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**AUDIT SERVICES
CORPORATION**

ETHIO-TELECOM
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
30 JUNE 2023

Latvia Telecom
IFRS financial statements
For the year ended 30 June 2019
Contents

Management board and executive management	3
Report of the management board	4
Statement of management board's responsibilities	5
Independent auditor's report	6-10
Statement of profit or loss and other comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 54



Management Board

H.E Ambassador Girma Biru	Chairperson	Appointed	03 February 2020
H.E Dr Eyob Tekalign	Member	Appointed	03 February 2020
Ato Yodahe Arayasilassie	Member	Appointed	03 February 2020
Ato Worku Gachena	Member	Appointed	03 February 2020
Ato Muluneh Desalegn	Member	Appointed	03 February 2020
Ato Samual Legesse	Member	Appointed	03 February 2020
Ato Kassahun Seboka	Member	Appointed	03 February 2020

Executive management

W/t Frehiwot Tamiru	Chief Executive Officer
Ato Asseged Ayele Wendimkun	Chief Finance Officer
Ato Mesay Woubshet Bekele	Chief Communications Officer
Ato Teresa Belete Gudeta	Chief Customer Services Officer
Ato Said Aragaw Ahmed	Chief Marketing Officer
Ato Mahdi Jemal Shikur	Chief Strategic Planning and Program Management Officer
Ato Lemma Tesemma Yimere	Chief Legal Officer
Ato Tsegaye Emanuel Mekael	Chief Information Security Officer
Ato Endale Asrat Asfaw	Chief Information System Officer
W/ro Beletu Delamo Dindamo	Chief Supply Chain Officer
Ato Solomon Abera Molla	Customer Experience and Quality Management
Ato Mohammed Haji Abdulahi	Chief Sales Officer
Ato Tewodros H/meskel	Chief Network Officer
Ato Tesfaye Yemane Jembere	Chief Security Officer
Ato Tesfaye Tadesse Woldesemayat	Chief Network Infrastructure Officer
Ato Tariku Demissie Gebre	Chief Technology Officer
Ato Chalew Demlie Anteneh	Chief Wireless Network Officer
Ato Ayele Adugna Amanu	Chief Telecom Excellence Academy Officer
Ato Aynalem Albene Ayele	Chief Fleet and Facilities Officer
Ato Tilahun Negash Guta	Chief Human Resources Officer
Ato Zerihun Chekol Ejigu	A/Chief Internal Audit Officer
Ato Abebe Ambaw Aredo	Chief Service Operation Center Officer
Ato Bruk Adhana Haile	Chief Mobile Money Business Officer

Independent auditor

Audit Services Corporation
Addis Ababa
Ethiopia

Corporate office

Ethio telecom headquarters
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelecom.et

Principal banker

Commercial Bank of Ethiopia
Addis Ababa Branch
Addis Ababa, Ethiopia



The management board members submit their report together with the financial statements for the period ended 30 June 2023 to **Ethiopian Investment Holdings (EIH)**.

Incorporation and address

Ethio telecom was established as an autonomous public enterprise in November 2010. It assumed the rights and obligations of the former Ethiopian Telecommunication Corporation with effect from 29 November 2010. The Enterprise is governed by public enterprises Proclamation No. 25/1992.

The Enterprise's address is as below :

Ethio telecom headquarters
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelecom.et

Principal activities

The Enterprise's principal activity is to provide a comprehensive range of integrated telecommunication services including voice and data (both mobile and fixed), SMS , internet solutions and Financial Service (Telebirr) to its wide range of subscribers.

Results

The Enterprise's results for the year ended 30 June 2023 are set out on page 11. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Revenue from contracts with customers	71,525,993	59,448,361
Profit before income tax	28,186,778	17,833,903
Income tax charge	(10,158,764)	(8,834,321)
Net profit / (loss) for the year	18,028,014	8,999,582
Other comprehensive income / (loss) net of taxes	130,233	64,103
Total comprehensive income / (loss) for the year	18,158,247	9,063,685

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 Ambassador Girma Biru
Management Board Chairperson
30 October 2023



**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM (continued)**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

Revenue

A risk is that accounting principles for revenue recognition may be subject to differing interpretations. There may be a risk that management is inflating income by improperly recognizing revenue related to agreements with terms that preclude revenue recognition or by recording services before they are rendered or invoicing before products are delivered. In our response to these risks, we made a selection of transactions from source records and tested the completeness of the source records by ensuring their numerical sequence. We checked that data was input only once and was subject to validation. We selected a sample of individual transactions to determine the propriety of their recognition during the year. We scanned the revenue records to check whether there was any duplication of document numbers or gaps in the sequence of document numbers to identify documents cancelled, if any. We judgmentally selected a number of transactions each before and after the closing date to test the cut off procedures and controls. We determined that the accounting policies and methods of revenue recognition were appropriate and were applied consistently. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no concerns in respect to the recording of revenue at appropriate values.

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM (continued)**

Report on the Audit of the Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM (continued)**

Report on the Audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Enterprise's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Enterprise to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

WASC



**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM (continued)**

Report on Other Matter

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 the Management Board and Executive Management, in the report of the Management Board, and in the statement of Management Board's responsibilities, 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.

Emphasis of Matter

We draw attention to Note 14(c) of the financial statements which describes the receivable from MoF for Paid-up Capital fulfilment as debtor to the Corporation. Our opinion is not qualified in respect to this matter.

Audit Services Corporation

27 October 2023



11th February

Statement of comprehensive income and other financial statements for the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Revenue from contracts with customers	5	71,525,993	59,448,361
Direct costs	6(a)	(11,318,736)	(9,749,007)
Operating expenses	6(b)	(27,699,985)	(20,872,135)
Net impairment losses on financial asset	14	(347,607)	271,868
Other income (expense)	8	5,460,102	2,315,166
Earnings before interest, taxes, depreciation and amortization (EBITDA)		37,619,767	31,414,253
Depreciation of property, plant and equipment	11	(5,785,449)	(5,715,562)
Depreciation charge of right of use asset	12	(383,706)	(342,402)
Amortization intangible assets	13	(323,310)	(573,881)
Depreciation charge of Investment Property	13(a)	(4,395)	
		(6,496,860)	(6,631,845)
Operating profit		31,122,907	24,782,408
Finance income	9	31,764	82,458
Finance costs	9	(2,967,893)	(7,030,963)
Finance costs - net		(2,936,129)	(6,948,505)
Profit before income tax		28,186,778	17,833,903
Income tax (expense) / credit	10(a)	(10,158,764)	(8,834,321)
Profit after tax		18,028,014	8,999,582
Other comprehensive income (OCI) net on income tax			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on post employment benefits obligations	19	186,047	91,576
Deferred tax (liability)/asset on remeasurement gain or loss	10(a)	(55,814)	(27,473)
		130,233	64,103
Total comprehensive income for the year		18,158,247	9,063,685

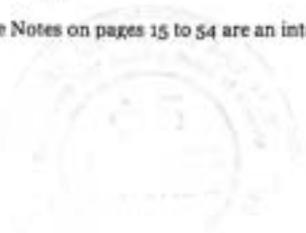
The Notes on pages 15 to 54 are an integral part of these financial statements.



Ethio Telecom
Statement of financial position
For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Non current assets			
Property, plant and equipment	11	50,924,499	38,857,822
Right of use assets	12	1,207,765	961,266
Intangible assets	13	1,293,718	1,608,350
Investment Property	13(a)	213,686	
Other assets	14(a)	310	171
Other financial assets at amortised cost	14(c)	7,101,156	7,101,635
Deferred tax Assets	10(d)	3,576,850	3,931,220
		<u>64,317,984</u>	<u>52,460,464</u>
Current assets			
Inventories	15	14,998,876	6,308,228
Other assets	14(a)	2,974,273	2,366,469
Trade receivables	14(b)	6,773,369	6,530,101
Other financial assets at amortised cost	14(c)	92,483,778	92,510,752
Notes receivable at amortised cost	16(a)	-	650,540
Cash and cash equivalents	17	33,544,592	28,191,157
		<u>150,774,888</u>	<u>136,557,247</u>
Total assets		215,092,872	189,017,711
EQUITY AND LIABILITIES			
LIABILITIES			
Non-current liabilities			
Borrowings	18	16,927,715	20,576,144
Provisions	20(c)	127,778	84,296
Lease liabilities	12	647,210	519,662
Grants	23	497	518
Defined benefit liabilities	19	597,441	640,151
		<u>18,300,641</u>	<u>21,820,771</u>
Current liabilities			
Borrowings	18	5,212,627	6,702,921
Contract liabilities	20(a)	8,231,309	6,968,799
Trade and other payables	20(b)	53,636,335	38,824,823
Provisions	20(c)	31,956	13,772
Lease liabilities	12	341,037	312,233
Grants	23	23	43
Defined benefit liabilities	19	76,288	69,206
Dividend payable	25(b)	2,304,066	4,804,066
Current income tax	10 (c)	7,245,392	7,946,127
		<u>77,079,033</u>	<u>65,641,990</u>
Total liabilities		95,379,674	87,462,761
Equity attributable to owners			
Capital	21	100,000,000	100,000,000
Retained earnings	25	17,241,702	115,086
Legal reserve	22	2,301,324	1,399,923
Other reserves	24	170,174	39,941
Total equity		119,713,200	101,554,950
Total equity and liabilities		215,092,872	189,017,711

The Notes on pages 15 to 54 are an integral part of these financial statements.



13
 The Federal Democratic Republic of Ethiopia
 Ministry of Finance and Economic Development
 Addis Ababa, Ethiopia

Notes	Capital		Retained earnings	Legal reserve	Other reserves	Total equity
	Birr'000	Birr'000				
As at 30 June 2021 as previously reported						
Adjustments - note 14 A.19	4,749,719	(4,790,941)	949,944	(24,162)		884,560
As Restated	95,259,281	(857,332)				94,392,949
	<u>100,000,000</u>	<u>(5,648,273)</u>	<u>949,944</u>	<u>(24,162)</u>		<u>95,277,510</u>
Profit for the year		8,999,582				8,999,582
Transaction with owners in their capacity as owners :						
Transfer to MoF		(2,786,244)				(2,786,244)
Transfer to Legal Reserve		(449,979)	449,979			
Other comprehensive income:						
Re-measurement gains/(loss) on defined benefit plans (net of tax)				64,103		64,103
Total comprehensive income for the year		5,763,359	449,979	64,103		6,277,441
As at 30 June 2022		115,086	1,399,923	39,941		101,554,951
Profit for the year		18,028,014				18,028,014
Transaction with owners in their capacity as owners :						
Transfer to MoF		(901,401)	901,401			
Transfer to Legal Reserve				130,233		130,233
Other comprehensive income:						
Re-measurement gains/(loss) on defined benefit plans (net of tax)				130,233		130,233
Total comprehensive income for the year		17,126,616	901,401	130,233		18,158,250
As at 30 June 2023		17,241,702	2,301,324	170,174		119,713,199

The Notes on pages 15 to 54 are an integral part of these financial statements.



Ethio Telecom
 Statement of cash flows
 For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	26	43,771,628	44,665,627
Interest income received	9	30,986	75,218
Interest expense paid	18a&b,12	(1,042,711)	(577,301)
Income tax paid	10	(10,560,943)	(7,932,368)
Arrear tax paid			(1,458,594)
Net cash (outflow)/inflow from operating activities		32,198,961	34,772,581
Cash flows from investing activities			
Sale of placements with financial institutions	16		400,000
Settlement of Treasury Note receivable from MoF	16	650,000	
Purchase of intangible assets	13	(8,678)	(147,360)
Purchase of property, plant and equipment	11,18b	(17,895,120)	(11,423,007)
Payment for right of use assets		(6,324)	(8,356)
Proceeds from sale of property, plant and equipment		187,162	148,970
Net cash (outflow)/inflow from investing activities		(17,072,960)	(11,029,753)
Cash flows from financing activities			
Repayments of borrowings	18	(6,610,985)	(8,283,127)
Principal elements of lease payments	12	(395,338)	(317,421)
Payment to Ministry of Finance		(2,500,000)	(500,000)
Net cash (outflow)/inflow from financing activities		(9,506,323)	(9,100,548)
Net increase/(decrease) in cash and cash equivalents		5,619,678	14,642,280
Cash and cash equivalents at the beginning of the year	17	28,191,157	15,194,080
Effects of exchange rate changes on cash and cash equivalent	17	(266,244)	(1,645,204)
Cash and cash equivalents at the end of the year	17	33,544,592	28,191,157

The Notes on pages 15 to 54 are an integral part of these financial statements.



1 General information

Ethio telecom ("the Enterprise") was established as an autonomous public Enterprise by the council of ministers regulation No.197/2010 in November 2010. It assumed the rights and obligations of the former Ethiopian Telecommunication Corporation with effect from 29 November 2010. The Enterprise is governed by Public Enterprises Proclamation No. 25/1992.

The Enterprise's address is as below :

Ethio telecom headquarters
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelcom.et

The Enterprise's principal activity is to provide a comprehensive range of integrated telecommunication services including voice and data (both mobile and fixed), SMS , internet solutions and Mobile Money operation to its wide range of subscribers.

2 Significant accounting policies

2.a Introduction to significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.b Basis of preparation

The financial statements for the period ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 measurement basis used is the historical cost basis 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.

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 – fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are derived from inputs other than quoted prices used in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – fair values measurements are derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The preparation of financial statements in conformity 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 assumptions may have a significant impact on the financial statements in the period 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.



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 but earlier adopted by the

There are no new standards and amendments to standards and interpretations that are not mandatory for the period ending 30 June 2023 but have been early adopted by the Enterprise

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

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 periods and on foreseeable future transactions except IFRS S1 General Requirement for Disclosure of Sustainability related financial information and IFRS S2 Sustainability Disclosure standard Climate related information Disclosures for which an enterprise is expected to apply these standards on or after January 1, 2024 (Effective date)

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) rounded to the nearest thousand (Birr '000).

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.



2.f Recognition of revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised to depict the transfer of goods/services to customers in an amount that reflects the consideration that the Enterprise is entitled to.

The Enterprise principally generates revenue from providing telecommunication services, such as access to the network, airtime usage, messaging, internet services, Cloud Solution service Infrastructure rent (Collocation) and sales of mobile devices as well as from Mobile money services. Products and services may be sold separately or in bundled packages. The typical average term of a contract for the products and services ranges from 24 months to 72 months.

For bundled packages, the Enterprise accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Enterprise sells the mobile devices, extended warranty and telecommunication services. For items that are not sold separately, the Enterprise estimates stand-alone selling prices using the adjusted market assessment approach.

The Enterprise typically satisfies its performance obligations over time with the exception of the sale of devices which occurs at a point in time. The nature of its performance obligations is service arising from provisions of voice, data and SMS. The Enterprise uses the output method to recognise revenue from contracts with customers as this method provides a faithful depiction of the transfer of goods or services to its customers.

The Enterprise has applied customer churn rates which represent the average life a customer stays connected on its mobile, fixed line and data services. This typically ranges between 24 to 72 months. The Enterprises uses average customer life in accounting for revenue from upfront and CAF commissions, connection, installation, reconnection services over time.

Contract acquisition costs relates to customer applications commissions and dealers upfront commissions settled in advance. Contract liabilities relate mainly to unused airtime and other revenue (connection, reconnection and installation fees received) where the Enterprise has not fulfilled performance obligations to customers.

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



2.f(i) Revenue recognised over time

Products and services	Nature
Voice revenue	This revenue arises from outgoing domestic and international voice calls including premium rate calls and directory enquires.
SMS/MMS revenue	This revenue arises from outgoing domestic and international SMS (Short Message Service) and MMS (Multimedia Message Service) including bulk SMS services.
Internet revenue	Internet protocol (IP) service relates to the flow of data across the internet. IP Traffic is also commonly referred to as web traffic. This includes VSAT (Very Small Aperture Terminal) rental services. Internet revenue arises from narrowband and broadband internet services including mobile data internet.
Roaming revenue	Roaming service enables subscribers to automatically make and receive voice calls, send and receive SMS and to get mobile internet access and other services when travelling outside the geographical coverage area of the Enterprise via foreign country's operator's network.
Subscriptions revenue	Subscription revenue arises from first time activation of a service such as sim-card bought by a subscriber. It is the amount paid by the subscriber to obtain a sim-card and/or subscribe for other services.
Interconnections revenue	Interconnection revenue arises from connection between the Enterprise's network infrastructure and those owned by third parties.
Leased circuits revenue	Leased circuit service enables customers, mainly multi-national corporations and international organizations to extend the reach into key overseas locations. It provides the means to establish connectivity for Enterprise customers into their premises worldwide. Leased circuit revenue arises from International Private Leased Circuit (IPLC) facility with secure digital point-to-point leased line service between two international locations
Hybrid services revenue	Hybrid services enables a subscriber to use voice, data and SMS services on a SIM card with both prepaid and postpaid payment features. Hybrid services revenue arises from voice, data and SMS services on hybrid SIM account plan.
Infrastructure sharing revenue	Infrastructure sharing service revenue arising from renting of sites, building, shelters, ground space, towers, masts, power supply, generators, UPS, poles, main/commercial power supply, air conditioner, transmission capacity, switching room collocation, and other services like physical
Short code revenue	Short codes (also known as short numbers) are special telephone numbers, significantly shorter than full telephone numbers that can be used to address SMS, MMS and voice. Short code revenue arises from SMS, MMS and Voice services to three or four digit numbers subscribed by businesses.



2.f(ii) Revenue recognised at a point in time

Products and services	Nature
Devices revenue	Devices are fixed and mobile devices available for customers to buy from the Enterprise such as handsets, mobile wifi, dongles which enable customers to access the Enterprise's services. Devices revenue arises from sale of fixed and mobile devices to customers.
Airtime credit service revenue	Airtime credit service (ACS) revenue relates to fees charged on customers to access airtime on credit. The enterprise offers this service in partnership with an agent who earns 20% of the fees charged. This 80% fees earned by ethio telecom are recognised as revenue at a point in time.
Financial Service Commission	Financial Service Commission is arising from services Provided which includes Cash in, Cash out, Airtime top up, various utility payment, Cash transfer, fund raising, mobile Remittance and merchant transaction payments and micro loan services to its customers.

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 period, 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:

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

The classification depends on the enterprise's business model for managing the financial assets and the contractual terms of the cash flows of the financial asset. The Enterprise business model is just hold to maturity.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Enterprise has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Enterprise reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Enterprise commits to purchase or sell the asset. 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.

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.

Debt instruments

Subsequent measurement of debt instruments depends on the Enterprise's business model for managing the financial assets and the cash flow characteristics of the financial asset.

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.

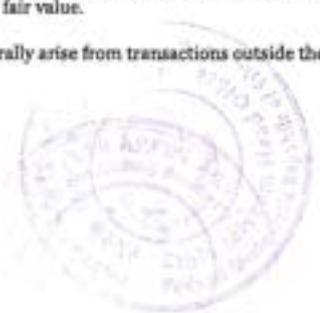
Trade receivables and other receivables

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, when they are recognised at fair value.

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 almost zero risk of changes in value.

2.b(ii) Financial liabilities

Borrowings

Borrowings for the Enterprise comprise of loans, notes payables, promissory notes and bank overdrafts. 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.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, expired or otherwise extinguished. 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.

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. 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.b(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.b(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. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Enterprise recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

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 Enterprise 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 less residual values over their estimated useful lives, as follows:

Asset class	Major category	Useful life in years	Residual value %
Network Assets	Mobile network equipment	10	1.0%
	Fixed network equipment	10	1.0%
	Transmission equipment	10	1.0%
	IP network	10	1.0%
Power Equipment	Power Equipment	5-20	1.0%
Buildings	Buildings	20 - 50	10.0%
Motor Vehicles	Motor Vehicles	5-20	5.0%
Servers	Servers	5 - 7	0.5%
Spares Parts	Spares Parts	5-20	2.0%
Other Equipment	Furniture and fittings	5 - 12	0.5%
	Other office equipment	4 - 10	1.0%

The Enterprise commences depreciation when the asset is available for use. Spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

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 or 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 statement of profit or loss 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.



Right use of free hold land

The Enterprise has owned 5,605,567 meter square free land received from the government of Ethiopia. Since 2016 IFRS adoption the Enterprise disclosed that such free land hold has been stated with nominal value as permitted by the standard. During 2023 period those free hold land has been revalued and disclosed in the financial statements. Their useful life are expected to be infinite and are not depreciable.

Investment Property

The Enterprise rented different buildings to lessees that will be categorized as an operating lease on different terms and the detail lists and their revenue are disclosed under Note 8 and 13 (a). The property stated at cost and depreciated using stright line method.

2.i 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 statement of profit or loss in the period 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 period 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 period 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 statement of profit or loss.

Amortisation for intangible assets with definite useful lives is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives as follows:

Asset class	Useful life in years
Network licenses	6-8
Softwares	6-8

i) Network licenses

Separately acquired network licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Telecommunication license fees are capitalised at cost and amortised over the period of the license using the straight-line method from commencement of the service of the network.

Network licences 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

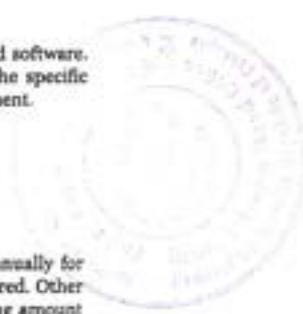
ii) Softwares

Softwares comprises softwares purchased from third parties as well as the cost of internally developed software. Software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining software programmes are recognised as an expense as incurred.

2.k Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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.



2.1 Leases

The Enterprise as a lessee

The Enterprise leases various offices, warehouses, retail shops, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 15 years but may have extension/termination options. The extension options range between 5 years to 10 years.

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.

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. 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.

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.

Payments associated with short-term leases of equipment and vehicles 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 equipment and small items of office furniture.

Right of use asset

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. The Enterprise applies IAS 36 - Impairment of non-current assets on the right-of-use asset the same way as in property, plant and equipment.

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).

Reassessment of lease terms and lease modifications that are not accounted for as a separate lease

When the Enterprise reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

Lease modifications that are accounted for as a separate lease

When the Enterprise modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Enterprise accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the Enterprise elected the short-term lease exemption and the lease term is subsequently modified.

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 lease and low value assets

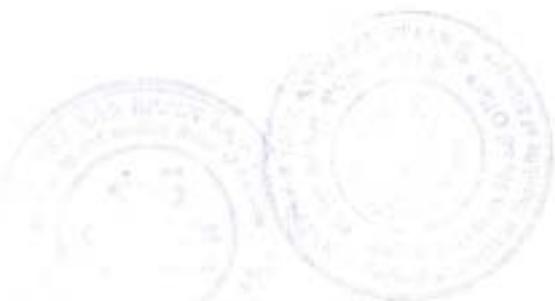
Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items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

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.



2.m Inventories

Inventories consist of handsets, SIM cards, scratch cards, modems, dongles and other apparatus required for network connectivity. Network maintenance spares that do not meet criteria for capitalisation are included as part of inventories.

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other incidental costs. Net realisable value is the estimate of the selling price and other incidental costs.

2.n Employee benefits

2.n(i) Short-term obligations

Liabilities for wages and salaries, 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 period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Non monetary benefits include handsets, gifts/rewards, medical and communication benefits and cars for management staff. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Bonus plans

The Enterprise recognises a liability and an expense for bonuses. The Enterprise recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

Other long term obligation that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are 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 period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period 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 period, regardless of when the actual settlement is expected to occur.

2.n(iii) Post-employment obligations

The Enterprise operates various post-employment schemes, including defined contribution pension plans and defined benefit post-employment medical plans. Refer to Note 19 for further details.

The liability 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.

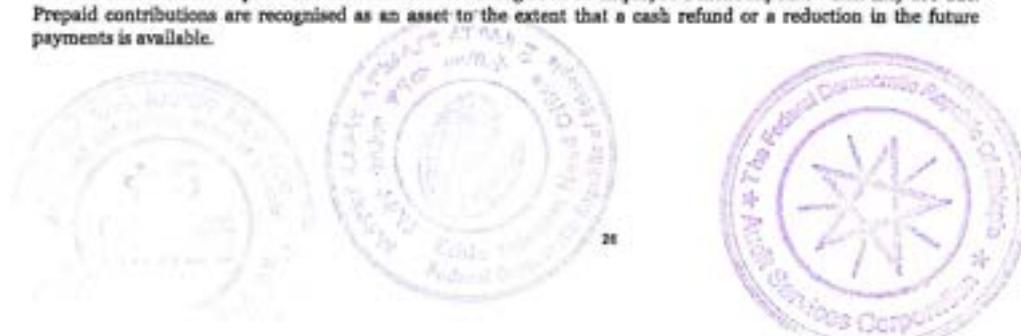
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of zero-coupon government bond yield curves.

The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included as employee defined contribution expense in operating expenses.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period 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 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 communication benefits, farewell benefits, funeral benefits, medical benefits and Bereavement Benefit to their retirees as below.

- Communication benefits

The Enterprise provides communication benefits for its retiring employees. The communication benefit is dependant on the retiring employee's position as at the time of retirement.

- Farewell benefits

Upon retirement, early retirement or voluntary retirement, the Enterprise pays an employee a monetary award of Ethiopian Birr 20,000. Additionally, the Enterprise arranges a farewell function and the retiring employee receives an Enterprise pin.

- Funeral benefits

In the event of the death of the employee, the surviving family of the employee is entitled to 3 months' salary, subject to a minimum of Ethiopian Birr of 15,000. An additional cash benefit of Ethiopian Birr of 20,000 is payable in respect of the Chief Operating Officer and Chief Executive Officer on the death of a first level family member.

- Gratuity benefits

The gratuity benefits are based on the severance benefits as outlined by the Ethiopian Labour Proclamation 377/2003. Upon retirement of an employee who has been in service for more than 5 years, or death in service if the employee has between 5 to 10 years in service, the Enterprise pays out 30 days of salary for the first year of service and 10 days of salary for each year of service after the first year, to a maximum of one year's salary.

- Post Retirement Medical Aid benefits

Upon retirement, early retirement or voluntary retirement, the Enterprise provides 100% local treatment and 95% local medicine coverage the retirees for life available at ethio telecom clinics.

- Bereavement support benefit

Ethio telecom formed a fund which is named as "ET Edir Assistance and support Association through collecting ETB 30 from the monthly salary of the voluntary employees. The purpose of the fund is to provide support and assistance to the survival family during the death of employee. In the event of the death of the employee, the surviving family of the employee is entitled to get an amount which is equal to one third of the total monthly contribution made by the members as at the event (death) happened. The benefit will be paid to the survival family of the employee, weather the employee contributed or not the amount to the Association fund so far.

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 19 for details on the valuation techniques and assumptions applied.

2.2(iv) 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 period are discounted to present value.

2.0 Government grants

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 grants 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 a nominal amount.

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.

2.p Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period 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 period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.q Provisions

The Enterprise recognises provisions when all the following conditions are met;

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

and

- a reliable estimate can be made of the amount of the obligation.

Provisions related to legal claims, restoration costs, service warranties and other similar obligations of uncertain timing or amount. 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 period. 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.

The Enterprise accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease in accordance with IAS 16.

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.



2.7 Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia, where the Enterprise operates and generates taxable income (Proclamation number 979/2016 - Federal Income Tax Proclamation dated 8th July 2016 effective on 1 July 2016 and Proclamation number 983/2016 - Federal Tax Administration dated 20 August 2016). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

2.8 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Realised foreign currency exchange losses related with capital expenditure incurred during a year are depreciated for six year useful life.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Enterprise has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 periods.

As disclosed in Note 4, 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:

3.1 Revenue recognition - allocating the transaction price

The Enterprise enters into contracts with customers for the provision of telecommunication services. These services are normally sold individually but from time to time, these products are grouped together and sold to customers as a bundle at a discounted price.

Because such contracts include several performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on observable prices of the good and or services likely to be provided and the goods and or services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.



Revenue recognition - average customer life

Management applies judgement in estimating average customer life. Average estimated life of a customer is determined as total gross customer disconnections in the period divided by the average total customers in the period. The Enterprise receives payments of subscriptions for mobile, fixed line and data services for which performance obligations are fulfilled over 3 years, 6 years and 2 years respectively for collections starting from July 01, 2022. The Enterprises uses average customer life in accounting for revenue from upfront & CAF commissions, connection, installation, reconnection services over time.

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 (when the enterprise is a lessor);
- 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.
- Determining the lease term.

3.c 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 statement of profit or loss.

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 21.

3.d Post-employment benefits

Management uses estimates when determining the Enterprise's liabilities and expenses arising for defined benefit 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 19 to the financial statements.

3.e 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 estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4 to the financial statements.

3.f Income tax and deferred tax assets / liabilities

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Realised foreign currency exchange losses incurred during a year are carried forward for next five years and equally distributed as an expense for six year useful life of the capitalized asset. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 28 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.

4 Financial risk management

4.1 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.

Financial risk management is carried out by the finance division under policies approved by the management board. The management 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

The Enterprise has the following financial instruments in the statement of financial position as at the reporting date:

		30 June 2023 Birr'000	30 June 2022 Birr'000
Financial assets at amortised cost			
Current			
Trade receivables	14(b)	6,773,369	6,530,201
Other financial assets at amortised cost	14(c)	92,483,778	92,510,752
Notes receivable at amortised cost	16(a)	-	650,540
Cash and cash equivalents	17	<u>33,544,022</u>	<u>28,191,557</u>
		132,801,169	127,882,550
Non current			
Other financial assets at amortised cost	14(c)	7,101,156	7,101,635
		<u>139,902,865</u>	<u>134,984,185</u>
Financial liabilities at amortised cost			
Current			
Borrowings	18	5,212,627	6,702,991
Lease liabilities	12	341,037	312,233
Contract liabilities	20(a)	8,231,309	6,958,799
Foreign creditors	20(b)	16,647,378	14,892,992
Local creditors	20(b)	<u>10,578,795</u>	<u>8,562,107</u>
		40,971,146	34,239,052
Non current			
Borrowings	18	16,927,715	20,576,144
Lease liability	12	<u>647,210</u>	<u>319,662</u>
		17,574,925	21,095,806
		<u>58,546,071</u>	<u>55,334,858</u>



4.2 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, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Enterprise applies market foreign exchange rates with reference to National Bank of Ethiopia, the financial institutions regulator. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the enterprise's functional currency.

The Enterprise's exposure to foreign currency risk at the end of the reporting period, expressed in Ethiopian Birr currency units, was as follows: Exchange rate as at Jun 30 2023 USD=Buying Rate 54.5943 Selling Rate 55.6862, EUR=Buying Rate 59.7043 Selling Rate 60.8984, JPY=Buying Rate 0.3785 Selling Rate 0.3861

	30 June 2023			30 June 2022		
	USD Birr'000	EUR Birr'000	JPY Birr'000	USD Birr'000	EUR Birr'000	JPY Birr'000
Trade receivables	3,528,276			3,276,546	-	-
Cash and cash equivalents	1,505,386			3,210,506	-	-
Trade payables	(16,647,378)			(10,328,357)	(97,958)	-
Borrowings	(22,132,902)		(7,441)	(30,564,202)	-	(10,338)

If the local currency (Ethiopian Birr) had weakened/strengthened by 10% against the major foreign currencies with all other variables held constant, the impact on pre-tax profit and retained earnings would have as below;

	30 June 2023 Birr'000	30 June 2022 Birr'000
USD/Birr exchange rate – increase 10% (2022 – 10%)	(1,326,459)	(19,821,586)
Euro/Birr exchange rate – increase 10% (2022 – 10%)		(13,199)
JPY/Birr exchange rate – increase 10% (2022 – 10%)	(581)	(682)
USD/Birr exchange rate – decrease 10% (2022 – 10%)	1,326,459	19,821,586
Euro/Birr exchange rate – decrease 10% (2022 – 10%)		13,199
JPY/Birr exchange rate – decrease 10% (2022 – 10%)	581	682

(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

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The Enterprise's exposure to interest rate risk relates primarily to borrowings at variable rates. Fixed rate borrowings only give rise to interest rate risk if measured at fair value. The Enterprise has no financial assets or liability measured at fair value at the reporting date. Maximum exposure to interest rate risk are detailed below :

	Note	30 June 2023 Birr'000	30 June 2022 Birr'000
Borrowings	18	22,140,342	27,279,065

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The following table demonstrates the sensitivity of changes in EIR rate with all other variables held constant :

	30 June 2023 Birr'000	30 June 2022 Birr'000
Effect on profit before tax with increase in interest rate of 1%	486,983	574,189
Effect on profit before tax with decrease in interest rate of 1%	(486,983)	(574,189)

4.3 Credit risk

Credit risk is the risk that a counter party 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 between 30 and 90 days after being raised (Note 14)
- financial assets with banking institutions (Note 17)
- contractual cash flows of debt investments and staff receivables carried at amortised cost (Note 14)

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a regular basis. Management manages credit risk arising from its dealer trade debtors by imposing guarantee requirements.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings. The Enterprise's debt investments are limited to government securities issued by the Federal Democratic Republic of Ethiopia.

For these purpose default management has made an assumption that default occurs for receivables invoices outstanding above 360 days for all products.

The Enterprise's recognize lifetime expected loss allowance. The Enterprise groups its financial assets on the basis of shared credit risk characteristics, comprised of: postpaid, interconnect, roaming, leased and dealer.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- i) significant financial difficulty of the issuer or the borrower;
- ii) a breach of contract, such as a default or past due event;
- iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v) the disappearance of an active market for that financial asset because of financial difficulties; or
- vi) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Enterprise's gross carrying amount of financial assets with exposure to credit risk at the reporting date is as follows:

	Note	Fully performing Birr'000	Impaired over 360 days Birr'000
30 June 2023			
Other financial assets at amortised cost	14(c)	99,584,934	-
Trade receivables	14(b)	6,773,369	3,075,626
Notes receivable at amortised cost	16(a)	-	-
Cash and cash equivalents	17	33,544,593	-
		<u>139,902,896</u>	<u>3,075,626</u>
30 June 2022			
Other financial assets at amortised cost	14(c)	99,612,387	-
Trade receivables	14(b)	6,530,301	2,728,019
Notes receivable at amortised cost	16(a)	650,540	-
Cash and cash equivalents	17	28,191,557	-
		<u>134,984,785</u>	<u>2,728,019</u>



Fully performing assets represents counter parties that are paying their dues as they fall due and are operating within their approved credit limits. Impaired financial assets represents contractual obligation that are overdue and/or have exceeded the approved credit limits and are fully provided for.

Credit risk is managed by the Chief Finance Officer who is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. For financial assets, the following credit risk modelling applies:

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 forward-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 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 360 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. 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.

Contract acquisition costs/deposits and prepayments/ prepaid benefit assets by nature are not subject to credit risk and therefore not subject to expected credit losses. Sundry debtors include short term advances to staff which do not bear credit risk. Expected credit losses have been assessed and recognised for trade receivables, investment securities at amortised cost and cash and cash equivalents.

(i) Trade receivables

The Enterprise applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These categories comprise of : postpaid, interconnect, roaming , leased and dealer

The expected loss rates are based on the payment profiles of sales over a period between 01 October 2017 and 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Enterprise has identified the GDP, foreign currency exchange rate and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance was determined as follows :

	Past due but not impaired	Impaired (Over 360 days)
30 June 2023		
Average probability of default (%)	16%	100%
Average loss given default (%)	76%	88%
30 June 2022		
Average probability of default (%)	13%	100%
Average loss given default (%)	78%	84%

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

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At start of year	2,728,019	4,021,140
Increase (decrease) in expected credit losses	347,607	(1,293,121)
At the end of the year	3,075,626	2,728,019



Trade receivables 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 with the group, and a failure to make contractual payments for a period of greater than 360 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(i) Debt investments at amortised cost

Debt investments at amortised cost comprises of investment in government bonds and treasury bills and loans receivables. 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 investments at amortised cost reconciles to the opening loss allowance for that provision as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Notes receivable		
At start of year	(141,557)	8,333
Increase (decrease) in expected credit losses	141,557	(149,890)
At the end of the year	-	(141,557)

(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:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Impairment losses on financial assets is summarised below :		
	30 June 2023	30 June 2022
	Birr'000	Birr'000
Impairment losses on trade receivables	3,075,626	2,728,019
Impairment losses on notes receivable	-	(141,557)
Impairment losses on placements with financial institutions	-	-
Impairment losses on deposits with financial institutions	-	-
Total loss allowance under IFRS 9	3,075,626	2,586,462



4.4 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 undiscounted 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 Birr'000	Carrying amount Birr'000
At 30 June 2023:					
Borrowings	5,708,601	17,426,741	304,986	23,440,329	22,147,784
Foreign creditors	16,647,378	-	-	16,647,378	16,647,378
Local creditors	10,538,795	-	-	10,538,795	10,538,795
Contract liabilities	8,231,309	-	-	8,231,309	8,231,309
	<u>41,126,083</u>	<u>17,426,741</u>	<u>304,986</u>	<u>58,857,810</u>	<u>57,553,269</u>
At 30 June 2022:					
Borrowings	7,228,041	5,594,032	13,901,431	26,723,504	27,279,055
Foreign creditors	14,692,992	-	-	14,692,992	14,692,992
Local creditors	5,562,107	-	-	5,562,107	5,562,107
Contract liabilities	4,968,799	-	-	4,968,799	6,968,800
	<u>34,441,939</u>	<u>5,614,032</u>	<u>13,901,431</u>	<u>53,957,402</u>	<u>54,502,954</u>
	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total Birr'000	Carrying amount Birr'000
At 30 June 2023:					
Lease liability	382,182	625,757	105,601	1,113,539	902,036
At 30 June 2022:					
Lease liability	371,421	615,720	97,228	1,084,369	896,590

4.5 Capital management

The Enterprise's objectives when managing capital are to safeguard the Enterprise's ability to continue as a going concern in order to earn returns and to maintain an optimal capital structure to reduce the cost of capital. The gearing ratios at 30 June 2023 and 30 June 2022 were as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Debt (Note 18c)	23,128,591	28,110,960
Less: cash and cash equivalents (Note 17)	(33,544,592)	(28,191,157)
Net debt (i)	<u>(10,415,999)</u>	<u>(80,197)</u>
Equity (ii)	119,713,200	101,554,950
Net debt to equity ratio	1:0.051	1:0.009

(i) Debt is defined as liabilities from financing activities as detailed in Note 18 (c)

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



	30 June 2023	30 June 2022
	<u>Birr'000</u>	<u>Birr'000</u>

5 Revenue from contracts with customers

The disaggregation of revenue based on timing and nature is as below :

Overtime:		
Subscription	267,634	17,423,092
Traffic Voice	14,414,169	17,181,366
Traffic Data	24,703,821	1,520,153
Traffic IP	11,709,937	11,084,438
Traffic Visitor Roaming	682,112	937,991
Interconnect	6,336,371	5,725,337
Leased Circuit	958,458	224,392
Hybrid Services	4,603,853	2,889,193
Short Code (Premium SMS)	2,475,690	
Cloud Service	15,276	
	<u>66,167,321</u>	<u>56,985,963</u>
At a point in time:		
Mobile Money Service	757,143	5,637
Devices revenue	3,729,292	1,666,176
Airtime credit service revenue	849,340	780,175
Domain & Web Hosting	22,898	10,410
	<u>5,358,672</u>	<u>2,462,398</u>
	<u>71,525,993</u>	<u>59,448,361</u>

Contract acquisition costs and contract liabilities as at reporting date is as below :

	30 June 2023	30 June 2022
	<u>Birr'000</u>	<u>Birr'000</u>

Reconciliation of movement in contract acquisition costs arising from revenue from contracts with customers:

Beginning	62,162	88,454
Additions in the period	58,564	27,623
Recognised as Expense	<u>(26,066)</u>	<u>(23,014)</u>
Balance at the end of the year	<u>94,660</u>	<u>62,162</u>

Reconciliation of movement in contract liabilities arising from revenue from contracts with customers:

Beginning	6,068,700	7,311,727
Additions in the period	57,735,228	41,565,959
Recognised as revenue	<u>(56,472,718)</u>	<u>(41,908,887)</u>
Balance at the end of the year	<u>8,231,209</u>	<u>6,968,799</u>

The Enterprise recognised impairment losses of Birr as at 30 June 2023 3,075,626 (2022 : Birr 2,728,019) from financial assets arising from revenue from contracts with customers.

	30 June 2023	30 June 2022
	<u>Birr'000</u>	<u>Birr'000</u>
6 Expenses by nature		
6(a) Direct costs		
Network access costs	3,184,322	2,260,921
Network maintenance and support costs	2,213,425	1,778,981
Handset and other devices costs	3,441,140	4,309,609
Purchase of materials	<u>2,479,849</u>	<u>1,399,496</u>
	<u>11,318,735</u>	<u>9,749,007</u>

2023/2024
Notes to the financial statements
 for the year ended 30 June 2023

6(b) Operating expenses	30 June 2023 Birr'000	30 June 2022 Birr'000
Employee benefits expense	12,420,030	9,449,458
Commission	7,389,476	5,890,844
Sundry Expense	1,569,211	2,362,574
Travelling	562,463	471,423
Rent	596,037	439,969
Utilities	789,566	407,144
Maintenance	536,740	350,045
Other operating expenses	3,836,460	1,500,678
	<u>27,699,984</u>	<u>20,872,135</u>

Other operating expenses include costs incurred for advertisement & publicity, stationery, entertainment and refreshments, uniforms, fuel, insurance, training, audit fees, land and building tax and legal provisions.

7 Employee benefits expense

The following items are included within employee benefits expense:

Short term employee benefits :

Salaries and wages	6,581,080	5,388,385
Allowances	2,252,474	1,933,497
Bonus	1,318,530	911,145
Overtime	224,803	352,792
Leave and holiday pay	338,491	198,798
Staff medical cost	290,780	13,262
Staff loan benefit cost	8,275	19,235
Staff commissions	451	134
Other staff benefits	570,234	13,519
Employee defined contribution expense	640,002	490,376
	<u>12,225,120</u>	<u>9,321,143</u>

Long term employee benefits :

Employee defined benefit expense	194,909	128,314
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	<u>12,420,030</u>	<u>9,449,457</u>
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8 Other income (expense)

Gains from sale of property, plant and equipment	181,928	115,114
Write (down) or writeback on inventory	1,363,664	(596,394)
Write (back)/off of differences on property, plant and equip	(229,728)	508,613
Building Rent fee	8,510	
Grant income / (expense)	20	25
Sundry expense	231,895	(24,961)
Sundry income	3,903,815	2,312,766
	<u>5,460,102</u>	<u>2,315,166</u>

9 Finance income / (cost)

Finance income

Interest income	31,764	82,458
	<u>31,764</u>	<u>82,458</u>

Finance costs

Interest expense	(775,262)	(886,201)
Other finance charges	(175,258)	(258,211)
Net foreign exchange losses	(2,017,374)	(5,886,550)
	<u>(2,967,893)</u>	<u>(7,030,963)</u>

Finance costs - net

	<u>(2,936,129)</u>	<u>(6,948,505)</u>
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10 (b) *Notes to the Financial Statements*
for the year ended 30 June 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
10 Current income and deferred tax		
10(a) Current income tax		
Current income tax	9,860,208	9,343,724
Deferred income tax/(credit) to profit or loss	298,556	(1,967,997)
Current tax of prior periods		1,458,594
Total income tax charge to profit or loss	10,158,764	8,834,321
Income tax (credit) on other comprehensive income	55,814	27,473
Total current income tax expense in statement of profit or loss and other comprehensive income	<u>10,214,578</u>	<u>8,861,794</u>

10(b) Reconciliation of effective tax to statutory tax

The tax on the Enterprise's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Profit before tax	28,186,778	17,833,903
Tax calculated at applicable income tax rate of 30% (2017:30%)	8,456,033	5,350,171
Tax effect of:		
Income not subject to tax	(6,053,358)	(5,182,794)
Expenses not deductible for tax	7,457,532	9,176,347
Current tax of prior periods	-	1,458,594
Tax charge due to deferred tax	354,370	(1,940,524)
Income tax expense	<u>10,214,578</u>	<u>8,861,794</u>

Expenses not deductible for income tax mainly include the following:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Depreciation of property, plant and equipment	(5,785,449)	(5,715,562)
Amortization intangible assets	(323,310)	(573,881)
Write (down) or writeback on Inventory	1,363,664	(596,394)
Net impairment losses on financial assets	(347,607)	271,868
Net foreign exchange losses	(2,017,374)	(5,886,550)

	30 June 2023 Birr'000	30 June 2022 Birr'000
10 (c) Current income tax liability		
Balance at the beginning of the year	7,946,127	6,534,772
Charge for the year:		
Income tax expense	9,860,208	9,343,724
Payment during the year	(10,560,943)	(7,932,368)
Balance at the end of the year	<u>7,245,392</u>	<u>7,946,127</u>

10(d) Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Deferred tax asset	3,576,850	3,931,220
	<u>3,576,850</u>	<u>3,931,220</u>

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	At 1 July 2022 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2023 Birr'000
Property, Plant and Equipment	1,635,239	(75,173)		1,560,066
Investment Property		(64,106)		(64,106)
Intangible assets	(371,084)	87,126		(283,957)
Right of use assets	(288,379)	(73,950)		(362,330)
Investment securities at amortised cost	195,001	(195,001)		-
Notes receivable at amortised cost	(195,162)	195,162		-
Inventories	1,352,082	(416,441)		935,642
Other assets	59,148	(14,350)		44,899
Other financial assets at amortised cost	(14,159)	8,237		(5,922)
Trade receivables	(38,890)	168,047		129,156
Cash and cash equivalents	(523)	523		-
Defined benefit obligations	212,808	(15,206)	(55,814)	141,788
Borrowings	(98,748)	97,800		(947)
Lease liabilities	249,569	46,905		296,474
Contract liabilities	142,514	4,059		146,573
Trade and other payables	1,062,216	(22,701)		1,039,515
Provisions	29,420	(29,420)		-
Grants	169	(169)		-
Total deferred tax assets/(liabilities)	<u>3,931,220</u>	<u>(298,556)</u>	<u>(55,814)</u>	<u>3,576,850</u>

Deferred income tax assets/(liabilities):	At 1 July 2021 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2022 Birr'000
Property, Plant and Equipment	74,914	1,560,325		1,635,239
Intangible assets	(341,620)	(29,464)		(371,084)
Right of use assets	(295,612)	7,232		(288,379)
Investment securities at amortised cost	195,463	(463)		195,001
Notes receivable at amortised cost	-150,194	(44,968)		(195,162)
Inventories	1,165,823	186,259		1,352,082
Other assets	88,223	(29,075)		59,148
Other financial assets at amortised cost	(35,790)	21,632		(14,159)
Trade receivables	112,659	(151,549)		(38,890)
Cash and cash equivalents	12,119	(12,642)		(523)
Defined benefit obligations	194,173	46,108	(27,473)	212,808
Borrowings	3,126	(101,873)		(98,748)
Lease liabilities	248,217	1,352		249,569
Contract liabilities	86,138	56,376		142,514
Trade and other payables	617,558	444,658		1,062,216
Provisions	15,317	14,103		29,420
Grants	183	(14)		169
Total deferred tax assets/(liabilities)	<u>1,990,697</u>	<u>1,967,997</u>	<u>(27,473)</u>	<u>3,931,220</u>



11 Property, plant and equipment

	Network Assets	Power Equipment	Buildings	Motor Vehicles	Servers	Spare Parts	Other Equipment	Work in Progress	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
At 1 July 2021									
Cost	28,247,334	7,854,590	10,972,642	3,398,685	4,763,268	989,695	1,791,856	5,365,033	63,383,004
Accumulated depreciation	(14,461,475)	(6,086,737)	(3,184,939)	(1,599,281)	(3,030,560)	(660,421)	(1,064,123)		(30,096,545)
Net book amount	13,785,859	1,767,793	7,787,704	1,799,404	1,732,708	329,275	727,733	5,365,033	33,286,458
Year ended 30 June 2022									
Opening net book amount	13,785,859	1,767,793	7,787,704	1,799,404	1,723,718	329,275	727,733	5,365,033	33,286,458
Reclassifications (CIP)	3,311,292	552,220	584,509	-	1,264,610	-	-	(6,393,194)	(880,563)
Reclassifications of spare parts	446,533	14,110	B	B	(460,651)	(460,651)	-	0	0
Additions	118,303	9,909	4,450	31,514	46,487	195,604	902,350	11,092,728	12,001,345
Disposals	(3,449)	(765)	(13,792)	(13,394)	(812,615)	(30,433)	(2,526)		(33,856)
Depreciation charge	(3,385,703)	(383,882)	(506,327)	(308,495)	(812,615)	(30,433)	(288,107)		(5,755,562)
Closing net book amount	14,272,835	1,959,385	7,856,551	1,509,099	2,222,199	33,735	939,450	10,064,567	38,857,822
At 30 June 2022									
Cost	32,120,013	8,430,024	11,547,817	3,416,875	6,074,365	724,589	2,291,680	10,064,567	74,669,929
Accumulated depreciation	(17,847,178)	(6,470,639)	(3,691,266)	(1,907,776)	(3,852,166)	(690,853)	(1,332,229)		(35,812,108)
Net book amount	14,272,835	1,959,385	7,856,551	1,509,099	2,222,199	33,735	939,450	10,064,567	38,857,822
Year ended 30 June 2023									
Opening net book amount	14,272,835	1,959,385	7,856,551	1,509,099	2,222,199	33,735	939,450	10,064,567	38,857,822
Reclassifications (CIP)	6,509,802	1,285,176	1,426,749	-	86,448	-	-	(9,308,176)	-
Reclassifications of spare parts	13,953	13,383	10,039	-	-	(137,375)	-	-	-
Reclassifications to Investment Property	1,351	418	(244,159)	-	-	-	-	-	-
Additions				245,831		67,016	739,603	16,840,902	17,895,120
Disposals	(3,176,861)	(542,411)	(514,136)	(3,954)	(851,334)	(54,383)	(1,281)		(5,238)
Depreciation charge	(3,176,861)	(542,411)	(514,136)	(3,954)	(851,334)	(54,383)	(1,281)		(5,238)
Closing net book amount	17,721,080	2,715,951	8,535,045	1,478,162	1,457,314	89,314	1,304,262	17,597,293	50,898,420
At 30 June 2023									
Cost	38,745,118	9,729,001	12,740,447	3,698,751	6,160,813	654,230	3,030,002	17,597,293	92,315,656
Accumulated depreciation	(21,024,038)	(7,013,050)	(4,179,324)	(2,180,590)	(4,703,499)	(564,916)	(1,725,740)		(41,991,158)
Net book amount	17,721,080	2,715,951	8,561,123	1,478,162	1,457,314	89,314	1,304,262	17,597,293	50,898,420

The Enterprise has owned 5,605,567-meter square freehold land received from the government of the Federal Democratic Republic of Ethiopia. Since 2016 IFRS adoption the Enterprise disclosed that such free hold land has been stated with nominal value as permitted by the standard. During 2023 Fiscal year these free hold land has been revalued as Birr 89.74 billion. The valuation has been made based on market approach or fair value. Total number of assessed and valued parcels land are 6659 throughout the country of which 771 in Addis Ababa and 5888 across the regions.

Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

12 Leases

i) *Amounts recognised in the statement of financial position*

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

	30 June 2023	30 June 2022
	Birr '000'	Birr '000'
Right of use asset		
Properties	1,207,765	961,266
Lease liability		
Current	341,037	312,233
Non-current	647,210	519,662
	<u>988,247</u>	<u>831,895</u>

ii) *Right of use assets*

	30 June 2023	30 June 2022
	Birr '000'	Birr '000'
Balance at start of the year	961,265	985,373
Additions in the year	381,426	199,830
Remeasurement of Right of use asset	248,780	118,464
	<u>1,591,471</u>	<u>1,303,667</u>
Depreciation expense	(383,706)	(342,402)
Balance at end of the year	<u>1,207,765</u>	<u>961,265</u>

iii) *Lease liability*

Balance at start of the year	831,897	827,390
Additions in the year	375,102	191,474
Remeasurement of lease liability	176,588	130,454
Interest expense	96,662	86,451
	<u>1,480,249</u>	<u>1,235,768</u>
Repayments in the year	(491,999)	(403,871)
Balance at end of the year	<u>988,248</u>	<u>831,897</u>

iv) *Amounts recognised in the statement of profit or loss*

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

	30 June 2023	30 June 2022
	Birr '000'	Birr '000'
Depreciation charge right-of-use assets	383,706	342,402
Interest expense included in finance costs under Note 9	96,662	86,451
	<u>480,368</u>	<u>428,853</u>

v) *Amounts recognised in the statements of cash flows*

Cash generated from operations - Interest paid	(96,662)	(86,451)
Cash generated from financing activities - lease payments	(395,338)	(317,421)

13 Intangible assets

	Network licenses Birr'000	Software Birr'000	Total Birr'000
At 1 July 2021			
Cost	285,329	3,972,225	4,257,554
Accumulated amortisation	(248,370)	(2,654,876)	(2,903,246)
Net book amount	36,959	1,317,349	1,354,309
Year ended 30 June 2022			
Opening net book value	36,959	1,317,349	1,354,309
Reclassifications from WIP	359,620	320,943	680,563
Additions	114,459	32,901	147,360
Amortisation charge	(74,304)	(499,577)	(573,881)
Closing net book value	436,735	1,171,616	1,608,350
At 30 June 2022			
Cost	759,409	4,326,069	5,085,478
Accumulated amortisation	(322,674)	(3,154,453)	(3,477,127)
Net book amount	436,735	1,171,616	1,608,350
Year ended 30 June 2023			
Opening net book value	436,735	1,171,616	1,608,350
Reclassifications from WIP			
Additions	8,678		8,678
Amortisation charge	(80,414)	(242,897)	(323,310)
Closing net book value	364,999	928,719	1,293,718
At 30 June 2023			
Cost	768,087	4,326,069	5,094,156
Accumulated amortisation	(403,088)	(3,397,350)	(3,800,438)
Net book amount	364,999	928,719	1,293,718

13(a) Investment Property

At 30 June 2022	
Cost	244,159
Accumulated amortisation	(26,078)
Net book amount	218,080
Year ended 30 June 2023	
Opening net book value	218,080
Additions	
Depreciation charge	(4,395)
Closing net book value	213,686
At 30 June 2023	
Cost	244,159
Accumulated amortisation	(30,473)
Net book amount	213,686



Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

14(a) Other assets

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Contract acquisition costs	94,660	62,162
Deposits and prepayments	2,405,543	2,060,256
Prepaid benefit assets	377	7,145
Sundry debtors	474,003	237,077
	<u>2,974,583</u>	<u>2,366,640</u>
Current	2,974,273	2,366,469
Non-Current	310	171
	<u>2,974,583</u>	<u>2,366,640</u>

Contract acquisition costs relates to customer applications commissions and dealers upfront commissions settled in advance. Deposits and prepayments mainly relate to advances paid to suppliers.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
14(b) Trade receivables		
Trade receivables	9,848,995	9,258,120
Less: Provision for impairment losses	(3,075,626)	(2,728,019)
	<u>6,773,369</u>	<u>6,530,101</u>

Movement on impairment losses on trade is as follows:

At start of year	2,728,019	2,728,019
Impairment losses for the year	347,607	-
	<u>3,075,626</u>	<u>2,728,019</u>

14(c) Other financial assets at amortised cost

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Staff receivables	19,741	47,194
Advance to Ministry of Finance	7,101,156	7,101,156
Receivable from MoF for Paid up Capital fulfillment	92,464,037	92,464,037
	<u>99,584,934</u>	<u>99,612,387</u>

Included in staff receivables are staff mortgage, holiday and other loans and advances to the Enterprise's Staff. The loans are secured by the staff's terminal benefits. Management has assessed the attrition rate for permanent staff as being low. As such, the loss given default for staff loans is deemed to be low and consequently the expected credit losses as immaterial.

Current	92,483,778	92,510,752
Non-Current	7,101,156	7,101,635
	<u>99,584,934</u>	<u>99,612,387</u>

15 Inventories

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Commercial	1,313,214	865,324
Non commercial inventories	13,685,662	5,442,904
	<u>14,998,876</u>	<u>6,308,228</u>

Commercial inventories are meant for sale to customers and include handsets, SIM cards, scratch cards, modems and dongles. Non commercial inventories consists of consumables and support items network maintenance spares that do not meet criteria for capitalisation as property, plant and equipment. Write (down) or writeback of inventories to net realisable value in the year amounted to Birr for 2023 1,363,664(2022 – Birr 596,394). These were recognised as other expense/income in the statement of profit or loss in the respective periods.



16(a) Notes receivable at amortised cost

	30 June 2023 Birr'000	30 June 2022 Birr'000
Notes receivable at amortised cost	-	650,540
Less: allowance for impairment	-	-
	-	650,540
Non Current	-	-
Current	-	650,540
	-	650,540

The treasury notes arise from the conversion of a treasury bill to a note receivable from the Ministry of Finance of Ethiopia in accordance with Proclamation No. 648/2009. The notes receivable principal is Birr 650,000 bearing interest at the rate of 0.533% per annum and repayable as a lump-sum on 6th May 2023.

A reconciliation of the changes in treasury notes receivable is as follows:

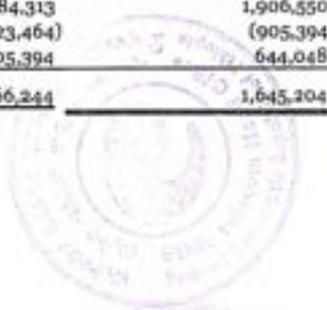
	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	-	500,647
Interest charged	-	3,461
Interest repayments	-	(3,459)
Impairment losses	-	-
Balance at the end of the year	-	500,650

Movements on expected credit losses on assets at amortised is as follows:

At start of year	-	149,890
Impairment losses incurred for the year	-	(149,890)
	-	-

The investment securities at amortized cost represent investment placements with financial institutions.

	30 June 2023 Birr'000	30 June 2022 Birr'000
17 Cash and cash equivalents		
Cash in hand	25,102	10,468
Cash at bank	33,519,490	28,180,689
	33,544,592	28,191,157
Impairment losses	-	-
	33,544,592	28,191,157
Effects of exchange rate changes on cash and cash equivalents		
	30 June 2023 Birr'000	30 June 2022 Birr'000
Realised (gains)/losses on cash and cash equivalents during the year	284,313	1,906,550
Add closing unrealised (gains)/losses on cash and cash equivalents	(923,464)	(905,394)
Less opening unrealised (gains)/losses on cash and cash equivalents	905,394	644,048
	266,244	1,645,204



18 Borrowings

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Non Current		
Government loan 18(a)	6,136	8,183
Promissory notes 18(b)	<u>16,921,580</u>	<u>20,567,961</u>
	16,927,715	20,576,144
Current		
Government loan 18(a)	1,305	1,462
Promissory notes 18(b)	<u>5,211,322</u>	<u>6,701,459</u>
	5,212,627	6,702,921
	<u>22,140,342</u>	<u>27,279,065</u>

18 (a) Government loan

Ministry of Finance

Ministry of Finance borrowing is an on-lending facility from the Japanese government. The loan principal is JPY 118,973 (Birr 1,970) bearing interest at the rate of 0.75% per annum and repayable in 30 semi annual instalments. The loan will mature in 2029. A reconciliation of the changes in government loan is as follows :

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Balance at the beginning of the year	9,645	10,338
Interest charged	81	104
Principal repayments	(1,255)	(1,338)
Interest repayments	(51)	(64)
Amortisation of grant	20	25
Translation effect on foreign currency loans	(998)	579
Balance at the end of the year	<u>7,441</u>	<u>9,645</u>

This loan was issued at below market interest rate. The Enterprise's recognition of the grant arising of Birr 25 (2022: Birr 63) is presented under Note 23.

18 (b) Promissory notes payable

	30 June 2023	30 June 2022
	Birr'000	Birr'000
ZTE corporation - Next Generation Network	-	1,137,577
ZTE corporation - Telecom Expansion Project	4,504,023	4,795,354
Huawei Technologies Co. Ltd	15,453,578	17,846,204
Ericsson Credit A.B	<u>2,175,300</u>	<u>3,490,286</u>
	<u>22,132,902</u>	<u>27,269,420</u>



The promissory notes arise from financing agreements with various vendors for the Enterprise's next generation network and Telecom Expansion Project (TEP). The terms of the financing agreements are as below :

	Currency	Maximum credit (Million)	Contractual interest rate	Effective interest rate	Maturity
ZTE corporation - Next Generation Network	USD	1,500	6 months USD LIBOR + 1.0% margin	1.53%	11th January, 2023
ZTE corporation - Telecom expansion project	USD	300	6 months USD LIBOR + 1.5% margin	2.30%	16th February, 2029
Huawei Technologies Co.Ltd	USD	800	6 months USD LIBOR + 1.5% margin	2.16%	18th October, 2028
Ericsson Credit AB	USD	400	6 months USD LIBOR + 3.0% margin	4.19%	15th March 2028

A reconciliation of the changes in promissory notes payable is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	27,269,420	30,564,202
Promissory notes issues	-	578,338
Interest charged	662,837	767,480
Principal repayments	(6,609,730)	(8,281,789)
Interest repayments	(945,998)	(490,786)
Translation effect of foreign currency promissory notes	1,756,372	4,131,975
Balance at the end of the year	22,132,902	27,269,420

18 (c) Net debt reconciliation

The Enterprise's financing activities comprise of borrowings and leasing arrangements. An analysis of net debt and the movements in net debt arising from financing activities for each of the periods is as presented below :

	Borrowings Birr'000	Leases Birr'000	Total Birr'000
Net debt as at 01 July 2021	30,574,540	827,389	31,401,929
Net cashflows	(8,195,639)	(212,398)	(8,408,037)
Foreign exchange adjustments	4,132,554	-	4,132,554
Other changes (effective interest and other financial)	767,609	216,905	984,514
Net debt as at 30 June 2022	27,279,065	831,896	28,110,960
Net debt as at 01 July 2022	27,279,065	831,896	28,110,960
Net cashflows	(7,557,034)	(116,898)	(7,673,932)
Foreign exchange adjustments	1,755,374	-	1,755,374
Other changes (effective interest and other financial)	662,938	273,250	936,188
Net debt as at 30 June 2023	22,140,342	988,248	23,128,591

Notes to the financial statements
For the year ended 30 June 2023

	30 June 2023	30 June 2022
	Birr'000	Birr'000
19 Defined benefit obligations		
Defined benefits liabilities:		
- Communication benefit	161,532	161,218
- Farewell benefit	25,834	24,025
- Funeral benefit	74,601	58,297
- Gratuity benefit	201,102	171,928
- Post retirement medical benefit	174,118	258,904
- Bereavement benefit	35,442	24,985
Liability in the statement of financial position	673,729	709,357
Statement of profit or loss charge included in personnel expenses:		
- Communication benefit	36,613	42,393
- Farewell benefit	6,512	4,335
- Funeral benefit	18,444	13,778
- Gratuity benefit	58,547	44,153
- Post retirement medical benefit	64,191	53,358
- Bereavement benefit	11,057	3,799
Total defined benefit expenses	195,374	161,827
Remeasurements for:		
- Communication benefit	(32,622)	(110,746)
- Farewell benefit	(4,793)	2,084
- Funeral benefit	(315)	(4,014)
- Gratuity benefit	4,317	18,142
- Post retirement medical benefit	(145,205)	4,907
- Bereavement benefit	(7,519)	(1,949)
	(186,047)	(91,576)

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

Communication benefit liability has been decreased significantly during the period that is because the enterprise has been changed the estimation base from the entitlement of the benefit to the actual consumption basis.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Maturity analysis		
Current	76,288	69,205
Non-Current	597,441	640,151
	673,729	709,357

The significant actuarial assumptions were as follows:

	30 June 2023	30 June 2022
0 Financial assumptions applied		
Discount Rate (p.a) for all benefits	21.65%	21.50%
Salary increase rate (p.a) for funeral, gratuity and post retirement medical benefits	19.65%	19.50%
Inflation rate (p.a) for all benefits except gratuity		
Inflation rate (p.a) for gratuity		
Inflation rate (p.a) for all benefits	13.60%	18.45%
Benefits increase rate (p.a) for communication and farewell Benefits	9.4%	9.30%



40 **Mortality in Service**

The rate of mortality assumed for employees are those according to the Demographic and Health Survey ("DHS") of Ethiopia as below:

Age	Mortality rate	
	Males	Females
20	0.31%	0.22%
25	0.30%	0.23%
30	0.36%	0.31%
35	0.41%	0.28%
40	0.52%	0.32%
45	0.45%	0.43%
50	0.76%	0.44%
55	1.04%	0.86%
60	1.76%	1.60%

Post retirement mortality rates were assumed to follow KEO-03 mortality. Sample rates are provided below:

Age	Mortality rate	
	Males	Females
65	4.12%	2.48%
70	8.55%	4.30%
75	13.51%	9.66%
80	20.85%	28.95%
85	28.97%	11.74%
90	40.99%	50.38%

40 **Withdrawal from Service**

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 8.00% at the youngest ages falling with increasing age to 0.50% at age 50.

The sensitivity of the overall defined benefits liabilities to changes in the weighted principal assumptions is as below:

Change in assumption	Impact on communication benefit obligation				
	30 June 2023		30 June 2022		
	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease	
	Birr'000	Birr'000	Birr'000	Birr'000	
Discount rate	1%	(57,568)	69,360	(63,606)	76,508
Benefit Rate	1%	72,096	(60,592)	55,225	(45,466)
Salary growth rate	1%			22,209	(19,774)
Mortality Rate	10%	12,765	(13,003)		

The above sensitivity analysis is based on changes 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 obligations 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 defined benefits liabilities recognised within the statement of financial position.

Projected defined benefit obligations

The effect of the defined benefit plans on the Enterprise's future cash flows is summarised as below:

Projected benefit payments	Birr'000
Year ending 30 June 2024	76,288
Year ending 30 June 2025	88,911
Year ending 30 June 2026	104,688
Year ending 30 June 2027	121,133
Year ending 30 June 2028	135,142
Total projected benefits payments over 5 years	526,162

Risks to the Enterprise in respect of the benefits are summarised and described below:

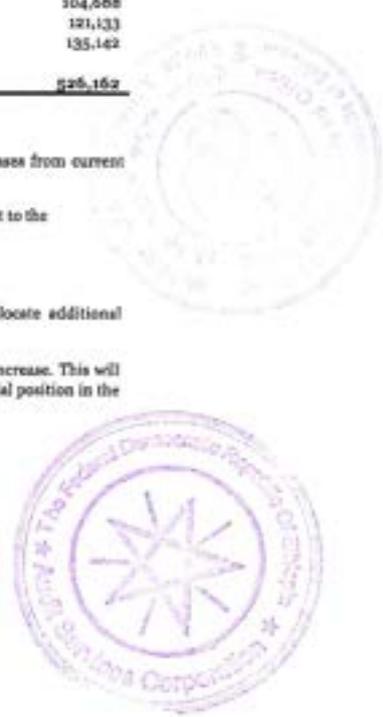
Take-up risk: If the proportions of employees who will take up various parts of the benefits increases from current reported utilisation, the cost to the Enterprise will increase;

Inflation Risk: If costs of the benefits increase at a faster rate than that assumed inflation rate, the cost to the Enterprise will increase;

Demographic risk: If more employees retire than expected, the cost to the Enterprise will increase;

Cashflow risk: Similarly, if more employees retire than expected, the Enterprise will need to allocate additional cashflows to pay for the benefits; and

Discount rate risk: If bond yields drop significantly from year to year, the liabilities and costs will increase. This will not impact the ultimate cost of the benefit but may adversely affect the Enterprise's statement of financial position in the short term.



20 Contract liabilities, provisions, trade and other payables

	Note	30 June 2023 Birr'000	30 June 2022 Birr'000
20(a) Contract liabilities			
Contract liabilities		8,231,309	6,968,799
Contract liabilities relate mainly to unused airtime and other revenues (connection, reconnection and installation fees received) where the Enterprise has not fulfilled performance obligations to customers.			
20(b) Trade and other payables			
Trade payables			
Foreign creditors		16,647,378	14,692,992
Local creditors		10,538,795	5,562,107
		<u>27,186,173</u>	<u>20,255,099</u>
Other payables			
Other taxes		150,553	122,817
Unclaimed salary		9,271	9,271
Leave accrual		1,154,876	848,161
Deposits received		302,134	234,347
Sundry creditors		24,833,327	17,355,128
		<u>26,450,161</u>	<u>18,569,724</u>
		<u>53,636,334</u>	<u>38,824,823</u>
20(c) Provisions			
Provision for legal expense		31,956	13,772
Provision for lease restoration costs		127,778	84,296
		<u>159,734</u>	<u>98,068</u>
Balance at the beginning of the year			
Balance at start of the year		98,068	51,057
Provision in the year		<u>61,666</u>	<u>47,011</u>
		<u>159,734</u>	<u>98,068</u>

Provisions relate to legal claims and restoration costs which are of uncertain timing or amount.

	30 June 2023 Birr'000	30 June 2022 Birr'000
Current		
Provision for lease restoration	31,956	13,772
Provision for legal expense	31,956	13,772
	<u>63,912</u>	<u>27,544</u>
Non-Current		
Provision for lease restoration	127,778	84,296
	<u>127,778</u>	<u>84,296</u>
	<u>159,734</u>	<u>98,068</u>



Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

21 Capital

The Enterprise Capital has been amended in 2021 by regulation No.480/2021. As per the amendment the enterprise authorized capital has been proclaimed to be 400 billion birr of which birr 100 billion is paid up in cash and in kind.

22 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 the amount reaches 20% of paid up capital.

23 Grants

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Government grants	2	22
Other grants	518	539
	<u>520</u>	<u>561</u>
Maturity		
Non-Current	497	520
Current	23	41
	<u>520</u>	<u>561</u>

Loans at below market interest rate

The Ethiopian government obtained a loan from the Japanese government through the Ministry of Finance and subsequently provided a loan to the Enterprise dated 7 November 1979 G.C for an actual proceed of Japanese Yen 118,973 (Birr 1,970) to purchase radio equipment which was subsequently purchased. The maturity date of the loan is May 2029 and it bears an interest rate of 0.75% per annum. This interest rate is below the current market interest rate estimated at 1.0% which is referenced from World Bank historical data. This loan is payable to Ministry of Finance in birr equivalent of Japanese Yen and the Enterprise bears the risk of foreign currency exchange losses. A reconciliation of the grant arising from is as shown below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Balance as at the beginning of the year	22	47
Amortisation	(20)	(25)
	<u>2</u>	<u>22</u>

Grants arising from leasehold land

The Enterprise received a grant in form of leasehold land worth Birr 1,050 from the government in 1998 G.C for a period of 50 years. A reconciliation of the grant arising from is as shown below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Balance as at the beginning of the year	539	560
Amortisation	(21)	(21)
	<u>518</u>	<u>539</u>



Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

24 Other reserves

Other reserves include remeasurement gains and losses on employee defined benefit schemes arising from experience adjustments and changes in actuarial assumptions. See further details in Note 19.

26	Cash generated from operating activities	Notes	30 June 2023	30 June 2022
			Birr'000	Birr'000
	Profit before tax		28,186,778	17,833,903
	Adjustments:			
	Depreciation of property, plant and equipment	11	5,785,449	5,715,562
	Depreciation charge on right of use assets	12	383,706	342,402
	Amortisation of intangible assets	13	323,310	573,881
	Amortisation of grants	18	20	25
	Employee defined benefit Expense	19	(186,047)	(91,576)
	Effect of Remeasurment on Right of use Asset	12	(248,780)	(118,464)
	Effect of Remeasurment on Lease Liability	12	176,588	130,454
	Write (down) or writeback on inventory	8	(1,353,664)	596,394
	Impairment of trade receivables	14(b)	347,607	(1,293,121)
	Impairment of investment securities at amortised cost	16(b)	-	(1,544)
	Impairment of Note Receivable	16a	-	(149,890)
	Impairment of cash and cash equivalents	17	-	(42,141)
	Gains from sale of property, plant and equipment	8	(181,928)	(115,114)
	Interest income arising from investments	9	(30,446)	(75,221)
	Interest income arising from fair valuation of staff loans	9	(1,318)	(7,237)
	Interest expense	9	775,262	886,201
	Net foreign exchange (gains) / losses	9	2,017,374	5,886,550
	Changes in operating assets and liabilities:			
	-Decrease/ (Increase) in inventories		(7,326,984)	(974,219)
	-Decrease/ (Increase) in trade receivables	14(b)	(590,875)	2,030,789
	-Decrease/ (Increase) in other assets		(607,943)	(104,821)
	-Decrease/ (Increase) in other financial assets at amortised cost		27,453	72,105
	-Increase/ (Decrease) in defined benefit liabilities		150,419	124,176
	-Increase/ (Decrease) in contract liabilities		1,262,510	(342,927)
	-Increase/ (Decrease) in grants arising from loans at below market interest rate		(20)	(25)
	-Increase/ (Decrease) in grants arising from leasehold land		(21)	(21)
	-Increase/ (Decrease) in provisions		61,666	47,011
	-Increase/ (Decrease) in trade and other payables		14,811,512	13,742,495
			43,771,628	44,665,627



Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

27 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.

The related parties for the Enterprise include management board members and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the enterprise, directly or indirectly, including any management board members.

In the normal course of business, a number of transactions are entered into with related parties i.e. staff, management board members or companies associated with management board members. These include staff loans and employment compensations. These are disclosed below:

27a Loans to key management

The aggregate value of outstanding interest free loan related to key management personnel are as follows. The market rate used to discount the loan is 11.5%. The loans are secured by the key management's terminal benefits. Management has assessed the attrition rate for permanent staff as being low. As such, the loss given default for staff loans is deemed to be low and consequently the expected credit losses as immaterial.

	<u>30 June 2023</u>	<u>30 June 2022</u>
	Birr'000	Birr'000
Loans to key management	22	220

27b 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. Key management also receive free communication benefits (mobile equipments and telecommunication services), vehicle and monthly fuel coupon as per the Enterprise's benefit policy. Such costs are expensed within employee benefit expenses in the statement of profit or loss.

	<u>30 June 2023</u>	<u>30 June 2022</u>
	Birr'000	Birr'000
Executive management's compensation	93,987	73,406
Management board's remuneration	1,750	1,021

The outstanding obligation related to post employment benefit plan for key management as at 30 Jun 2023 was birr 2,514 (2022: Birr 2,102)

27c Employees

i) The average number of persons employed by the Enterprise during the year was as follows:

	<u>30 June 2023</u>	<u>30 June 2022</u>
Technician Team	6,751	6,601
Commercial Team	5,662	5,855
Support Team	4,763	4,573
	<u>17,176</u>	<u>17,029</u>

ii) The table below shows the number of employees, emoluments in the year and were within the bands stated below:

	<u>30 June 2023</u>	<u>30 June 2022</u>
10,000 - 30,000	-	1
30,001 - 50,000	-	4
50,001 - 100,000	488	764
Above 100,000	16,688	17,246
	<u>17,176</u>	<u>18,015</u>



Ethio Telecom
Notes to the financial statements
For the year ended 30 June 2023

28 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 some judgements will not be in its favour and should therefore recognise a provision in relation to these claims as disclosed under Note 20.

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 numerous legal actions is estimated to be approximately Birr 59,814 (30 June 2022: Birr 52,989).

29 Commitments

The Enterprise has undrawn facilities for purchase of various capital items as summarised below:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
ZTE corporation	7,788,175	578,321
Huawei Technologies Co.Ltd	11,877,518	11,202,358
Ericsson Credit AB	<u>11,019,001</u>	<u>10,392,642</u>
	<u>30,684,693</u>	<u>22,173,321</u>

30 Launch of Mobile Money Operation

The Enterprise has started mobile money business, branded as "telebirr" with the license number of NPS PII /01/2021 to provide digitalized financial services to its customers. The services include cash in, cash out, airtime top up, cash transfer, fund raising, mobile remittance, merchant transaction payments, cash deposit, microcredit and various utility payments.

31 Events after reporting period

Except as disclosed below, there were no significant events that occurred between 30 June 2023 and the date of issue of these financial statements.

Government plans to sell stake in Ethio telecom

The Federal Democratic Republic of Ethiopia which is the sole owner of the Enterprise plans to sell a 40% stake in the Enterprise to investors

Possible damage of assets in the Northern Part of Ethiopia

From November 2020-November 2022, the government of the Federal Democratic Republic of Ethiopia has been carrying out military operations in the northern region of Ethiopia. The impacted regions of the company with this situation were North Region, North East Region, North East East Region, North North West Region and Central North Region. Even though majority of the network elements have been maintained and recovered to functional state, the enterprise has not yet assessed and completed the extent to which its assets located in the Tigray Regional State of the country may have been damaged by the military operations. There are also shops of the Region which are inaccessible and unsecured.

32 Date of Authorization

The financial statements on pages 11 to 54 were authorised for issue by Chief Executive Officer on 30 October 2023

