accompanying financial statements is present fairly, in all material respect, the financial positions of the corporation as at 30 Sene 2013 and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for *Qualified Opinion***

1. IFRS requires an entity to assess at the end of each reporting period whether there is any indication that assets may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the assets. However, we obtained no sufficient and appropriate documentation as to whether the Enterprise has undertaken such assessment for property, plant and equipment.
2. IAS 2 requires that inventory should be valued at the lowest of cost and net realizable value. Since the inventory have not been adjusted to the net realizable value by the managements, which constitutes a departures from IFRS. Accordingly, this would have consequential significances effects on the cost of sales, income tax, net income and equity.

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**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

**Report on the Audit of the Financial Statements (continued)**

**Basis for *Qualified Opinion* (continued)**

3. Debtors included balances totalling Birr 118,019,468, local entities that had been outstanding for more than two years. Even though expected credit loss up to 47,093,422 have been provided, we were unable to obtain sufficient appropriate audit evidence that all or any part of this amount is actually receivable or that the Enterprise has any legal rights or claims thereto. Moreover no responses were obtained from circularized confirmation requests from foreign countries and local entities for the sum of Birr 199,822,223. In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of trade and other debtors.
4. Creditors included balances totalling Birr 14,040,036 from local entities that had been outstanding for more than two years and we have obtained no sufficient and appropriate evidence that they still represent actual liabilities. Moreover no responses were obtained from circularized confirmation requests from foreign countries and local entities for the sum of Birr 194,100,616. In consequence, In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of trade and other payable.
5. The application of IFRS 16 requires management to assess each regular monthly payments made by a lessee to a lessor for the right of use of assets and should properly reflect in the leases liability movements as a deduction for the year, recognize interest each period equal to the carrying amount of the leases liability multiplied by the lessee's incremental borrowing interest correctly, and disclosed both leases liability and interest expenses. However, the enterprises not complied with the requirements of the standards as appropriately.

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 corporation 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 those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

**Report on the Audit of the Financial Statements (continued)**

**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 thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard (IFRS) and in the manner required by the Commercial Code of Ethiopia of 1960, 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 Enterprise'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 Enterprise or to cease operations, or has no realistic alternative but to do so.

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

**Report on the Audit of the Financial Statements (continued)**

***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

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 corporation's internal control.
- 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 corporation'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 corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

**Report on the Audit of the Financial Statements (continued)**

***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

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 Woizero Alganesh Araya.

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**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

**Report on the Audit of the Financial Statements (continued)**

**Other Information**

***Information Other than the Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. The other information comprises the Management and executive management, , but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

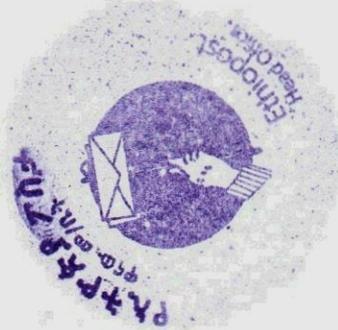
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

*Audit Services Corporation*

14 August 2024



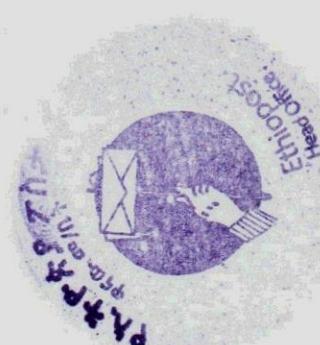
**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED July 7, 2021**



	7-Jul-21	7-Jul-20
	Total	Total
Notes	Birr	Birr
Revenue from contracts with customers	595,812,267	436,157,330
Direct costs	(248,280,553)	(104,468,671)
<b>Gross profit</b>	<b>347,531,713</b>	<b>331,688,660</b>
Operating expenses	(303,376,102)	(341,471,649)
Impairment losses on financial assets	-	(16,408,618)
Other operating Income (expense)	55,496,893	11,591,864
<b>Earning before interest, tax, depreciation &amp; amortization(EBITDA)</b>	<b>99,652,504</b>	<b>(14,599,743)</b>
Depreciation & amortization	(37,307,992)	(35,221,345)
<b>Earning before interest and tax(EBIT)</b>	<b>62,344,512</b>	<b>(49,821,088)</b>
Finance income/(cost)-net	13,744,692	8,959,808
<b>Profit before income tax</b>	<b>76,089,204</b>	<b>(40,861,280)</b>
Current income tax expense/income	(12,309,481)	2,923,110
<b>Profit after tax</b>	<b>63,779,723</b>	<b>(37,938,170)</b>
<b>Total comprehensive income for the period</b>	<b>63,779,723</b>	<b>(37,938,170)</b>

**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED July 7, 2021**

	Notes	7-Jul-21 Birr	7-Jul-20 Birr
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment	22	535,695,769	562,423,961
Investment Property	23	336,681,914	336,556,158
Intangible Asset	24	20,165,979	7,861,678
Right of Use Asset	24a	1,388,571	1,641,857
Deferred Tax asset		8,335,968	
		<b>902,268,200</b>	<b>908,483,654</b>
<b>Current Assets</b>			
Inventories	25	60,524,154	59,346,225
Other assets	26	2,545,057	43,826,967
Trade and other receivables	27	382,067,413	343,584,973
Cash and cash equivalents	28	317,993,849	607,086,077
		<b>763,130,473</b>	<b>1,053,844,241</b>
<b>Total Assets</b>		<b>1,665,398,673</b>	<b>1,962,327,896</b>
<b>Liabilities and Equity</b>			
<b>Non-Current Liabilities</b>			
Defined benefit liability	30a	37,388,659	36,396,181
Lease Liability	24b	1,087,168	927,923
Grants	32	6,087,207	5,053,745
Deferred tax liability	21c	110,290,916	108,575,635
Retention Payable	31	8,777,038	9,883,053
		<b>163,630,987</b>	<b>160,836,537</b>
<b>Current Liabilities</b>			
Trade and other payables	33	908,545,942	1,207,504,903
Accrued annual leave	30b	4,464,939	19,524,453
Lease Liability	24b	108,909	447,129
Taxa and Other Payables	33 (c)	66,604,038	151,687,071
Current income tax liability	33 (b)	18,960,089	-
		<b>998,683,916</b>	<b>1,379,163,556</b>
<b>Total Liabilities</b>		<b>1,162,314,904</b>	<b>1,540,000,094</b>
<b>Equity</b>			
Paid up capital	34	109,097,601	63,274,478
Legal reserve	35	11,221,173	8,988,882
Revaluation reserve	36	247,947,566	247,947,566
Retained earnings	37	134,817,430	102,116,876
<b>Total Equity</b>		<b>503,083,769</b>	<b>422,327,802</b>
<b>Total Equities and Liabilities</b>		<b>1,665,398,673</b>	<b>1,962,327,896</b>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
STATEMENT OF CHANGE IN EQUITY  
FOR THE YEAR ENDED July 7, 2021**

	Paid Up Capital		Legal Reserve		Revaluation Reserve		Retained Earnings		Total Equity	
	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr
<b>Balance as at 7, July 2020</b>	63,274,478	8,988,882	247,947,566	102,116,876	422,327,802					
Profit of the year				63,779,723	63,779,723					63,779,723
Adjustments				16,976,244	16,976,244					16,976,244
Transfer to Paid up capital	45,823,123			(45,823,123)						-
Transfer to legal reserve		2,232,290		(2,232,290)						-
<b>Balance as at 7, July 2021</b>	<b>109,097,601</b>	<b>11,221,173</b>	<b>247,947,566</b>	<b>134,817,430</b>	<b>503,083,769</b>					



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2021**

	Notes	7-Jul-21 Birr	7-Jul-20 Birr
<b>Cash Flows from Operating Activities</b>			
Net Profit	20	(163,096,076)	303,178,630
Net Finance cost		13,744,692	9,074,593
Income tax paid		(104,570,309)	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(253,921,693)</b>	<b>312,253,223</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of property, plant and equipment		(19,764,381)	(35,261,892)
Purchase of intangible assets		(16,211,587)	
Purchase of investement Property		(7,527,697)	
Proceeds from sale of property, plant and equipment		8,333,133	
Proceed from Investment securities at amortised cost		-	24,963,159.00
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(35,170,531)</b>	<b>(10,298,733)</b>
<b>Cash Flows from Financing Activities</b>			
Lease liability		-	(108,909)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>-</b>	<b>(108,909)</b>
Net increase/(decrease) in cash and cash equivalent		(289,092,225)	301,845,581
Cash and cash equivalents at the beginning of period		607,086,074	305,240,493
Effects of exchange rate changes on cash and cash equivalents			
<b>Cash and cash equivalents at end of period</b>	<b>28</b>	<b>317,993,850</b>	<b>607,086,074</b>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS**  
**THE YEAR ENDED JULY 7, 2021**

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**1 General information**

Ethiopian Postal Service Enterprise was established on March 9, 1894 by Emperor minilk II prior to the introduction of telephone, a vital meanse of exchange information, first for political and administrative purpose and later for public correspondance. The proclamation providing the establishment of the enterprise as ethiopian postal service enterprise is proclamation No. 240 1966 , laid the administration of infrastructure for the improvement ,expansion and modernization of postal system,

under the proclamation ,the post office was organised as an independent departement of ministry of Posts,telegraphes and Telephones. The Enterprise was Re established as a public enterprisse in megabit 2001 Ethiopian Calander and it is governed by Public Enterprise Proclamation No. 25/1984.

Henceforth it establishment, the enterprise has the right to operate the transport of postal article and the performance of all services incidental thereto, including without limitation receiving Collecting ,dispatching and delivering postal articles, the acceptance and remittance of limited sumes of money by meanse of postal ordr ,the management and control of postal packets and parceles , the maintainace and operation of philatelic and related services as well as carrying out agency services.

The enterprise is located Around Biherawi Theater,Infront of Ethio-Cuban Park, Adiss Abeba, Ethiopia. It manages various operations located at both Addis Ababa and across different corners of the country.

**2 Summary of significant accounting policies**

**2.1 Introduction to summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.Additional information required by the Commercial Code of Ethiopia 1243/2021 are included where appropriate.

**2.2 Basis of preparation**

The financial statements for the year ended July 7, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard Board ("IASB"). Additional information required by national regulations are included where appropriate.

The financial statements comprise : Statements of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes to the financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the enterprise's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the enterprise's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**2.2.1 Going concern**

The financial statements have been prepared on a going concern basis. The Management has no doubt that the enterprise would remain in existence for the next 12 months.



## 2.3 Presentation and Functional Currency

The financial statements of postal service enterprise is presented in ETB, which is also the functional currency of the enterprise. Transactions and balances transaction in foreign currencies are initially recorded by the enterprise at their respective functional currencies spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss. Non – Monetary items that are measured on historical cost in a foreign currency are recognized using the exchange rates at the date of the initial transactions.

## 3 Significant accounting judgments, estimates and assumptions

### 3.1 Estimates and assumptions

The preparation of the enterprise's financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of elements of the statement and the acenterprising disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### Judgments

In the process of applying the enterprise's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

#### 3.1.1 Impairment of non-financial assets

The Enterprise assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Enterprise estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 3.1.2 Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.



### 3.1.3 *NRV for inventories*

The enterprise uses judgments to estimate the selling price of inventories along with their selling cost. To come up with the reliable estimate of selling price of inventories, The enterprise uses projected selling price along with selling costs.

### 3.1.4 *Employee benefits*

The enterprise has an employee benefit scheme which follows the Labor Proclamation No. 1156/2019 in which it effects severance pay for those employees who voluntarily leaves the enterprise after 5 and plus years of service. The payment made is based on employees' final salary. Liability in relation to severance pay is calculated using estimates to provide a reliable approximation of the liability incurred.

The enterprise recognizes a liability and an expense for bonuses based on the decision of the board of directors. The enterprise recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The enterprise also accounts for annual leaves by providing in full for all unused leaves.

The enterprise has a defined post-employment scheme in line with the provisions of Ethiopian pension proclamation. Funding under the scheme is 7% and 11% by employees and the enterprise respectively. The pension scheme is based on employees' monthly salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

Termination benefits are payable to employees as per proclamation 715/2011 when employment is terminated by the enterprise before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The enterprise recognises 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.

The enterprise uses estimates, averages and computational short cuts to provide a reliable approximation of the liability incurred in relation to severance pay. The enterprise uses five years trend to come up with average figures t and estimate severance pay obligation.

### 3.1.5 **PROVISIONS**

Provisions are recognized when the enterprise has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the enterprise expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

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

## 4 **Changes in accounting policies and disclosures**

### **New Standards, amendments, interpretations issued but not yet effective**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 7 July 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the enterprise, except the following set out below:

*New and Amendments to standards*

*Effective for annual periods beginning on or after*

IFRS 3 Definition of a Business

1 January 2020

Amendments to references to the conceptual framework in IFRS Standards

1 January 2020



Sales from Postal related products	The revenue from sale of postal related products such as carton, flyer envelop, philatelic stamp are recognized at a point in time when the promised goods are delivered to the customer.
Sale of Telecom products	The enterprise recognizes revenue from sales of telecom products such as SIM, Voucher card and handset when such goods are delivered to the customer.
Postal box rental	These are amounts paid by customers for the rental of private post boxes. The key deposit amount is recognized as a non - refund liability because it is not refundable upon cancellation by the customer. Revenue is recognized on an accrual basis over time through the rented period. Box revenue also include the sale of locks which is recognized at a point in time when keys are transferred to customers.
House rental	These are amounts paid by customers for the rental of the enterprise's buildings. Revenue is recognized on an accrual basis over time through the rented period.
Agency revenue /Commission income	Agency revenue is commission due to the Enterprise for collecting money on behalf of third parties, sale of products on behalf of third parties or due to paying money on behalf of third parties. Revenue from rendering of agency services is recognized at a point in time when the enterprise rendered the required service or sold consignment goods.

#### 4.1 Finance Income and expenses

For cash at bank, short and medium term loans measured at amortized cost, interest income or expense is recorded using the Effective Interest rate which is usually the contractual rate. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

In most cases, the contractual and effective interest rates are similar as the financial assets/liabilities are redeemed without any discount/premium and initial up-front fees of purchasing the financial assets/liabilities are insignificant.

#### 4.2 FOREIGN EXCHANGE GAINS OR LOSSES

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognised in the income statement.

#### 4.3 GAINS AND LOSSES ON SALE

Net gains on sale of items of PPE are presented in profit or loss as other income. Net losses on sale are included in depreciation. Net gains and losses are recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the PPE.

### 5 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

#### 5.1 FINANCIAL ASSETS

##### INITIAL RECOGNITION AND MEASUREMENT

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



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the enterprise commits to purchase or sell the asset. Trade receivables are recognized at their transaction price.

### 5.1.1 SUBSEQUENT MEASUREMENT

#### • AT AMORTIZED COST

The basis of classification depends on the enterprise's business model and the contractual cash flow characteristics of financial assets. All current financial assets the enterprise has are classified under amortized cost. The enterprise Adopts the expected credit losses model of IFRS 9.

The enterprise uses amortized cost to measure its financial assets along with providing for impairment allowance as per the requirement of IFRS 9. For its trade receivables, the enterprise measures the loss allowance at an amount equal to lifetime expected credit losses using provision matrix. The provision matrix is based on default rates which mirrors annual infelation index, in conjunction with more forward-looking information that is reasonably available without undue cost or effort, Such as inflation indexes (as per BCE.163 (c)).

At every reporting date, the historical observed default is updated to reflect current and forecast credit conditions if there are conditions that indicate default rates have changed.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the enterprise immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the enterprise's statement of financial position) when:

- \* The rights to receive cash flows from the asset have expired, or
- \* The enterprise 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 enterprise has transferred substantially all the risks and rewards of the asset, or
- (b) The enterprise has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the enterprise has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the enterprise continues to recognise the transferred asset to the extent of the enterprise's continuing involvement.

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

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 enterprise could be required to repay.

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 enterprise uses cost to measure the investments as it represents the best estimate of fair value within the available ranges.

The Enterprise's trade and other receivables are measured, at initial recognition, at fair value plus transaction costs, if any.

For trade receivables, the Enterprise applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



## 5.1.2 FINANCIAL ASSETS CARRIED AT AMORTIZED COST

The enterprise uses amortized cost to measure its financial assets along with providing for impairment allowance as per the requirement of IFRS 9. For trade receivables, the Enterprise applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 5.2 FINANCIAL LIABILITIES

### 5.2.1 INITIAL RECOGNITION AND MEASUREMENT

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

### 5.1.2 OFFSETTING OF FINANCIAL INSTRUMENT

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

## 5.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, cash at bank and treasury bills when they are deemed payable within three months.

## 6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the enterprise recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Item	Depreciation method	Useful life
Free hold land	Indefinite	Not applicable
Building*	Straight line method	5-50 years
Office Furniture and Other Equipment	Straight line method	2-20 years
Motor Vehicles	Straight line method	8-12 years
Computers and Other IT Equipments	Straight line method	5-8 years
Motorcycles and Bicycles	Straight line method	3-8 years
Infrastructures & Roads	Straight line method	5-8 years
Assets under construction	No depreciation until asset is complete and in use	



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\*The useful life of building varies depending on its type and condition. Service houses, parking facilities, lamera houses and old buildings are considered to have a lower year of service(i.e. less than 10 years).

The enterprise commences depreciation when the asset is available for use. Free hold Land is not depreciated. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

## 7 INVESTMENT PROPERTY

The Enterprise owns buildings for rental or capital appreciation which qualifies as an investment property.

The Enterprise's investment property (i.e buildings) is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

The Enterprise initially recognizes investment property at cost which comprises its purchase price and any directly attributable expenditure.

Subsequent to initial measurement, the Enterprise accounts investment property with cost model.

Depreciation is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives. Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognized.

The useful life of investment property is estimated to be from 5 years to 50 years depending on the type of buildings and its condition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Enterprise used fair value as deemed cost in its opening IFRS statement of financial position for investment property.

The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

## 8 Intangible assets

An intangible asset is recognized when:

It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset measured reliably



Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization/ depreciation and accumulated impairment losses. Amortization/depreciation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization/depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Enterprise does not have intangible assets with indefinite useful lives.

**An intangible asset arising from development (or from the development phase of an internal project) is recognized when:**

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognised.

The enterprise's Amortization/depreciation method and useful lives are stated as below:

Item	Depreciation method	Useful life
Software	Straight line method	5-10 years



## 9 OTHER ASSETS

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the enterprise's financial statements include the following:

### 9.1 PREPAYMENT

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

### 9.2 OTHER RECEIVABLES

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

## 10 Government grants

Government grants are recognized when there is reasonable assurance that;

- the Enterprise will comply with the conditions attaching to them; and
- the grants will be received.

These are included in subsidy received in advance until they are utilized.

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate for.



Government grants are recognized in profit or loss on a systematic basis over the periods in which the Enterprises recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Enterprise should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants related to income are deducted from the related expense.

## 10 EMPLOYEE BENEFITS

The enterprise has an employee benefit scheme which follows the Labor Proclamation No. 1156/2011. The enterprise recognizes a liability for short term benefits as employees render services. The enterprise accounts for annual leaves by providing in full for all unused leaves.

The enterprise has a defined 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 enterprise respectively. The pension scheme is based on employees' monthly salary.

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

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

### 10.1 TERMINATION BENEFITS

Termination benefits are payable to employees as per proclamation 715/2011 when employment is terminated by the enterprise before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The enterprise 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.

## 11 LEASE

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

### 11.1 *enterprise as a lessee*

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

### 11.2 *enterprise as a lessor*

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



## 12 INCOME TAXATION

### 12.1 CURRENT INCOME TAX

The income tax liability for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 12.2 DEFERRED TAX

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. Deferred tax is determined using tax rates (and laws) that have been enacted or

substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

## 13 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 have been eliminated for the purpose of preparing this statement.

## 14 INVENTORIES

Inventories are measured at the Lower of Cost and Net Realisable Value. The enterprise writes down the values of obsolete inventories to nil which it no longer expects future economic benefit from. Inventories are presented net of impairment.

To value the cost of Inventories, the enterprise uses weighted average method. The enterprise uses projected selling price along with selling costs to measure NRV. Raw materials and work in progress are not written off unless the NRV of the finished products are assessed to be lower than their cost.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED July 7, 2021**

**15 Financial risk management**

**15.1 Introduction**

**15.1.1 Risk measurement and reporting systems**

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 Enterprise. These limits reflect the business strategy and market environment of the enterprise as well as the level of risk that the Enterprise is willing to accept, with additional emphasis on selected regions. In addition, the Enterprise measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

**15.1.2 Risk mitigation**

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

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

**15.2 Financial risk**

**Financial instruments by category**

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

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

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

	At fair value through profit or loss	At amortized cost
	ETB	ETB
<b>7-Jul-21</b>	<b>ETB</b>	<b>ETB</b>
Cash and balances with banks	-	317,993,849
Investment securities	-	-
- Financial assets measured at Cost PL	-	-
Trade receivables	-	382,067,413
Other receivables excluding prepayments	-	442,381
<b>Total financial assets</b>	<b>-</b>	<b>700,503,643</b>
<b>7-Jul-20</b>	<b>ETB</b>	<b>ETB</b>
Cash and balances with banks	-	607,086,077
Investment securities	-	-
- Financial assets measured at Cost PL	-	-
Trade receivables	-	343,584,973
Other receivables excluding prepayments	-	1,099,281
<b>Total financial assets</b>	<b>-</b>	<b>951,770,330</b>
<b>7-Jul-19</b>		
Cash and balances with banks	-	305,240,494
Investment securities	-	-
- Financial assets measured at Fair Value PL	-	-
Trade receivables	-	298,235,316
Other receivables excluding prepayments	-	1,453,111
<b>Total financial assets</b>	<b>-</b>	<b>604,928,921</b>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED July 7, 2021**

**15.3 Credit risk**

The Enterprise 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 Enterprise is exposed to credit risk is trade receivables.

**15.3.1 Management of credit risk**

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

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

	7-Jul-21 ETB	7-Jul-20 ETB
Cash and balances with banks	317,993,849	607,086,077
Investment securities:		
- Financial assets measured at Fair Value PL	-	-
Trade receivables	382,067,413	343,584,973
Other receivables excluding prepayments	442,381	1,099,281
	<u>700,503,643</u>	<u>951,770,330</u>



**15.4 Credit risk**

**15.4.1 Credit quality analysis**

**(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 at as 07 July 2021 and 07 July 2020 are held in banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

**(b) Credit quality of Trade and other receivables**

**(i) Trade receivables and Other Financial Assets**

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

The expected loss rates are based on the payment profile for sales over the past 48 months before 07 July 2021 and 07 July 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Enterprise has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

On the above basis the expected credit loss for trade and Other Financial assets receivables as at 07 July 2019, 07 July 2020 and 07 July 2021 was determined as follows:

	1-90days	91-180days	181-270days	271-360days	>1yr	Total
<b>7-Jul-21</b>						
Expected credit loss rate	0.020	-	0.050	0.075	0	-
Gross carrying amount (ETB)	110,320,417	-	29,404,963	15,078,326	263,462,053	418,265,760
Lifetime expected credit loss (ETB)	2,206,408	-	1,470,248	1,130,874	39,519,308	44,326,839
<b>7-Jul-20</b>						Total
Expected credit loss rate						-
Gross carrying amount (ETB)						
Lifetime expected credit loss (ETB)	-	-	-	-	-	86,568,941
<b>7-Jul-19</b>						
Expected credit loss rate						-
Gross carrying amount (ETB)						
Lifetime expected credit loss (ETB)	-	-	-	-	-	70,160,323

**15 Financial risk management (continued)**

**15.4 Credit risk (continued)**

**5.4.2 Credit quality analysis**

**(b) Credit quality of Trade and other receivables**



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED July 7, 2021**

(i) **Trade receivables and Other Financial Assets**

The closing balances of the trade receivables and Other Financial Assets loss allowance based on collective assessment as at 07 July 2021 and 07 July 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Trade receivables and Other Financial Assets	347,574,757
Loss allowance based on collective assessment as at 7 July 2018 calculated under previous framework IFRS 9 transition adjustments	72,788,078
Opening loss allowance at 08 July 2019	72,788,078
Loss allowance recognized during the year	(2,627,755)
Loss allowance as at 07 July 2019	70,160,323
Loss allowance recognized during the year	16,408,618
Loss allowance as at 07 July 2020	86,568,941
Reversal of Loss allowance during the year	(42,242,102)
Loss allowance as at 07 July 2021	44,326,839

(ii) **Allowance for impairment**

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

	7-Jul-2021 ETB	7-Jul-2020 ETB	7-Jul-2019 ETB
Expected reversal / ( loss)	(42,242,102)	16,408,618	(2,627,755)
	(42,242,102)	16,408,618	(2,627,755)

15.4.3 **Credit concentrations**

The Enterprise monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 07 July 2021 and

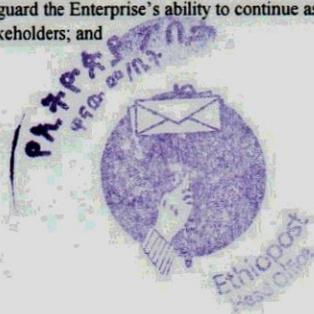
	Public ETB	Private ETB	Total ETB
<b>7-Jul-2021</b>			
Cash and balances with banks	-	317,993,849	317,993,849
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	-	317,993,849	317,993,849
<b>7-Jul-2020</b>			
Cash and balances with banks	-	607,086,077	607,086,077
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	-	607,086,077	607,086,077
<b>7-Jul-2019</b>			
Cash and balances with banks	-	305,240,494	305,240,494
Investment securities:			
- Financial assets measured at Fair Value	-	-	-
	-	305,240,494	305,240,494

15.5 **Capital management**

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

The Enterprise'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 Enterprise's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and



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- to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

An important aspect of the Enterprise'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 Enterprise is focused on the creation of value for shareholders.

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

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

**15.6 Fair value of financial assets and liabilities**

**5.6.1 Valuation models**

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

**5.6.1 Valuation models (Continued)**

	07 July 2021		07 July 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB
<b>Financial assets</b>				
Cash and balances with banks	317,993,849	317,993,849	607,086,077	607,086,077
Investment securities:				
– Financial assets measured at Cost	-	-	-	-
Trade receivables	382,067,413	382,067,413	343,584,973	343,584,973
Other receivables excluding prepayments	442,381	442,381	1,099,281	1,099,281
<b>Total</b>	<b>700,503,643</b>	<b>700,503,643</b>	<b>951,770,330</b>	<b>951,770,330</b>
<b>Financial liabilities</b>				
Trade payables	234,901,070	234,901,070	406,013,370	
Bank overdraft	-	-	-	
Borrowings	-	-	-	
Other liabilities	686,886,848	686,886,848	830,899,038	
<b>Total</b>	<b>921,787,918</b>	<b>921,787,918</b>	<b>1,236,912,408</b>	



**15.6.3 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.



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**15.6.4 Valuation technique using significant unobservable inputs – Level 3**

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

**15.6.5 Transfers between the fair value hierarchy categories**

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

**15.7 Offsetting financial assets and financial liabilities**

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.



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**16 Revenue from contracts with customers**

	7-Jul-21	7-Jul-20
	<b>Total Birr</b>	<b>Total Birr</b>
The disaggregation of revenue based on timing and nature is as below :		
<b>Overtime:</b>		
Foreign mail service	30,157,305	28,243,894
Express mail service	260,590,992	155,884,586
Parcel service	64,448,823	48,738,272
Post box rental	7,381,983	6,635,126
Home to home delivery service	77,952,438	105,792,432
Letter & philately service	23,458,659	6,155,268
Transport & Logistics income	36,896,136	11,598,260
House rental income	44,147,236	38,676,065
Commission income-telecom products	49,587	4,320,405
Commission income-other services	50,729,107	12,865,199
	<b>595,812,267</b>	<b>418,909,506</b>

**At a point in time:**

Sales of telecom products	-	8,875,500
Sales of Packaging materials	-	8,372,325
	-	17,247,824
	<b>595,812,267</b>	<b>436,157,330</b>

**17 Expenses by nature**

**17a Direct costs**

	7-Jul-21	7-Jul-21
	<b>Total Birr</b>	<b>Total Birr</b>
Mail transportation	248,280,553	95,967,056
Cost of telecom products	-	8,436,887
Commission expense-telecom products	-	64,727
	<b>248,280,553</b>	<b>104,468,671</b>





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21 Current income and deferred tax

21a Current income tax expense	7-Jul-21 Birr	7-Jul-20 Birr
Profit of the year	76,089,204	(40,861,280)
Non-deductible expenses		
Depreciation & amortization-IFRS	37,307,992	35,546,710
Employee Refreshment	4,500	
Employee Refreshment	868,319	
Fines & Penalty Charges	126,111	
Interest Expense-Late Payment Charges	846,725	
Severance Pay	992,457	
Employee Gifts	100,000	
Sponsorship & Donation	734,355	
Depreciation & amortization-Tax	(36,501,249)	(44,965,045)
Gain or Loss from Sales of Fixed Asset		
Sale of Fixed Asset		
Gain or Loss from Foreign Exchange Differences	(1,411,926)	
Deferred income Tax		
Interest Income	(15,341,375)	(11,940,462)
Income From Donation & grant	(714,550)	(464,972)
<b>Taxable Income</b>	<b>63,100,562</b>	<b>(62,685,049)</b>
Current year income tax expenses (30%)	(18,930,169)	(18,805,515)
Loss Brought Forward		
Deferred Tax	6,620,688	2,923,110
Tax assessment difference		
<b>Tax Expense</b>	<b>(12,309,481)</b>	<b>(15,882,405)</b>

21b Current tax income liability

	7-Jul-21 Birr	7-Jul-20 Birr
Being recognition of tax arrears & current tax payable arising from tax audits	151,687,071	151,687,071
Amount paid during the year	(104,570,309)	-
	<b>47,116,762</b>	<b>151,687,071</b>
Current Year tax Provision	18,960,089	-
	<b>18,960,089</b>	-



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**21c Deferred income tax**

	<b>7-Jul-21</b>	<b>7-Jul-20</b>
	<b>Birr</b>	<b>Birr</b>
Opening Balance	108,575,635	105,652,525
Deferred Tax addition	1,715,281	2,923,110
	<b>110,290,916</b>	<b>108,575,635</b>



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22 Property Plant Equipment

	Balance at July	Disposals	Transfers	Additions	Balance at
	7, 2021				July 7, 2020
	Birr	Birr	Birr	Birr	Birr
Land and Building	392,560,253	(709,015)			393,269,268
Office Furniture & Equipment	33,983,958			243,490	33,740,468
Motor Vehicles	108,091,083	(10,656,519)			118,747,602
Computers and Accessories	36,485,271			6,031,408	30,453,864
Motorcycles and Bicycles	12,236,844				12,236,844
Construction in Progress	66,983,923	(15,231,324)		13,489,483	68,725,763
	<b>650,341,331</b>	<b>(26,596,858)</b>	<b>-</b>	<b>19,764,381</b>	<b>657,173,809</b>
<b>Depreciation</b>					
Land and Building	31,840,627	(88,578)		6,421,889	25,507,317
Office Furniture & Equipment	17,308,069			3,463,612	13,844,457
Motor Vehicles	40,593,778	(6,286,900)		10,329,821	36,550,857
Computers and Accessories	18,105,757			4,595,361	13,510,397
Motorcycles and Bicycles	6,797,331			1,460,510	5,336,821
	<b>114,645,562</b>	<b>(6,375,478)</b>	<b>-</b>	<b>26,271,193</b>	<b>94,749,847</b>
<b>NBV</b>	<b>535,695,769</b>				<b>562,423,961</b>

23 Investment Property

	Balance at July	Disposals	Transfers	Additions	Balance at
	7, 2021				July 7, 2020
	Birr	Birr	Birr	Birr	Birr
Investment Property	357,253,252		7,527,697		349,725,555
<b>Depreciation</b>					
Investment Property	20,571,338		375,916	7,026,025	13,169,397
<b>NBV</b>	<b>336,681,914</b>				<b>336,556,158</b>

Impairment Review

Up on impairment review, Some parts of PPE(Doors, windows, ....), computers and accessories and furnitures and fixturs in many of the post offices located at the northern region are damaged because of political instability at the northern part of Ethiopia during the year, so that the net book value of the assets exceeds its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment required and should be recognised as it physically assessed and quantified in subsequent period.

Land and Building

The Enterprise has control over the freehold land it is using, and this control includes the ability to manage the asset's future economic benefit and keep other parties from acquiring an interest in it. The enterprise is endowed with both capacities with respect to the free hold land.

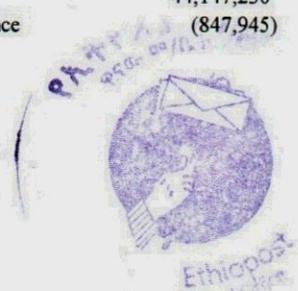
In addition, if a building on the property is demolished and the government utilises the space for another kind of investment, the firm is entitled to request and obtain extra land as compensation. It is clear from these information that the company owns the assets and it satisfies the definition stated on the conceptual frame work.

Because of the aforementioned factors the free hold land is included in the land and building as a non deperciable part of PPE.

The income generated and the expense incurred from investment property during the year is as follows:

	Balance at July	Balance at
	7, 2021	July 7, 2020
	Birr	Birr
Rental income	44,147,236	38,676,065
Repair and maintenance	(847,945)	(1,071,162)

24 Intangible Asset



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	Balance at July 7, 2021	Disposals	Transfers	Additions	Balance at July 7, 2020
	Birr		Birr	Birr	Birr
Software	33,580,515			16,211,587	17,368,928
Amortization	-				
Software	13,414,536			3,907,286	9,507,250
<b>NBV</b>	<b>20,165,979</b>	<b>-</b>	<b>-</b>	<b>12,304,301</b>	<b>7,861,678</b>

There is no any loan covenant attached to Property, plant & equipment, Investment property or Intangible assets of the company.

**24a Right of Use Asset**

	Balance at July 7, 2021	Disposals	Transfers	Additions	Balance at July 7, 2020
	Birr		Birr	Birr	Birr
Leased land	1,463,027				1,463,027
Leased Warehouse					357,593
Amortization					
Leased land	74,456			14,891	59,565
Leased Warehouse					119,198
<b>NBV</b>	<b>1,388,571</b>				<b>1,641,857</b>



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The rental charge incurred for leases with less than a year and those leases with low value is as follows:

	<b>Balance at July 7, 2021</b>	<b>Balance at July 7, 2020</b>
	<b>Birr</b>	<b>Birr</b>
Rent expense	<u>25,360,051</u>	<u>17,201,976</u>
<b>24b Lease liability</b>		
	<b>Balance at July 7, 2021</b>	<b>Balance at July 7, 2020</b>
	<b>Birr</b>	<b>Birr</b>
Balance at the beginning	1,375,052	1,369,176
Addition/removal during the year	(263,193)	
Interest expense during the year	84,269	114,785
Repayment during the year	-	(108,909)
<b>Balance at the end of the year</b>	<u><b>1,196,076</b></u>	<u><b>1,375,052</b></u>
<b>Lease Liability</b>		
Current	108,909	447,129
Non-current	1,087,168	927,923
	<u><b>1,196,076</b></u>	<u><b>1,375,052</b></u>

Provision Contingent liability and Contingent Assets is not recognised, based on the legal department assesment and past trend the probability of present obligation as a result of past event is less than 50%.



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**25 Inventories**

	7-Jul-21 Birr	7-Jul-20 Birr
Stock-telecom products	14,377,369	16,970,236
Stock-postal operation	34,038,293	26,044,748
Consumables	12,108,491	16,331,241
	<u>60,524,154</u>	<u>59,346,225</u>

**26 Other assets**

	7-Jul-21 Birr	7-Jul-20 Birr
Prepayment to suppliers	2,102,676	42,727,686
Advance to staffs	442,381	1,099,281
	<u>2,545,057</u>	<u>43,826,967</u>

**27 Trade and other receivables**

	7-Jul-21 Birr	7-Jul-20 Birr
<b>Trade Debtors</b>		
Local trade debtors	117,359,965	194,935,139
International trade debtors	209,542,384	193,143,608
<b>Other receivables</b>		
Vat Receivable	3,257,850	-
Withholding receivables	4,870,641	4,420,035
Sundry receivables	91,363,412	37,655,132
	<u>426,394,252</u>	<u>430,153,914</u>
<b>27a Impairment loss on financial assets</b>	(44,326,839)	(86,568,941)
	<u>382,067,413</u>	<u>343,584,973</u>



A simplified method is used to compute impairment of trade receivable. This Version involves use of practical expedients when measuring expected credit losses such as using a provision matrix in the calculation of the expected credit losses on trade receivables.

**28 Cash & Bank**

	7-Jul-21 Birr	7-Jul-20 Birr
Cash on Hand	2,560,203	40,688,828
Cash at Bank	315,433,647	492,991,485
Cash In Transit	-	73,460,134
	<u>317,993,849</u>	<u>607,140,447</u>

**28a Impairment losses**

	-	(54,370)
	<u>317,993,849</u>	<u>607,086,077</u>



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**Non current Liabilities**

**30 Other Long term Employee benefit obligation**

**30a Severance benefit plan**

The severance benefit plan is an unfunded Other Long Term employee Bnefit scheme. The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize.

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 1156/2011. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit.

The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

**Defined benefit liability**

	7-Jul-21 Birr	7-Jul-21 Birr
Severance Pay	37,388,659	36,396,181

**30b Short Term employment benefit obligation**

	7-Jul-21 Birr	7-Jul-20 Birr
Leave pay	—	—
Employee benefit expense:		
Accrued annual leave	4,464,939	19,524,453
Current service cost	4,464,939	19,524,453

	7-Jul-21 Birr	7-Jul-20 Birr
31 Retention payable	8,777,038	9,883,053
	8,777,038	9,883,053

	7-Jul-21 Birr	7-Jul-20 Birr
32 Grant		
Grant liability	6,087,207	5,053,745
Grant income	714,550	464,972

The enterprise has got grants at different times from Universal Postal Union for the purchase of vehicles. The grant is deferred and amortised as income through time based on the life of the assets used.



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**33 Trade and other payables**

	<u>7-Jul-21</u>	<u>7-Jul-20</u>
	Birr	Birr
<b>33 (a) Trade payable</b>		
Trade Payables	234,901,070	406,013,370
Advance & Deposit	666,875,760	768,069,823
Other accrued liabilities	6,769,112	33,421,711
	<u>908,545,942</u>	<u>1,207,504,903</u>

**33 (b) Current profit tax Payables**

	<u>7-Jul-21</u>	<u>7-Jul-20</u>
	Birr	Birr
<b>Current Tax Payable</b>	(18,960,089)	-
	<u>(18,960,089)</u>	<u>-</u>

**33 (c) Taxa and Other Payables**

	<u>7-Jul-21</u>	<u>7-Jul-20</u>
	Birr	Birr
Withholding Tax Payable (2%)	219,132	
Value Added Tax Payable	1,578,912	
Employee Income Tax Payable	10,235,672	
Tax Authority Payables VAT V	47,116,762	151,687,071
Pension Contribution Payable	7,145,230	
Other payables(deductions)	308,330	
	<u>66,604,038</u>	<u>151,687,071</u>





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**40 DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities are attributable to the following items:

**PPE**

	Tax Base	Carrying Amount	Taxable Temporary difference	Deferred Tax Liability	Deferred Tax Income (Expense)
2021	577,988,945	902,244,804	324,255,859	97,276,758	22,455,044
2020	509,377,648	908,483,654	399,106,006	119,731,802	7,895,992
2019	507,980,288	933,406,266	425,425,978	127,627,793	(94,002,316)

**Employee Benfit**

	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2021	-	41,853,598	41,853,598	12,556,079	(4,220,111)
2020	-	55,920,634	55,920,634	16,776,190	1,608,497
2019	-	50,558,976	50,558,976	15,167,693	14,822,594

**Expected Credit Loss**

	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2021	-	43,380,527	43,380,527	13,014,158	(12,956,524)
2020	-	86,568,941	86,568,941	25,970,682	(4,922,585)
2019	-	70,160,323	70,160,323	21,048,097	(788,327)

The Company accounts for deferred tax Balances In relation to PPEs and employee benefits. The Company sees the Carrying amounts and Tax bases of Assets/Liability to account for deferred tax balance.

