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**AUDIT SERVICES  
CORPORATION**

**ETHIOPIAN POSTAL SERVICES ENTERPRISE**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**30 SENE 2015 (7 JULY 2023)**

**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
IFRS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED July 7,2023  
EXECUTIVE MANAGEMENT**

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**Management Board**

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

**Executive Management**

Ato Dagmawi Haileye	Chief Executive Officer
Ato Gashaw Mersha	Chief Resource & Supply Administration
Ato Teshome Bireda	Chief Human Resouece 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
Ato Gelana Deresa	Legal Director
Ato Ibrahim Kedir	IT Director
W/ro.Tsega Asseffa	Customer Service 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 7,2023  
REPORT OF THE MANAGEMENT**

The management members submit their report together with the financial statements for the period ended 30 Sene 2015, 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. The 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**

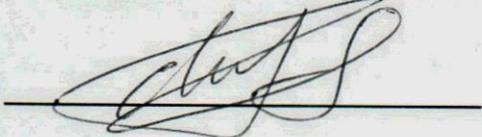
The enterprise's primary activity is providing postal service including letter, parcel and EMS services in its over 700 branches. In addition, it has ventured into new areas over the past years and provides agency services, transport and logistics services as well as sales of telecom goods.

**Results**

The Enterprise's results for the year ended 30 Sene 2015 are set out on page 7. The summarised results are presented below.

	<b>30 Sene 2015</b>	<b>30 Sene 2014</b>
	<b>Birr</b>	<b>Birr</b>
Revenue/Income	1,173,562,601	870,127,501
Profit before tax	199,675,014	176,505,625
	139,735,627	127,647,243
Total comprehensive income for the year	199,675,014	64,795,849

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




**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**IFRS FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED July 7,2023**  
**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:





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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 7 July 2023 (30 Sene 2015), 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 7 July 2023 (30 Sene 2015) 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. Debtors included balances totalling Birr 147,271,215, local entities that had been outstanding for more than two years. Even though expected credit loss up to Birr 68,943,540 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. In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of trade and other debtors.

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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)**

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

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.

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.



**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)***

- 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.

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*

25 November 2024



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED July 7,2023**

		Restaed	
		July 7 2023	July 7 2022
	Notes	<u>Birr</u>	<u>Birr</u>
Revenue from contracts with customers	16	1,173,562,601	870,127,499
Direct costs	7a	<u>(438,592,325)</u>	<u>(333,797,209)</u>
<b>Gross profit</b>		<b>734,970,276</b>	<b>536,330,290</b>
Operating expenses	17b	(578,870,877)	(353,556,378)
Other operating Income (expense)	18	<u>65,732,781</u>	<u>32,704,001</u>
<b>Earning before interest, tax, depreciation &amp; amortization(EBITDA)</b>		<b>221,832,179</b>	<b>215,477,912</b>
Depreciation & amortization	12-14	<u>(37,253,544)</u>	<u>(35,610,030)</u>
<b>Earning before interest and tax(EBIT)</b>		<b>184,578,636</b>	<b>179,867,882</b>
Finance income/(cost)-net	19	<u>15,096,379</u>	<u>16,344,425</u>
<b>Profit before income tax</b>		<b>199,675,014</b>	<b>196,212,308</b>
Income tax expense/income	21a	<u>(59,939,388)</u>	<u>(51,751,356)</u>
<b>Profit after tax</b>		<b>139,735,627</b>	<b>144,460,951</b>
<b>Total comprehensive income for the period</b>		<u><b>139,735,627</b></u>	<u><b>144,460,951</b></u>





**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED July 7,2023**

	Notes	July 7,2023 Birr	Restated July 7,2022 Birr
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment	22	660,360,005	541,414,280
Investment Property	23	335,958,183	329,186,425
Intangible Asset	24	14,202,171	16,851,642
Right of Use Asset	24a	1,358,675	1,373,642
Deferred Tax asset		21,182,415	13,179,291
		<u>1,033,061,450</u>	<u>902,005,281</u>
<b>Current Assets</b>			
Inventories	25	123,395,598	74,311,783
Other assets	26	27,686,273	20,397,443
Trade and other receivables	27	442,440,046	393,087,357
Cash and cash equivalents	28	294,658,859	385,285,140
		<u>888,180,777</u>	<u>873,081,723</u>
<b>Total Assets</b>		<u><u>1,921,242,227</u></u>	<u><u>1,775,087,003</u></u>
<b>Liabilities and Equity</b>			
<b>Non-Current Liabilities</b>			
Defined benefit liability	30	45,134,977	39,559,679
Lease Liability	24b	1,255,075	1,171,218
Grants	32	5,516,042	7,709,624
Deferred tax liability	21c	114,721,842	113,080,487
Retention Payable	31	15,631,474	9,275,444
		<u>182,259,411</u>	<u>170,796,452</u>
<b>Current Liabilities</b>			
Trade and other payables	33	800,892,958	825,586,581
Dividend payable	33	94,219,795	
Accrued annual leave	30a	15,796,246	10,606,595
Lease Liability	24b	108,909	108,909
Taxa and Other Payables	33©	31,275,794	73,540,303
Current income tax liability	21b	58,466,834	48,858,297
		<u>1,000,760,536</u>	<u>958,700,685</u>
<b>Total Liabilities</b>		<u><u>1,183,019,947</u></u>	<u><u>1,129,497,138</u></u>
<b>Equity</b>			
Paid up capital	34	109,097,601	109,097,601
Legal reserve	35	21,639,450	18,013,986
Revaluation reserve	36	247,947,566	247,947,566
Retained earnings	37	359,537,663	270,530,713
<b>Total Equity</b>		<u>738,222,280</u>	<u>645,589,866</u>
<b>Total Equities and Liabilities</b>		<u><u>1,921,242,227</u></u>	<u><u>1,775,087,004</u></u>



**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	
<b>Balance as at July 8 2021</b>	<b>109,097,601</b>		<b>11,221,173</b>		<b>247,947,566</b>		<b>134,817,430</b>		<b>503,083,770</b>	
Profit of the year							144,460,951		144,460,951	
Adjustments			2,445				(1,957,300)		(1,954,855.00)	
Dividend										
Transfer to legal reserve			6,790,368				(6,790,368)		-	
<b>Balance as at July 7, 2022 (As Restated)</b>	<b>109,097,601</b>		<b>18,013,986</b>		<b>247,947,566</b>		<b>270,530,713</b>		<b>645,589,866</b>	
<b>Balance as at July 8 2022</b>	<b>109,097,601</b>		<b>18,013,986</b>		<b>247,947,566</b>		<b>270,530,713</b>		<b>645,589,866</b>	
Profit of the year							139,735,627		139,735,627	
Adjustments							47,116,762		47,116,762	
Dividend							(94,219,975)		(94,219,975)	
Transfer to legal reserve			3,625,464				(3,625,464)		-	
<b>Balance as at July 7, 2023</b>	<b>109,097,601</b>		<b>21,639,450</b>		<b>247,947,566</b>		<b>359,537,663</b>		<b>738,222,280</b>	



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7,2023**



Notes	July 7 2023	July 7 2022
	Birr	Birr
<b>Cash Flows from Operating Activities</b>		
Net Profit	20 109,419,500	108,856,429
Net Finance cost		
Income tax paid	(48,042,676)	(18,960,090)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>61,376,824</b>	<b>89,896,340</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of property, plant and equipment	(153,282,889)	(29,221,715)
Transfer	5,612,143	
Disposal	3,797,665	
Purchase of ROU		
Purchase of intangible assets	(1,097,305)	(319,600)
Purchase of investment Property	(14,378,445)	
Proceeds from sale of property, plant and equipment	10,345,725	
Proceed from Investment securities at amortised cost		
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(149,003,106)</b>	<b>(29,541,315)</b>
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(3,000,000)	
	(3,000,000)	-
<b>Net cash (outflow)/inflow from financing activities</b>		
Net increase/(decrease) in cash and cash equivalent	(90,626,282)	67,291,291
Cash and cash equivalents at the beginning of period	385,285,141	317,993,850
Effects of exchange rate changes on cash and cash equivalents		
<b>Cash and cash equivalents at end of period</b>	<b>19 294,658,859</b>	<b>385,285,141</b>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2023**



**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 Bihewari 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, 2023 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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2023**



**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 accompanying 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.





**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2023**

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 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.

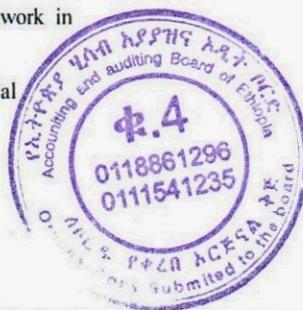
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

**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 2023, 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

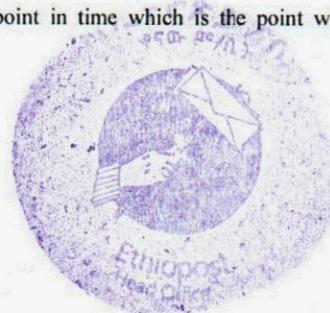


**5 Summary of accounting summary**

**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 operating 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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7,2023**

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:

- 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 contact.
- 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/potage meter/franking machine with in the week of purchase. As no expiry date is given for sold stamps and most
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
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



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2023**

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**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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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	



\*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.





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**FOR THE YEAR ENDED July 7,2023**

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.

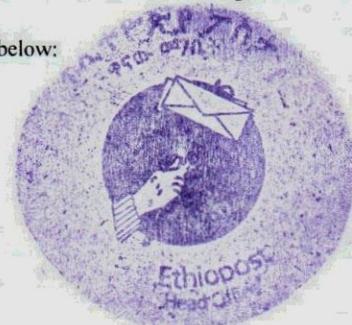
The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized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





**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7, 2023**

**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.

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.

**11 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



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED July 7,2023**

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**11.1 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.

**12 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.

**12.1 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.

**12.2 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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
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**FOR THE YEAR ENDED July 7, 2023**

**13 INCOME TAXATION**

**13.1 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.

**13.2 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.

**14 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.

**15 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, 2023**

**15 Financial risk management**

**15.1 Introduction**

**15.1.1 Risk measurement and reporting systems**

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, 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-23</b>		
Cash and balances with banks	-	294,658,859
Investment securities	-	-
- Financial assets measured at Cost PL	-	-
Trade receivables	-	442,440,046
Other receivables excluding prepayments	-	530,078
<b>Total financial assets</b>	<b>-</b>	<b>737,628,983</b>
<b>7-Jul-22</b>		
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
<b>Total financial assets</b>	<b>-</b>	<b>778,495,928</b>
<b>7-Jul-21</b>		
Cash and balances with banks	-	317,993,849
Investment securities	-	-
- Financial assets measured at Fair Value PL	-	-
Trade receivables	-	382,067,413
Other receivables excluding prepayments	-	442,381
<b>Total financial assets</b>	<b>-</b>	<b>700,503,643</b>





**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED July 7,2023**

**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-23 ETB	7-Jul-22 ETB
Cash and balances with banks	294,658,859	385,285,140
Investment securities:		
– Financial assets measured at Fair Value PL	-	-
Trade receivables	442,440,046	393,087,357
Other receivables excluding prepayments	530,078	123,431
	<u>737,628,983</u>	<u>778,495,928</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 2023 and 07 July 2022 are held in banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

**15.4 Credit risk (continued)**

**15.4.2 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 2023 and 07 July 2022 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Trade receivables and Other Financial Assets	442,440,046
Loss allowance based on collective assesment as at 7 July 2023 calculated under previous framework IFRS 9 transition adjustments	(16,822,457)
Opening loss allowance at 08 July 2022	52,158,572
Loss allowance recognized during the year	(7,831,733)
Loss allowance as at 07 July 2021	44,326,839
Loss allowance recognized during the year	42,242,102
Loss allowance as at 07 July 2020	86,568,941

**(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-2023 ETB	7-Jul-2022 ETB	7-Jul-2021 ETB
Expected reversal /( loss)	(16,822,457)	(7,831,733)	42,242,102
	<u>(16,822,457)</u>	<u>(7,831,733)</u>	<u>42,242,102</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED July 7, 2023**

**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 2023 and 07 July 2022. The Enterprise concentrates all its financial assets in Ethiopia.

	Public ETB	Private ETB	Total ETB
<b>7-Jul-2023</b>			
Cash and balances with banks	-	294,658,859	294,658,859
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	-	<b>294,658,859</b>	<b>294,658,859</b>
<b>7-Jul-2022</b>			
Cash and balances with banks	-	385,285,140	385,285,140
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	-	<b>385,285,140</b>	<b>385,285,140</b>
<b>7-Jul-2021</b>			
Cash and balances with banks	-	317,993,849	317,993,849
Investment securities:			
- Financial assets measured at Fair Value	-	-	-
	-	<b>317,993,849</b>	<b>317,993,849</b>

**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
- 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**

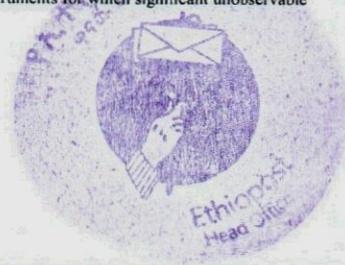
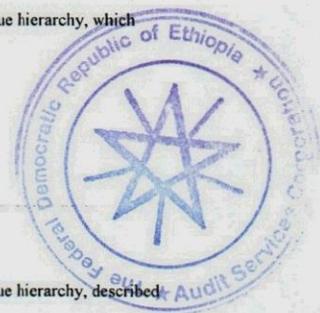
Observable input

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

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 data 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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED July 7, 2023**

**15 Financial risk management (continued)**

**15.6 Fair value of financial assets and liabilities (Continued)**

**5.6.1 Valuation models (Continued)**

	07 July 2023		07 July 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB
<b>Financial assets</b>				
Cash and balances with banks	294,658,859	294,658,859	385,285,140	385,285,140
Investment securities:				
– Financial assets measured at Cost	-	-	-	-
Trade receivables	442,440,046	442,440,046	393,087,357	393,087,357
Other receivables excluding prepayments	530,078	530,078	123,431	123,431
<b>Total</b>	<b>737,628,983</b>	<b>737,628,983</b>	<b>778,495,928</b>	<b>778,495,928</b>
<b>Financial liabilities</b>				
Trade payables	780,513,799	780,513,799	822,128,729	
Bank overdraft	-	-	-	
Borrowings	-	-	-	
Other liabilities	102,457,899	102,457,899	67,151,343	
<b>Total</b>	<b>882,971,699</b>	<b>882,971,699</b>	<b>889,280,072</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.

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

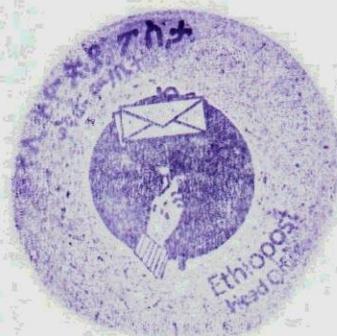
The Enterprise has no financial asset measured at fair value on subsequent recognition.

**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.



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED July 7, 2023**

**16 Revenue from contracts with customers**

	July 7, 2023	July 7, 2022
	Total Birr	Total Birr
The disaggregation of revenue based on timing and nature is as below :		
<b>Overtime:</b>		
Foreign mail service	65,585,340	45,684,811
Express mail service	613,928,616	436,926,093
Parcel service	133,958,885	93,803,068
Post box rental	29,824,711	25,576,386
Home to home delivery service	98,042	5,674,630
Letter & philately service	16,983,199	29,295,535
Transport & Logistics income	147,846,681	120,476,388
House rental income	61,320,851	61,848,813
Commission income-telecom products	53,667,918	5,775
Commission income-other services	<u>50,348,358</u>	<u>50,836,001</u>
	<b>1,173,562,601</b>	<b>870,127,499</b>
<b>At a point in time:</b>		
Sales of telecom products	-	-
Sales of Packaging materials	-	-
	<u>-</u>	<u>-</u>
	<b>1,173,562,601</b>	<b>870,127,499</b>

**17 Expenses by nature**

**7a Direct costs**

	July 7, 2023	July 7, 2022
	Total Birr	Total Birr
Mail transportation	391,631,939	333,797,209
Cost of telecom products	-	-
Commission expense-telecom products	<u>46,960,387</u>	<u>-</u>
	<b>438,592,325</b>	<b>333,797,209</b>



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17b Operating expenses

	July 7,2022	July 7, 2021
	Birr	Birr
Employee benefits expense	348,356,226	222,184,661
Transport & travelling	50,180,514	22,700,876
Rent	50,001,999	38,062,190
Utilities	8,352,964	6,611,373
Repair & Maintenance	15,998,660	11,703,414
Printing & Stationary	24,248,641	8,107,711
Advertising & Membership	47,135,917	26,315,339
Other operating expenses	34,595,956	17,870,815
	<u>578,870,877</u>	<u>353,556,378</u>

Employee benefits expense

The following items are included within employee benefits expense:

Salaries and wages	184,016,742	140,147,794
Allowances	96,018,873	48,446,047
Bonus	8,238,330	328,575
Annual Leave	5,876,614	6,685,860
Medical & life insurance	6,636,003	5,309,243
Employee defined contribution expense	19,752,369	14,761,050
Other staff benefits	19,769,273	6,506,092
	<u>340,308,202</u>	<u>222,184,661</u>

18 Other income (expense)

	July 7,2023	July 7, 2022
	Total Birr	Total Birr
Gain/Loss from sale of property, plant and equipment	10,869,996	5,871
Deferred tax Income	8,003,124	5,762,432
Gain/(loss) from foreign currency fluctuation	25,055,358	15,649
Gain on Inventory Valuation		12,362,268
Grant income	2,190,345	4,229,702
Sundry income	19,613,957	10,328,079
	<u>65,732,781</u>	<u>32,704,001</u>

19 Finance income / (cost)

	July 7,2023	July 7, 2022
	Total Birr	Total Birr
Finance income	16,260,433	19,533,639
Interest income-Saving		
Interest income-Treasury bill		
	<u>16,260,433</u>	<u>19,533,639</u>
Finance costs	1,164,054	3,189,214
Interest expense		
	<u>1,164,054</u>	<u>3,189,214</u>
Finance income/(cost) - net	<u>15,096,379</u>	<u>16,344,425</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
NOTES TO THE FINANCIAL STATEMENT  
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**20 Cash generated from operations**

	July 7,2023	July 7, 2022
	<u>Birr</u>	<u>Birr</u>
Profit or loss before tax	199,675,014	183,850,040
Adjustment for:		
Depreciation of property, plant and equipment	24,927,356	23,503,203
Depreciation of investment property	7,606,687	7,495,532
Expected Credit Loss	16,822,457	
Amortisation of intangible assets	3,746,776	3,633,937
Amortization of right of use assets	14,929	14,929
Inventory Rev and Tax Pen and interestreversal	47,116,762	
Unrealized foreign exchange gain/loss	(25,055,358)	891,965
Grant income	(2,190,345)	(7,709,624.36)
Change in Working Capital:		
Decrease (increase) in inventories	(49,083,816)	(1,425,361)
Decrease (increase) in trade and other receivables	(66,175,146)	(11,019,944)
Decrease (increase) in other assets	(7,288,830)	(17,852,386)
Increase (decrease) in trade and other payables	(46,272,284)	(74,696,881)
Increase (decrease) in defined benefit liability	5,575,298	2,171,020
Cash generated from operations	<u>109,419,500</u>	<u>108,856,429</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
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**21 Current income and deferred tax**

**21a Current income tax expense**

	July 7, 2023	July 7, 2022
	Birr	Birr
Profit of the year	199,675,014	183,850,040
<b>Non-deductible expenses</b>		
Depreciation & amortization-IFRS	37,253,544	35,610,030
Expected credit loss	16,822,457	8,778,045
Employee Refreshment	3,813,382	518,127
Fines & Penalty Charges	42,689	2,076,813
A/leave Expense	5,223,052	6,685,860
Interest Expense-	1,164,054	3,189,213
Severance Pay	5,638,123	3,847,685
Employee Gifts	1,617,075	2,373,663
Sponsorship & Donation	5,874,754	5,010,000
Compensation for Loss/Damage	4,802,484	1,993,473
Miscellaneous Expenses	1,187,121	2,324,615
Depreciation & amortization-Tax	(42,000,000)	(41,389,325)
Interest Income	(16,260,433)	
unrealised foreign ex	(25,055,358)	(7,709,624)
<b>Taxable Income</b>	<b>199,797,959</b>	<b>207,136,920</b>
Current year income tax expenses (30%)	(59,939,388)	(62,141,076)
Withholding tax Receivable	1,472,554	
Deferred Tax	6,361,769	10,389,720
<b>Tax Expense</b>	<b>(52,105,065)</b>	<b>(51,751,356)</b>





**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
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**22 Property Plant Equipment**

	Balance at 30 Sene 2015		Disposals	Transfers	Additions	Balance at 30 Sene 2014	
	Birr	Birr				Birr	Birr
Land	99,957,618					99,957,618	
Building	402,896,627				99,817,897	303,078,730	
Plant, Machinery and Equipment	264,976				88,696	176,280	
Office Furniture & Equipment	57,184,022				17,792,461	39,391,560	
Motor Vehicles	96,610,895	(10,520,187)			-	107,131,083	
Computers and Accessories	57,540,964				18,170,820	39,370,144	
Motorcycles and Bicycles	12,236,844				-	12,236,844	
Construction in Progress	90,021,659			(5,612,143)	17,413,015	78,220,787	
	<b>816,713,605</b>	<b>(10,520,187)</b>		<b>(5,612,143)</b>	<b>153,282,889</b>	<b>679,563,046</b>	
<b>Depreciation</b>							
Building	44,798,748				6,553,382	38,245,365.84	
Plant, Machinery and Equipment	19,028				18,932	96.59	
Office Furniture & Equipment	24,762,399				4,088,662	20,673,737	
Motor Vehicles	49,870,515	(6,722,522)			7,675,998	48,917,038	
Computers and Accessories	27,727,052				5,414,332	22,312,720	
Motorcycles and Bicycles	9,175,857				1,176,050	7,999,807	
	<b>156,353,599</b>	<b>(6,722,522)</b>		<b>-</b>	<b>24,927,356</b>	<b>138,148,765</b>	
<b>NBV</b>	<b>660,360,005</b>					<b>541,414,280</b>	

**23 Investment Property**

	Balance at 30 Sene 2015		Disposals	Transfers	Additions	Balance at 30 Sene 2014	
	Birr	Birr				Birr	Birr
Investment Property	371,631,696		-	5,534,923	8,843,522	357,253,252	
<b>Depreciation</b>							
Investment Property	35,673,513			110,670	7,496,017	28,066,827	
<b>NBV</b>	<b>335,958,183</b>					<b>329,186,425</b>	

**Impairment Review**

During the impairment review, various assets, including inventory, property, plant, and equipment (PPE) such as doors and windows, as well as computers, accessories, and furniture, were assessed across several post offices in the northern region of Ethiopia. These evaluations revealed that the assets had suffered damage due to ongoing political instability, leading to a situation where the net book value of the assets exceeded their recoverable value by the end of the reporting period. Consequently, management determined that an allowance for impairment was necessary.

In addition to the general asset impairments, one automobile was found to be completely damaged, resulting in an impairment recognition of 576,000 birr. Another vehicle was taken by the defense forces with a promise of return, but it has not yet been returned. Furthermore, inventory valued at approximately 552,131.98 birr was also impaired and recognized in the financial statements.

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

	2015	2014
	Birr	Birr
Rental income	2,385,120	61,848,813
Repair and maintenance	6,785,423	1,279,635



**ETHIOPIAN POSTAL SERVICE ENTERPRISE**  
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**24 Intangible Asset**

	Balance at 30 Sene 2015 Birr	Disposals Birr	Transfers Birr	Additions Birr	Balance at 30 Sene 2014 Birr
Software	34,997,420	-	-	1,097,305	33,900,115
Amortization	-	-	-	-	-
Software	20,795,249	-	-	3,746,776	17,048,473
NBV	<u>14,202,171</u>	<u>-</u>	<u>-</u>	<u>(2,649,471)</u>	<u>16,851,642</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 2015 Birr	Disposals Birr	Transfers Birr	Additions Birr	Balance at 30 Sene 2014 Birr
Leased land	1,463,027	-	-	-	1,463,027
Leased Warehouse	-	-	-	-	-
Amortization	-	-	-	-	-
Leased land	104,352	-	-	14,929	89,423
Leased Warehouse	-	-	-	-	-
NBV	<u>1,358,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,373,642</u>

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

	2015 Birr	2014 Birr
Rent expense	<u>114,509</u>	<u>38,062,190</u>

**24b Lease liability**

	30 Sene 2015 Birr	30 Sene 2014 Birr
Balance at the beginning	1,280,178	1,196,128
Addition/removal during the year	-	-
Interest expense during the year	83,805	84,050
Repayment during the year	-	-
Balance at the end of the year	<u>1,363,984</u>	<u>1,280,178</u>
Lease Liability		
Current	108,909	108,909
Non-current	<u>1,255,075</u>	<u>1,171,218</u>
	<u>1,363,984</u>	<u>1,280,127</u>



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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**25 Inventories**

	July 7,2023	Restated July 7, 2022
	Birr	Birr
Stock-telecom products	14,476,420	3,426,838
Stock-postal operation	49,800,002	35,928,654
Consumables	59,119,176	34,956,291
***	<u>123,395,598</u>	<u>74,311,783</u>

**26 Other assets**

	July 7,2023	July 7, 2022
	Birr	Birr
Prepayment to suppliers	27,156,195	20,274,012
Advance to staffs	530,078	123,431
	<u>27,686,273</u>	<u>20,397,443</u>

**27 Trade and other receivables**

	July 7,2023	July 7, 2022
	Birr	Birr
<b>Trade Debtors</b>		
Local trade debtors	164,833,686	138,035,799
International trade debtors	256,786,975	248,019,338
<b>Other receivables</b>		
Vat Receivable	45,578,987	14,974,346
Withholding receivables	5,895,977	5,861,102
Sundry receivables	38,325,450	38,355,345
	<u>511,421,075</u>	<u>445,245,929</u>
<b>27a Impairment loss on financial assets</b>	<u>(68,981,029)</u>	<u>(52,158,572)</u>
	<u>442,440,046</u>	<u>393,087,357</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 7,2023	July 7, 2022
	Birr	Birr
Cash on Hand	101,690	304,052
Cash at Bank	294,557,169	384,981,088
	<u>294,658,859</u>	<u>385,285,140</u>
<b>28a Impairment losses</b>	<u>-</u>	<u>-</u>
	<u>294,658,859</u>	<u>385,285,140</u>
	<u>888,180,777</u>	<u>917,890,364</u>



**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
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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 7,2023 Birr	July 7, 2022 Birr
Severance Pay	45,134,977	39,559,679

**30a Short Term employment benefit obligation**

	July 7,2023 Birr	July 7, 2022 Birr
Leave pay		
Employee benefit expense:		
Accrued annual leave	15,796,246	10,606,595
Current service cost	-	-
	<u>15,796,246</u>	<u>10,606,595</u>

	July 7,2023 Birr	July 7, 2022 Birr
31 Retention payable	15,631,474	9,275,444
	<u>15,631,474</u>	<u>9,275,444</u>

	July 7,2023 Birr	July 7, 2022 Birr
32 Grant		
Grant liability	5,516,042	7,709,624
Grant income	1,259,538	934,044

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.

**33 Trade and other payables**

	July 7,2023 Birr	July 7, 2022 Birr
33 (a) Trade payable		
Local Accounts Payable	353,236,503	313,916,008
Dividend Payable	94,219,795	
International Accounts Payable	427,277,296	508,212,721
Advance & Deposit	20,379,159	
Other accrued liabilities	-	3,457,852
	<u>895,112,753</u>	<u>825,586,581</u>



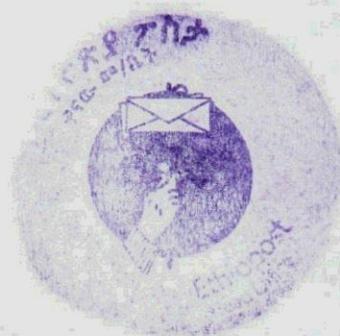
**ETHIOPIAN POSTAL SERVICE ENTERPRISE  
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**33 (b) Current profit tax Payables**

	July 7, 2023 Birr	July 7, 2022 Birr
Current Tax Payable	58,466,834	48,858,382
	<u>58,466,834</u>	<u>48,858,382</u>

**33C Taxa and Other Payables**

	July 7, 2023 Birr	July 7, 2022 Birr
Withholding Tax Payable (2%)	721,966	789,861
Value Added Tax Payable	3,904,050	5,216,251
Employee Income Tax Payables	8,044,415	10,317,587
Tax Authority Payables VAT WH & W	-	48,021,457
Pension Contribution Payable	6,637,664	6,308,627
Other payables(deductions)	11,967,700	2,886,520
	<u>31,275,794</u>	<u>73,540,303</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

	<u>July 7,2023</u>	<u>July 7,2022</u>
	<u>Birr</u>	<u>Birr</u>
Salary & benefits to key management	5,690,376	5,690,376
Allowance to board of directors	176,200	176,200
<b>Total Benefit</b>	<b><u>5,866,576</u></b>	<b><u>5,866,576</u></b>



**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, 2023**

**40 DEFERRED TAX ASSETS AND LIABILITIES**

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

**PPE**

	<b>Tax Base</b>	<b>Carrying Amount</b>	<b>Taxable Temporary difference</b>	<b>Deferred Tax Liability</b>	<b>Deferred Tax Income (Expense)</b>
2023	685,215,690	1,011,879,035	326,663,345	97,999,003	(1,641,355)
2022	567,633,828	888,825,990	321,192,162	96,357,648	22,455,044
2021	577,988,945	902,244,804	324,255,859	119,731,802	7,895,992

**Employee Benefit**

	<b>Tax Base</b>	<b>Carrying Amount</b>	<b>Deductible Temporary difference</b>	<b>Deferred Tax Asset</b>	<b>Deferred Tax Income (Expense)</b>
2023	-	60,931,224	60,931,224	18,279,367	3,229,485
2022	-	50,166,275	50,166,275	15,049,882	(1,726,308)
2021	-	55,920,634	55,920,634	16,776,190	16,431,091

**Expected Credit Loss**

	<b>Tax Base</b>	<b>Carrying Amount</b>	<b>Deductible Temporary difference</b>	<b>Deferred Tax Asset</b>	<b>Deferred Tax Income (Expense)</b>
2023	-	68,981,029	68,981,029	20,694,309	5,046,737
2022	-	52,158,572	52,158,572	15,647,572	2,633,414
2021	-	43,380,527	43,380,527	13,014,158	(8,822,265)

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.



# ETHIOPIAN POSTAL SERVICE ENTERPRISE

## Restatement of Prior Periods – Inventory

### 1. Nature of the Restatement

During the period ended July 7, 2023, management identified a zero value Inventory in previous reporting periods. The error arose because the Spare parts were purchased along with trucks as a complementary item and the company only included the value of trucks as PPE, ignoring the value of spare parts.

### 2. Impact of the Restatement on Financial Statements

The following financial statements for prior periods have been restated to correct the identified miscalculation. The restatement impacts the comparative figures as follows:

#### a) Statement of Financial Position: (All Amounts are presented in Birr)

As at 7 July 2022:

inventory: previously reported as 61,949,515; restated to 74,311,782

Total Asset: previously reported as 1,762,729,736; restated to 1,775,087,003.36.

Retained earnings: previously reported as 261,877,126 restated to 270,530,713.44

Deffered Tax liability: previously reported as 109,371,807; restated to 113,080,486.99



#### b) Statement of Profit or Loss and Other Comprehensive Income:

For the year ended 31 December 2023:

Profit for the year: previously reported as 44,191,415; restated to 36,993,073 due to the additional severance payable expense of 10,283,345 and Additional Deffered Tax Income of 3,085,003.

### 3. Adjustments to Equity

As a result of the restatement, the opening balances of retained earnings for the year ended 7, July 2023, have been adjusted as follows:

Retained earnings (as at 7 July, 2023): previously reported as 261,877,126 restated to 270,530,713.44

### 4. Correction of the Error

The company has corrected this error retrospectively by adjusting the opening balances of retained earnings, Inventory and Deferred tax liability for the earliest period presented, in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors."

