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AUDIT SERVICE CORPORATION

ETHIOPIAN POSTAL SERVICE ENTERPRISE

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2025

ETHIOPIAN POSTAL SERVICE ENTERPRISE
ANNUAL FINANCIAL STATEMENTS
MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED JULY 7, 2025

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 Resource Officer
W/ro Alemgena Zerihun	Chief Finance Officer
W/ro Tigist Bekele	Chief Commercial Officer
Ato Henok G/wolde	Chief operation Officer
Ato Abriha 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



The management are responsible for the preparation and fair presentation of the annual financial statements as of 7 July 2025 and the Enterprising notes to the statement which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), the requirements of the Accounting and Auditing Board of Ethiopia (AABE), and legal requirements of the country. The management are also responsible for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The management have made an assessment of the ability of the Enterprise to continue as a going concern and have no reason to believe that the business will not be going concern in the year ahead. The annual financial statements have accordingly been prepared on this basis. When management is aware of material uncertainties relating to events or conditions which may cast significant doubt upon the Enterprise's ability to continue as a going concern, those uncertainties shall be disclosed.

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 7 July 2025 are set out on page 7. The summarised results are presented below.

	7 July 2025	7 July 2024
	Birr	Birr
Revenue/Income	2,880,204,888	1,464,192,652
Profit before tax	124,465,901	221,696,130
	71,690,073	138,901,869
Total comprehensive income for the year	71,690,073	138,901,869

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


 Jagmav Hailiye
 Chief Executive officer




 Alemgnesa Zerimay
 Chief Finance Officer



**ETHIOPIAN POSTAL SERVICE ENTERPRISE
REPORTS AND ANNUAL FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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

The Management is responsible for the preparation and presentation of these financial statements that give useful information about the financial position of the Enterprise at the reporting date and of its comprehensive income in the manner required by the IFRS, 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. The responsibilities include;

- a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;
- b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Enterprise.

The Management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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:



Dagmawi Halliye
Chief Executive officer



Alemgena Zorhin
Chief Finance Officer



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PUBLIC ACCOUNTABILITY | SHARED PROGRESS

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Audit Service Corporation

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ethiopian Postal Service Enterprise which comprise the statement of financial position as at 7 July 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Enterprise as at 7 July 2025 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS's 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.

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.

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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)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 enterprise 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 Rediet Berhan.

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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)

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

Management is responsible for the additional information. The additional information comprises the information included in pages 1, 2 and 3 of the financial statements, but does not include the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the additional information and, in so doing, consider whether the additional 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 that we have performed, we conclude that there is a material misstatement of this additional information, we are required to report that fact. We have nothing to report in this regard.

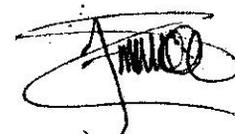
Audit Service Corporation

28 November 2025

ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED July 7,2025

	Notes	July 7 2025 Birr	July 7 2024 Birr
Revenue from contracts with customers	18	2,880,204,888	1,464,192,652
Direct costs	19a	(1,526,149,847)	(606,963,755)
Gross profit		1,354,055,041	857,228,897
Operating expenses	19b	(857,778,222)	(681,995,606)
Other operating Income (expense)	20	(308,217,756)	96,617,910
Earning before interest, tax, depreciation & amortization(EBITDA)		188,059,063	271,851,201
Depreciation & amortization	8-10	(71,289,138)	(53,082,570)
Earning before interest and tax(EBIT)		116,769,925	218,768,631
Finance income/(cost)-net	21	7,695,976	2,927,500
Profit before income tax		124,465,901	221,696,130
Income tax expense/income	43	(52,775,828)	(82,794,261)
Profit after tax		71,690,073	138,901,869
Total comprehensive income For the period		71,690,073	138,901,869


Dagmawi Hailiye
Chief Executive officer


Alemgena Zerihem
Chief Finance Officer

ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF FINANCIAL POSITION
As of July 7, 2025

	Notes	July 7, 2025 Birr	Restated July 7, 2024 Birr
Assets			
Non-Current Assets			
Property Plant and Equipment	22	973,138,870	888,060,034
Investment Property	23	350,103,024	357,039,641
Intangible Asset	25	16,435,836	10,482,978
Right of Use Asset	24	1,328,817	1,343,746
Trade and other receivables	27.1	133,844,550	
Deferred Tax asset	29	45,576,709	38,243,920
		<u>1,520,427,805</u>	<u>1,295,170,318</u>
Current Assets			
Inventories	26	119,058,685	104,687,032
Trade and other receivables	27.2	1,088,244,367	383,844,264
Other Receivable	27.3	151,191,086	118,216,428
Short term investement	27.4	104,156,250	
Prepayment and advance	27.5	42,708,693	26,072,357
Cash and cash equivalents	28	477,884,118	259,862,715
		<u>1,983,243,199</u>	<u>892,682,796</u>
Total Assets		<u><u>3,503,671,004</u></u>	<u><u>2,187,853,115</u></u>
Liabilities and Equity			
Non-Current Liabilities			
Defined benefit liability	30	60,745,263	42,655,877
Deferred tax liability	31	107,575,889	121,189,558
Trade and other payables	32	900,858,110	869,078,530
Lease Liability	33	1,442,976	1,361,463
Grants	34	3,693,055	4,256,504
Retention Payable	35	21,440,759	19,797,868
		<u>1,095,756,052</u>	<u>1,058,339,800</u>
Current Liabilities			
Trade and other payables	36	1,421,512,904	0
Dividend payable	37	50,129,030	132,661,226
Loan Payable	38	-	85,226,929
Tax and Other Payables	39	82,500,417	89,630,661
Accrued annual leave	42	24,331,296	28,625,451
Lease Liability	33	84,555	84,555
Current income tax liability	40	70,084,405	55,519,170
		<u>1,648,642,607</u>	<u>391,747,991</u>
Total Liabilities		<u><u>2,744,398,659</u></u>	<u><u>1,450,087,791</u></u>
Equity			
Paid up capital	47	109,097,601	109,097,601
Legal reserve	48	21,819,520	21,819,520
Revaluation reserve	49	247,947,566	247,947,566
Retained earnings	50	380,407,659	358,900,637
Total Equity		<u>759,272,346</u>	<u>737,765,324</u>
Total Equities and Liabilities		<u><u>3,503,671,005</u></u>	<u><u>2,187,853,115</u></u>


Dagmawi Hailiye
Chief Executive officer


Alemgena Zerih
Chief Finance Officer

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED July 7, 2025**

	Paid Up Capital	Legal Reserve	Revaluation Reserve	Retained Earnings	Notes	Total Equity
	Birr	Birr	Birr	Birr		Birr
Balance as at July 8 2023 Restated	109,097,601	21,639,450	247,947,566	394,051,631		772,736,248
Profit of the year				138,901,869		138,901,869
Adjustments				(76,821,555)	46	(76,821,554.63)
Dividend				(97,051,238)		(97,051,238)
Transfer to legal reserve		180,070		(180,070)		
Balance as at July 7, 2024 Restated	109,097,601	21,819,520	247,947,566	358,900,637		737,765,324
Balance as at July 8 2024 restated	109,097,601	21,819,520	247,947,566	358,900,637		737,765,324
Profit of the year				71,690,073	50	71,690,073
Dividend				(50,183,051)	37	(50,183,051)
Prior Year Adjustment						
Balance as at July 7, 2025	109,097,601	21,819,520	247,947,566	380,407,659		759,272,346


Mengesha Zewdie
Chief Executive Officer


Mengesha Zewdie
Chief Finance Officer

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JULY 7, 2025**

	2025	2024
Note	<u>ETB</u>	<u>ETB</u>
Cash flows from operating activities		
Profit before tax	124,465,901	221,696,130
Depreciation and Amortization	71,289,138	39,785,081
Impairment of financial asset	10,647,401	12,783,620
Employee Benefit	13,795,231	10,350,105
Gain or loss disposal	19 (18,820,764)	(22,954,548)
	201,376,907	248,877,763
Movements in working capital		
Change in stock	(14,371,653)	18,708,567
Change in Trade and other receivables	(773,099,246)	(77,762,567)
Change in Sundry receivable	(34,663,041)	
Change in Other Receivable	(16,648,351)	
Change in Other Payable/Payable	(89,662,439)	
Change in Trade and other payables	1,421,512,904	69,474,720
Change in Grnat, Retaintion Payable and lease	1,079,443	2,906,856
	494,147,616	13,327,576
Net Cash in flows operating activities	695,524,522	262,205,339
WHT paid	(3,637,882)	(3,354,783)
Income tax Paid	(55,519,170)	(58,466,834)
	636,367,471	200,383,723
Cash flows from investing activities		
Disposal of PPE	36,685,026	22,954,848.00
Short term investement	(100,000,000)	
Purchase of Property, Plant & Equipment	(144,920,315)	(284,833,868)
Net Cash out flows investing activities	(208,235,289)	(261,879,020)
Cash flows from Financing activities		
State Dividend Paid	37 (132,715,247)	(58,609,807)
interest received	20 21,052,541	
interest paid	20 (13,302,656)	
Lease	33 81,513	82,035
Loan paid	38 (85,226,929)	85,226,929
Net Cash out/in flow financing activities	(210,110,776)	26,699,157
Net increase in cash and cash equivalents	218,021,405	(34,796,140)
Begning cash and cash equivalent	259,862,715	294,658,859
Cash and cash equivalents at the end of the year	477,884,117	259,862,716



[Signature]
 Beremawit Hailiye



[Signature]
 Alemsegn Zerihem

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7, 2025**

1 General information

Ethiopian Postal Service Enterprise was established on March 9, 1894 by Emperor Minilik II prior to the introduction of telephone, a vital means of exchange information, first for political and administrative purposes and later for public correspondence. The proclamation providing the establishment of the enterprise as Ethiopian Postal Service Enterprise is Proclamation No. 240/1966, which laid the administration of infrastructure for the improvement, expansion and modernization of the postal system.

Under the proclamation, the post office was organized as an independent department of the Ministry of Posts, Telegraphs and Telephones. The Enterprise was re-established as a public enterprise in the Megabit 2001 Ethiopian Calendar and it is governed by Public Enterprise Proclamation No. 25/1984.

Henceforth, upon its establishment, the enterprise has the right to operate the transport of postal articles and the performance of all services incidental thereto, including without limitation receiving, collecting, dispatching and delivering postal articles, the acceptance and remittance of limited sums of money by means of postal order, the management and control of postal packets and parcels, the maintenance and operation of philatelic and related services as well as carrying out agency services.

The enterprise is located around Bihrawi Theater, in front of Ethio-Cuban Park, Addis Ababa, 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, 2025 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.

2.3 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.

2.4 Presentation and Functional Currency

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

3 NEW STANDARDS, AMENDMENTS, INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

3.1 Significant accounting judgments, estimates and assumptions

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.

3.2 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 2025. The details of the new standards/Amendments along with their effect on the financial statement of the EthioPost are listed below.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add to requirements explaining how EthioPost accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments were not expected to have a material impact on the EthioPost's financial statements.

Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS

The amendments introduce new disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an enterprise's liabilities, cash flows and exposure to liquidity risk. The amendments are not expected to have a material impact on the EthioPost's financial statements.

IAS 21 – Lack of exchangeability (amendments)

Effective for annual periods beginning on/after 1 January 2025, The Amendment Sets guidance for assessing when a currency is not exchangeable and determining the spot rate. EthioPost hardly buys certain consumables in foreign currencies; based on current circumstances, we do not expect a material effect on recognition or measurement.

4 RELATED PARTY

A party is related to an enterprise if, inter alia

(i) directly, or indirectly through one or more intermediaries, the party:

- a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- b) has an interest in the entity that gives it significant influence over the entity; or
- c) has joint control over the entity;

(ii) the party is an associate of the enterprise.

The EthioPost discloses the nature of relationships between the EthioPost and its related parties irrespective of whether there have been transactions between them. An entity shall disclose the name of its shareholder and other companies owned by the same share holder which in this case are other companies owned by Government.

The enterprise also discloses information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include

- (a) the amount of the transactions;
- (b) the amount of outstanding balances,
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement;
 - (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognized during the period in respect of bad or doubtful debts due from related parties

ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED July 7, 2025

5 Revenue from contract with customer

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 recognizes 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 enterprise 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 contract.
- Step5: Recognize revenue when (or as) the enterprise 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:

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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 expiray date is given for sold stamps and most customers use it with in the week of purchase, the Enterprise recognizes all stamp sales as an income upfront.
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 behlaf 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.

5.1 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.

5.2 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.

5.3 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.

6 INVENTORIES

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

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

7 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

7.1 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.

7.2 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. The enterprise measures the loss allowance using the simplified approach in IFRS 9, it is a method for calculating expected credit losses (ECLs) for trade receivables, contract assets, and lease receivables. expected credit losses using provision matrix. The provision matrix is calculated using historical loss

7.3 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.

7.3.1 Write-off

Financial assets shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Enterprise determines that the counter party does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

This assessment is carried out at the individual asset level. Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss.

7.3.2 VAT receivable

VAT receivable refers to the amount of Value Added Tax (VAT) that the enterprise has paid on its purchases and expenses, which it is entitled to reclaim from the tax authorities. It arises in situations where the VAT paid on purchases (input VAT) exceeds the VAT collected on sales (output VAT). VAT receivable occurs when the total input VAT is greater than the total output VAT for a given period. The difference is then due back to the business from the tax authorities. The enterprise reports its VAT receivable on its periodic VAT return. If the VAT receivable is confirmed by the tax authorities, the enterprise will offset future VAT liabilities. VAT receivable is recorded as a current asset on the balance sheet, reflecting the amount due from the tax authorities.

7.3.3 Prepayments

consumed in the future. Prepayments are recognized as an asset on the balance sheet until the goods or services are delivered or consumed, at which point they are expensed. Prepayments are recorded as a current asset since they represent future economic benefits to the enterprise. As the period covered by the prepayment passes or the service is consumed, the prepaid asset is gradually expensed on the income statement.

Common Examples of Prepayments in the enterprise's account include:

Insurance Premiums: Payments made in advance for insurance coverage.

Rent: Rent paid before the rental period begins.

Advance Payments to Suppliers: Payments made to suppliers before receiving the goods or services.

7.3.4 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:

7.3.5 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.

7.3.6 Government grants

Government grants are recognized when there is reasonable assurance that;

the Enterprise will comply with the conditions attaching to them; and

the grants will be received.

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

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

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

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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.

7.4 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, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and balances with commercial banks.

7.4.1 Impairment Of Cash And Cash Equivalents

The enterprise assesses cash and cash equivalents for impairment in accordance with IFRS 9 – Financial Instruments. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the expected credit loss (ECL) for these assets is immaterial due to the nature of the counterparties (primarily financial institutions with high credit ratings) and the short-term nature of the financial instruments.

The enterprise uses the following methods to assess the expected credit losses on cash and cash equivalents:

Default Risk of Financial Institutions: The enterprise continuously monitors the Current, Quick and Cash Ratio of the financial institutions where cash is deposited to assess default risks. Given the high level of liquidity of the banks in which enterprise holds its cash, the expected credit loss associated with cash and cash equivalents is deemed immaterial.

Historical Loss Rates: Historically, the enterprise has not incurred any loss on its cash and cash equivalents. The enterprise uses this data to support its assessment that credit losses will continue to be insignificant.

Forward-Looking Information: The enterprise considers any relevant forward-looking information, including economic conditions, geopolitical risks, and changes in market conditions, which may affect the financial stability of counterparties.

7.4.2 Impairment Assessment

As at July 7, 2025, the enterprise performed an impairment assessment on its cash and cash equivalents. The assessment indicated that the expected credit losses are insignificant and no impairment provision is required

Class of Asset	Gross Carrying Amount	ECL Pro	Net Carrying	Net Carrying Amount
Cash on hand	1,832,221	-	1,832,221	1,832,221
Bank deposits	476,051,897	-	476,051,897	476,051,897
Short-term investments	-	-	-	-
Total Cash and Cash Equivalent	477,884,118	-	477,884,118	477,884,118

7.4.3 Expected Credit Losses (Ecl) Methodology

Cash and cash equivalents are measured at amortized cost. The enterprise applies the simplified approach permitted under IFRS 9 to assess impairment. This approach considers the lifetime ECLs for cash and cash equivalents and does not require a detailed tracking of historical credit loss events due to the short-term, low-risk nature of the assets. Given that the counterparties to cash deposits are investment-grade financial institutions and the time to maturity of the cash equivalents is typically less than three months, the risk of default is deemed extremely low, and no significant impairment is recognized.

8 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 (greater than 20%) 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.

Salvage Value is calculated on cost of PPEs using a percentage chosen by the management.

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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8 PROPERTY, PLANT AND EQUIPMENT

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Salvage Value is calculated on cost of PPEs using a percentage chosen by the management.

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

*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

8.1 Impairment of non-financial assets

The Ethiopost assesses, at each reporting date, whether there is an indication that an asset may be impaired or any indication exist, or when annual impairment testing for an asset is required, the Ethiopost estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

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

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

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

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

10 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

11 FINANCIAL LIABILITIES

11.1 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.

11.2 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.

12 PROVISION,CONTINGENT LIABILITY AND CONTINGENT ASSET

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.

During the period there are no events, transactions and conditions arising for recognition and disclosure of provision, contingent liability and contingent assets

13 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.

13.1 Leases (Right To Use An Asset-Ethiopost As A Lessee)

At an inception of a contract, the Ethiopost assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Ethiopost uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into before, on or after 1 July 2019 that were previously identified as leases.

At commencement or on modification of a contract that contains a lease component, Ethiopost allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

Ethiopost recognizes a right-of-use of asset. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

13.2 Ethiopost as a lessor and recognition of Operating Lease

At inception or on modification of a contract that contains a lease component, Ethiopost allocates the consideration in the contract to each lease component on the bases of their relative stand-alone selling prices.

When the enterprise acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the enterprise makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, if this is the case, then the lease is a finance lease; if not, then it is an operating lease as part of this assessment, the enterprise considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

14 **Employee Benefits**

The EthioPost has an employee benefit scheme which follows the Labor Proclamation No. 1156/2019. The EthioPost recognizes a liability for short term benefits as employees render services. The EthioPost accounts for annual leaves by providing in full for all unused leaves.

The EthioPost has a defined post-employment scheme in line with the provisions of Ethiopian pension of private organization employee's proclamation 1267/2022. Funding under the scheme is 7% and 11% by employees and the EthioPost 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 EthioPost 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 EthioPost treats the benefit scheme as Post Employment employee benefit. The EthioPost uses actuarial estimates, averages and computational short cuts to provide a reliable approximation of the liability incurred on each year in relation to severance pay

Termination Benefits

Termination benefits are payable to employees as per proclamation 1267/2022 when employment is terminated by the EthioPost before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The EthioPost 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.

Post-Employment Employee Benefits (Severance And Funeral)

The severance benefit plan is an unfunded post employment employee Benefit scheme. The EthioPost 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 Labor Proclamation No. 1156/2016. Employees who have served the EthioPost 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 of employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary. The EthioPost has a benefit scheme in which it reimburses employees' funeral expense. The EthioPost provides for funeral Expense Provision and treats the payable as long term Liability.

15 INCOME TAXATION

15.1 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

15.2 DEFERRED TAX

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for all deductible temporary differences, including the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities arise from taxable and deductible temporary differences. The following events and transaction of The Group give rise to deferred tax:

- Property, plant and equipment;
- Severance payment obligation;

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.

Deferred tax relating to items recognized outside profit or loss if any is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 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 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.

16 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.

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17 Financial risk management

17.1 Introduction

17.1.1 Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the 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.

17.1.2 Risk mitigation

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

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

17.2 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
7-Jul-25		
Cash and balances with banks	-	477,905,136
Investment securities	-	-
- Financial assets measured at Cost PL	-	1,222,395,744
Trade receivables	-	44,493,081
Other receivables excluding prepayments	-	-
Total financial assets	-	1,744,793,961

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7-Jul-24	<u>ETB</u>	<u>ETB</u>
Cash and balances with banks	-	259,862,715
Investment securities	-	-
- Financial assets fneasured at Cost PL	-	383,844,264
Trade receivables	-	38,322,032
Other receivables excluding prepayments	-	-
Total financial assets	-	<u>682,029,011</u>

7-Jul-23		
Cash and balances with banks	-	294,658,859
Investment securities	-	-
- Financial assets measured at Fair Value PL	-	-
Trade receivables	-	352,639,632
Other receivables excluding prepayments	-	530,078
Total financial assets	-	<u>647,828,569</u>

17

Financial risk management (continued)

17.3

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.

17.3.1

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:

	<u>7-Jul-25</u>	<u>7-Jul-24</u>
	<u>ETB</u>	<u>ETB</u>
Cash and balances with banks	477,905,136	259,862,715
Investment securities:		
- Financial assets measured at Fair Value PL	1,222,395,744	383,844,264
Trade receivables	44,493,081	38,322,032
Other receivables excluding prepayments	-	-
	<u>1,744,793,961</u>	<u>682,029,011</u>

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17.4 Credit risk

17.4.1 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 2025 and 07 July 2024 are held in banks have been classified as non-rated as there are no credit rating agencies in Ethiopia.

17.4.2 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 assessment as at 07 July 2025 and 07 July 2024 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Trade receivables and Other Financial Assets	1,185,989,496
Loss allowance based on collective assessment as at 7 July 2025 calculated under p IFRS 9 transition adjustments	(66,845,805)
Opening loss allowance at 08 July 2024	10,647,401
Loss allowance recognized during the year	(56,198,404)
Loss allowance as at 07 July 2023	12,782,625
Loss allowance recognized during the year	(43,415,779)
Loss allowance as at 07 July 2022	(16,822,457)
	<u>(60,238,236)</u>

(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-2025 ETB	7-Jul-2024 ETB	7-Jul-2023 ETB
Expected reversal / (loss)	10,647,401	12,782,625	(16,822,457)
	<u>10,647,401</u>	<u>12,782,625</u>	<u>(16,822,457)</u>

17.4.3 Credit concentrations

The Enterprise monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 07 July 2024 and 07 July 2023. The Enterprise concentrates all its financial assets in Ethiopia.

	Public ETB	Private ETB	Total ETB
7-Jul-2025			
Cash and balances with banks	-	477,905,136	477,905,136
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	<u>-</u>	<u>477,905,136</u>	<u>477,905,136</u>

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	Public ETB	Private ETB	Total ETB
7-Jul-2024			
Cash and balances with banks	-	259,862,715	259,862,715
Investment securities:			
Financial assets measured at Fair Value	-	-	-
	-	259,862,715	259,862,715
7-Jul-2023			
Cash and balances with banks	-	294,658,859	294,658,859
Investment securities:			
– Financial assets measured at Fair Value	-	-	-
	-	294,658,859	294,658,859

17.5

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.

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17.6 Fair value of financial assets and liabilities

17.6.1 Valuation models

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

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

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable 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.

17.6.1 Valuation models (Continued)

	07 July 2025	
	Carrying amount	Fair value
	ETB	ETB
Financial assets		
Cash and balances with banks	477,905,136	477,905,136
Investment securities:		
– Financial assets measured at Cost		
Trade receivables	1,222,395,744	1,222,395,744
Other receivables excluding prepayments	44,493,081	44,493,081
Total	1,744,793,961	1,744,793,961

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Financial liabilities	1,342,184,185	1,342,184,185
Trade payables	-	-
Bank overdraft	-	-
Borrowings	105,103,150	105,103,150
Other liabilities	1,447,287,336	1,447,287,336
Total	1,447,287,336	1,447,287,336

07 July 2024

	Carrying amount	Fair value
	ETB	ETB
Financial assets		
Cash and balances with banks	259,862,715	259,862,715
Investment securities:		
- Financial assets measured at Cost	383,844,264	383,844,264
Trade receivables	38,322,032	38,322,032
Other receivables excluding prepayments	682,029,011	682,029,011
Total	682,029,011	682,029,011

Financial liabilities	780,513,799	780,513,799
Trade payables	-	-
Bank overdraft	-	-
Borrowings	102,457,899	102,457,899
Other liabilities	882,971,699	882,971,699
Total	882,971,699	882,971,699

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17.6.3 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.

17.6.4 Valuation technique using significant unobservable inputs – Level 3

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

17.6.5 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.

17.7 Offsetting financial assets and financial liabilities

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

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18 Revenue from contracts with customers

	July 7,2025	July 7,2024
	Total Birr	Total Birr
The disaggregation of revenue based on timing and nature is as below :		
Overtime:		
Foreign mail service	81,710,283	26,398,917
Express mail service	1,521,121,743	808,953,827
Parcel service	219,889,087	189,727,524
Post box rental	24,542,583	27,923,803
Home to home delivery service	-	7,482
Letter & philately service	16,574,722	21,604,730
Transport & Logistics income	115,775,400	144,713,815
House rental income	130,048,405	89,477,094
Income from NID and other Government Service	631,089,574	-
Commission income-telecom products	100,522,466	128,404,031
Commission income-other services	38,930,624	26,981,428
	<u>2,880,204,888</u>	<u>1,464,192,652</u>

19 Expenses by Nature

19a Direct costs

	July 7,2025	July 7,2024
	Total Birr	Total Birr
Mail transportation	1,319,853,984	493,992,473
Other Direct Operating Expense	66,447,927	-
Commision Expense(Mail Service)	48,108,251	-
Commission expense-telecom products	91,739,685	112,971,282
	<u>1,526,149,847</u>	<u>606,963,755</u>

19b Operating expenses

	July 7,2025	July 7,2024
	Birr	Birr
Employee benefits expense	540,066,330	448,602,300
Transport & travelling	73,275,473	56,115,899
Rent	34,059,418	56,852,358
Utilities	17,152,328	7,844,957
Repair & Maintenance	49,652,894	19,026,232
Printing & Stationary	30,229,530	27,237,850
provision for expected credit loss	10,647,401	-
Licence membership and other professional pay	35,052,858	-
Advertising & Membership	32,224,660	47,762,794
Other operating expenses	35,417,331	18,553,216
	<u>857,778,222</u>	<u>681,995,606</u>

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Employee benefits expense

The following items are included within employee benefits expense:

Salaries and wages	328,679,647	235,765,863
Allowances	117,655,865	129,060,041
Bonus	31,971,231	22,996,408
Annual Leave	(3,818,410)	16,745,879
Medical & life insurance	7,658,747	6,483,791
Employee defined contribution expense	34,462,903	25,028,580
Other staff benefits	23,456,348	12,521,738
	<u>540,066,330</u>	<u>448,602,300</u>

20 Other income (expense)

	July 7,2025	July 7,2024
	Total Birr	Total Birr
Gain/Loss from sale of property, plant and equipment	18,820,764	22,954,847
Income from NID		27,890
Grant income	13,860,629	1,259,538
Sundry income	36,005,180	75,406,365
	<u>68,686,573</u>	<u>99,648,639</u>

Foreign Exchange gain and loss

	July 7,2025	July 7,2024
Gain/(loss) from foreign currency fluctuation	(376,904,330)	(3,030,729)
	<u>(376,904,330)</u>	<u>(3,030,729)</u>
Total	<u>(308,217,756)</u>	<u>96,617,910</u>

21 Finance income / (cost)

	July 7,2025	July 7,2024
	Total Birr	Total Birr
Finance income		
Interest income-Saving	20,998,632	11,290,718
Interest income-Treasury bill	-	-
	<u>20,998,632</u>	<u>11,290,718</u>
Finance costs		
Interest expense	13,302,656	8,363,218
	<u>13,302,656</u>	<u>8,363,218</u>
Finance income/(cost) - net	<u>7,695,976</u>	<u>2,927,500</u>

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22 Property, Plant and Equipment

	Right of use land	Building	Plant, Machinery and Equipment	Office Furniture & Equipment	Motor Vehicles	Computers and Accessories	Motor cycles and Bicycles	Construction in progress	Total
At 8 July 2023	99,957,618	402,896,627	264,976	57,184,021	96,610,896	57,540,964	12,236,844	90,021,659	1,072,092,674
Additions/Disposal		109,854,775		1,126,591	119,676,542	49,726,852		(25,005,691)	255,379,069
At 7 July 2024	99,957,618	512,751,402	264,976	58,310,612	216,287,438	107,267,816	12,236,844	65,015,968	1,072,092,674
Additions/Disposal		53,569,006	2,089,304	13,114,149	30,272,877	30,917,732	7,000,236	(1,963,152)	135,000,152
At 7 July 2025	99,957,618	566,320,408	2,354,280	71,424,761	246,560,315	138,185,548	19,237,080	63,052,816	1,207,092,826
Depreciation and Impairment									
At 1 July 2023	-	44,798,748	19,029	24,762,399	49,870,514	27,727,052	9,175,857		156,353,598
Depreciation	-	9,275,227	35,367	4,736,956	1,195,899	11,359,680	1,075,913		27,679,042
At 1 July 2024	-	54,073,975	54,396	29,499,355	51,066,413	39,086,732	10,251,770		184,032,640
Depreciation	-	12,015,053	122,179	4,825,623	12,919,046	17,900,128	2,139,286		49,921,316
At 30 June 2025	-	66,089,028	176,575	34,324,978	63,985,459	56,986,860	12,391,056		233,953,956

Carrying Amount

At 07 July 2024	99,957,618	458,677,427	210,580	28,811,257	165,221,025	68,181,084	1,985,074	65,015,968	888,060,033
At 07 July 2025	99,957,618	500,231,380	2,177,705	37,099,783	182,574,856	81,198,688	6,846,024	63,052,816	973,138,870

22.1 Impairment of non-financial assets

In accordance with IAS 16 (Property, Plant and Equipment), the building's value has increased by Birr 53 million for the year ended July 7, 2025. This increase reflects the capitalized renovation costs incurred at various district buildings of Ethiopia Post. These expenditures are deemed enhancements that contribute to improving the asset's future economic benefits. The renovations undertaken have been essential in maintaining and upgrading the facilities to meet operational needs. By capitalizing these costs, we ensure that the financial statements accurately reflect the investments made in our property, plant, and equipment. This approach aligns with the requirements of IAS 16, promoting transparency and accountability in our financial reporting. Overall, this capitalized amount will support the ongoing operations and sustainability of our assets.

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23 Investment property	2025	2024
Cost	401,085,071	371,630,272
Addition	1,446,206	29,454,799
Cost for The year	402,531,277	401,085,071
Accumulated Deprecation brought forward	44,045,431	35,673,514
Depreciation for the year	8,382,823	8,371,917
Accumulated Deprecation carried forward	52,428,254	44,045,431
Carrying Amount for the year	<u>350,103,024</u>	<u>357,039,641</u>

23.1 Impairment of non-financial assets

Ethiopost assesses, at each reporting date, whether there is an indication that an asset may be impaired or any indication exist, or when annual impairment testing for an asset is required, the Ethiopost estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

land from various regions has been taken for corridor development, the remaining portions retain values exceeding the carrying amounts of the assets. Therefore, no impairment has been recognized in the company.

24 Right to use a Land	2025	2024
Cost	1,463,027	1,463,027
Addition	-	-
Cost for The year	1,463,027	1,463,027
Accumulated Deprecation brought forward	119,281	104,352
Depreciation for the year	14,929	14,929
Accumulated Deprecation carried forward	134,210	119,281
Carrying Amount for the year	<u>1,328,817</u>	<u>1,343,746</u>

The land is leased from the City Government of Addis Ababa as of October 30, 2016, covering a total area of 592.69 square meters. The total lease price is 3,451,233.87, with an annual payment of Br 84,555.18 and an advance lease payment of Br 690,246.77. The payment term is 40 years, while the lease term is 99 years.

25 Intangible Assets	2025	2024
Software	34,997,420	34,997,420
Addition	8,473,956	-
Cost for The year	43,471,376	34,997,420
Accumulated Amortization brought forward	24,514,442	20,795,249
Amortization for the year	2,521,099	3,719,193
Accumulated Amortization carried forward	27,035,540	24,514,442
Carrying Amount for the year	<u>16,435,836</u>	<u>10,482,978</u>

26 Inventories	2025	2024
Stock-telecom products	5,406,999	3,711,688
Stock-postal operation	37,216,563	49,668,774
Consumables	76,435,123	51,306,569
	119,058,685	104,687,032
Allowance for inventory impairment	-	-
	<u>119,058,685</u>	<u>104,687,032</u>

Ethiopost regularly reviews its inventories to identify any potential impairment in accordance with IAS 2 - Inventories. Inventories are carried at the lower of cost and net realizable value. As of the reporting date, no further indicators of impairment were identified for the remaining inventory.

Key Judgements and Estimates

The impairment assessment involved significant judgment in estimating the net realizable value of inventory. Factors considered included recent selling prices, historical sales trends, and expected future sales.

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27	Trade and Other receivables	2025	2024
	Non Current		
27.1	Financial Assets		
	Local trade debtors	108,383,912	
	International trade debtors	<u>37,660,823</u>	
	Impairment loss on financial assets	<u>(12,200,185)</u>	
		133,844,550	

For the fiscal year ended July 7, 2025 We classify both local and international trade receivables into current and non-current categories. Current receivables are those anticipated to be collected within 12 months, while non-current receivables are expected to be collected beyond this timeframe. This classification is based on the statements of account provided to customers, who have agreed to and promised payment within the 12-month period.

	Current		
27.2	Financial Assets	2025	2024
	Local trade debtors	93,618,276	156,432,970
	International trade debtors	<u>1,047,571,312</u>	<u>283,609,697</u>
	Total Current A/Receivable	<u>1,141,189,588</u>	<u>383,844,264</u>
	Impairment loss on financial assets	<u>(52,945,221)</u>	<u>(56,198,404)</u>
		1,088,244,367	327,645,860
27.3	Non-Financial Assets(other receivable)		Restated
		2025	2024
	Vat Receivable	107,260,342	75,846,214
	Withholding receivables	1,566,206	4,197,043
	Sundry receivables	44,052,921	38,173,171
		<u>(1,688,383)</u>	<u>-</u>
		151,191,086	118,216,428

As of July 7, 2025 the total sundry receivables amount comprised of unclaimed and other Receivables this balance comprises unclaimed receivables and other related to various transactions that are pending resolution. Management is actively pursuing the collection of these amounts and assesses their recoverability regularly.

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	<u>2025</u>	<u>2024</u>
27.4 Short term investment		
Fixed time deposit	104,156,250	-
	<u>104,156,250</u>	<u>-</u>
<p>Fixed Time Deposit Receivable: amount: \$100,000,000 this represents a fixed time deposit with cooperative bank of Oromia], maturing on march 30,2026 The deposit earns interest at a rate of 17.5%], and is classified as a current asset due to its maturity within one year.</p> <p>Interest receivable amount of ETB 4,156.250 this amount represents accrued interest on the fixed time deposit, calculated up to the reporting date. The interest is expected to be received by march 29,2026.</p>		
27.5 Prepayment and advance		
prepayment to Supplier	42,480,412	25,923,496
Advance to staff	240,296	148,861
Impairment loss on financial assets	(12,015)	-
	<u>42,708,693</u>	<u>26,072,357</u>
	<u>1,282,144,146</u>	<u>471,934,645</u>
28 Cash and cash equivalent		
Cash on hand	1,832,221	5,445,705
Cash at bank	476,051,897	254,417,011
	<u>477,884,118</u>	<u>259,862,715</u>

Cash and cash equivalents comprise cash on hand and demand deposits . Cash at banks earns interest at floating rates based on daily bank deposit rates.

we didn't find any issue that would require a special consideration that needs us to carry out an overall assessment on our bank to recognize impairment loss on cash held at the bank.

	<u>2025</u>	<u>2024</u>
29 Defferd Tax Asset		
<i>Employee benefit Tax Base</i>		
Employee benefit Carrying Amount	85,076,558	71,281,328
Deductible Temporary difference	85,076,558	71,281,328
<i>Allowance for receivables Tax Base</i>		
Allowance for receivables Carrying Amount	66,845,805	56,198,404
Deductible Temporary difference	66,845,805	56,198,404
<i>Provisions Tax Base</i>		
Provisions Carrying Amount	-	-
Deductible Temporary difference	-	-
Total Dedctable difference	<u>151,922,363</u>	<u>127,479,732</u>
	<u>45,576,702</u>	<u>38,243,920</u>

Non Current Liabilities

30 Post Employment employee benefit(severance)

The severance benefit plan is an unfunded Other Long Term employee Bnefit scheme. The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize. The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 1156/2011. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

	<u>2025</u>	<u>2024</u>
	<u>Birr</u>	<u>Birr</u>
Severance Pay Payable		
Balance Brought Forward	42,655,877	45,134,977
Addition for the year	19,693,362	10,609,486
Paid during the year	<u>(1,603,976)</u>	<u>(13,088,586)</u>
Severance Pay Payable for the Year	<u>60,745,263</u>	<u>42,655,877</u>

	<u>2025</u>	<u>2024</u>
	<u>Birr</u>	<u>Birr</u>
31 Defferd Tax Liability		
<i>Property Plant and Equipment</i>		
Tax Base	982,420,251	852,961,208
Carrying Amount	1,341,006,546	1,256,926,398
Deductible Temporary difference	<u>358,586,295</u>	<u>403,965,190</u>
Deferred Tax Liability	<u>107,575,888.62</u>	<u>121,189,557</u>

	<u>2025</u>	<u>2024</u>
	<u>Birr</u>	<u>Birr</u>
32 Trade and Other payables		
Financial Liability		
Local Accounts Payable	84,039,185	216,979,885
International Accounts Payable	816,818,926	570,729,371
	<u>900,858,110</u>	<u>787,709,256</u>

	<u>2025</u>	<u>2024</u>
	<u>Birr</u>	<u>Birr</u>
33 Lease Liability		
Balance at the beginning	1,446,018	1,363,984
Addition/removal during the year		
Interest expense during the year	81,513	82,035
Repayment during the year		
Balance at the end of the year	<u>1,527,531</u>	<u>1,446,018</u>
current	<u>84,555</u>	<u>84,555</u>
Non current	<u>1,442,976</u>	<u>1,361,463</u>

For the fiscal year ended July 7, 2025, the total interest expense recognized on lease liabilities amounted to ETB 81,512. This represents a decrease of 1% compared to the previous fiscal year.

Lease interest expense is calculated using the effective interest rate of 11% on the outstanding lease liability. The Company recognizes interest expense on lease liabilities as part of finance costs in the statement of profit or loss in accordance with IFRS 16, paragraphs 26-27

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34	Grant	<u>2025</u> Birr	<u>2024</u> Birr
	Grant liability	4,256,504	5,516,042
	Addition During the Year	750,000	-
	Deperciation	(1,313,449)	(1,259,538)
		<u>3,693,055</u>	<u>4,256,504</u>
	Grant income	1,313,449	1,259,538

The grant provided by the Universal Postal Union (UPU) is awarded to Ethiopia Post for a specific project proposal submitted in accordance with UPU guidelines. This grant is available to all member countries, allowing them to compete for funding based on the merit of their proposals. As a conditional grant, it is subject to the successful implementation of the project, with UPU overseeing the project's progress following the award.

This arrangement aligns with the IFRS standard "IAS 20" regarding government grants, which stipulates that such grants must be recognized when there is reasonable assurance that the conditions attached will be met and that the grant will be received. The recognition of this grant will be reflected in our financial statements, indicating both the revenue generated from the grant and the associated obligations for project implementation. This disclosure emphasizes our commitment to adhering to international standards and our proactive approach to enhancing postal services through strategic projects.

35	Retention Payable	<u>2025</u> Birr	<u>2024</u> Birr
	Brought forward	19,797,868	19,797,868
	Movment during the year	1,642,891	-
		<u>21,440,759</u>	<u>19,797,868</u>

36	Trade and Other payables	<u>2025</u> Birr	<u>2024</u> Birr
	Financial Liability		
	Local Accounts Payable	274,648,858	216,979,885
	International Accounts Payable	1,067,535,328	570,729,371
	Advance & Deposit	12,198,605	22,552,989
	Other accrued liabilities	67,130,113	58,816,587
		<u>1,421,512,904</u>	<u>869,078,832</u>

Settlement Procedures:

As of July 7, 2025, the company has total international payables of 1,884,354,254, with 1,067,535,328 classified as current liabilities and the remainder as non-current. Similarly, total international receivables amount to 1,085,310,507, of which 1,047,649,684 are current.

The classification of current and non-current trade and other payables is based on the statements of account sent to suppliers. Current payables are scheduled to be settled within 12 months, as outlined in our cash flow projections. This classification is consistent with agreements made with postal operators and reflects our commitment to timely settlements.

Payments to postal operators with receivables are settled in accordance with the UPU Convention, following the guidelines set forth in the relevant articles.

The settlement process typically occurs on a quarterly or monthly basis, depending on the agreements established with each designated postal operator to ensure timely and accurate reconciliation of accounts.

The Company is committed to complying with the UPU Convention and all relevant articles concerning financial relations and settlements. This ensures that all transactions related to payables and receivables

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	<u>2025</u> Birr	<u>2024</u> Birr
37 Dividend Payable	132,661,226	132,661,226
Paid during the year	(132,715,247)	-
Declared during the year	50,183,051	-
	<u>50,129,030</u>	<u>132,661,226</u>

	<u>2025</u> Birr	<u>2024</u> Birr
38 Loan Payable	85,226,929	85,226,929
	<u>(85,226,929)</u>	<u>-</u>
	<u>-</u>	<u>85,226,929</u>

	<u>2025</u> Birr	<u>Restated</u> <u>2024</u> Birr
39 Non-Financial Liability		
Withholding Tax Payable (2%)	1,041,452	416,370
Value Added Tax Payable	34,853,071	2,326,001
Employee Income Tax Payables	14,485,138	10,831,725
Tax Authority Payables VAT WH & WHI	16,223,635	63,325,155
Pension Contribution Payable	9,758,758	7,821,609
Third Party Payables(deductions)	6,138,364	4,909,801
	<u>82,500,417</u>	<u>89,630,661</u>

	<u>2025</u> Birr	<u>2024</u> Birr
40 Income tax liability		
Balance brought forward	55,519,169	-
Current income tax	73,722,287	-
Settlement made during the year	(55,519,169)	-
Less: With holding tax paid	<u>(3,637,882)</u>	<u>55,519,169</u>
Income tax liability	<u>70,084,405</u>	<u>55,519,169</u>

	<u>2025</u> Birr	<u>2024</u> Birr
41 Lease Liability		
current	<u>84,555</u>	<u>84,555</u>

42 **Short term employee benefit**
 The Enterprise provides for unused leave days payable by estimating the amount the Enterprise is likely to pay for each employee. The Enterprise treats the benefits as short term employee benefit.

Short Term employment benefit (Annual Leave Pay Payable)

	<u>2025</u> Birr	<u>2024</u> Birr
Leave pay		
Balance Brought Forward	28,625,451	15,796,246
Addition during the year	(441,439)	16,448,722
Used During the year	<u>(3,852,717)</u>	<u>(3,619,517)</u>
	<u>24,331,295.52</u>	<u>28,625,451</u>

Ethiopost provides for unused leave days payable by estimating the amount the enterprise is likely to pay for each employee. The enterprise treats the benefits as short term employee benefit.

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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Income Taxation		<u>2025</u>	<u>2024</u>
43	Accounting profit	124,465,901	221,696,130
	Employee benefit	(13,795,230)	12,829,205
	Depreciation Per Tax Law	(94,593,955)	(68,729,893)
	Depreciation under IFRS	71,289,138	53,082,570
	Severance expense	18,089,386	(2,479,100)
	finer penalty interest expe	7,778,111	101,632
	Expected credit loss	(10,647,401)	(12,782,625)
	Entertainment	12,326,963	3,819,304
	interest Income	(20,998,632)	(11,290,718)
	(Income Tax Continued)		
	Taxable Income (loss) for the year	93,914,282	196,246,305
	Current Tax Income (Expense)	(28,174,284)	(58,873,952)
	Minimum Alternative tax	(73,722,287)	
	Deffered Tax Income (Expense)	20,946,458	(23,920,310)
	WHT	3,637,882	3,354,783
	Tax Expense for the year	(52,775,828)	(82,794,261)

Deffred Tax Income (Expense)		<u>2025</u>	<u>2024</u>
44	Movment in Deffered Tax Asset	7,332,789	(729,756)
	Movment In Deffered Tax Liability	<u>13,613,669</u>	<u>(23,190,554)</u>
	Deffred Tax Asset (Liability)	<u>20,946,458</u>	<u>(23,920,310)</u>

45 Related Party transactions Discllosures

45.1 Key management compensation

Key management has been determined to be the members of Executive Management of the Enterprise. The compensation paid or payable to key management for is shown below.

	<u>2025</u>	<u>2024</u>
Salary and Allowances	66,124,634	53,194,190
allowance for Board of director	625,000	433,500
	<u>66,749,634</u>	<u>53,627,690</u>

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45.2

The Enterprise is controlled by Ethiopian Investment Holdings which is a strategic investment arm of the Government of Ethiopia. Transactions made between the Entity and entities within the holding are considered as related party transactions. All the transactions made with the related parties are carried out at market value. The management did assess the business risk that comes along with being dependent on the ultimate Enterprise for the significant amount of the revenue it generates. The management is addressing the risk by looking for ways to broaden its customer base.

45.3

During the year ended July 7,2025, the enterprise transacts with ethiotelecom birr 1.013 billion from a total distribution of EVD and SIM, it gets commission income of 100 million and commission expense of 92 million.

45.4

During the year ended July 7,2025, the enterprise transacts with eEthiopian air lines birr 222,300,472.38 for transportation of items within and out of Ethiopia.

46

Events after reporting period

46.1

significant amendments to the Federal Income Tax Proclamation No. 979/2016.

On 17 July 2025, the House of Peoples' Representatives passed the Income Tax (Amendment) Proclamation No. 1395/2025, which introduces significant amendments to the Federal Income Tax Proclamation No. 979/2016.

The corporate income tax rate for entities remains unchanged at 30%. However, where the total assessable business income results in a tax liability of less than 2.5% of turnover, the taxpayer will be subject to an Alternative Minimum Tax (AMT).

The Proclamation introduces a significant change to the rules governing advance profit tax payments. Previously, advance payments were optional and made on a semiannual basis. Under the amended provision, advance tax payments are now mandatory and must be declared on a quarterly basis.

46.2

Nature of the Event

could increase overall tax expenses if current tax rates are below this threshold.

Impact on Profit Margins:

The introduction of a minimum tax could reduce net income, thereby affecting profit margins and overall financial performance. Increased tax payments could lead to tighter cash flow, affecting the ability to reinvest in operations, pay dividends, or cover other expenses.

Enterprise will need to adjust budgets and financial forecasts to account for the new tax obligations, impacting strategic planning.

Additional resources may need to be allocated to ensure compliance with the new tax regulations, including accounting and reporting adjustments.

The new tax rate may affect decisions regarding capital investments and operational expansions, particularly if it impacts expected returns.

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENTS
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Impact on Financial Statements

- 46.3 Financial statements will need to reflect the new tax liability, impacting the income statement and cash flow statement, and requiring additional disclosures.
- 46.4 **Impact of Corridor Development on Property, Plant and Equipment**
As part of the Government of Ethiopia's national development agenda, the enterprise is affected by ongoing corridor development projects (e.g., expressways, railways, or industrial zones) which intersect with or are adjacent to some of the enterprise's operating sites.

except as disclosed above , there were no significant event that occurred between 07 July 2025 and the date of issue of this financia statement

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
 NOTES TO THE FINANCIAL STATEMENT
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47 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. 1180/2020. The authorized capital of the enterprise is birr 380,000,000 and paid up capital is 109,097,601.00

Paid up capital	<u>2025</u>	<u>2024</u>
Balance Brought Forward	109,097,601	109,097,601
Addition for the year	-	-
Movement during the year	-	-
Paid up capital at year end	<u>109,097,601</u>	<u>109,097,601</u>

48 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.

Legal Reserve	<u>2025</u>	<u>2024</u>
Balance Brought Forward	21,819,520	21,819,520
Addition for the year	-	-
Movement during the year	-	-
legal Reserve at year end	<u>21,819,520</u>	<u>21,819,520</u>

49 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.

Revaluation reserve	<u>2025</u>	<u>2024</u>
Balance Brought Forward	247,947,566	247,947,566
Addition for the year	-	-
Movement during the year	-	-
Revaluation reserve at year end	<u>247,947,566</u>	<u>247,947,566</u>

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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50 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.

Retained earnings	<u>2025</u>	Restated
		<u>2024</u>
Balance Brought Forward	358,900,637	394,051,631
Profit for the year	71,690,073	138,901,869
Transfer to Dividend	(50,183,051)	(97,051,238)
Transfer to legal reserve		(180,070.00)
Other Adjustement		(76,821,555)
Retained Earning at year end	<u>380,407,659</u>	<u>358,900,637</u>

ETHIOPIAN POSTAL SERVICE ENTERPRISE
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51 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)
2025	982,420,251	1,341,006,546	358,586,295	107,575,889	13,613,669
2024	852,961,208	1,256,926,398	403,965,190	121,189,557	(23,190,554)
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	(62,732,172)
2021	10,005,909	122,090,832	112,084,923	33,625,477	2,947,018

Employee Benefit					
	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2025	-	85,076,558	85,076,558	25,522,967	4,138,569
2024	-	71,281,328	71,281,328	21,384,399	3,105,032
2023	-	60,931,223	60,931,223	18,279,367	3,229,485
2022	-	50,166,275	50,166,275	15,049,882	14,704,783
2021	-	1,150,331	1,150,331	345,099	196,797

Expected Credit Loss					
	Tax Base	Carrying Amount	Deductable Temporary difference	Deferred Tax Asset	Deferred Tax Income (Expense)
2025	-	66,845,805	66,845,805	20,053,741	3,194,220
2024	-	56,198,404	56,198,404	16,859,521	(3,834,788)
2023	-	68,981,029	68,981,029	20,694,309	5,046,737

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.

For the year ended July 7, 2025, the total deferred tax income from the above items is as follows:

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
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Total Deferred Tax Income (Expense):

PPE: 13,592,768

Employee Benefits: 4,138,569

Expected Credit Loss: 3,194,220

Total Deferred Tax Income for 2025: 20,925,557

This disclosure reflects the deferred tax positions as of December 31, 2025, and is

**ETHIOPIAN POSTAL SERVICE ENTERPRISE
NOTES TO THE FINANCIAL STATEMENT
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**ETHIOPIAN POSTAL SERVICE ENTERPRISE
Restatement of Prior Periods –Tax Payable**

1. Nature of the Restatement

During the period ended July 7, 2025, management identified a estimation error on the value of tax payable and vat receivable in previous reporting periods. The error arose because error .

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 2024:

Vat receivable: previously reported as 91,616,724; restated to 75,846,214.

W/holding receivable: previously reported as 8,182,370; restated to 4,197,043.

Tax liability: previously reported as 6,259,437; restated to 63,325,155

Total liability: previously reported as 32,564,943; restated to 89,630,661.

Retained earnings: previously reported as 435,722,192 restated to 358,900,637

3. Correction of the Error

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

