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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN POSTAL SERVICE ENTERPRISE

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2014 (7 JULY 2022)

ETHIOPIAN POSTAL SERVICE ENTERPRISE
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED July 7,2022
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**ETHIOPIAN POSTAL SERVICE ENTERPRISE
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED July 7,2022
REPORT OF THE MANAGEMENT**

The management members submit their report together with the financial statements for the period ended 30 Sene 2014, 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. 1
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

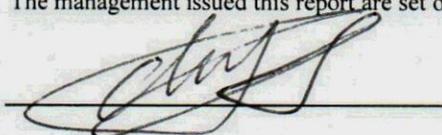
The enterprise's primary activity is providing postal service including letter, parcel and EMS services in its over 700 branches. In addition, it has ventured into new areas over the past years and provides agency services, transport and logistics services as well as sales of telecom goods.

Results

The Enterprise's results for the year ended 30 Sene 2014 are set out on page 7. The summarised results are presented below.

	30 Sene 2014	30 Sene 2013
	Birr	Birr
Revenue/Income	870,127,499	652,355,206
Profit before tax	183,850,040	58,175,162
	135,807,364	64,795,849
Total comprehensive income for the year	<u>183,850,040</u>	<u>64,795,849</u>

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



Dagmawi Hailiye
Chief Executive officer





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Office of the Federal Auditor General
Audit Service 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 2014, and the statements of profit or loss and other comprehensive income, statements of changes in equity and a statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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 Enterprise as at 30 Sene 2014 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.



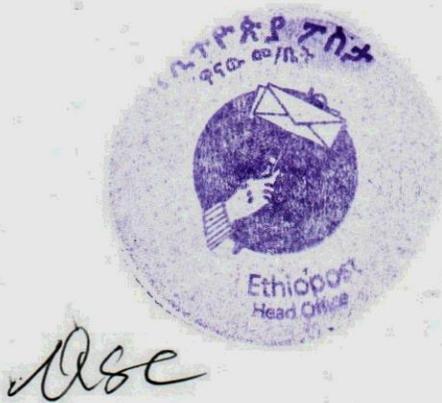
**INDEPENDENT AUDITOR'S REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN POSTAL SERVICE ENTERPRISE (continued)**

Report on the Audit of the Financial Statements (continued)

2. Debtors included balances totalling Birr 98,917,719, local entities that had been outstanding for more than two years. Even though expected credit loss up to Birr 52,158,572 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 297,801,071 (Birr 86,267,436 local and Birr 211,533,634 foreign). In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of trade and other debtors.

3. Creditors included balances totalling Birr 4,484,249 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 364,036,320 (Birr 229,937,871 foreign and Birr 134,098,449 local). In consequence, In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of trade and other payable

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

In preparing the financial statements, management is responsible for assessing the 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)**

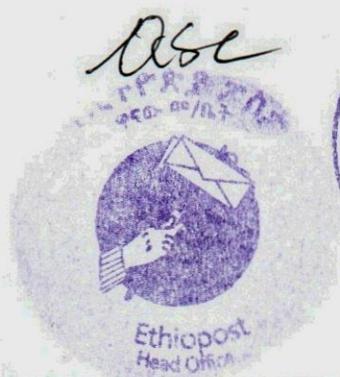
Report on the Audit of the Financial Statements (continued)

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.



**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 Report of the management and Executive management on pages 1, 2 and 3 do 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

10 October 2024



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED July 7,2022**



	July 7 2022	July 7 2021
Notes	Birr	Birr
Revenue from contracts with customers	870,127,499	595,812,267
Direct costs	(333,797,209)	(248,280,553)
Gross profit	536,330,290	347,531,713
Operating expenses	(353,556,378)	(303,376,102)
Impairment losses on financial assets	-	-
Other operating Income (expense)	20,341,733	55,496,893
Earning before interest, tax, depreciation & amortization (EBITDA)	203,115,645	99,652,504
Depreciation & amortization	(35,610,030)	(37,307,992)
Earning before interest and tax (EBIT)	167,505,615	62,344,512
Finance income/(cost)-net	16,344,425	13,744,692
Profit before income tax	183,850,040	76,089,204
Current income tax expense/income	(48,042,676)	(12,309,481)
Profit after tax	135,807,364	63,779,723
Total comprehensive income for the period	135,807,364	63,779,723

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED July 7,2022**



	Notes	July 7,2022 Birr	July 7,2021 Birr
Assets			
Non-Current Assets			
Property Plant and Equipment	22	541,414,280	535,695,769
Investment Property	23	329,186,425	336,681,914
Intangible Asset	24	16,851,642	20,165,979
Right of Use Asset	24a	1,373,642	1,388,571
Deferred Tax asset		13,179,291	8,335,968
		902,005,281	902,268,200
Current Assets			
Inventories	25	61,949,515	60,524,154
Other assets	26	20,397,443	2,545,057
Trade and other receivables	27	393,087,357	382,067,413
Cash and cash equivalents	28	385,285,140	317,993,849
		860,719,455	763,130,473
Total Assets		1,762,724,736	1,665,398,673
Liabilities and Equity			
Non-Current Liabilities			
Defined benefit liability	30	39,559,679	37,388,659
Lease Liability	24b	1,171,218	1,087,168
Grants	32	7,709,624	6,087,207
Deferred tax liability	21c	109,371,807	110,290,916
Retention Payable	31	9,275,444	8,777,038
		167,087,772	163,630,987
Current Liabilities			
Trade and other payables	33	825,586,581	908,545,942
Accrued annual leave	30a	10,606,595	4,464,939
Lease Liability	24b	108,909	108,909
Taxes and Other Payables	33©	73,540,303	66,604,038
Current income tax liability	21b	48,858,297	18,960,089
		958,700,685	998,683,916
Total Liabilities		1,125,788,457	1,162,314,904
Equity			
Paid up capital	34	109,097,601	109,097,601
Legal reserve	35	18,013,986	11,221,173
Revaluation reserve	36	247,947,566	247,947,566
Retained earnings	37	261,877,126	134,817,430
Total Equity		636,936,278	503,083,769
		1,762,724,736	1,665,398,673



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED July 7, 2022**

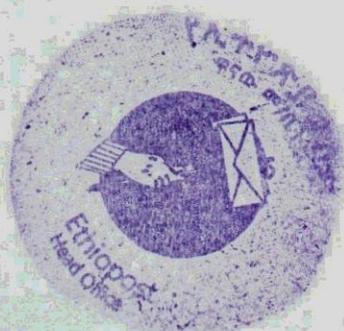
	Paid Up Capital	Legal Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	Birr	Birr	Birr	Birr	Birr
Balance as at July 7 2021	109,097,601	11,221,173	247,947,566	134,817,430	503,083,769
Profit of the year				135,807,364	135,807,364
Adjustments		2,445		(1,957,300)	(1,954,854)
Transfer to Paid up capital					
Transfer to legal reserve		6,790,368		(6,790,368)	
Balance as at July 7, 2022	109,097,601	18,013,986	247,947,566	261,877,126	636,936,278



ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED July 7,2022



	Notes	July 7 2022 Birr	July 7 2021 Birr
Cash Flows from Operating Activities			
Net Profit	20	115,792,694	(163,096,076)
Net Finance cost			13,744,692
Income tax paid		(18,960,089)	(104,570,309)
Net cash (outflow)/inflow from operating activities		96,832,605	(253,921,693)
Cash Flow from Investing Activities			
Purchase of property, plant and equipment		(29,221,715)	(19,764,381)
Purchase of ROU			
Purchase of intangible assets		(319,600)	(16,211,587)
Purchase of investment Property			(7,527,697)
Proceeds from sale of property, plant and equipment		-	8,333,133.00
Proceed from Investment securities at amortised cost			
Net cash (outflow)/inflow from investing activities		(29,541,315)	(35,170,531)
Cash Flows from Financing Activities			
Lease liability			
Net cash (outflow)/inflow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalent		67,291,291	(289,092,225)
Cash and cash equivalents at the beginning of period		317,993,850	607,086,074
Effects of exchange rate changes on cash and cash equivalents			
Cash and cash equivalents at end of period	19	385,285,140	317,993,850



ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022

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 Bihewi 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 1243/2022 are included where appropriate.

2.2 Basis of preparation

The financial statements for the year ended July 7, 2022 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.

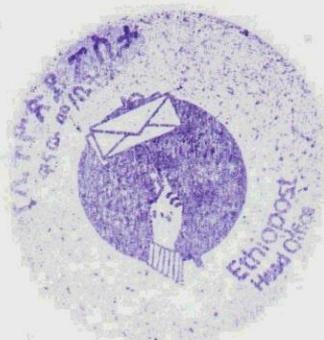
The financial statements comprise : Statements of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes to the financial statements.

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.



ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022



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.

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 acenterpriseing 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.



ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022

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 2022, 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:

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 3 Definition of a Business	1 January 2020
Amendments to references to the conceptual framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
IFRS 17 Insurance contracts	1 January 2022



5 Summary of accounting summary

5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

For all other opertaing activities, the enterprise recognize revenue at a point in time which is the point where the enterprise transfers the control of the Goods/services to its customers.

The principle that the enterprise recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. The enterprise recognizes revenue in by applying the following steps:



ETHIOPIAN POSTAL SERVICE ENTERPRISE

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED July 7, 2022

- Step1: Identify the contract(s) with a customer.
- Step2: Identify the performance obligation in the contract.
- Step3: Determine the transaction price.
- Step4: Allocate the transaction price to the performance obligation in the contract.
- Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

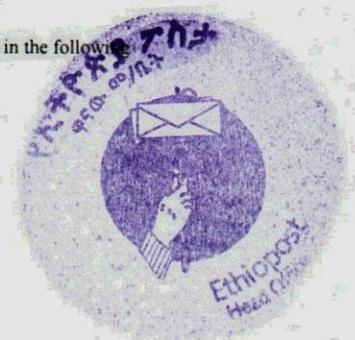
Expenses are recognized when incurred regardless of payment of cash.

When (or as) a performance obligation is satisfied, the Enterprise recognize as revenue the amount of the transaction price that is allocated to that performance obligation.

The Enterprise principally generates revenue from providing postal services (i.e letter, parcel & EMS), sales of telecom products & postal related items, transport & logistics services, rental of buildings and agency services.

The Enterprise derives revenue from the transfer of goods and services over time and at a point in time in the following major service and product lines:

Products and Services	Nature and Timing of Recognition
Parcel/EMS service revenue	Parcel/EMS service refers to courier service. Revenue from such services is recognized at a point in time when the items are sent to its destination. The time of delivery is based on the Enterprise's mail delivery performance statistics.
International mailing service revenue	Terminal dues are amounts due to the Enterprise for mail received from foreign postal administrators whose destination is Ethiopia. Transit dues are amounts due from international postal administrators for international mail which passes through the Enterprise in transit to its destination out of Ethiopia. Revenue from terminal and transit dues is recognized once the mail has been delivered to its destination in the case of terminal dues, and once it has been sent off to its next stop with regard to the latter. The time of delivery is based on the Enterprise's mail delivery performance statistics.
Transport & Logistics service	The enterprise recognizes revenue from transport & logistics when the service are provided.
Sales of postage stamp/postage meter/franking machine	For letter services, the Enterprise sells postage stamp/postage meter/franking machine to customers in advance, thus, customers use it to send mails. As per the Enterprise's performance statistics, customers use the postage stamp/postage meter/franking machine within the week of purchase. As no expiry date is given for sold stamps and most customers use it within the week of purchase, the Enterprise recognizes all stamp sales.
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.

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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 inflation 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:



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- * 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:



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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	



*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 INVESTEMENT 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.

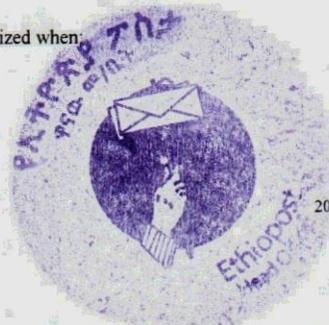
Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the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



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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

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.



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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



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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.



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NOTES TO THE FINANCIAL STATEMENT

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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 progresses are not written off unless the NRV of the finished products are assessed to be lower than their cost. The list of inventories the enterprise has are listed below



ETHIOPIAN POSTAL SERVICE ENTERPRISE
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED July 7,2022

15 Financial risk management
 15.1 Introduction
 15.1.1 Risk measurement and reporting systems

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 monitors 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

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 Fair Value 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	ETB	ETB
7-Jul-22				
Cash and balances with banks	-		385,285,140	
Investment securities	-		-	
— Financial assets measured at Cost PL	-		-	
Trade receivables	-		393,087,357	
Other receivables excluding prepayments	-		123,431	
Total financial assets	-	-	778,495,927	-
7-Jul-21				
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	
Total financial assets	-	-	700,503,643	-
7-Jul-20				
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	
Total financial assets	-	-	604,928,921	-



ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED July 7,2022

15 Financial risk management (continued)
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-22	7-Jul-21
	ETB	ETB
Cash and balances with banks	385,285,140	317,993,849
Investment securities:		
— Financial assets measured at Fair Value PL		
Trade receivables	393,087,357	382,067,413
Other receivables excluding prepayments	123,431	442,381
	<u>778,495,927</u>	<u>700,503,643</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 2022 and 07 July 2021 are held in banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.



ETHIOPIAN POSTAL SERVICE ENTERPRISE
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED July 7,2022

5.4.2 Credit quality analysis
 (b) Credit quality of Trade and other receivables
 (i) Trade receivables and Other Financial Assets

The closing balances of the trade receivables and Other Financial Assets loss allowance based on collective assesment as at 07 July 2022 and 07 July 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Trade receivables and Other Financial Assets	393,087,357
Loss allowance based on collective assesment as at 7 July 2019 calculated under previous framework IFRS 9 transition adjustments	70,160,323
Opening loss allowance at 08 July 2020	70,160,323
Loss allowance recognized during the year	16,408,618
Loss allowance as at 07 July 2020	86,568,941
Loss allowance recognized during the year	(42,242,102)
Loss allowance as at 07 July 2021	44,326,839
Reversal of Loss allowance during the year	7,831,733
Loss allowance as at 07 July 2022	52,158,572

(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 incurred but have not been identified on receivables subject to assessment for impairment.

	7-Jul-2022	7-Jul-2021	7-Jul-2020
	ETB	ETB	ETB
Expected reversal /(loss)	52,158,572	(42,242,102)	16,408,618
	52,158,572	(42,242,102)	16,408,618



ETHIOPIAN POSTAL SERVICE ENTERPRISE
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED July 7, 2022

5.6.1 Valuation models (Continued)

	07 July 2022		07 July 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB
Financial assets				
Cash and balances with banks	385,285,140	385,285,140	317,993,849	317,993,849
Investment securities:				
— Financial assets measured at Cost	-	-	-	-
Trade receivables	393,087,357	393,087,357	382,067,413	382,067,413
Other receivables excluding prepayments	123,431	123,431	442,381	442,381
Total	778,495,927	778,495,927	700,503,643	700,503,643
Financial liabilities				
Trade payables	313,916,008	313,916,008	234,901,070	
Bank overdraft	-	-	-	
Borrowings	-	-	-	
Other liabilities	531,552,612	531,552,612	686,886,848	
Total	845,468,620	845,468,620	921,787,918	

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.

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

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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022**

16 Revenue from contracts with customers

	July 7,2022	July 7, 2021
	Total Birr	Total Birr
The disaggregation of revenue based on timing and nature is as below :		
Overtime:		
Foreign mail service	45,684,813	30,157,305
Express mail service	436,926,092	260,590,992
Parcel service	93,803,068	64,448,823
Post box rental	25,576,386	7,381,983
Home to home delivery service	5,674,630	77,952,438
Letter & philately service	29,295,535	23,458,659
Transport & Logistics income	120,476,388	36,896,136
House rental income	61,848,813	44,147,236
Commission income-telecom products	5,775	49,587
Commission income-other services	<u>50,836,001</u>	<u>50,729,107</u>
	870,127,499	595,812,267
At a point in time:		
Sales of telecom products	-	-
Sales of Packaging materials	-	-
	<u>870,127,499</u>	<u>595,812,267</u>

17 Expenses by nature

7a Direct costs	July 7,2022	July 7, 2021
	Total Birr	Total Birr
Mail transportation	333,797,209	248,280,553
Cost of telecom products	-	-
Commission expense-telecom products	-	-
	<u>333,797,209</u>	<u>248,280,553</u>



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NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022**

20 Cash generated from operations

	<u>July 7,2022</u>	<u>July 7, 2021</u>
	<u>Birr</u>	<u>Birr</u>
Profit or loss before tax	183,850,040	76,089,204
Adjustment for:		
Depreciation of property, plant and equipment	23,503,203	26,359,772
Depreciation of investment property	7,495,532	7,026,025
Amortisation of intangible assets	3,633,937	3,907,286
Amortization of right of use assets	14,929	14,891
Adjustement		20,132,802
Interest expense		(3,921,773)
Interest income		
Unrealized foreign exchange gain/loss	891,965	
Grant income	(7,709,624.36)	(714,549.56)
Change in Working Capital:		
Decrease (increase) in inventories	(1,425,361)	(1,177,929)
Decrease (increase) in trade and other receivables	(11,019,944)	(38,482,440)
Decrease (increase) in other assets	(17,852,386)	41,281,910
Decrease (increase) in Current income tax liability	6,936,265	(85,155,586)
Increase (decrease) in trade and other payables	(74,696,881)	(209,448,166)
Increase (decrease) in defined benefit liability	2,171,020	992,478
Cash generated from operations	<u>115,792,694</u>	<u>(163,096,076)</u>



ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022

21 Current income and deferred tax

21a Current income tax expense

	July 7 2022	July 7 2021
	Birr	Birr
Profit of the year	183,850,040	76,089,204
Non-deductible expenses		
Depreciation & amortization-IFRS	35,610,030.04	37,307,992
Expected credit loss	8,778,045.17	4,500
Employee Refreshment	518,126.59	868,319
Fines & Penalty Charges	2,076,813.35	126,111
A/leave Expense	6,685,860.16	
Interest Expense-	3,189,214.19	846,725
Severance Pay	3,847,684.48	992,457
Employee Gifts	2,373,663.34	100,000
Sponsorship & Donation	5,010,000.00	734,355
Compensation for Loss/Damage	1,993,472.80	
Miscellaneous Expenses	2,324,615.49	
Depreciation & amortization-Tax	(41,389,325)	(36,501,249)
Sale of Fixed Asset	(6,046)	
Gain or Loss from Foreign Exchange Differences	(15,649)	(1,411,926)
Interest Income		(15,341,375)
Income From Donation & grant	(7,709,624)	(714,550)
Taxable Income	207,136,921	63,100,562
Current year income tax expenses (30%)	(62,141,076)	(18,930,169)
Loss Brought Forward		
Deferred Tax	14,098,400	6,620,688
Tax assessment difference		
Tax Expense	(48,042,676)	(12,309,481)



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7,2022**

21b Current tax income liability

	<u>July 7 2022</u> Birr	<u>July 7 2021</u> Birr
Being recognition of tax arrears & current tax payable arising from tax audits	66,076,851.11	151,687,071.11
Amount paid during the year	(18,055,393.79)	(104,570,309.00)
	<u>48,021,457</u>	<u>47,116,762</u>
Current Year tax Provision	<u>48,858,297</u>	<u>18,960,089</u>
	<u>48,858,297</u>	<u>18,960,089</u>

21c Deferred income tax

	<u>July 7 2022</u> Birr	<u>July 7 2021</u> Birr
Opening Balance	110,290,916	108,575,635
Deferred Tax addition	(919,109)	1,715,281
	<u>109,371,807</u>	<u>110,290,916</u>



ETHIOPIAN POSTAL SERVICE ENTERPRISE
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FOR THE YEAR ENDED July 7, 2022

22 Property Plant Equipment

	Balance at 30 Sene 2014		Disposals	Transfers	Additions		Balance at 30 Sene 2013	
	Birr	Birr			Birr	Birr	Birr	Birr
Land	99,957,618						99,957,618	
Building	303,078,730			(12,201,851)	22,677,946		292,602,635	
Plant, Machinery and Equipment	176,280				176,280		-	
Office Furniture & Equipment	39,391,560				5,407,603		33,983,958	
Motor Vehicles	107,131,083		(960,000)				108,091,083	
Computers and Accessories	39,370,144				2,884,873		36,485,271	
Motorcycles and Bicycles	12,236,844						12,236,844	
Construction in Progress	78,220,787				11,236,864.52		66,983,923	
	679,563,046	(960,000)	(960,000)	(12,201,851)	42,383,565		650,341,331	
Depreciation								
Building	38,245,366				6,404,739		31,840,627	
Plant, Machinery and Equipment	97				97		-	
Office Furniture & Equipment	20,673,737				3,365,669		17,308,069	
Motor Vehicles	48,917,038		(383,825)		8,707,085		40,593,778	
Computers and Accessories	22,312,720				4,206,963		18,105,757	
Motorcycles and Bicycles	7,999,807				1,202,476		6,797,331	
	138,148,765		(383,825)	-	23,887,028		114,645,562	
NBV	541,414,280						535,695,769	

23 Investment Property

	Balance at 30 Sene 2014		Disposals	Transfers	Additions		Balance at 30 Sene 2013	
	Birr	Birr			Birr	Birr	Birr	Birr
Investment Property	357,253,252						357,253,252	
Depreciation								
Investment Property	28,066,827				7,495,532		20,571,295	
	329,186,425						336,681,957	



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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FOR THE YEAR ENDED July 7,2022**

Impairment Review

Up on impairment review , Some parts of PPE(Doors , windows,), computers and accessories and fixtures in many of the post office 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.

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

	2014	2013
	Birr	Birr
Rental income	61,848,813	44,147,236
Repair and maintenance	1,279,635	(847,945)

24 Intangible Asset

	Balance at 30 Sene 2014	Disposals	Transfers	Additions	Balance at 30 Sene 2013
	Birr	Birr	Birr	Birr	Birr
Software	33,900,115	-	-	319,600	33,580,515
Amortization	-	-	-	-	-
Software	17,048,473	-	-	3,633,937	13,414,536
NBV	<u>16,851,642</u>	<u>-</u>	<u>-</u>	<u>(3,314,337)</u>	<u>20,165,979</u>

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 30 Sene 2014	Disposals	Transfers	Additions	Balance at 30 Sene 2013
	Birr	Birr	Birr	Birr	Birr
Leased land	1,463,027	-	-	-	1,463,027
Leased Warehouse	-	-	-	14,929	74,456
Amortization	-	-	-	-	-
Leased land	89,385	-	-	-	89,385
Leased Warehouse	-	-	-	-	-
NBV	<u>1,373,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,388,571</u>

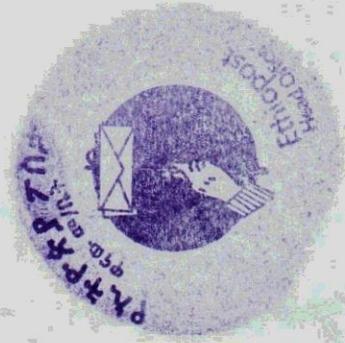


ETHIOPIAN POSTAL SERVICE ENTERPRISE
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The rental charge incurred for leases with less than a year and those leases with low value is as follows:

	2014	2013
	Birr	Birr
Rent expense	38,062,190	25,360,051
24b Lease liability		
	30 Sene 2014	30 Sene 2013
	Birr	Birr
Balance at the beginning	1,196,076	1,375,052
Addition/removal during the year	-	(263,193)
Interest expense during the year	84,050	84,269
Repayment during the year	-	-
Balance at the end of the year	1,280,126	1,196,076
Lease Liability		
Current	108,909	108,909
Non-current	1,171,218	1,087,168
	1,280,126	1,196,076

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



ETHIOPIAN POSTAL SERVICE ENTERPRISE
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FOR THE YEAR ENDED July 7,2022

25 Inventories

	July 7,2022	July 7,2021
	Birr	Birr
Stock-telecom products	3,426,838	14,377,369
Stock-postal operation	35,928,654	34,038,293
Consumables	22,594,024	12,108,491
	<u>61,949,515</u>	<u>60,524,154</u>

26 Other assets

	July 7,2022	July 7,2021
	Birr	Birr
Prepayment to suppliers	20,274,012	2,102,676
Advance to staffs	123,431	442,381
	<u>20,397,443</u>	<u>2,545,057</u>

27 Trade and other receivables

	July 7,2022	July 7,2021
	Birr	Birr
Trade Debtors		
Local trade debtors	138,035,799	117,359,965
International trade debtors	248,019,338	209,542,384
Other receivables		
Vat Receivable	14,974,345	3,257,850
Withholding receivables	5,861,101	4,870,641
Sundry receivables	38,355,345	91,363,412
	<u>445,245,929</u>	<u>426,394,252</u>
27a Impairment loss on financial assets	<u>(52,158,572)</u>	<u>(44,326,839)</u>
	<u>393,087,357</u>	<u>382,067,413</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

	July 7,2022	July 7,2021
	Birr	Birr
Cash on Hand	304,052	2,560,203
Cash at Bank	384,981,088	315,433,646
	<u>385,285,140</u>	<u>317,993,849</u>
28a Impairment losses	<u>-</u>	<u>-</u>
	<u>385,285,140</u>	<u>317,993,849</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
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Non current Liabilities

30 Other Long term Employee benefit obligation

30 Severance benefit plan

The severance benefit plan is an unfunded Other Long Term employee Benefit 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

	July 7,2022 Birr	July 7,2021 Birr
Severance Pay	39,559,679	37,388,659



30a Short Term employment benefit obligation

	July 7, 2022 Birr	July 7, 2021 Birr
Leave pay		
Employee benefit expense:		
Accrued annual leave	10,606,595	4,464,939
Current service cost	-	-
	10,606,595	4,464,939



	July 7,2022 Birr	July 7,2021 Birr
31 Retention payable	9,275,444	8,777,038
	9,275,444	8,777,038

	July 7,2022 Birr	July 7,2021 Birr
32 Grant		
Grant liability	7,709,624	6,087,207
Grant income	934,044	714,550

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.

	July 7,2022 Birr	July 7,2021 Birr
33 Trade and other payables		
33 (a) Trade payable		
Trade Payables	313,916,008	234,901,070



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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Advance & Deposit	508,212,721	666,875,760
Other accrued liabilities	3,457,852	6,769,112
	<u>825,586,581</u>	<u>908,545,942</u>

33 (b) Current profit tax Payables

	July 7,2022	July 7,2021
	Birr	Birr
Current Tax Payable	48,858,297	(18,960,089)
	<u>48,858,297</u>	<u>(18,960,089)</u>

33C Taxa and Other Payables

	July 7,2022	July 7,2021
	Birr	Birr
Withholding Tax Payable (2%)	789,861	219,132
Value Added Tax Payable	5,216,251	1,578,912
Employee Income Tax Payables	10,317,587	10,235,672
Tax Authority Payables VAT WH &	48,021,457	47,116,762
Pension Contribution Payable	6,308,627	7,145,230
Other payables(deductions)	2,886,520	308,330
	<u>73,540,303</u>	<u>66,604,038</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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34 Capital

The Enterprise is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. It was established under Council of Ministers regulation no. 165/2001 as a public enterprise. It is governed by the Public Enterprises Proclamation No. 25/1984. The authorized capital of the enterprise is birr 380,000,000.

35 Legal Reserve

The legal reserve is a statutory reserve to which 5% of the net profits shall be transferred each year until it amounts to 20% of the paid up capital.

36 Revaluation Reserve

Revaluation reserve includes first time IFRS adoption adjustments. It is not distributable as dividends in compliance with guidance issued by Accounting and Auditing Board of Ethiopia dated 19th Tikmit 2013 EC.

37 Retained earnings

The balance of retained earnings represents the amount available for distribution to the owner of the Enterprise which is the government of Ethiopia.

38 Related party

The benefits to key management personnel and board members are as follows

	July 7,2022	July 7,2021
	Birr	Birr
Salary & benefits to key management	28,298,597	5,690,376
Allowance to board of directors	212,000	176,200
Total Benefit	28,510,597	5,866,576



39 Events after reporting period

The floating of the Ethiopian birr has significant implications for the financial health of Ethiopian Postal Service, particularly due to its higher foreign currency payables than receivables. This currency fluctuation leads to increased costs for the enterprise as it must convert more birr to meet its foreign obligations. The devaluation of the birr results in higher expenses, thus potentially impacting service delivery.



ETHIOPIAN POSTAL SERVICE ENTERPRISE
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FOR THE YEAR ENDED July 7,2022



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)
2022	567,633,828	888,825,990	321,192,162	96,357,648	919,109
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

Employee Benefit

	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2022	-	50,166,275	50,166,275	15,049,882	2,493,803
2021	-	41,853,598	41,853,598	12,556,079	(4,220,111)
2020	-	55,920,634	55,920,634	16,776,190	16,431,091

Expected Credit Loss

	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2022	-	18,609,165	18,609,165	5,582,750	(7,431,409)
2021	-	43,380,527	43,380,527	13,014,158	12,956,524
2020	-	86,568,941	86,568,941	25,970,682	4,134,259

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.

