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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN ELECTRIC POWER
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2024



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
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**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Management board and Executive magement**

Management board

H.E. Abraham Belay (Ph.D)	Board Chairperson	Appointed Feb-2020
H.E Ambassador Girma Birru	Board Member	Appointed Feb-2020
H.E. Eng. Ayisha Mohammed	Board Member	Appointed Dec-2016
H.E. Eyob Tekalgn (Ph.D)	Board Member	Appointed Mar-2019
H.E Fikadu Dgafe	Board Member	Appointed Jun-2023
H.E Melaku Alebel	Board Member	Appointed Mar-2024
Ato Toshome Belay	Board Member	Appointed Apr-2020
W/ro Mahilet Nigussie	Board Member	Appointed Apr-2020

Executive management

Ato Ashebr Balcha	Chief Executive Officer	Appointed Feb-2020
Ato Eyayehu Hundessa	Executive, Generation Operation	Appointed Aug-2020
Ato Assefa Nigusie	Executive, Generation Construction	Appointed Jan-2020
Ato Habtamu Wube	Executive, Transmission and substation operation	Appointed Aug-2020
Ato Kibrom Kahssay	Executive, Transmission and Substation Construction	Appointed Oct-2018
Ato Andualem Siae	Executive, Coporate Planning	Appointed Aug-2020
Ato Wudinch Yemane	Executive, Engineering Office	Appointed Aug-2020
Ato Demere Assefa	Executive, Chief Finance	Appointed Oct-2018
Ato Atalay Abebe	Executive, Human Resource & Service	Appointed Aug-2020
W/ro Semign Ayalew	Executive, General service and Property Administration	Appointed Oct-2019
Ato Merga Terefe	Executive, Ethics and Anti Corruption Monitoring	Appointed Jul-2021
Ato G/Egziabher Mezgebe	Director, Internal Audit	Appointed Jul-2021
Ato Merkinh Yigezu	Director, Legal Office	Appointed Oct-2016



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Report of the management board**

The management board members submit their report together with the financial statements for the period ended 7 July 2024 to the supervising authority; Public Enterprises Holding and Administration Agency (PEHAA).

Incorporation and address

Ethiopian Electric Power was established as an autonomous public enterprise on 9 December 2013 and is governed by public enterprises Proclamation No. 25/1992.

The Enterprise has its head office at Kotebe EEP Building, Addis Ababa, Ethiopia and has branches, project offices and coordinating offices in various regions within Ethiopia.

Principal activities

The Enterprise's principal activities are generation and transmission of power, substation; construction, upgrade and management and sale of bulk electric power.

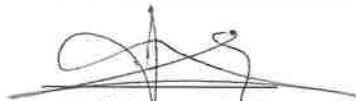
Results and dividends

The Enterprise's results for the year ended 7 July 2024 are set out on page 11. The loss for the year has been transferred to accumulated losses. The summarised results are presented below.

	<u>7 July 2024</u> <u>Birr'000</u>	<u>7 July 2023</u> <u>Birr'000</u>
Revenue from contracts with customers	27,137,357	22,484,423
Net loss for the year	(10,147,553)	(24,838,797)
Other comprehensive gain and loss	17,789	(34,988)
Total comprehensive loss for the period	<u>(10,129,764)</u>	<u>(24,873,785)</u>

Management Board

The management board members who held office during the year and to the date of this report are set out on page 3.



H.E. Abraham Belay (PhD)
Management Board Chairperson
6 January 2025



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Statement of management board's responsibilities**

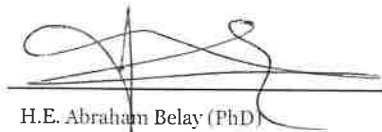
The management board members submit their report together with the financial statements for the period ended 7 July 2024 to the supervising authority; Public Enterprises Holding and Administration Agency (PEHAA).

The Enterprise's management board is responsible for ensuring proper books of accounts are kept.

To enable the management board to meet this responsibility, the management board and executive management implement systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Nothing has come to the attention of the management board 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 board by:



H.E. Abraham Belay (PhD)
Management Board Chairperson
6 January 2025





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Office of the Federal Auditor General
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT TO
THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Electric Power, which comprise the statements of financial position as at 7 July 2024, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 Entity as at 7 July 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis 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 ELECTRIC POWER (continued)**

Report on the Audit of the Financial Statements (continued)

***Key Audit Matters* (continued)**

Property, plant and equipment

The risks involved with a project-oriented undertaking such as the Entity are manifold. They will entail, but not be limited to, the physical control of equipment and stocks of materials, the reporting of transactions at project sites to the accounting function, the capitalization of costs caused by inefficiencies, the charging of overheads, and the correct accumulation of project costs, including the correct application of foreign exchange rates.

Our audit procedures to address these audit matters included the assessment of the system of internal controls over the risk areas by reviewing work procedures and discussions with relevant personnel, both senior and junior; checking pertinent documentation including construction contracts; ensuring that additions did not include any amount of a nature of revenue expenditure; ensuring that where full payment has not been made for whatsoever reason, the asset is recorded at full cost and the balance has been recognized as a liability; enquiring of management as to capital work in progress accounts that show no movement for over a year; visiting a number of construction sites to understand their overall status by physical inspection and discussion with site personnel; and performing other routine audit procedures.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Enterprise's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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



**INDEPENDENT AUDITOR'S REPORT TO
THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER (continued)**

Report on the Audit of the Financial Statements (continued)

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



**INDEPENDENT AUDITOR'S REPORT TO
THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER (continued)**

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Alganesh Araya.



**INDEPENDENT AUDITOR'S REPORT TO
THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER (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 3, 4 and 5 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 Services Corporation
6 January 2025



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Statement of profit or loss and other comprehensive income**

	Notes	7 July 2024 Birr'000	7 July 2023 Birr'000
Revenue from contracts with customers	5	27,137,357	22,484,423
Direct costs	6(a)	(7,012,928)	(4,076,066)
Operating expenses	6(b)	(792,390)	(151,321)
Net impairment gain (loss) on financial assets	13 15	(847,818)	(14,176,301)
Other income	8	5,111,622	3,271,919
Earnings before interest, taxes, depreciation and amortization (EBITDA)		23,595,843	7,352,654
Depreciation of property, plant and equipment	10	(8,468,768)	(8,034,343)
Depreciation charge of right of use asset	11	(40,054)	(122,979)
		(8,508,822)	(8,157,322)
Operating profit/(loss)		15,087,021	(804,668)
Finance costs	9	(25,234,574)	(24,034,129)
Net Loss for the year		(10,147,553)	(24,838,797)
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss) on post employment benefits	18	17,789	(34,988)
		17,789	(34,988)
Total comprehensive loss for the period		(10,129,764)	(24,873,785)

The notes on pages 15 to 47 are an integral part of these financial statements.

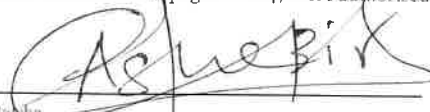


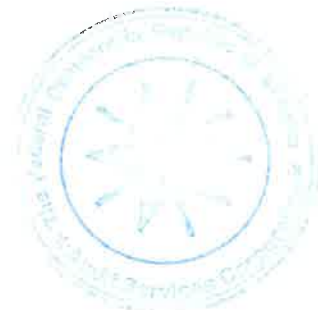
**Ethiopian Electric Power
Financial statements
As at 7 July 2024
Statement of financial position**

	Notes	7 July 2024 Birr'000	7 July 2023 Birr'000
ASSETS			
Non current assets			
Property, plant and equipment	10	683,138,950	635,528,154
Intangible assets	14	645,613	368,218
Right of use assets	11	26,585	37,030
Long term receivables	13(a)	-	115,428
		<u>683,811,148</u>	<u>636,048,830</u>
Current assets			
Inventories	12	1,889,621	490,214
Trade and other receivables	13(b)	20,592,162	27,708,229
Cash and cash equivalents	16	3,453,095	7,940,385
Assets classified as held for sale		-	-
		<u>25,934,878</u>	<u>36,138,828</u>
Total assets		<u>709,746,026</u>	<u>672,187,658</u>
EQUITY AND LIABILITIES			
LIABILITIES			
Non-current liabilities			
Borrowings	17	73,348,816	305,302,467
Lease liabilities	11	21,077	8,390
Employee benefit obligations	18	53,635	64,483
Provisions	21	69	9,666
Grants	26	9,538,425	3,454,812
		<u>82,962,022</u>	<u>308,839,818</u>
Current liabilities			
Borrowings	17	30,663,349	29,072,754
Employee benefit obligations	18	27,320	14,432
Trade and other payables	19	33,035,264	28,549,315
Contract liabilities	20	82,597	453,482
Provisions	21	485,221	238,898
Lease liabilities	11	9,236	26,178
		<u>64,302,987</u>	<u>58,355,059</u>
Total liabilities		<u>147,265,009</u>	<u>367,194,877</u>
Equity attributable to owners			
Capital	22	586,864,060	319,246,063
Legal reserve	23	2,283	2,283
Other reserves	24	(20,859)	(38,648)
Accumulated losses		(187,132,306)	(176,984,756)
Non-distributable reserve	25	162,767,839	162,767,839
		<u>562,481,017</u>	<u>304,992,781</u>
Total equity		<u>562,481,017</u>	<u>304,992,781</u>
Total equity and liabilities		<u>709,746,026</u>	<u>672,187,658</u>

The notes on pages 15 to 47 are an integral part of these financial statements.

The financial statements on pages 11 to 47 were authorised for issue on 2024 and were signed by:


Ashebr Bahalu
Chief Executive Officer
6 January 2025



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Statement of changes in equity**

Notes	Capital	Legal	Other	Accumulated	Non-	Total equity
	Birr'000	reserve	reserves	loss	distributable	Birr'000
As at 8 July 2022	317,387,886	2,283	(3,660)	(152,145,959)	162,767,839	328,008,389
Loss for the period	-	-	-	(24,838,797)	-	(24,838,797)
Other comprehensive income:						
Re-measurement gains on defined benefit plans	-	-	(34,988)	-	-	(34,988)
Total comprehensive income / (loss) for the period	-	-	(34,988)	(24,838,797)	-	(24,873,785)
Transaction with owners in their capacity as owners:						
Capital contribution	1,858,177	-	-	-	-	1,858,177
As at 7 July 2023	<u>319,246,063</u>	<u>2,283.0</u>	<u>(38,648)</u>	<u>(176,984,756)</u>	<u>162,767,839</u>	<u>304,992,781</u>
As at 8 July 2023	319,246,063	2,283	(38,648)	(176,984,756)	162,767,839	304,992,781
Loss for the period	-	-	-	(10,147,553)	-	(10,147,553)
Other comprehensive income:						
Re-measurement gains on defined benefit plans	-	-	17,789	-	-	17,789
Total comprehensive income / (loss) for the period	-	-	17,789	(10,147,553)	-	(10,129,764)
Transaction with owners in their capacity as owners:						
Capital contribution	267,617,998	-	-	-	-	267,617,998
As at 7 July 2024	<u>586,864,060</u>	<u>2,283</u>	<u>(20,859)</u>	<u>(187,132,306)</u>	<u>162,767,839</u>	<u>562,481,017</u>

The notes on pages 15 to 47 are an integral part of these financial statements.



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Statement of cash flows**

	Notes	7 July 2024 Birr'000	7 July 2023 Birr'000
Cash flows from operating activities			
Cash generated from (used in) operations	27 (a)	36,942,848	17,500,764
Interest paid on borrowings	17	(4,613,919)	(1,284,027)
Interest paid on leases	11	(1,524)	(7,283)
Net cash (outflow)/inflow from operating activities		32,327,405	16,209,455
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(39,208,187)	(25,168,595)
Purchase of intangible assets	14	(226,379)	-
Payment for right of use assets	11	(7,875)	(510)
Net cash (outflow)/inflow from investing activities		(39,442,441)	(25,169,105)
Cash flows from financing activities			
Proceeds from borrowings	17	7,016,701	13,535,739
Repayments of borrowings	17	(1,980,051)	(5,730,016)
Principal elements of lease payments		(25,988)	(64,969)
Net cash (outflow)/inflow from financing activities		5,010,662	7,740,754
Net (decrease)/increase in cash and cash equivalents		(2,104,373)	(1,218,897)
Cash and cash equivalents at the beginning of the year	16	7,940,385	10,907,444
Effects of exchange rate changes on cash and cash equivalents		(2,382,917)	(1,748,162)
Cash and cash equivalents at the end of the year	16	3,453,095	7,940,385

The notes on pages 15 to 47 are an integral part of these financial statements.



Ethiopian Electric Power Financial statements For the year ended 7 July 2024 Notes to the financial statements

1 General information

Ethiopian Electric Power ("the Enterprise") was established as an autonomous public Enterprise by the Federal Democratic Republic of Ethiopia Council of Ministers Regulation No. 302/2013. The Enterprise assumed generation and transmission of power and substation management rights and obligations of the former Ethiopian Electric Power Corporation effective from 9 December 2013. The Enterprise is governed by Public Enterprises Proclamation No. 25/1992.

The Enterprise's registered office is at:

Kotebe EEP Building
Yeka Sub city
Addis Ababa, Ethiopia.

The Enterprise's principal activities are generation and transmission of power, substation construction, upgrading and management and sale of bulk electric power.

2 Materiality accounting policies

2.a Introduction to significant accounting policies

The Materiality accounting policies applied in the preparation of these financial statements are set out below.

2.b Basis of preparation

The financial statements for the year ended 7 July 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate. All values are presented in Ethiopian Birr, which is also the Functional Currency, rounded of the nearest thousand (Bir'000).

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except where otherwise stated in the accounting policies. Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Enterprise uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Enterprise using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Enterprise's accounting policies. Changes in the estimates and underlying assumptions may have a significant impact on the financial statements in the year the assumptions changed. 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.



**Ethiopian Electric Power
Financial statements
For the year ended 7 July 2024
Notes to the financial statements**

2 Materiality accounting policies (continued)

2.c Going concern

The financial statements have been prepared on a going concern basis. Nothing has come to the attention of the management board to indicate that the Enterprise will not remain a going concern for at least twelve months from the date of approval of these financial statements for issue.

2.d Changes in accounting policies and disclosures

2.d(i) New Standards, amendments, interpretations not yet effective and not early adopted by the Enterprise

IAS 1 has been amended from January 2023, otherwise there are no standards, amendments, interpretations that are not yet effective and that would be expected to have a material impact on the enterprise in the current or future reporting years.

2.e Foreign currency translation

2.e(i) Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Enterprise operates (the Functional currency). Both the Functional Currency and Presentation Currency of the Enterprise is the Ethiopian Birr (Birr).

2.e(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Enterprise's Functional currency are recognised in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2.f Recognition of revenue from contracts with customers

The Enterprise principally generates revenue from providing power generation, transmission and substation management services which may be sold separately or in bundled packages.

The Enterprise recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Enterprise expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it can direct the use of and obtain the benefits from the goods or services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Enterprise recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer.

The Enterprise derives revenue from the transfer of goods and services over time for the following major product lines:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Bulk electric power	The Enterprise generates and sells bulk electric power to Ethiopian Electric Utility, Sudan and Djibouti. Transfer of control of the output (bulk electricity) occurs simultaneously with consumption of the benefits by the customer and thus the Enterprise recognises revenue over time.
Construction	The Enterprise constructs electric power transmission lines, substations for Ethiopian Electric Utility and other industrial customers. The Enterprise recognises transmission lines, substations, and other construction revenue over time.
Operations & maintenance	The Enterprise manages substation operations and provides maintenance services to Ethiopian Electric Utility and other industrial customers. The Enterprise recognises substations operations and maintenance revenue over time.

The Enterprise measures its progress towards complete satisfaction of the transfer of bulk electric power, a performance obligation satisfied over time, using the output method to its main customer, Ethiopian Electric Utility (EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated a transmission and distribution loss of 17% and 17% for the years ended 7 July 2024 and 7 July 2023 respectively. Transmission and distribution loss is when the amount of electricity generated is greater than the amount delivered to end users and occurs due to technical losses like resistance loss over long transmission lines, energy losses in conductors and transformers and non-technical losses like metering inaccuracies. Loss of electric power during transmission and distribution is an underlying characteristic of the business of the Enterprise.

The Enterprise measures and recognises bulk electric power sales to National Electricity Corporation of The Sudan (NEC) Kenya Generation (KenGen) and Electricite de Djibouti (EDD) under Power Purchase Agreements (PPA). The Enterprise measures quantity of bulk power delivered at designated Delivery Point in which transmission losses are assumed by the Enterprise up to Metering Points. Monthly bills are raised based on predetermined tariffs and measurement of power delivered and cash collection are made in a maximum of 30-60 days for each bill raised in US Dollars.



Ethiopian Electric Power
Financial statements
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2 Materially accounting policies (continued)

2.g Interest and similar income and expense

For all the government bills measured at amortised cost interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) 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.

The carrying amount of the financial asset or financial liability is adjusted if the Enterprise revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest and similar income' for financial assets and interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.h Financial instruments

2.h(i) Financial Assets

Classification

The Enterprise classifies its financial assets in the following measurement categories based on its business model which is to hold financial assets to collect the contractual cashflows and also depending on the contractual cashflow characteristics of the financial asset:

- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through OCI or through profit or loss)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Measurement

At initial recognition, the Enterprise measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of financial assets depends on the cash flow characteristics of the financial asset and the Enterprise's business model for managing the financial assets which is to hold assets in order to collect contractual cashflows.

The Enterprise classifies its debt instruments under amortised cost measurement category for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Debt instruments at amortised cost for the Enterprise mainly include National Bank of Ethiopia (NBE) treasury bills and placements with other financial institutions.

Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The Enterprise holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Enterprise's impairment policies and the calculation of the loss allowance are provided in Note 4 to the financial statements.

Due to the short-term nature of the current receivables, their carrying amount is considered to be a reasonable approximation of their fair value.

Other receivables generally arise from transactions outside the usual operating activities of the Enterprise.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Enterprise has transferred substantially all the risks and rewards of ownership.



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2 Materiality accounting policies (continued)

2.h Financial instruments (continued)

2.h(ii) Financial liabilities

Borrowings

Borrowings for the Enterprise comprise of loans, notes payables and promissory notes. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables

These amounts represent liabilities for goods and services provided to the Enterprise prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

2.h(iii) Impairment of financial assets

The Enterprise assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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, see Note 4 for further details.

2.h(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Enterprise 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.

2.i Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises of purchase price or construction cost, any costs directly attributable to bringing the asset to its present location and condition, the initial estimate of the decommissioning obligations and for qualifying assets, borrowing costs.

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components). Spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised.

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

Asset class	Useful life in years	Average residual value in %
Transmission lines	40-55	7%-9%
Buildings	10-100	10%-12%
Office equipment	8-40	10%-11%
Substation	8-70	6%-8%
Vehicles	8-50	7%-13%
Diesel Power Plant	8-70	22%-24%
Geothermal Power Plant	8-50	21-23%
Hydro-electric power plants	8-100	8%-9%
Wind power Plant	8-55	4%-6%
Switch yard	8-70	13%-14%
Waste to Energy Plant	15-100	1%-2%

The Enterprise commences depreciation when the asset is available for use. The depreciation method, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The estimation of the useful lives of property, plant and equipment is based on historical performance as well as expectations about future use and therefore requires a degree of judgement.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Such items of property, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated and leasehold land is amortised over the lease period.



**Ethiopian Electric Power
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2 Materiality accounting policies (continued)

2.i Property, plant and Equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition 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 derecognised.

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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining profit for the year

2.j Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation year or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Softwares

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Enterprise are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and the expenditure attributable to the software during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

The Enterprise amortises intangible assets with a definite useful life using the straight-line method over the useful lives of 3-5 years.



**Ethiopian Electric Power
Financial statements
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2 Materiality accounting policies (continued)

2.k

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss."

2.l Impairment of non-financial assets

At each financial reporting date, the Enterprise reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Enterprise estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, non financial assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.m Leases

The Enterprise as a lessee

The Enterprise leases various properties mainly for office and warehouse use. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension/termination options.

Contracts may contain both lease and non-lease components. The Enterprise allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Enterprise is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



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2. Materiality accounting policies (continued)

2.m Leases (continued)

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- i) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- iii) amounts expected to be payable by the Enterprise under residual value guarantees
- iv) the exercise price of a purchase option if the Enterprise is reasonably certain to exercise that option, and
- v) payments of penalties for terminating the lease, if the lease term reflects the Enterprise exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Enterprise, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Enterprise's estimate in the amount expected to be payable under a residual guarantee or if the Enterprise changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

Right of use assets

Right-of-use assets are measured at cost comprising the following:

- i) the amount of the initial measurement of lease liability
- ii) any lease payments made at or before the commencement date less any lease incentives received
- iii) any initial direct costs, and
- iv) restoration costs.

Restoration costs relate to estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The provision for the restoration costs is recognised as a separate liability from lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Enterprise is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease term - extension and termination options

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Residual value guarantees

The Enterprise initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

Short-term leases and leases of low value assets

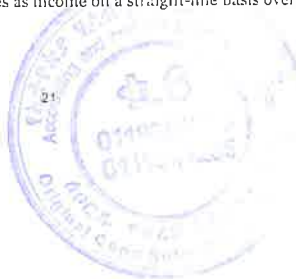
Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

The Enterprise as a lessor

When the Enterprise acts as a lessor, it determines at lease commencement each lease is a finance lease or an operating lease. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

If an arrangement contains lease and non-lease components, the Enterprise applies IFRS 15 to allocate the consideration in the contract. The Enterprise recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.



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2 Materiality accounting policies (continued)

2.n Inventories

Inventories are stated at the lower of cost or net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The cost of inventories comprises purchase price and other incidental costs less discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.o Current and deferred income tax

The Enterprise is exempt from business income tax.

2.p Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.q Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2.r Trade and other payables

These amounts represent liabilities for goods and services provided to the Enterprise prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

2.s Employee benefits

2.s(i) Short-term obligations

Liabilities for wages and salaries, bonus, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

2.s(ii) Other long-term employee benefit obligations

The Enterprise has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the Enterprise does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.



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2 Materiality accounting policies (continued)

2.5 Employee benefits (continued)

2.5(iii) Post-employment obligations

The Enterprise operates various post-employment schemes, including defined contribution pension plans and defined benefit pensions plans.

Pension obligations

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of zero-coupon government bond yield curves.

The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the year in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Enterprise pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Enterprise has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

The Enterprise provides post-retirement free electricity benefits to their retirees. A retiree is entitled to a maximum of 264Kwh per month free electricity with reducing amount based on the number of years in service. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries. Refer to Note 17 for details on the valuation techniques and assumptions applied.

2.5(iv) Bonus plans

The Enterprise recognises a liability and an expense for bonuses based on management's assessment and negotiation with labour union. The Enterprise recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.5(v) Termination benefits

Termination benefits are payable when employment is terminated by the Enterprise before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Enterprise recognises termination benefits at the earlier of the following dates:
(a) when the Enterprise can no longer withdraw the offer of those benefits; and
(b) when the Enterprise recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to present value.

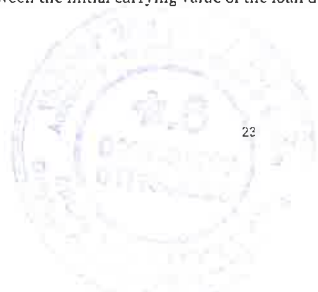
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Enterprise will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The Enterprise has received freehold land for business use from the Government of the Federal Democratic Republic of Ethiopia which is also the sole owner of the Enterprise. Non-monetary government grants such as freehold land are recognised as both an asset and capital contribution at fair value.

The Enterprise accounts for the benefit arising from below-market loans from government or government related institutions as government grants. Such loans are recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.



Ethiopian Electric Power
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2 Materiality accounting policies (continued)

2.1 Borrowings costs

Borrowing costs are interest and other costs that the Enterprise incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

2.2 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Enterprise has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Enterprise's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the Enterprise's disclosures, as well as the disclosure of contingent liabilities. 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 years.

Other disclosures relating to the Enterprise's exposure to risks and uncertainties includes:

- Capital management
- Financial risk management and policies

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

3.a Property, plant and equipment

The depreciation charge for property, plant and equipment is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The depreciation rates used are set out in Note 2(i) and the basis of impairment has been disclosed under Note 2(l).

3.b Leases - determining right of use and lease liability

Critical judgements required in the application of IFRS 16 includes the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements;
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.



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3 Critical accounting judgements and key sources of estimation uncertainty (continued)

3.c Revenue from sale of bulk power

The Enterprise measures and recognises bulk electric power sales to its main customer, Ethiopian Electric Utility (EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated a transmission and distribution loss of 17% and 17% for the years ended 07 July 2024 and 07 July 2023 respectively. Loss of electric power during transmission is an underlying characteristic of the business of the Enterprise.

3.d Fair value measurement of financial instruments

The fair value of financial instruments is determined by using valuation techniques. The Enterprise uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the statement of financial position date. The financial instruments subject to fair value estimation have been disclosed under Note 4.

3.e Post-employment benefits

Management uses estimates when determining the Enterprise's liabilities and expenses arising for defined benefit pension schemes. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in Note 18 to the financial statements.

3.f Impairment on financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Enterprise uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Enterprise's past history, existing market conditions as well as forward looking information at the end of each reporting period. Details of the key assumptions and inputs applied are disclosed in Note 4 to the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

3.g Provisions and contingent liabilities

Management exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities as disclosed under Note 29 to the financial statements. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and estimates are required to determine the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

Management in consultation with the legal and expert advisers estimates a provision based on exposure, precedents and industry best practice. Specific provisions are made for estimated claims and other liabilities to the extent that the Enterprise considers it probable that there will be an outflow of economic benefits.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property, plant and equipment and restoring each site) multiplied by the number of sites for which the Enterprise has a restoration obligation. This is then discounted to the present value of the obligation.



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4 Financial risk management

4.a Introduction

The Enterprise's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Enterprise's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Enterprise does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the management board. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Categories of financial instruments

		7 July 2024	7 July 2023
		Birr'000	Birr'000
Financial assets at amortised cost			
Current			
Trade receivables and other receivables	13	4,612,124	3,398,570
Cash and cash equivalents	16	3,453,095	7,940,385
		<u>8,065,219</u>	<u>11,338,955</u>
Financial liabilities at amortised cost			
Current			
Borrowings	17	30,663,349	29,072,754
Lease liability	11	9,236	26,178
Trade payables	19	24,740,900	21,041,376
Contract liabilities	20	82,597	453,482
Non current			
Borrowings	17	73,348,816	305,302,467
Lease liability	11	21,077	8,390
		<u>128,865,075</u>	<u>355,904,647</u>

4.b Market risk

(i) Foreign exchange risk

The Enterprise is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar, Great Britain Pound (GBP), Euro, Special Drawing Rights (SDR), and Units of Aid (UA). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Special drawing rights (SDR) refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF). Units of Aid (UA) is the official currency for the African Development Bank (AfDB) projects.

The Enterprise does not actively manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Enterprise usually gets authorisation from Commercial Bank of Ethiopia (CBE) regarding foreign denominated transactions. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's Functional Currency.



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Financial risk management (continued)

4.b Market risk (continued)

(i) Foreign exchange risk (continued)

The Enterprise's exposure to foreign currency risk at the end of the reporting period, expressed in Ethiopian Birr currency units, was as follows:

	USD Birr '000	EUR Birr '000	GBP Birr '000	CHF Birr '000	UA Birr '000	Total Birr '000
07-Jul-24						
Foreign Currency Assets						
Cash and cash equivalents	1,504,761	601,180	46,857	-	-	2,152,798
Trade receivables	7,247,594	-	-	-	-	7,247,594
	8,752,355	601,180	46,857	-	-	9,400,391
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	478,079	275,233	-	-	-	753,312
Borrowings: Bonds Payables	2,020,929	145,306	54,074	-	-	2,220,309
Borrowings: Long Term Loans	75,718,225	25,542,715	-	-	-	101,260,940
	78,217,233	25,963,253	54,074	-	-	104,234,560
	#####	(25,362,073)	(7,218)	-	-	(94,834,169)
07-Jul-23						
Foreign Currency Assets						
Cash and cash equivalents	1,610,813	714,874	45,444	-	-	2,371,132
Trade receivables	6,041,341	-	-	-	-	6,041,341
	7,652,154	714,874	45,444	-	-	8,412,473
Foreign Currency Liabilities						
Trade payables	13,954,144	5,216,217	2,348	-	-	19,172,709
Contractor's retention	4,781,748	275,233	-	8,733	-	5,065,714
Borrowings: Bonds Payables	2,020,929	145,306	64,110	-	-	2,230,345
Borrowings: Long Term Loans	59,531,541	25,542,715	-	-	-	85,074,256
	80,288,362	31,179,470	66,458	8,733	-	111,543,022
	(72,636,208)	(30,464,596)	(21,013)	(8,733)	-	(103,130,550)



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Financial risk management (continued)

4.b Market risk (continued)

(i) Foreign exchange risk (continued)

If the local currency strengthens/weakens by 10% against the major foreign currencies, with all the other variables held constant, the impact on the pre-tax profit and retained earnings will be as below:

	7 July 2024 Birr '000	7 July 2023 Birr '000
USD/Birr exchange rate - increase/decrease by 10% (2020: 10%)	10,257,816	8,064,766
EUR/Birr exchange rate - increase/decrease by 10% (2020: 10%)	3,179,267	2,602,834
GBP/Birr exchange rate - increase/decrease by 10% (2020: 10%)	10,187	11,029
CHF/Birr exchange rate - increase/decrease by 10% (2020: 10%)	-	873
UA/Birr exchange rate - increase/decrease by 10% (2020: 10%)	-	(0)
	13,447,270	10,679,502

(ii) Price risk

The Enterprise does not hold investments or securities that would be subject to price risk. The Enterprise is not exposed to price risk.

(iii) Interest rate risk

The Enterprise's exposure to changes in market interest rates relates primarily to the Enterprise's financial obligations with floating interest rates. The Enterprise is also holds fixed interest rate financial liabilities.

The Enterprise's borrowings at variable rate were mainly denominated in USD and EUR. The exposure to the Enterprise's borrowings to interest rate changes at the end of the reporting period is as follows:

	2024 Birr '000	% of total loans	2023 Birr '000	% of total loans
Loans:				
Variable rate borrowings: Loans	46,990,307	46%	47,990,046	51%
Fixed rate borrowings: Loans	54,798,319	54%	47,035,730	49%
	101,788,626	100%	95,025,785	100%
Bonds:				
Fixed rate borrowings: Bonds	-	0.0%	237,172,266	100%

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in variable interest rates.

	Impact on pre-tax profit 7 July 2024 Birr '000	Impact on pre-tax profit 7 July 2023 Birr '000
Interest rates - increase by 100 basis points*	1,473,852	2,077,813
Interest rates - decrease by 100 basis points*	(1,473,852)	(2,077,813)

*- Holding other variables constant



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Financial risk management (continued)

4.c Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Enterprise is exposed to credit risk in respect of

- payment of trade receivables as invoices fall due 30 days after being raised.
- contractual cash flows of debt investments and other receivables carried at amortised cost.

The amount that best represents the Enterprise's maximum exposure to credit risk is made up as follows:

		Fully performing	Past due but not impaired	Impaired
		Birr'000	Birr'000	Birr'000
07 July 2024				
Trade receivables and other receivables	13	12,122,083	3,436,669	6,659,958
Cash and cash equivalents	16	3,454,612	-	-
		<u>15,576,695</u>	<u>3,436,669</u>	<u>6,659,958</u>
07 July 2023				
Trade receivables and other receivables	13	10,058,528	3,436,669	4,998,461
Cash and cash equivalents	16	7,944,086	-	-
		<u>18,002,614</u>	<u>3,436,669</u>	<u>4,998,461</u>

Fully performing assets represents counter parties that are paying their dues as they fall due and are operating within their approved credit limits. The debt that is overdue has exceeded the approved credit limit however counter parties continue to pay and are trading normally. The debt that is impaired is fully provided for.

Credit risk is managed by the finance division, who is responsible for managing and analysing credit risk for each new customer before standard payment and delivery terms are offered. The following credit risk modelling applies for financial assets:

The Enterprise considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Enterprise compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor

The Enterprise does not grade the credit quality of receivables. The utilisation of credit limits is in place and regularly monitored.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Enterprise. The Enterprise categorises receivables for write off when a debtor fails to make contractual payments greater than 360 days past due and up on approvals by the board. Where receivables have been written off, the Enterprise continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.



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Financial risk management (continued)

4.c Credit risk (continued)

(i) Trade receivables and contract assets

The Enterprise applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Enterprise has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current information and considered forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Enterprise has identified the GDP and the inflation rate to be the most relevant factors, however no significant impact has been determined to adjust the historical loss rates based on expected changes in these factors.

The loss allowance provision for trade receivables reconciles to the opening loss allowance for that provision as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At start of year	6,659,957	4,998,461
Impairment losses for the year	1,144,602	1,703,423
Reversals of impairment losses for the year	(294,600)	(41,927.00)
Loss allowance as at period end	<u>7,509,959</u>	<u>6,659,957</u>

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 360 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

During the period, the Enterprise made no write-offs of trade receivables.



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Financial risk management (continued)

4.c Credit risk (continued)

(ii) Deposits with financial institutions

This comprise bank balances with local financial institutions, Commercial Bank of Ethiopia. Management considers the investments to be low credit risk since they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss allowance provision for deposits with financial institutions reconciles to the opening loss allowance for that provision as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At start of year	3,701	6,156
Impairment losses/ (reversals) for the year	(2,184)	(2,455)
Reversals of impairment losses for the year	-	-
Loss allowance as at period end	<u>1,517</u>	<u>3,701</u>

All of these financial assets are considered to be low risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

(iii) Net impairment losses on financial and contract assets recognised in profit or loss

	7 July 2024 Birr'000	7 July 2023 Birr'000
Impairment losses on trade receivables	1,144,602	1,703,423
Reversals of impairment losses on trade receivables	(294,600)	(41,927)
Impairment losses on deposits with financial institutions	(2,184)	(2,455)
Reversals of impairment losses on deposits with financial institutions	-	-
	<u>847,818</u>	<u>1,659,041</u>

4.d Liquidity risk

Liquidity risk is the risk that the Enterprise will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Enterprise's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Enterprise does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Enterprise's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Enterprise's reputation.

The table below analyses the Enterprise's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total undiscounted Birr'000	Carrying amount Birr'000
At 7 July 2024:					
Borrowings	6,089,180	67,816,236	30,106,788	104,012,205	104,012,165
Lease liability	4,437	4,492	15,383	24,312	30,313
Trade payables	24,740,900	-	-	24,740,900	24,740,900
Contract liabilities	82,597	-	-	82,597	82,597
	<u>30,917,114</u>	<u>67,820,728</u>	<u>30,122,172</u>	<u>128,860,014</u>	<u>128,865,975</u>
At 7 July 2023:					
Borrowings	6,089,180	67,816,236	217,071,174	290,976,591	334,375,221
Lease liability	4,437	4,492	15,383	24,312	34,568
Trade payables	21,041,376	-	-	21,041,376	21,041,376
Contract liabilities	453,482	-	-	453,482	453,482
	<u>27,588,475</u>	<u>67,820,728</u>	<u>217,086,558</u>	<u>312,495,761</u>	<u>355,904,647</u>



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Financial risk management (continued)

4.d Liquidity risk (continued)

Financing arrangements:

The Enterprise had access to the following future undrawn borrowing facilities at the end of the reporting period:

	7 July 2023 Birr'000	7 July 2022 Birr'000
Undrawn borrowing facilities (loans)	-	-

4.e Capital management

The Enterprise's objectives when managing capital are to safeguard the Enterprise's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The gearing ratios as at 7 July 2022 and 7 July 2021 were as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
Debt (Note 16)	104,039,088	334,406,398
Less: cash and cash equivalents (Note 16)	(3,453,095)	(7,940,385)
Net debt (i)	<u>100,585,993</u>	<u>326,466,013</u>
Equity (ii)	562,481,017	304,992,781
Net debt to equity ratio	1:0.18	1:0.24

(i) Debt is defined as borrowings as detailed in Note 17

(ii) Equity comprises of capital, legal reserve, retained earnings, other reserves, and non-distributable reserves



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5	Revenue from contracts with customers					7 July 2024	7 July 2023
						Birr'000	Birr'000
	Recognised over time:						
	Revenue from sale of bulk electric power	5(a)				27,040,679	22,476,025
	Revenue from other services	5(b)				96,678	8,398
						<u>27,137,357</u>	<u>22,484,423</u>
	Disaggregation of revenue from contracts with customers						
5(a)	Revenue from sale of bulk power						
			Hydro	Wind	Waste	Diesel	Total
			Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
	Electricity						
	For year ended 07 July 2024		26,087,609	899,079	53,991		27,040,679
	For year ended 07 July 2023		21,737,086	730,594	8,345		22,476,025
	Revenue from sale of bulk power per customer group					7 July 2024	7 July 2023
						Birr'000	Birr'000
	Sale of Power to Ethiopian Electric Utility					17,595,548	15,395,111
	Sale of Power to Djibouti					1,975,624	2,332,658
	Sale of Power to Sudan					767,755	1,863,115
	Sale of Power to Kenya					3,632,565	1,324,960
	Sale of power to industrial customers					3,069,186	1,560,181
						<u>27,040,679</u>	<u>22,476,025</u>
5(b)	Revenue from other services						
	Construction income					-	-
	Operations and maintenance income					56,565	8,398
	Consulting Service income					40,112	
						<u>96,678</u>	<u>8,398</u>
5(c)	Reconciliation of movement in contract liabilities arising from revenue from contracts with customers:						
	Beginning					451,245	431,943
	Recognised as revenue					(370,885)	
	Additions / (reversals) in the period						19,302
	Balance at the end of the year					<u>80,360</u>	<u>451,245</u>
	The Enterprise has recognised impairment losses of Birr 7,5098 B as at 07 July 2024 (2023: Birr 6,659B) from financial assets arising from revenue from contracts with customers.						
6	Expenses by nature					7 July 2024	7 July 2023
						Birr'000	Birr'000
6(a)	Direct costs						
	Materials and supplies					769,889	620,660
	Fuel and lubricant					146,415	98,706
	Employee benefit expense					2,889,359	1,959,737
	Insurance costs					231,630	280,435
	Travel and subsistence					197,955	154,362
	Publicity costs					204,899	378,392
	Miscellaneous costs					2,572,781	584,774
						<u>7,012,928</u>	<u>4,076,066</u>
6(b)	Operating expenses						
	Legal expense					471,428	(363,023)
	Contracted construction and related services					3,347	5,899
	Sundry expenses					106,264	292,368
	Advertising and publicity					-	4,840
	Consultation					19,345	60,636
	Board fee					507	478
	Audit fee					1,013	943
	License & Maintenance Costs					244	
	Penalty Payment					65,921	
	Loss of Asset sales					139	
	Employee benefits expense					124,182	
						<u>792,390</u>	<u>157,321</u>

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7	Employee benefits expense	7 July 2024 Birr'000	7 July 2023 Birr'000
	The following items are included within employee benefits expense:		
	Short term employee benefits :		
	Salaries and wages	1,672,950	1,204,488
	Staff overtime and allowances	633,152	372,267
	Other staff benefits	137,304	50,157
	Staff medical cost	79,358	53,167
	Employee defined contribution expense	162,982	117,360
	Leave expense / (reversal)	60,643	86,016
	Staff bonus and incentives	192,297	152,898
		<u>2,938,686</u>	<u>2,036,353</u>
	Long term employee benefits :		
	Employee defined benefit expense	74,853	66,656
		<u>74,853</u>	<u>66,656</u>
		<u>3,013,539</u>	<u>2,103,009</u>

8 Other income

This category includes income from disposal of assets and other miscellaneous incomes which includes any one off transactions not likely to recur in future.

Sales of scrap materials	125,432	61,625
Compensation for damages	16,111	53,680
Lease income	935,752	273,926
Exchange rate Income	4,030,464	2,863,623
Grant income	969	66
Interest income	580	
Income from fines	2,314	18,999
	<u>5,111,622</u>	<u>3,271,919</u>

Lease income

The enterprise recognises lease income from an operating lease arrangements it has as a lessor with Ethio Telecom, Safaricom Telecommunications Ethiopia and Websprix IT Solution for optic fibers installed through OPGW (Optical Ground Wire) cables and colocation ancillary services.

Lease rate of the leased fiber links is:

a) Ethio Telecom: 1.035 Birr per km/fiber/year.

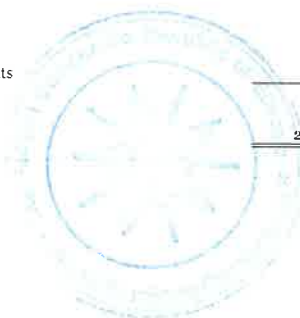
b) Safaricom Telecommunications Ethiopia: 337 USD per km/fiber/year and 30 USD per square metre for colocation ancillary services.

c) Websprix: 337 USD per km/fiber/year.

All the lessees makes payment of each invoice to EEP within 15-30 days of billing. For any delayed payment, an interest rate of per annum applies.

All the lessees has agreed to make use of certain number of the EEP's optic fibers installed through OPGW cables on lease basis and pays the lease cost and operation and maintenance cost as per the terms and conditions agreed in the lease agreement.

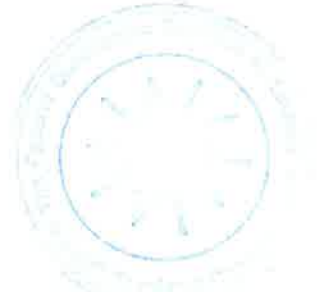
9	Finance income / (cost)	7 July 2024 Birr'000	7 July 2023 Birr'000
	Finance costs		
	Interest expense - domestic loans	11,191,449	9,150,122
	Interest expense - foreign loans	2,298,216	4,102,725
	Interest expense - leases	1,524	7,283
	Unwind of discount on site restoration provision	-	-
	Net loss or (gain) on valuation of borrowings	1,002,561	1,412,977
	Other finance charges	1,793,324	336,286
	Net foreign exchange losses on borrowings and cash and cash equivalents	8,947,500	9,024,736
		<u>25,234,574</u>	<u>24,034,129</u>
	Finance costs - net	<u>25,234,574</u>	<u>24,034,129</u>



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Property, plant and equipment

Cost	Hydroelectric power plants		Diesel power plants		Geothermal power plants		Wind power plants		Waste to energy power plants		Substations		Transmission Line		Switchyard		Land		Buildings		Office Equipment		Vehicles		WIP		Total	
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 8 July 2022	160,688,106	1,078,528	541,073	25,393,844	2,849,816	59,029,016	111,228,223	6,868,809	33,531,431	5,096,156	680,802	1,742,150	238,334,903	647,294,879														
Additions	30,011	-	-	-	-	2,080	218	-	-	-	33,077	350,145	40,845,827	41,062,838														
Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Asset classified as held for sale and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
At 07 July 2023	161,018,207	1,078,528	541,073	25,393,844	2,849,816	59,029,016	111,228,223	6,868,809	33,531,431	5,096,156	714,479	1,870,716	279,180,730	688,336,158														
As at 8 July 2023	161,018,207	1,078,528	541,073	25,393,844	2,849,816	59,029,016	111,228,223	6,868,809	33,531,431	5,096,156	714,479	1,870,716	279,180,730	688,336,158														
Additions	63,899	-	-	-	-	3,323,113	-	-	-	123,001	69,485	361,867	54,106,692	56,441,597														
Transfer	150,857,272	-	-	-	-	-	-	-	-	-	944,447	531,620	(187,984,955)	(60,045)														
Reclassifications	-	-	-	-	-	-	-	-	-	-	(738)	(20,373)	-	(21,110)														
Asset classified as held for sale and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
At 7 July 2024	311,939,318	1,078,528	541,073	29,047,256	2,849,816	68,612,324	117,655,613	12,495,139	33,531,431	17,416,153	1,721,654	2,205,840	145,332,421	744,496,450														
Accumulated depreciation																												
As at 8 July 2022	(175,134,150)	(218,387)	(76,751)	(3,027,630)	(172,183)	(8,784,303)	(11,877,224)	(1,015,123)	-	(491,237)	(213,907)	(569,601)	(52,808,004)															
Depreciation charge	(3,157,940)	(36,487)	(12,597)	(604,551)	(594,058)	(1,614,326)	(2,043,011)	(187,730)	-	(1,183,331)	(67,136)	(97,763)	(8,034,313)															
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	7,426	-	7,426														
Asset classified as held for sale and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
At 7 July 2023	(20,901,100)	(218,874)	(89,348)	(3,232,182)	(226,221)	(10,428,920)	(13,897,687)	(1,202,853)	-	(699,568)	(281,043)	(659,938)	(61,257,629)															
As at 8 July 2023	(20,901,100)	(218,874)	(89,348)	(3,232,182)	(226,221)	(10,428,920)	(13,897,687)	(1,202,853)	-	(699,568)	(281,043)	(659,938)	(61,257,629)															
Depreciation charge	(3,253,750)	(36,487)	(12,597)	(654,462)	(564,038)	(1,683,484)	(2,034,924)	(321,006)	-	(1,553,389)	(144,752)	(108,952)	(8,459,719)															
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Asset classified as held for sale and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
At 7 July 2024	(24,155,150)	(284,311)	(101,945)	(4,886,644)	(280,259)	(12,112,404)	(15,932,611)	(1,524,760)	-	(794,976)	(425,273)	(759,298)	(61,257,629)															
Net book value																												
As at 7 July 2023	140,116,807	859,704	451,222	21,161,662	2,623,625	48,594,977	97,330,753	5,665,955	33,531,431	4,446,569	433,137	1,210,778	279,180,730	695,528,154														
As at 7 July 2024	287,784,168	794,217	439,128	24,170,612	2,569,586	56,490,920	101,723,002	10,970,379	33,531,431	16,621,107	1,296,381	1,996,542	145,332,421	683,138,950														



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11 **Leases**

i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	7 July 2024 Birr '000'	7 July 2023 Birr '000'
Right of use assets		
Properties	26,585	37,030
Lease liability		
Current	9,236	26,178
Non-current	21,077	8,390
	<u>30,313</u>	<u>34,568</u>

ii) Right of use asset

	7 July 2024 Birr '000'	7 July 2023 Birr '000'
Balance at start of the year	37,030	28,416
Additions in the year	29,609	131,593
Lease terminations in the year	-	-
	<u>66,639</u>	<u>160,009</u>
Depreciation expense	(40,054)	(122,979)
Balance at end of the year	<u>26,585</u>	<u>37,030</u>

Right-of-use asset is depreciated on a straight line basis over the term of the lease. The Enterprise applies IAS 36 - Impairment of assets on the Right-of-use asset the same way as in property, plant and equipment.

iii) Lease liability

Balance at start of the year	34,568	21,103
Additions in the year	21,734	131,083
Lease terminations in the year	-	-
Interest expense	1,524	7,283
	<u>57,826</u>	<u>159,469</u>
Repayments in the year	(27,512)	(124,900)
Balance at end of the year	<u>30,313</u>	<u>34,568</u>
Current	9,236	26,178
Non-current	21,077	8,390
	<u>30,313</u>	<u>34,568</u>

The lease liability represents the present value of expected future lease payments by the Enterprise to the Lessors. The discounting rate applied by the Enterprise is 10% p a which is assumed to be a representative of the Enterprise's incremental borrowing rate. The leased assets assessed under this section are assumed to be a similar class and hence application of a standard incremental borrowing rate.

iv) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	7 July 2024 Birr '000'	7 July 2023 Birr '000'
Depreciation charge right-of-use assets	40,054	122,979
Interest expense (included in finance costs)	1,524	7,283
	<u>41,578</u>	<u>130,261</u>

v) Amounts recognised in the statements of cash flows

Payment for right of use assets	(7,875)
Cash generated from operations - Interest paid	(1,524)
Cash generated from financing activities - lease payments	(25,988)



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12 Inventory	7 July 2024 Birr'000	7 July 2023 Birr'000
Inventories	1,889,621	490,214
	<u>1,889,621</u>	<u>490,214</u>
Inventory items consist of the following:		
Fuel and lubricants	55,991	45,411
Machinery consumable spares	1,726,760	352,133
General consumables	-106,870	92,670
	<u>1,889,621</u>	<u>490,214</u>
Provision for obsolescence	-	-
	<u>1,889,621</u>	<u>490,214</u>

The costs of individual items of inventory are determined using weighted average cost. See Note 2.n for the Enterprise's accounting. Inventories recognised as an expense during the year ended 07 July 2024 amounted to Birr 916,304,000 (2023 – Birr 719,368,000). These were included in direct costs.

13(a) Long term receivables

Long term receivables relates to dues from the government under project dubbed Universal Electrification Access Program (UEAP). The objective of the program is to increase electricity access to all regional states of the country, thereby improving quality of life and reducing poverty. The Enterprise makes contributions to the construction of transmission lines by UEAP project office and receive the assets up on completion.

Movement in the long term receivable in the respective period is as below

	7 July 2024 Birr'000	7 July 2023 Birr'000
At start of year	115,428	115,428
Additional contribution made in the year	(115,428)	-
	<u>-</u>	<u>115,428</u>
	<u>7 July 2024 Birr'000</u>	<u>7 July 2023 Birr'000</u>
13(l) Trade and other receivables		
Financial assets at amortised cost		
Trade receivables	12,115,122	10,051,400
Other receivables	-	-
Staff receivables	6,961	7,128
	<u>12,122,083</u>	<u>10,058,528</u>
Less: Expected credit losses	(7,509,959)	(6,659,958)
	<u>4,612,124</u>	<u>3,398,570</u>
Other receivables		
Property, plant and equipment advance payment	14,196,450	22,682,964
Prepayments	1,715,189	1,505,654
Taxes receivables	38,270	92,076
Sundry debtors	30,129	28,965
	<u>15,980,038</u>	<u>24,309,659</u>
	<u>20,592,162</u>	<u>27,708,229</u>

Movements on expected credit losses on trade and other receivables is as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At start of year	19,135,290	4,998,461
Impairment of trade receivables	1,144,602	1,703,423
Derecognition of Advance to contract	-	12,475,333
Reversal of previous impairment	(294,600)	(41,927)
	<u>19,985,292</u>	<u>19,135,290</u>
	<u>7 July 2024 Birr'000</u>	<u>7 July 2023 Birr'000</u>
Trade receivables from:		
Ethiopian Electric Utility	2,774,259	2,377,025
National Electricity Corporation of The Sudan	5,160,443	4,254,578
Electricite de Djibouti	850,673	874,806
Ethiopian Railway Corporation and Industrial customers	2,534,055	1,375,294
Electric Keneba	802,653	911,957

The property, plant and equipment advance payment and other prepayments are not subject to credit risk by nature. Management has assessed the loss given default for tax receivables and sundry debtors is deemed to be low and consequently the expected credit losses as immaterial.



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	7 July 2024 Birr '000'	7 July 2023 Birr '000'
14 Intangible assets		
Opening Balance	368,218	368,218
Addition	226,379	
Transfer	60,045	
Amortisation	(9,029)	
Closing Balance	<u>645,613</u>	<u>368,218</u>

The Enterprise incurred development costs for externally contracted Software license, IT Application development and Implementation (RDMS) and ERP application developments.

	7 July 2024 Birr '000'	7 July 2023 Birr '000'
Intangible assets		
Abaye ERP project	317,056	136,317
IT Application Dev.& Imple RDMS	231,901	231,901
Software license	96,655	
	<u>645,613</u>	<u>368,218</u>

15 Asset classified as held for sale and other disposal

	7 July 2024 Birr '000'	7 July 2023 Birr '000'
Asset classified as held for sale and other disposal	10,114	(14,132)
	<u>10,114</u>	<u>(14,132)</u>

During the year, the management of the Enterprise decided to sell a total of 34 vehicles and office Equipment 252. There were several interested parties and the Enterprise successfully sold all the total 34 vehicles and office equipment 252 form the total soled of vehicles and office equipments the Enterprise have profit of 23,375,980 . The proceeds of disposals substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these

16 Cash and cash equivalents

	7 July 2024 Birr'000	7 July 2023 Birr'000
Cash at bank	3,454,612	7,944,086
Cash in hand	-	-
Expected credit losses	(1,517)	(3,701)
	<u>3,453,095</u>	<u>7,940,385</u>

Movements on expected credit losses on cash and cash equivalents are as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At start of year	3701	6156
Impairment losses for the year	(2,184)	(2,455)
Reversals of previous impairment losses	-	-
	<u>1,517</u>	<u>3,701</u>



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17 Borrowings

		7 July 2024	7 July 2023
		Birr'000	Birr'000
Non Current			
Government bonds (Commercial bank of Ethiopia)	Note 17 (a)	0	236,530,717
Other promissory notes payables	Note 17 (b)	2,205,211	2,158,862
Long term loans	Note 17 (c)	71,143,605	66,612,888
Total non current borrowings		73,348,816	305,302,467
Current			
Government bonds (Commercial bank of Ethiopia)	Note 17 (a)	-	641,549
Other promissory notes payables	Note 17 (b)	18,328	18,307
Long term loans	Note 17 (c)	30,645,021	28,412,897
Total current borrowings		30,663,349	29,072,754
Total borrowings		104,012,165	334,375,220

17 (a) Government bonds (Commercial bank of Ethiopia)

	7 July 2024	7 July 2023
	Birr'000	Birr'000
Government bonds (Commercial bank of Ethiopia)	-	237,172,266

A reconciliation of the changes in government bonds is as follows:

	7 July 2024	7 July 2023
	Birr'000	Birr'000
Balance at the beginning of the year	237,172,266	208,801,196
Bonds issues in the period	7,000,000	13,500,000
Interest charged for current year up to amalgamation date	21,665,060	16,521,263
Prior year interest amalgamation to Principal		27,845,400
Interest charged for the period		641,549
Interest amalgamation to Principal		
Principal repayments	-	-
Interest repayments	(2,500,000)	-
Less Interest in amortized cost		(30,137,142)
Cancelled bonds in the period	(263,337,326)	
Balance at the end of the year	-	237,172,266

17 (b) Other bonds

	7 July 2024	7 July 2023
	Birr'000	Birr'000
Other bonds	2,223,539	2,177,170
EEPCo. Millenium Bond	18,827	18,783
Grand Ethiopian Renaissance Dam Bond -USD Account	2,002,277	1,945,800
Grand Ethiopian Renaissance Dam Bond- EURO Account	145,306	145,582
Grand Ethiopian Renaissance Dam Bond - GBP Account	54,074	64,110
Grand Ethiopian Renaissance Dam Bond - ETB Account	3,056	2,895
Total other bonds	2,223,539	2,177,170
Balance at the beginning of the year	2,177,169	1,871,899
Bonds issues in the period	16,701	35,739
Interest charged for the period		6,659
Principal repayments	(74,855)	(89,233)
Interest repayments		
Foreign exchange differences	104,524	352,105
Total other bonds	2,223,539	2,177,169

The other bonds arise from financing agreements with various vendors for the Enterprise's construction of dams projects.



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17 (c) Long term Loans

	7 July 2024 Birr'000	7 July 2023 Birr'000
Foreign lending institutions and development agencies	<u>101,788,626</u>	<u>95,025,785</u>

The Enterprise obtains several long term financing from foreign lending institutions and development agencies. These funds are secured and channelled via the Ministry of Finance. All correspondence and loan covenants are performed through the Ministry of Finance and the entity does not directly deal with any of the foreign lending institutions and development agencies. There are varied terms of the loan duration and pricing, with a mix of fixed interest rate and floating interest rates based on the current LIBOR/EURIBOR rates.

The movements of the borrowings is as below:

	7 July 2024 Birr'000	7 July 2023 Birr'000
Balance at the beginning of the year	95,025,785	82,543,893
Additional loan disbursements acquired in the year	756,796	6,023,375
Interest transfer to Principal	1,197,349	
Interest charged for the period	3,718,605	2,598,330
Principal repayments made during the year	(1,980,051)	(5,730,016)
Interest repayments made during the year	(2,039,064)	(1,194,794)
Foreign exchange differences	5,109,206	10,784,997
Grant adjustment	-	-
Loans cancelled/assumed by Government	-	-
Balance at the end of the year	<u><u>101,788,626</u></u>	<u><u>95,025,785</u></u>

Under the terms of the loan facilities, the entity has complied

17(d) Borrowing costs capitalised in capital work in progress

	7 July 2024 Birr'000	7 July 2023 Birr'000
Interest capitalized in capital work in progress for the year	11,895,943	8,012,690

17 (e) Net debt reconciliation

An analysis of net debt and the movements in net debt for each of the periods is as presented below :

	Borrowings Birr'000	Leases Birr'000	Total Birr'000
Net debt as at 8 July 2022	293,216,988	17,713	293,234,701
Net cash outflows	56,911,733	13,465	56,925,198
Foreign exchange adjustments	11,137,102	-	11,137,102
Other changes (effective interest and other finance charges)	(26,890,603)	-	(26,890,603)
Net debt as at 7 July 2023	334,375,220	31,178	334,406,398
Net debt as at 08 July 2022	334,375,220	31,178	334,406,398
Net cash outflows	(260,960,450)	(4,255)	(260,964,705)
Foreign exchange adjustments	5,213,730	-	5,213,730
Other changes (effective interest and other finance charges)	25,383,665	-	25,383,665
Net debt as at 7 July 2024	104,012,165	26,923	104,039,088



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18 Defined benefit liability

	7 July 2024 Birr'000	7 July 2023 Birr'000
Defined benefits liabilities:		
- Severance pay (note 18a)	55,703	49,534
- Free electricity liability (note 18b)	25,253	29,381
Liability in the statement of financial position	80,955	78,915
Income statement charge included in personnel expenses:		
- Severance pay (note 18a)	21,368	10,053
- Free electricity liability (note 18b)	7,508	5,134
Total defined benefit expenses	28,876	15,187
Remeasurements for:		
- Severance pay (note 18a)	(13,660)	24,538
- Free electricity liability (note 18b)	(4,128)	10,451
	(17,789)	34,988
Benefit payments		
- Severance pay (note 18a)	(1,539)	(2,448)
- Free electricity liability (note 18b)	(1,539)	(2,448)

The income statement charge included within employee expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

Maturity analysis

	7 July 2024 Birr'000	7 July 2023 Birr'000
Current	27,320	14,432
Non-Current	53,635	64,483
	80,955	78,915

18(a) Severance pay

The Enterprise operates an unfunded severance pay plan for its employees who have served the Enterprise for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

Below are the details of movements and amounts recognised in the financial statements:

	7 July 2024 Birr'000	7 July 2023 Birr'000
A Liability recognised in the financial position	55,703	49,534
B Amount recognised in the profit or loss		
Current service cost	8,670	5,509
Interest cost	12,698	4,544
	21,368	10,053
C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in :		
- demographic assumptions	(8,214)	24,887
- financial assumptions	(5,447)	(4,021)
- experience	(13,660)	24,538



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The movement in the severance pay benefit obligation over the years is as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At the beginning of the year		
Current service cost	49,534	17,391
Interest cost	8,670	5,509
Interest cost	12,698	4,544
Remeasurement (gains)/ losses	(13,660)	24,538
Benefits paid	(1,539)	(2,448)
At the end of the year	55,703	49,534

actuarial assumptions were as follows:

i) Financial Assumption Long term Average

Discount Rate (p.a)	22%	20%
Salary Increase Rate (p.a)	20%	15%

ii) Mortality in Service

The rate of pre-retirement mortality assumed for employees are those according to the British A67/70 mortality table published by the Institute of Actuaries of England.

C Defined benefit obligations

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 4% at the youngest ages falling with increasing age to 10% at age 57.

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

Change in assumption		7 July 2024		7 July 2023	
		Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
		Birr'000	Birr'000	Birr'000	Birr'000
Salary growth rate	1%	2,186.39	(1,892.14)	828.00	(770.00)
Gross discount rate	1%	(2,010.17)	2,028.62	(729.00)	793.00

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the severance pay liability recognised within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.



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18 b Free Electricity Benefit

Retired employees are entitled to free power supply of between 132 kWh and 264 kWh depending on the retiree's years in service if they have met the following requirements: (i) served the Enterprise for 10 years or more, (ii) retired directly after working with EEP, and (iii) not dismissed due to disciplinary issues. It is forbidden for any retiree to transfer his/her right for free electricity. Also, the supply of free electricity is terminated when the retiree becomes deceased.

Below are the details of movements and amounts recognised in the financial statements:

	7 July 2024 Birr'000	7 July 2023 Birr'000
A Liability recognised in the financial position	25,253	29,381
B Amount recognised in the profit or loss		
Current service cost	1,027	663
Interest cost	6,482	4,470
	7,508	5,134
C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in demographic assumptions	-	1,066
Remeasurement (gains)/losses arising from changes in the financial assumptions	(7,505)	2,124
Remeasurement (gains)/losses arising from experience	(4,131)	2,127
	(11,636)	5,318

The movement in the funeral assistance and survivor benefit obligation over the years is as follows:

	7 July 2024 Birr'000	7 July 2023 Birr'000
At the beginning of the year	18,913	21,298
Current service cost	1,027	(3,421)
Interest cost	6,482	3,677
Remeasurement (gains)/ losses	(11,636)	(2,467)
Benefits paid	-	(174)
At the end of the year	14,785	18,913

The significant actuarial assumptions were as follows:

i) <u>Financial Assumption Long term Average</u>		
Discount Rate (p.a)	22%	26%
Tariff Increase Rate (p.a)	0%	0%

ii) Mortality in Service

The rate of pre-retirement mortality assumed for active employees are those according to the British A67/70 mortality table published by the Institute of Actuaries of England. The rate of post-retirement mortality for pensioners is PA(90) table.

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 4% at the youngest ages falling with increasing age to 10% at age 57.

The sensitivity of the funeral assistance and survivor benefit liability to changes in the weighted principal assumption is:

Change in assumption		7 July 2024	7 July 2023		Impact of a decrease
		Impact of an increase	Impact of a decrease	Impact of an increase	
		Birr'000	Birr'000	Birr'000	Birr'000
Salary growth rate	1%	15,447	8,117	1,187	(1,070)
Gross discount rate	1%	(1,425)	1,581	(795)	871

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the funeral assistance and survivor benefit liability recognised within the statement of financial position.



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19 Trade and other payables	7 July 2024 Birr'000	7 July 2023 Birr'000
Trade payables		
Project Accruals	22,905,390	19,370,940
Trade payables	<u>1,835,510</u>	<u>1,670,436</u>
	<u>24,740,900</u>	<u>21,041,376</u>
Other payables		
Contractor retention	6,297,751	6,187,790
Consumer deposits	253,679	669,302
Taxes payable	149,766	173,475
Bonus accrual	231,119	153,430
Leave accrual	247,556	198,227
Sundry creditors	888,586	19,220
Staff payables	47	119
Free electricity accrual	-	82,012
Other accruals	<u>225,860</u>	<u>24,364</u>
	<u>8,294,364</u>	<u>7,507,939</u>
	<u>33,035,264</u>	<u>28,549,315</u>
Contract retention relates amounts withheld by the Enterprise from contractors.		
20 Contract liabilities	7 July 2024 Birr'000	7 July 2023 Birr'000
Deferred revenue	80,360	451,245
Customer contribution	2,237	2,237
	<u>82,597</u>	<u>453,482</u>
21 Provisions		
A reconciliation of the changes in provisions is as follows:		
	7 July 2024 Birr'000	7 July 2023 Birr'000
Provision for legal claims	485,221	238,898
Provision for lease restoration costs	69	9,666
	<u>485,290</u>	<u>248,564</u>
Maturity		
Current	485,221	238,898
Non-Current	69	9,666
	<u>485,290</u>	<u>248,564</u>
	<u>Birr'000</u>	<u>Birr'000</u>
Movement in provisions :		
Balance at start of the year	248,564	612,813
Provision in the year	<u>236,726</u>	<u>(364,249)</u>
Balance at the end of the year	<u>485,290</u>	<u>248,564</u>



Ethiopian Electric Power
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22 Capital

Ethiopian Electric Power is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. The Enterprise is established by the council of ministers regulation No.302/2013 with authorized and paid up capital. As per Public Enterprises Law Proclamation No. 25/1992 paragraph 21, the supervising authority may increase the funds needed to the capital of the Enterprise to be allocated by the Government or to be paid out of the net profits of the Enterprise.

The Enterprise has cancelled loans for business use from the Government of the Federal Democratic Republic of Ethiopia which is also the sole owner of the Enterprise. Such cancelled loans is recognised as both an asset and capital contribution at fair value. Additionally, the Government assumed cancelled loans from the Enterprise each year at the time of loan disbursement the cancelled loan should be recognised as direction given by Ministry of Finance letter Number MoF/2/1/25 dated 21/02/2012 E.C in the year the disbursement amount is as below;

	<u>7 July 2024</u> Birr'000	<u>7 July 2023</u> Birr'000
Paid up capital at start of the year	319,246,063	317,387,886
capital contribution arising from conversion of borrowings to		
Capital contribution arising from cancelled loans to capital	263,337,326	
Additional capital	<u>4,280,672</u>	<u>1,858,177</u>
	267,617,998	1,858,177
At the end of the year	<u>586.864.060</u>	<u>319.246.063</u>

23 Legal reserve

The legal reserve is a statutory reserve. The legal reserve is accumulated by transferring 5% of annual net profits to the reserve until it reaches a maximum of 20% of capital. The Enterprise made a loss in the period under review, thus legal reserve transfer has not been made.

24 Other reserves

Other reserves relate to actuarial rereasurement (gains)/losses arising from changes in demographic assumptions, financial assumptions and actuarial experience on post employment benefits.

	<u>7 July 2024</u> Birr'000	<u>7 July 2023</u> Birr'000
At the beginning of the year	38,648	3,660
Remeasurement gain/(loss) on post employment benefits	<u>(17,789)</u>	<u>34,988</u>
At the end of the year	<u>20.859</u>	<u>38.648</u>

25 Non-distributable reserve

Non-distributable reserve includes first time IFRS adoption adjustments which are not distributable as dividends in compliance with guidance issued by Accounting and Auditing Board of Ethiopia dated 30th October 2019.

	<u>7 July 2024</u> Birr'000	<u>7 July 2023</u> Birr'000
At the beginning of the year	162,767,839	162,767,839
Write back (down) of differences on property, plant and equipment carrying values		
At the end of the year	<u>162.767.839</u>	<u>162.767.839</u>



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26 Grants		7 July 2024 Birr'000	7 July 2023 Birr'000
At the beginning of the year		3,454,812	643,026
Addition		6,084,582	2,811,852
Amortization		(969)	(66)
At the end of the year		9,538,425	3,454,812
Current			
Non-Current		9,538,425	3,454,812
		9,538,425	3,454,812
26(a) Grants from individuals and corporates		7 July 2024 Birr'000	7 July 2023 Birr'000
Grants from individuals and corporates		9,538,425	3,454,812
These are grant contributions from individuals and corporate entities towards the completion of the Grand Ethiopian Renaissance Dam (GERD). These grants are not refundable and shall be recognised as grant income upon the completion of the projects.			
27 (a) Cash generated from operating activities	Notes	7 July 2024 Birr'000	7 July 2023 Birr'000
Profit / (loss) for the period		(10,147,553)	(24,838,797)
Adjustments:			
Depreciation of property, plant and equipment	10	8,459,739	8,034,343
Depreciation charge of right of use asset	11	40,054	122,979
Interest expense on borrowings		13,489,665	13,252,847
Interest expense on leases		1,524	7,283
Interest expense on lease restoration		-	-
Net foreign exchange (gains) / losses		8,947,500	9,024,736
Impairment of trade receivables	13	1,144,602	1,703,423
Reversal of impairment of trade receivables	13	(294,600)	(41,927)
Impairment of cash and cash equivalents	16	(2,184)	(2,455)
Reversal of impairment of cash and cash equivalents	16	-	-
Amortisation of grants		(969)	(66)
Changes in working capital:			
-Decrease/ (Increase) in inventories		(1,399,407)	(153,017)
-Decrease/ (Increase) in trade and other receivables		6,266,065	9,108,178
-Increase/ (Decrease) in employee benefit obligations		2,040	42,594
-Increase/ (Decrease) in contract liabilities		(370,885)	19,302
-Increase/ (Decrease) in grants		6,084,582	2,017,274
-Increase/ (Decrease) in provisions		236,726	(364,249)
-Increase/ (Decrease) in trade and other payables		4,485,949	(431,683)
		36,942,848	17,500,764
27 (b) Cash generated from operating activities		7 July 2024 Birr'000	7 July 2023 Birr'000
Non-cash investing and financing activities disclosed in other notes are:			
Interest capitalized in capital work in progress for the year (Note 17)		11,895,943	8,012,690
Capital contribution arising from cancelled loan to capital (Note 22)		4,380,672	1,858,177
Acquisition of property, plant and equipment through borrowings (Note 17)		756,796	6,023,375
Purchase of property, plant and equipment recognised SOCF		39,208,187	-
In Note 10 addition of Property, plant and equipment		56,141,597	15,894,242



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28 Related party transactions

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

In the normal course of business, a number of transactions are entered into with related parties i.e. staff, management board members, their associates and companies associated with management board members. These include loans, deposits and foreign currency transactions. Loans and advances to customers include loans and advances to staff and to companies associated with management board members.

These are disclosed below:

28 a) Key management compensation

Key management has been determined to be the members of the management board and the executive management of the Enterprise. The compensation paid or payable to key management is shown below.

	7 July 2024 Birr'000	7 July 2023 Birr'000
Salaries and other short-term employee benefits	76,701	55,193
Sitting allowance	1,143	999
Termination benefits	40,692	31,149
	<u>118,536</u>	<u>87,341</u>

Compensation of the Enterprise's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefits plans.

28 b) Management board members and employees

The average number of persons (excluding management board members) employed by the Enterprise during the year was as follows:

	7 July 2024 Number	7 July 2023 Number
Professionals and high level managers and supervisors	2,585	2,553
Semi-professional, Administrative and Clerical	4,337	4,276
Technician and Skilled	3,941	4,417
	<u>7,863</u>	<u>8,246</u>

29 Contingent liabilities

The Enterprise is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The Enterprise considers it to be probable that the some judgements will not be in its favour and should therefore recognise a provision in relation to these claims. The potential undiscounted amount of the total payments that the Enterprise could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately Birr 2.102 billion (7 July 2024: Birr 2.155 billion).

30 Commitments

The Enterprise has commitments, not provided for in these financial statements, of Birr 58.14 billion (7 July 2023: Birr 87.05 billion) for purchase and construction of various capital items.

31 Date of authorisation for issue

The Chief Executive Officer of the Enterprise authorised the issue of these financial statements on 6 January 2025.

32 Events after reporting period

Except as disclosed below, there were no significant events that occurred between 7 July 2024 and the date of issue of these financial statements.





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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN ELECTRIC POWER
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2024



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Office of the Federal Auditor General
Audit Services Corporation

6 January 2025

Public Enterprises Holding and Administration Agency
Addis Ababa

Dear Sirs,

ETHIOPIAN ELECTRIC POWER
MANAGEMENT LETTER
FOR THE YEAR ENDED 7 JULY 2024

INTRODUCTION

We hereby submit our findings and recommendations on weaknesses in internal control and other matters which came to our attention during the audit of the financial statements of Ethiopian Electric Power (the "Enterprise") for the year ended 7 July 2024.

It must be appreciated that the matters dealt within this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the accounts of the Power and, therefore, our examination cannot be expected to disclose all possible weaknesses in internal control and to uncover all other findings which a more extensive special examination might reveal.



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PROPERTY, PLANT AND EQUIPMENT

- 1.1 Included under asset under construction account are long outstanding balances totaling to Birr 1,075,920,549 and not even cleared in subsequent period. Capital work in progress account contains all expenses incurred on the asset until it is completed and converted into working condition.

Management response

The balance of Birr 562,680,403 is currently recorded as a work in progress, indicating that the capitalization process has already commenced. This capitalization is anticipated to be finalized in the fiscal year 2025, with an expected total of Birr 513,240,145 across approximately 16 active projects throughout Ethiopia. While these projects remain active, progress has been stalled due to budget constraints and the current conditions in the country.

Recommendation

The above balance should be investigated and proper action be taken as soon as possible.

- 1.2 IAS 16.65 and the Enterprise's accounting procedure manual 5.4.3 require property, plant and equipment to be tested for obsolescence and impairment at the end of each reporting period. No such testing was carried out. Furthermore no physical inventory of property, plant, and equipment has been made for the past five years. As a result, it was not possible to identify any such impairment or losses during the year.

Management response

Due to the impracticality of conducting a physical count of the Property, Plant, and Equipment (PPE) for Ethiopian Electric Power assets, we have verified the existence and functionality of the assets at each plant instead. Relevant documentation to support this verification will be submitted.

Recommendation

The requirements of the Standards and the accounting procedure manual should be complied with.

- 1.3 There were the following irregularities in the Enterprise's accounts.
- Title certificate of six (6) vehicles are not in the name of the Entity.
 - No annual inspection was made for ten (10) vehicles from year end 2013 to 2015.



Management responses

The process of transferring the ownership title certificates to Ethiopian Electric Power is underway. For your information, the relevant document is attached.

Due to the current conditions in the country, it is difficult to transport the vehicles listed above from the project site to Addis Ababa. We need to address this issue to complete the annual inspection work.

Recommendation

Corrective action should be taken by management to rectify the above irregularities.

INVENTORY

- 2.1 No formal assessment has been conducted to establish a provision for obsolescence stock.

Management response

According to IAS 2.11, entities must assess inventory at year-end to identify any slow-moving, damaged, or obsolete items. This assessment often requires management judgment. We are in the process of establishing a technical team to evaluate the materials and determine if there is any obsolescence.

Recommendation

We recommend that regular reviews of inventory levels and obsolescence risks should be carried out to ensure timely adjustments to provisions.

TRADE AND OTHER RECEIVABLES

- 3.1 There are balances of trade receivables that have been outstanding for more than two years:

	<u>Birr</u>
Industry and Railway	811,472,807
Djibouti	175,208,439
OPGW	<u>254,941,872</u>
	<u>1,241,623,118</u>

Management response

In accordance with IFRS 9, an appropriate Expected Credit Loss (ECL) calculation has been conducted.

Recommendation

Even though provision is held efforts should be made to collect as soon as possible.



- 3.2 We sent confirmation request for thirty one (31) major clients of the Entity, but none replied to our confirmation request. We recommend that statement of accounts be exchanged with clients regularly and reconciled accordingly.

Management response

Most of the debtors represent settlements made in subsequent periods.

Recommendation

We recommend that statement of accounts should be exchanged with the major vendor and customers of Ethiopian Electric Power.

- 3.3 Included under trade and other receivables account opening balances is Birr 4,084,775,862 related to credit margins, advance to vendor and refund of projects VAT that are not cleared in the subsequently period.

Management response

The movement of the above account is primarily related to foreign currency fluctuations, given the current conditions in the country. Additionally, the balance reflects the letter of credit margin held and advances made to vendors over time. This balance has increased due to the Entity's ongoing investments.

Recommendation

We recommend that investigation and follow-up should be made.

CASH AND BANK BALANCE

- 4.1 We did not obtain bank confirmations for nine (9) banks.

Management response

A confirmation letter has been submitted to the bank, and a copy of this letter is included with the attached documents for your reference.

Recommendation

We recommend that efforts should be made to follow-up accounts with the related banks continuously.

BORROWINGS

- 5.1 There were the following irregularities in the Enterprise's accounts.
- A confirmation request was sent to ten (10) lenders from foreign bank.
 - Confirmation replied from China Exim Bank and China Electrical Equipment showed disputed amount of USD 28,000,954 and USD 59,263,892 respectively.



Management responses

We have requested confirmation for the second time and are currently awaiting a response to the confirmation letter addressed to both our company and our auditors regarding the financiers SEENEGPTP, KOYESHA HEPP, DSIF ASELA WP, and ETHIO-DJI PHASE 2.

The difference exists due to loan restructuring and the Effective Interest Rate (EIR) calculation as required by IFRS 9.

Recommendation

These balances should be investigated and cleared.

PROFIT OR LOSS

- 6.1 We noted that revenue amounting to Birr 107,614,619.91 was recognized for electric sales in the North Region without adequate supporting documentation or a thorough investigation.

Management response

The revenue recognition for the North Region is based on the previous agreement of 40/60, totaling 107,614,619.91. This revenue was recognized when the bank accounts for the EEP North Region were opened at Anbesa Bank and Dedebit. It is important to note that, due to social unrest conditions, adequate supporting documents were not available at that time.

Recommendation

We recommend that conduct a detailed review of all revenue transactions for the North Region to identify any additional unrecorded revenue.

GENERAL

We have gone through internal audit reports of the year under audit and picked few reports as an example to remind management take immediate corrective actions: -

- The power purchase agreements (PPAs) with Sudan and Ethiopian electric power have an end date of August 20, 2012, and have not been amended.
- The PPAs between EEP and EEU do not explicitly include the maximum demand capacity and un-contracted capacity. Because of this budget of energy sales for EEU and actual energy sales has a loss in this year and 2023 fiscal year. Agreement should be made as to how to share the loss of energy when transferring power to EEU (sharing loss between EEU and EEP, now the loss is carried out only by EEP).



- An excess payment of Birr 11,879,101 was made for the Forest & Shrub Mats work agreement of the grand Ethiopian renaissance dame.

CONCLUSION

We would like to express our appreciation to the management and staff of the Ethiopian Electric Power for the assistance and courtesy extended to us during the course of the audit.

We have discussed this report with the management of the Ethiopian Electric Power who, in general, accept our findings and recommendations. We shall, however, be pleased to provide any further explanation that may be required.

Yours faithfully,

Audit Services Corporation

