Contents

Management board

H.E. Abraham Belay (Ph.D)	Board Chairperson	Appointed Feb-2020
H.E. Debretsion Gebremichael (Ph.D)	Board Chairperson	Appointed Dec-2016
		Resigned Apr-2018
H.E Ambassador Girma Birru	Board Chairperson	Appointed Apr-2018
		Resigned Feb-2020
H.E Ambassador Girma Birru	Board Member	Appointed Feb-2020
H.E Ambassador Toshome Toga	Board Member	Appointed Apr-2018
		Resigned Jan-2020
H.E. Eng. Ayisha Mohammed	Board Member	Appointed Dec-2016
H.E. Wondimu Tekle	Board Member	Appointed Dec-2016
		Resigned Mar-2018
H.E. Firehiwot WoldeHana (Ph.D)	Board Member	Appointed Apr-2018
		Resigned Feb-2020
Ato Yoseph Birru (Ph.D)	Board Member	Appointed Apr-2018
		Deceased Aug-2021
Ato Bekalu Zeleke	Board Member	Appointed Apr-2018
		Resigned Mar-2019
Ato Hailemeskel Tefera	Board Member	Appointed Apr-2018
		Resigned Mar-2019
Ato Gonfa Kebede	Board Member	Appointed Dec-2017
		Resigned Apr-2020
W/ro Belaynesh Tadese	Board Member	Appointed Dec-2017
		Resigned Apr-2020
Ato Yinager Dessie (Ph.D)	Board Member	Appointed Mar-2019
H.E. Eyob Tekalgn (Ph.D)	Board Member	Appointed Mar-2019
Ato Toshome Belay	Board Member	Appointed Apr-2020
W/ro Mahilet Nigussie	Board Member	Appointed Apr-2020

Executive management

Ato Ashebr Balcha	Chief Executive Officer	Appointed Feb-2020
H.E. Abraham Belay (PhD)	Chief Executive Officer	Appointed Aug-2018
	Chief Executive Officer	Resigned Jan-2020
W/ro Azeb Asnake	Chief Executive Officer	Appointed Nov-2015
	Chief Executive Officer	Resigned Aug-2018
Ato Tesfaye Batu	Executive, Transmission Substation Construction	Appointed Dec-2014
	Executive, Transmission Substation Construction	Resigned Oct-2018
	Executive, Coporate Planning	Appointed Oct-2018
	Executive, Coporate Planning	Resigned Aug-2020
Ato Andarge Eshetu	Executive, Generation Operation	Appointed Nov-2015
Ato Andarge Eshetu	Executive, Generation Operation	Resigned Aug-2020
Ato Eyayehu Hundessa	Executive, Generation Operation	Appointed Aug-2020
W/ro Tezerash Yohannes	Executive, Generation Construction	Appointed Oct-2018
	Executive, Generation Construction	Resigned Oct-2019
Ato Ashebr Balcha	Executive, Generation Construction	Appointed Oct-2019
	Executive, Generation Construction	Resigned Jan-2020
Ato Assefa Nigusie	Executive, Generation Construction	Appointed Jan-2020
Ato Bireda Maru	Executive, Portfolio Management	Resigned Oct-2018
Ato Mulu Asfaw	Executive, Chief Finance	Appointed Dec-2014
		Resigned Oct-2018
Ato Demere Assefa	Executive, Chief Finance	Appointed Oct-2018
W/ro Lense Edea	Executive, Human Resource & Service	Delegated Apr-2018
		Resigned Oct-2018
Ato Adebabay Abay	Executive, Human Resource & Service	Appointed Oct-2018
	Executive, Human Resource & Service	Resigned Aug-2020
Ato Atalay Abebe	Executive, Human Resource & Service	Appointed Aug-2020
Ato Andualem Sine	Executive, Engineering Office	Appointed Mar-2019
	Executive, Engineering Office	Resigned Aug-2020
	Executive, Coporate Planning	Appointed Aug-2020
Ato Wudineh Yemane	Executive, Engineering Office	Appointed Aug-2020
W/ro Menbere Kifle	Executive, General service and Property Administration	Appointed Oct-2018
	Executive, General service and Property Administration	Resigned Oct-2019
W/ro Semign Ayalew	Executive, General service and Property Administration	Appointed Oct-2019
Ato Kibrom Kahssay	Executive, Transmission and Substation Construction	Appointed Oct-2018
Ato Abebe Kahsay	Executive, Transmission and Substation Operation	Appointed Nov-2015
	Executive, Transmission and Substation Operation	Resigned Oct-2018
Ato Dagim Desalegn	Executive, Transmission and substation operation	Appointed Oct-2018
	Executive, Transmission and substation operation	Resigned Aug-2020
Ato Habtamu Wube	Executive, Transmission and substation operation	Appointed Aug-2020
Ato Alemayehu Mengistu	Director, Internal Audit	Appointed Dec-2014
		Resigned Oct-2018
Ato Wondimeneh Lesanework	Director, Internal Audit	Appointed Oct-2018
Ato Merkinh Yigezu	Director, Legal Office	Appointed Oct-2016

Independent auditor
Audit Services Corporation
Addis Ababa
Ethiopia

Principal bankers
Commercial Bank of Ethiopia
P.O.Box 255
Addis Ababa
Ethiopia

Corporate office
Mexico Square
KKare Center Building
Kirkos Sub city
P.o.Box 15881
Addis Ababa, Ethiopia

Company secretary
Mexico Square
KKare Center Building
Kirkos Sub city
P.o.Box 15881
Addis Ababa, Ethiopia

The management board members submit their report together with the financial statements for the period ended 07 July 2018 to the **Public Enterprises Holding and Administration Agency (PEHAA).**

Incorporation and address

Ethiopian Electric Power was established as an autonomous public enterprise on 09 December 2013 and is governed by public enterprises Proclamation No. 25/1992.

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

Principal activities

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

Results

The Enterprise's results for the year ended 07 July 2018 are set out on page 8. The summarised results are presented below.

	07 July 2018 Birr'000	07 July 2017 Birr'000
Revenue from contracts with customers	5,294,884	4,405,248
Loss before tax for the year	(25,036,632)	(9,700,728)
Income tax (charge) / credit	-	-
Net loss for the year	(25,036,632)	(9,700,728)
Other comprehensive loss net of taxes	(811)	(1,602)
Total comprehensive loss for the year	(25,037,443)	(9,702,330)

Management Board

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

H.E. Abraham Belay (PhD)
Management Board Chairperson
14 February 2022

In accordance with the Financial Reporting Proclamation (No. 847/2014), the Accounting and Auditing Board of Ethiopia (AABE) has directed the Enterprise to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS").

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

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

Nothing has come to the attention of the management board to indicate that the Enterprise will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the management board by:

H.E. Abraham Belay (PhD)
Management Board Chairperson
14 February 2022

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

Opinion

We have audited the financial statements of Ethiopian Electric Power (the Entity), which comprise the statement of financial position as at 7 July 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 7 July 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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☎ 251-011-5515222
251-011-5535012
251-011-5535015
251-011-5535016
Fax 251-011-5513083
E-mail:asc@ascethiopia.com
website WWW.ascethiopia.com
⊠5720

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

Other Matter

We have previously audited financial statements of the Entity comprising its financial position as at 7 July 2018, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 1960. We issued an unqualified report thereon on 2 January 2020.

Property, plant and equipment

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

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

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 generally accepted accounting principles and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Audit Services Corporation

14 February 2022

	Notes	07 July 2018 Birr'000	07 July 2017 Birr'000
Revenue from contracts with customers	5	5,294,884	4,405,248
Direct costs	6(a)	(1,197,168)	(987,475)
Operating expenses	6(b)	(376,871)	(153,196)
Net impairment gain (loss) on financial and contract assets	13, 15	(401,292)	55
Other income (expense)	8	60,320	16,904
Earnings before interest, taxes, depreciation and amortization (EBITDA)		3,379,873	3,281,536
Depreciation of property, plant and equipment	10	(7,242,649)	(7,066,421)
Depreciation charge of right of use asset	11	(23,532)	(22,384)
		(7,266,181)	(7,088,805)
Operating loss		**(3,886,308)**	**(3,807,269)**
Finance costs	9	(21,150,324)	(5,893,459)
Loss before income tax		**(25,036,632)**	**(9,700,728)**
Income tax expense	32	-	-
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss) on post employment benefits obligations	17	(811)	(1,602)
		(811)	(1,602)
Total comprehensive loss for the period		**(25,037,443)**	**(9,702,330)**

The Notes on pages 16 to 63 are an integral part of these financial statements.

	Notes	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
ASSETS				
Non current assets				
Property, plant and equipment	10	495,410,543	466,279,501	426,607,843
Intangible assets	14	147,264	118,131	104,670
Right of use assets	11	39,194	55,872	74,541
Long term receivables	13(a)	115,428	115,428	115,428
		495,712,429	**466,568,932**	**426,902,482**
Current assets				
Inventories	12	324,491	170,222	155,497
Trade and other receivables	13(b)	26,555,765	24,071,628	23,368,095
Cash and cash equivalents	15	2,672,638	1,632,635	1,568,830
		29,552,894	**25,874,485**	**25,092,422**
Total assets		**525,265,323**	**492,443,417**	**451,994,904**
EQUITY AND LIABILITIES				
LIABILITIES				
Non-current liabilities				
Borrowings	16	224,614,263	210,079,066	183,050,727
Lease liabilities	11	16,876	36,099	49,548
Employee benefit obligations	17	8,575	7,255	5,197
Provisions	20	1,455	1,276	1,108
Grants	26	214,390	76,379	66,879
		224,855,560	**210,200,075**	**183,173,460**
Current liabilities				
Borrowings	16	93,033,220	36,866,602	21,755,704
Employee benefit obligations	17	2,145	1,645	1,296
Trade and other payables	18	21,560,806	34,478,969	24,219,388
Contract liabilities	19	60,445	62,011	1,974
Provisions	20	245,244	19,460	1,014
Lease liabilities	11	25,354	22,048	23,885
Grants	24	2,047	1,125	1,299
		114,929,260	71,451,860	46,004,560
Total liabilities		**339,784,820**	**281,651,935**	**229,178,019**
Equity attributable to owners				
Capital	21	65,039,790	64,888,159	64,508,515
Legal reserve	22	2,283	2,283	2,283
Other reserves	23	(2,072)	(1,261)	341
Retained earnings	24	(42,327,337)	(17,290,705)	(7,589,977)
Non-distributable reserve	25	162,767,839	163,193,006	165,895,723
Total equity		**185,480,503**	**210,791,482**	**222,816,885**
Total equity and liabilities		**525,265,323**	**492,443,417**	**451,994,904**

The Notes on pages 16 to 63 are an integral part of these financial statements.

The financial statements on pages 12 to 63 were authorised for issue on 14 February 2022 and were signed by:

Ato Ashebr Balcha
Chief Executive Officer
14 February 2022

	Notes	Capital Birr'000	Legal reserve Birr'000	Other reserves Birr'000	Retained earnings Birr'000	Non-distributable reserve Birr'000	Total equity Birr'000
As at 08 July 2016		**64,508,515**	**2,283**	**341**	**(7,589,977)**	**165,895,723**	**222,816,885**
Loss for the period		-	-	-	(9,700,728)	-	(9,700,728)
Write back (down) of differences on property, plant and equipment carrying values						(2,702,717)	(2,702,717)
Other comprehensive income:							
Re-measurement loss on defined benefit plans	17	-	-	(1,602)	-	-	(1,602)
Total comprehensive loss for the period		-	-	(1,602)	(9,700,728)	(2,702,717)	(12,405,047)
Transaction with owners in their capacity as owners :							
Capital contribution	21	379,644	-	-	-	-	379,644
As at 07 July 2017		**64,888,159**	**2,283**	**(1,261)**	**(17,290,705)**	**163,193,006**	**210,791,482**
As at 08 July 2017		**64,888,159**	**2,283**	**(1,261)**	**(17,290,705)**	**163,193,006**	**210,791,482**
Loss for the period		-	-	-	(25,036,632)	-	(25,036,632)
Write back (down) of differences on property, plant and equipment carrying values						(425,167)	
Other comprehensive income:							
Re-measurement gains on defined benefit plans	17	-	-	(811)	-	-	(811)
Total comprehensive loss for the period		-	-	(811)	(25,036,632)	(425,167)	(25,462,610)
Transaction with owners in their capacity as owners :							
Capital contribution	21	151,631	-	-	-	-	151,631
As at 07 July 2018		**65,039,790**	**2,283**	**(2,072)**	**(42,327,337)**	**162,767,839**	**185,480,503**

The Notes on pages 16 to 63 are an integral part of these financial statements.

	Notes	07 July 2018 Birr'000	07 July 2017 Birr'000
Cash flows from operating activities			
Cash generated from (used in) operations	27	(12,174,591)	12,154,911
Interest paid on borrowings		(13,953,966)	(10,665,084)
Interest paid on leases		(4,814)	(6,460)
Net cash (outflow)/inflow from operating activities		**(26,133,371)**	**1,483,368**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(26,061,373)	(36,874,933)
Purchase of intangible assets	14	(29,133)	(13,461)
Payment for right of use assets	11	(44)	(50)
Net cash (outflow)/inflow from investing activities		**(26,090,550)**	**(36,888,444)**
Cash flows from financing activities			
Proceeds from borrowings	16	60,307,612	41,536,121
Repayments of borrowings	16	(6,330,180)	(4,342,618)
Principal elements of lease payments		(22,727)	(18,951)
Net cash (outflow)/inflow from financing activities		**53,954,705**	**37,174,553**
Net (decrease)/increase in cash and cash equivalents		**1,730,784**	**1,769,476**
Cash and cash equivalents at the beginning of the year	15	1,632,635	1,568,830
Effects of exchange rate changes on cash and cash equivalents		(690,781)	(1,705,671)
Cash and cash equivalents at the end of the year	15	**2,672,638**	**1,632,635**

The Notes on pages 16 to 63 are an integral part of these financial statements.

1 General information

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

The Enterprise's registered office is at:

KKare Center Building,
Kirkos sub city,
Addis Ababa, Ethiopia.

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

2 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 year ended 07 July 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All values are presented in Ethiopian Birr (Birr), which is also the Functional Currency, rounded to the nearest thousand (Birr'000).

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

The financial statements for the year ended 07 July 2018 are the first the Enterprise has prepared in accordance with IFRS. Refer to Note 33 for information on how the Enterprise adopted IFRS.

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Enterprise's accounting policies. Changes in the estimates and underlying assumptions may have a significant impact on the financial statements in the year the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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 Significant accounting policies (continued)

2.d Changes in accounting policies and disclosures

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

There are number of new standards and amendments to standards and interpretations that are not mandatory for the year ending 07 July 2018 but have been early adopted by the Enterprise as set out below ;

IFRS 9 - Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the Enterprise's business model and the contractual cash flow characteristics of financial asset. Investments in equity instruments are measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI without subsequent recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The standard is effective for financial periods beginning on or after 1 January 2018 and early adoption is permitted. The Enterprise has early adopted IFRS 9.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for financial periods beginning on or after 1 January 2018 and earlier application is permitted. The Enterprise has early adopted IFRS 15.

IFRS 16 - Leases

IFRS 16 Leases - IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed for a lessee. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is mandatory for financial years beginning on or after 1 January 2019.

The Enterprise has elected to apply IFRS 16 Leases. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 8 July 2016. Comparatives for the 2016 financial year have not been restated. See notes 2.m and 11 for further details on the impact of early adoption of the standard.

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 years.

2 Significant accounting policies (continued)

2.e Foreign currency translation

2.e(i) *Functional and Presentation currency*

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

2.e(ii) *Transactions and balances*

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

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

2.f Recognition of revenue from contracts with customers

The Enterprise principally generates revenue from providing power generation, transmission and substation construction, upgrading and management services, and sale of bulk power.

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

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

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

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

The Enterprise measures and recognises bulk electric power sales to its main customer, Ethiopian Electric Utility (EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated transmission and distribution loss of 26% and 22% for the years ended 07 July 2017 and 2018 respectively. Loss of electric power during transmission and distribution is an underlying characteristic of the business of the Enterprise.

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

2 Significant accounting policies (continued)

2.g Interest and similar income and expense

For all the government bills measured at amortised cost interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter 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 at amortised cost, and
- those to be measured subsequently at fair value (either through OCI or through profit or loss)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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.

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. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instruments

Subsequent measurement of financial assets depends on the 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.

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

2 Significant accounting policies (continued)

2.h(i) Financial Assets (continued)

Trade receivables and other receivables

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

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

Due to the short-term nature of the current receivables, their carrying amount is considered to be a reasonable approximation of their fair value.
Other receivables generally arise from transactions outside the usual operating activities of the Enterprise.

Cash and cash equivalents

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

2.h(ii) Financial liabilities

Classification

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Measurement

Financial liabilities are initially measured at fair value on the date of commitment (trade date). Where financial liabilities are carried at amortised cost, transaction costs are included in the value of the financial liability. Where financial liabilities are carried at fair value through profit or loss, transaction costs are recognised in profit or loss. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Financial liabilities classified as at fair value through profit or loss are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The Enterprise did not designate any financial liabilities at fair value through profit or loss.

Derecognition

Financial liabilities are derecognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability. Any gain or loss on derecognition is recognised in profit or loss.

2.h(iii) Impairment of financial assets

From 8 July 2016, the Enterprise assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Enterprise applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4 for further details.

2.h(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Enterprise has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Significant accounting policies (continued)

2.i Property, plant and Equipment

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

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components). Spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

Asset class	Useful life in years	Average residual value in %
Transmission lines	40-50	8%
Buildings	10-100	12%
Office equipment	8-40	11%
Substation	8-70	7%
Vehicles	8-50	13%
Diesel Power Plant	8-70	23%
Geothermal Power Plant	8-50	22%
Hydro-electric power plants	8-100	9%
Wind power Plant	8-55	5%
Switch yard	8-70	14%

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

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss when the asset is derecognised.

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

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

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

Use of fair value as deemed cost

The Enterprise used fair value as deemed cost in its opening IFRS statement of financial position for all asset classes of property, plant and equipment. The adjustments to the carrying amounts reported under previous GAAP are presented under Note 33.

2 Significant accounting policies (continued)

2.j Intangible assets

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

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

Software

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

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

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

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

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

2.k Impairment of non-financial assets

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

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

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

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

2 Significant accounting policies (continued)

2.1 Leases

The Enterprise as a lessee

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

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

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

Lease liabilities

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

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

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

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

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

2 Significant accounting policies (continued)

2.l Leases (continued)

Right of use assets

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

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

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

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

Lease term - extension and termination options

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

Residual value guarantees

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

Short-term leases and leases of low value assets

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

The Enterprise as a lessor

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

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

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

2.m Inventories

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

2 Significant accounting policies (continued)

2.n Cash and cash equivalents

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

2.o Trade receivables

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

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

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

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

2.p Borrowings

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

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

2.q Trade and other payables

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

2.r Employee benefits

2.r(i) *Short-term obligations*

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

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

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

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

2 Significant accounting policies (continued)

2.r Employee benefits (continued)

2.r(iii) *Post-employment obligations*

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

Pension obligations

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

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

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

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

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

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

Other post-employment obligations

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

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

2.r(iv) *Bonus plans*

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

2.r(v) *Termination benefits*

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

2 Significant accounting policies (continued)

2.s 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 deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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

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

2.t 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 year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

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 year in which they are incurred.

2.u Provisions

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

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

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

2.v Capital

Ethiopian Electric Power is wholly owned by the government of the Federal Democratic Republic of Ethiopia. The Enterprise is established by the council of ministers regulation No.302/2013 with authorized and paid up capital.

Additionally, 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. Such freehold land is recognised as both an asset and capital contribution at fair value as shown in Note 21.

2.w Current and deferred income tax

The Enterprise is exempt from business income tax.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Enterprise's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the Enterprise's disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Other disclosures relating to the Enterprise's exposure to risks and uncertainties includes:
- Capital management
- Financial risk management and policies

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

3.a *Property, plant and equipment*

The depreciation charge for property, plant and equipment is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the 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 2(i) and the basis of impairment has been disclosed under Note 2(l).

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

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

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

3.c *Revenue from sale of bulk power*

The Enterprise measures and recognises bulk electric power sales to its main customer, Ethiopian Electric Utility(EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated transmission and distribution loss of 26% and 22% for the years ended 07 July 2017 and 2018 respectively which are deemed reasonably comparable to similar countries across the world. Loss of electric power during transmission and distribution is an underlying characteristic of the business of the Enterprise.

3.d *Fair value measurement of financial instruments*

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

3.e *Post-employment benefits*

Management uses estimates when determining the Enterprise's liabilities and expenses arising for defined benefit pension schemes. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in Note 17 to the financial statements.

3.f *Impairment on financial assets*

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

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

3.g *Provisions and contingent liabilities*

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

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

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

4 Financial risk management

4.a Introduction

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

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

Categories of financial instruments

	Note	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Financial assets at amortised cost				
Current				
Trade receivables and other receivables	13	1,838,295	762,278	439,366
Cash and cash equivalents	15	2,672,638	1,632,635	1,568,830
		4,510,933	2,394,913	2,008,196
Financial liabilities at amortised cost				
Current				
Borrowings	16	93,033,220	36,866,602	21,755,704
Lease liability	11	16,876	36,099	49,548
Trade payables	18	16,970,621	29,696,998	20,110,046
Contract liabilities	19	60,445	62,011	1,974
Non current				
Borrowings	16	224,614,263	210,079,066	183,050,727
Lease liability	11	25,354	22,048	23,885
		334,720,779	276,762,824	224,991,884

4.b Market risk

(i) Foreign exchange risk

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

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

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

Financial risk management (continued)

4.b Market risk (continued)

(i) Foreign exchange risk (continued)

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

07-Jul-18	USD Birr '000	EUR Birr '000	GBP Birr '000	SDR Birr '000	UA Birr '000	Total Birr '000
Foreign Currency Assets						
Cash and cash equivalents	1,499,206	213,785	13,224	-	-	1,726,215
Trade receivables	723,820	-	-	-	-	723,820
Advances from contractors	1,000,835	2,821,715		-	246,531	4,069,081
	3,223,860	3,035,501	13,224	-	246,531	6,519,116
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	3,911,712	26,369	-	-	204,360	4,142,441
Borrowings: Bonds Payables	829,370	91,092	15,607	-	-	936,068
Borrowings: Long Term Loans	74,411,983	14,890,957	-	4,848,750	7,189,037	101,340,726
	79,153,065	15,008,417	15,607	4,848,750	7,393,397	106,419,236
	(75,929,205)	(11,972,916)	(2,383)	(4,848,750)	(7,146,866)	(99,900,119)

07-Jul-17	USD Birr '000	EUR Birr '000	GBP Birr '000	SDR Birr '000	UA Birr '000	Total Birr '000
Foreign Currency Assets						
Cash and cash equivalents	959,436	123,704	22,592	-	-	1,105,732
Trade receivables	631,294	-	-	-	-	631,294
Advances to contractors	1,619,147	4,347,086	-	-	389,241	6,355,474
	3,209,877	4,470,790	22,592	-	389,241	8,092,499
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	4,308,223	16,938	-	-	233,977	4,559,138
Borrowings: Bonds Payables	74,258	883,132	-	-	-	957,391
Borrowings: Long Term Loans	59,508,531	2,817,380	-	3,438,809	5,108,508	70,873,227
	63,891,012	3,717,450	-	3,438,809	5,342,485	76,389,756
	(60,681,135)	753,340	22,592	(3,438,809)	(4,953,244)	(68,297,256)

08-Jul-16	USD Birr '000	EUR Birr '000	GBP Birr '000	SDR Birr '000	UA Birr '000	Total Birr '000
Foreign Currency Assets						
Cash and cash equivalents	1,072,232	263,385	23,289	-	-	1,358,906
Trade receivables	166,932	-	-	-	-	166,932
Advances to contractors	1,912,083	4,550,211	-	-	507,607	6,969,900
	3,151,247	4,813,596	23,289	-	507,607	8,495,739
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	3,604,360	9,436	-	-	213,731	3,827,527
Borrowings: Bonds Payables	556,129	68,373	24,705	-	-	649,208
Borrowings: Long Term Loans	51,775,353	3,077,877	-	2,746,423	3,934,118	61,533,770
	55,935,842	3,155,685	24,705	2,746,423	4,147,849	66,010,505
	(52,784,596)	1,657,911	(1,416)	(2,746,423)	(3,640,243)	(57,514,766)

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

	07 July 2018 Birr '000	07 July 2017 Birr '000	8 July 2016 Birr '000
USD/Birr exchange rate - increase/decrease by 10%	7,301,833	5,799,227	5,109,232
EUR/Birr exchange rate - increase/decrease by 10%	1,489,096	281,738	307,788
GBP/Birr exchange rate - increase/decrease by 10%	238	(2,259)	142
SDR/Birr exchange rate - increase/decrease by 10%	484,875	343,881	274,642
UA/Birr exchange rate - increase/decrease by 10%	714,687	495,324	364,024
	9,990,728	6,917,911	6,055,828

(ii) Price risk

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

(iii) Interest rate risk

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

Financial risk management (continued)

4.b Market risk (continued)

(iii) Interest rate risk (continued)

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

	2018 Birr '000	% of total loans	2017 Birr '000	% of total loans	2016 Birr '000	% of total loans
Loans:						
Variable rate borrowings: Loans	36,491,249	36.0%	22,006,856	31.1%	17,322,526	28.2%
Fixed rate borrowings: Loans	64,850,152	64.0%	48,868,265	68.9%	44,208,397	71.8%
	101,341,401	100%	70,875,121	100%	61,530,923	100%
Bonds:						
Fixed rate borrowings: Bonds	216,071,884	100%	176,071,142	100%	143,275,508	100%

Sensitivity

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

	Impact on pre-tax profit 07 July 2018 Birr '000	Impact on pre-tax profit 07 July 2017 Birr '000	Impact on pre-tax profit 8 July 2016 Birr '000
Interest rates - increase by 100 basis points*	1,160,013	711,414	486,321
Interest rates - decrease by 100 basis points*	(1,160,013)	(711,414)	(486,321)

*- Holding other variables constant

4.c Credit risk

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

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

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

		Fully performing Birr'000	Past due but not impaired Birr'000	Impaired Birr'000
07 July 2018				
Trade receivables and other receivables	13	297,170	1,563,816	442,683
Cash and cash equivalents	15	2,674,011	-	-
		2,971,181	1,563,816	442,683
07 July 2017				
Trade receivables and other receivables	13	528,739	256,230	41,926
Cash and cash equivalents	15	1,633,472	-	-
		2,162,211	256,230	41,926
08 July 2016				
Trade receivables and other receivables	13	462,058	-	41,926
Cash and cash equivalents	15	1,569,722	-	-
		2,031,780	-	41,926

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

Credit risk is managed by the finance division, who is responsible for managing and analysing credit risk for each new customer before standard payment and delivery terms are offered. For financial assets originated from 8 July 2016, 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 forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor

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

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

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

Financial risk management (continued)

4.c Credit risk (continued)

(i) Trade receivables and contract assets

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 07 July 2017 and 24 months 07 July 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current information and considered forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Enterprise has identified the GDP and the inflation rate to be the most relevant factors, however no significant impact has been determined to adjust the historical loss rates based on expected changes in these factors.

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
At start of year	64,618	64,618
Impairment losses/ (reversals) for the year	400,756	-
Loss allowance as at period end	465,374	64,618

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

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

(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:

	07 July 2018 Birr'000	07 July 2017 Birr'000
At start of year	837	892
Impairment losses/ (reversals) for the year	536	(55)
Loss allowance as at period end	1,373	837

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

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
Impairment losses on trade receivables	400,756	-
Impairment losses on deposits with financial institutions	536	(55)
	401,292	(55)

Financial risk management (continued)

4.d Liquidity risk

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

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

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

	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total undiscounted Birr'000	Carrying amount Birr'000
At 7 July 2018:					
Borrowings	33,528,808	134,544,582	159,056,240	327,129,630	317,647,483
Lease liability	28,168	17,536	-	45,704	42,230
Trade payables	16,970,621	-	-	16,970,621	16,970,621
Contract liabilities	60,445	-	-	-	60,445
	50,588,042	134,562,118	159,056,240	344,145,955	334,720,779
At 7 July 2017:					
Borrowings	-	80,863,538	178,915,313	259,778,851	246,945,668
Lease liability	26,616	38,779	-	65,395	58,147
Trade payables	29,696,998	-	-	29,696,998	29,696,998
Contract liabilities	62,011	-	-	-	62,011
	29,785,625	80,902,317	178,915,313	289,541,244	276,762,824
At 8 July 2016 :					
Borrowings	-	-	3,709,554	3,709,554	204,806,431
Lease liability	24,853	61,750	-	86,603	73,433
Trade payables	20,110,046	-	-	20,110,046	20,110,046
Contract liabilities	1,974	-	-	-	1,974
	20,136,873	61,750	3,709,554	23,906,203	224,991,884

Financing arrangements:

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
Undrawn borrowing facilities (loans)	3,748,334	8,394,197
	3,748,334	8,394,197

4.e Capital management

The Enterprise's objectives when managing capital are to safeguard the Enterprise's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The net debt to equity ratios as at 07 July 2018, 07 July 2017 and 08 July 2016 were as follows:

	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Debt (Note 16)	317,689,713	247,003,815	204,879,864
Less: cash and cash equivalents (Note 15)	(2,672,638)	(1,632,635)	(1,568,830)
Net debt (i)	315,017,075	245,371,180	203,311,034
Equity (ii)	185,480,503	210,791,482	222,816,885
Net debt to equity ratio	1.70	1.16	0.91

(i) Debt is defined as borrowings as detailed in Note 16
(ii) Equity comprises of capital, legal reserve, retained earnings, other reserves, and non-distributable reserves

5 Revenue from contracts with customers

	Note	07 July 2018 Birr'000	07 July 2017 Birr'000
Recognised at a point in time:			
Revenue from sale of bulk electric power	5(a)	5,138,463	4,323,982
Recognised over time:			
Revenue from other services	5(b)	156,421	81,266
		5,294,884	4,405,248

Disaggretation of revenue from contracts with customers

5(a) *Revenue from sale of bulk power*

	Hydro Birr'000	Wind Birr'000	Diesel Birr'000	Total Birr'000
For year ended 07 July 2018	4,934,881	203,582	-	5,138,463
For year ended 07 July 2017	4,053,936	270,022	23	4,323,982

Revenue from sale of bulk power per customer group	07 July 2018 Birr'000	07 July 2017 Birr'000
Sale of Power to Ethiopian Electric Utility	3,048,009	2,612,883
Sale of Power to Djibouti	912,484	796,086
Sale of Power to Sudan	1,177,970	915,013
	5,138,463	4,323,982

5(b) *Revenue from other services*

Construction income	70,521	63,870
Operations and maintenance income	85,900	17,395
	156,421	81,266

5(c) The Enterprise recognises sixty percent of power sales made by Ethiopian Electric Utility as revenue. The actual cashflows collected from each of the key customers during the year were as follows:

	07 July 2018 Birr'000	07 July 2017 Birr'000
Ethiopian Electric Utility	1,450,000	1,025,450
Djibouti	803,819	515,053
Sudan	679,863	642,988

5(d) Reconcilliation of movement in contract liabilities arising from revenue from contracts with customers:

Beginning	62,011	1,974
Recognised as revenue	(50,820)	-
Additions / (reversals) in the period	49,254	60,037
Balance at the end of the year	**60,445**	**62,011**

The Enterprise has recognised impairment losses of Birr 465m as at 07 July 2018 (2017 : Birr 64m) from financial assets arising from revenue from contracts with customers.

6 Expenses by nature

	07 July 2018 Birr'000	07 July 2017 Birr'000
6(a) Direct costs		
Materials and supplies	169,881	323,035
Fuel and lubricant	977	1,534
Employee benefit expense	730,263	576,173
Insurance costs	210,909	283
Travel and subsistence	52,568	47,924
Publicity costs	8,102	8,417
Miscellaneous costs	24,468	30,109
	1,197,168	987,475
6(b) Operating expenses		
Employee benefits expense	4,386	29,363
Advertising and publicity	2,837	2,605
Legal expense	236,337	22,822
Sundry expenses	42,915	14,639
Board fee	60	25
Audit fee	491	398
Contracted construction and related services	89,845	83,344
	376,871	153,196

7 Employee benefits expense

The following items are included within employee benefits expense:

	07 July 2018 Birr'000	07 July 2017 Birr'000
Short term employee benefits :		
Salaries and wages	443,034	338,229
Staff overtime and allowances	194,986	164,824
Other staff benefits	30,391	34,321
Staff medical cost	15,451	8,205
Employee defined contribution expense	38,968	25,963
Leave expense / (reversal)	(574)	23,209
Staff bonus and incentives	5,813	3,442
	728,069	**598,193**
Long term employee benefits :		
Employee defined benefit expense	6,581	7,343
	6,581	7,343
	734,650	**605,536**

8 Other income

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

	07 July 2018	07 July 2017
Sales of scrap materials	44,150	12,666
Grant income	1,125	1,299
Write (down) or writeback on inventory	6,525	2,665
Compensation for damages	5,090	-
Rental income	-	5
Income from fines	3,430	269
	60,320	**16,904**

9 Finance income / (cost)

	07 July 2018 Birr'000	07 July 2017 Birr'000
Finance income		
Interest income	-	-
Finance costs		
Interest expense - domestic loans	6,998,396	2,061,607
Interest expense - foreign loans	526,367	281,009
Interest expense - leases	4,948	6,578
Net loss or (gain) on valuation of borrowings	(154,769)	(2,260,173)
Other finance charges	165,724	316,913
Net loss or (gain) on modification of borrowings	(71,549)	-
Net foreign exchange losses on borrowings and cash and cash equivalents	13,681,207	5,487,525
	21,150,324	5,893,459
Finance costs - net	**21,150,324**	**5,893,459**

10 Property, plant and equipment

	Hydroelectric power plants Birr'000	Diesel power plants Birr'000	Geothermal power plants Birr'000	Wind power plants Birr'000	Substations Birr'000	Transmission Line Birr'000	Switchyard Birr'000	Land Birr'000	Buildings Birr'000	Office Equipment Birr'000	Vehicles Birr'000	WIP Birr'000	Total Birr'000
Cost													
As at 8 July 2016	143,828,762	1,078,528	541,075	25,393,844	44,942,219	100,364,543	5,753,478	32,594,085	2,547,425	271,990	1,450,026	67,841,868	426,607,843
Additions	-	-	-	-	-	-	-	379,644	-		-	46,358,436	46,738,079
Transfers	-	-	-	-	1,908,785	3,008,809	38,560	-	36,568	1,239	-	(4,993,961)	-
At 07 July 2017	**143,828,762**	**1,078,528**	**541,075**	**25,393,844**	**46,851,003**	**103,373,352**	**5,792,038**	**32,973,728**	**2,583,994**	**273,229**	**1,450,026**	**109,206,342**	**473,345,922**
As at 8 July 2017	143,828,762	1,078,528	541,075	25,393,844	46,851,003	103,373,352	5,792,038	32,973,728	2,583,994	273,229	1,450,026	109,206,342	473,345,922
Additions	-	-	-	-	-	-	-	151,631	-		-	36,222,060	36,373,691
Transfers	-	-	-	-	4,867,243	5,891,798	-	-	65,991	8,941	-	(10,833,973)	-
At 07 July 2018	**143,828,762**	**1,078,528**	**541,075**	**25,393,844**	**51,718,246**	**109,265,150**	**5,792,038**	**33,125,359**	**2,649,985**	**282,170**	**1,450,026**	**134,594,428**	**509,719,613**
Accumulated depreciation													
As at 8 July 2016	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(2,906,417)	(35,627)	(12,837)	(604,658)	(1,289,919)	(1,870,142)	(161,762)	-	(65,079)	(27,959)	(92,022)	-	(7,066,421)
At 07 July 2017	**(2,906,417)**	**(35,627)**	**(12,837)**	**(604,658)**	**(1,289,919)**	**(1,870,142)**	**(161,762)**	**-**	**(65,079)**	**(27,959)**	**(92,022)**	**-**	**(7,066,421)**
As at 8 July 2017	(2,906,417)	(35,627)	(12,837)	(604,658)	(1,289,919)	(1,870,142)	(161,762)	-	(65,079)	(27,959)	(92,022)	-	(7,066,421)
Depreciation charge	(2,902,986)	(35,627)	(12,836)	(604,658)	(1,378,305)	(1,959,533)	(162,646)	-	(66,028)	(28,010)	(92,022)	-	(7,242,649)
At 07 July 2018	**(5,809,403)**	**(71,255)**	**(25,672)**	**(1,209,316)**	**(2,668,224)**	**(3,829,675)**	**(324,408)**	**-**	**(131,107)**	**(55,969)**	**(184,043)**	**-**	**(14,309,071)**
Net book value													
As at 8 July 2016	143,828,762	1,078,528	541,075	25,393,844	44,942,219	100,364,543	5,753,478	32,594,085	2,547,425	271,990	1,450,026	67,841,868	426,607,843
As at 07 July 2017	140,922,345	1,042,901	528,239	24,789,187	45,561,084	101,503,210	5,630,277	32,973,728	2,518,915	245,270	1,358,004	109,206,342	466,279,501
As at 07 July 2018	138,019,359	1,007,274	515,403	24,184,529	49,050,022	105,435,476	5,467,631	33,125,359	2,518,879	226,201	1,265,982	134,594,428	495,410,543

11 Leases

i) Amounts recognised in the statement of financial position

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

	07 July 2018 Birr '000'	07 July 2017 Birr '000'	08 July 2016 Birr '000'
Right of use assets			
Properties	39,194	55,872	74,541
Lease liability			
Current	25,354	22,048	23,885
Non-current	16,876	36,099	49,548
	42,230	58,147	73,433

ii) Right of use asset	07 July 2018 Birr '000'	07 July 2017 Birr '000'	08 July 2016 Birr '000'
Balance at start of the year	55,872	74,541	-
Additions in the year	6,854	3,774	74,541
Lease terminations in the year	-	(59)	
	62,726	78,256	74,541
Depreciation expense	(23,532)	(22,384)	-
Balance at end of the year	39,194	55,872	74,541

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

iii) Lease liability

Balance at start of the year	58,147	73,433	-
Additions in the year	6,810	3,723	73,433
Lease terminations in the year	-	(59)	
Interest expense	4,814	6,460	-
	69,771	83,557	73,433
Repayments in the year	(27,541)	(25,410)	-
Balance at end of the year	42,230	58,147	73,433

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

iv) Amounts recognised in the statement of profit or loss

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

	07 July 2018 Birr '000'	07 July 2017 Birr '000'
Depreciation charge right-of-use assets	23,532	22,384
Interest expense (included in finance costs)	4,814	6,460
	28,345	28,844

v) Amounts recognised in the statements of cash flows

Cash generated from operations - Interest paid	(4,814)	(6,460)
Cash generated from financing activities - lease payments	(22,727)	(18,951)

12 Inventory

	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Inventories	324,491	170,222	155,497
	324,491	**170,222**	**155,497**

Inventory items consist of the following :			
Fuel and lubricants	43,080	43,408	39,282
Machinery consumable spares	272,158	119,843	113,600
General consumables	9,253	6,971	2,615
	324,491	**170,222**	**155,497**
Provision for obsolescence	-	-	-
	324,491	**170,222**	**155,497**

The costs of individual items of inventory are determined using weighted average cost. See note 2.n for the Enterprise's accounting policy on inventories.

Inventories recognised as an expense during the year ended 07 July 2018 amounted to Birr 170,858,000 (2017 – Birr 324,569,000). These were included in direct costs.

13(a) Long term receivables

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

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
At start of year	115,428	115,428
Additional contribution made in the year	-	-
	115,428	115,428

13(b) Trade and other receivables

	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Financial assets at amortised cost			
Trade receivables	2,256,669	780,011	458,434
Other receivables	41,926	42,854	41,926
Staff receivables	5,074	4,031	3,624
	2,303,669	826,896	503,984
Less: Expected credit losses	(465,374)	(64,618)	(64,618)
	1,838,295	762,278	439,366
Other receivables			
Property, plant and equipment advance payment	24,433,869	23,079,465	22,832,960
Prepayments	267,516	114,836	28,511
Taxes receivables	11,323	31,329	66,890
Deposits	12	12	12
Sundry debtors	4,750	83,708	356
	24,717,470	23,309,350	22,928,729
	26,555,765	**24,071,628**	**23,368,095**

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
At start of year	64,618	64,618
Credit losses recognised in the year	400,756	-
	465,374	64,618

	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Trade receivables from:			
Ethiopian Electric Utility	1,532,850	148,717	291,503
National Electricity Corporation of The Sudan	509,604	348,747	97,529
Electricite de Djibouti	214,216	282,547	69,403

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

14	Intangible assets	07 July 2018 Birr '000'	07 July 2017 Birr '000'	08 July 2016 Birr '000'
	Opening Balance	118,131	104,670	99,855
	Addition	29,133	13,461	4,815
	Closing Balance	147,264	118,131	104,670

The Enterprise incurred development costs for externally contracted ICT infrastructure and ERP application developments. These capital expenditures are intangible assets in progress.

15	Cash and cash equivalents	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
	Cash at bank	2,674,011	1,633,472	1,569,722
	Expected credit losses	(1,373)	(837)	(892)
		2,672,638	1,632,635	1,568,830

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
At start of year	837	892
Impairment losses / (reversals) for the year	536	(55)
	1,373	837

16 **Borrowings**

		7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Non Current				
Government bonds (Commercial bank of Ethiopia)	Note 16 (a)	162,879,168	144,692,642	125,163,215
Other promissory notes payables	Note 16 (b)	987,457	842,078	699,207
Long term loans	Note 16 (c)	60,747,638	64,544,346	57,188,305
Total non current borrowings		224,614,263	210,079,066	183,050,727
Current				
Government bonds (Commercial bank of Ethiopia)	Note 16 (a)	52,440,631	30,536,422	17,413,086
Long term loans	Note 16 (c)	40,592,589	6,330,180	4,342,618
Total current borrowings		93,033,220	36,866,602	21,755,704
Total borrowings		**317.647.483**	**246.945.668**	**204.806.431**

16 (a) **Government bonds (Commercial bank of Ethiopia)**

	7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Government bonds (Commercial bank of Ethiopia)	215,319,798	175,229,063	142,576,301

These are 145 long term unsecured bonds obtained from Commercial Bank of Ethiopia and repayable in 14 semi-annual instalments. The bonds have a fixed interest rate of 6%, and this was modified upwards to 8% on 15th October 2017

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

	7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Balance at the beginning of the year	175,229,063	142,576,301	131,182,325
Bonds issues in the period	37,100,000	32,100,000	28,000,000
Interest charged for the period	14,233,532	9,272,141	7,553,850
Principal repayments	-	-	-
Interest repayments	(11,242,797)	(8,719,379)	(24,159,874)
Balance at the end of the year	**215.319.798**	**175.229.063**	**142.576.301**

16 (b) **Other bonds**

	7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Other bonds	987,457	842,078	699,207
EEPCo. Millennium Bond	9,942	9,778	13,015
Ethiopian Telecommunication Corporation Bond	51,389	50,820	49,999
Grand Ethiopian Renaissance Dam Bond -USD Account	819,428	672,414	543,114
Grand Ethiopian Renaissance Dam Bond- EURO Account	91,092	84,580	68,373
Grand Ethiopian Renaissance Dam Bond - GBP Account	15,607	24,486	24,705
Total other bonds	**987.457**	**842.078**	**699.207**
Balance at the beginning of the year	842,078	699,207	686,465
Bonds issues in the period	-	-	-
Interest charged for the period	127,101	127,332	-
Principal repayments	-	-	-
Interest repayments	-	-	-
Foreign exchange differences	18,279	15,539	12,742
Total other bonds	**987.457**	**842.078**	**699.207**

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

16 (c) Long term Loans

	7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Foreign lending institutions and development agencies	101,340,227	70,874,526	61,530,923

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

	7 July 2018 Birr'000	7 July 2017 Birr'000	8 July 2016 Birr'000
Balance at the beginning of the year	70,874,526	61,530,923	49,341,309
Additional loan disbursements acquired in the year	23,207,612	9,436,121	14,440,941
Interest charged for the period	3,395,602	2,524,750	1,895,987
Principal repayments made during the year	(6,330,180)	(4,342,618)	(2,920,769)
Interest repayments made during the year	(2,711,169)	(1,945,705)	(1,274,907)
Foreign exchange differences	12,904,335	3,669,756	51,209
Grant adjustment	(499)	1,299	(2,847)
	101,340,227	70,874,526	61,530,923

Under the terms of the loan facilities, the entity has complied with all the debt covenants.

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
Interest capitalized in capital work in progress for the year	10,160,687	9,483,502

16 (e) Net debt reconciliation

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

	Borrowings Birr'000	Leases Birr'000	Total Birr'000
Net debt as at 8 July 2016	**204,806,431**	**73,433**	**204,879,864**
Net cashflows	26,528,420	(15,227)	26,513,192
Foreign exchange adjustments	3,685,295	-	3,685,295
Other changes (effective interest and other finance charges)	11,925,522	(59)	11,925,463
Net debt as at 7 July 2017	**246,945,668**	**58,147**	**247,003,815**
Net debt as at 01 July 2017	246,945,668	58,147	247,003,815
Net cash outflows	40,023,466	(15,917)	40,007,549
Foreign exchange adjustments	12,922,614	-	12,922,614
Other changes (effective interest and other finance charges)	17,755,735	-	17,755,735
Net debt as at 7 July 2018	**317,647,483**	**42,230**	**317,689,713**

17 Defined benefit liability

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Defined benefits liabilities:			
– Severance pay (note 17a)	6,721	5,200	4,262
– Free electricity liability (note 17b)	3,999	3,699	2,231
Liability in the statement of financial position	**10,720**	**8,900**	**6,493**
Statement of profit or loss charge included in personnel expenses:			
– Severance pay (note 17a)	1,241	886	5,333
– Free electricity liability (note 17b)	655	474	2,433
Total defined benefit expenses	**1,896**	**1,361**	**7,766**
Remeasurements for:			
– Severance pay (note 17a)	1,148	598	(146)
– Free electricity liability (note 17b)	(336)	1,005	(195)
	811	**1,602**	**(341)**
Benefit payments			
– Severance pay (note 22a)	(867)	(546)	(925)
– Free electricity liability (note 22b)	(20)	(11)	(7)
	(887)	**(557)**	**(932)**

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.

Maturity analysis	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Current	2,145	1,645	1,296
Non-Current	8,575	7,255	5,197
	10,720	8,900	6,493

17(a) Severance pay

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

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

		07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
A	**Liability recognised in the financial position**	6,721	5,200	4,262
B	**Amount recognised in the statement of profit or loss**			
	Current service cost	691	409	4,896
	Interest cost	550	477	436
		1,241	886	5,333
C	**Amount recognised in other comprehensive income:**			
	Remeasurement (gains)/losses arising from changes in :			
	- demographic assumptions	-	-	-
	- financial assumptions	(43)	138	(293)
	- experience	1,190	460	147
	Tax credit /(charge)			
		1,148	598	(146)

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

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
At the beginning of the year	5,200	4,262	-
Current service cost	691	409	4,896
Interest cost	550	477	436
Remeasurement (gains)/ losses	1,148	598	(146)
Benefits paid	(867)	(546)	(925)
At the end of the year	6,721	5,200	4,262

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	07 July 2018	07 July 2017	08 July 2016
Discount Rate (p.a)	18.33%	18.02%	19.34%
Salary Increase Rate (p.a)	15.00%	15.00%	15.00%

ii) Mortality in Service

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

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 7% at the youngest ages falling with increasing age to 6% at age 57.

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

	Impact on severance pay benefit obligation				
	07 July 2018			07 July 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Salary growth rate	1%	3	(4)	3	(3)
Interest rate	1%	(134)	142	(106)	112

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

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

17 b Free Electricity Benefit

Retired employees are entitled to free power supply of between 123Kwh and 264Kwh depending on the retiree's years in service if they have met the following requirements: (i) served the Enterprise for 10 years or more, (ii) retired directly after working with EEP, and (iii) not dismissed due to disciplinary issues. It is forbidden for any retiree to transfer his/her right for free electricity. Also, the supply of free electricity is terminated when the retiree becomes deceased.

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

		07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
A	**Liability recognised in the financial position**	3,999	3,699	2,231
B	**Amount recognised in the statement of profit or loss**			
	Current service cost	-	-	2,055
	Interest cost	655	474	378
		655	474	2,433
C	**Amount recognised in other comprehensive income:**			
	Remeasurement (gains)/losses arising from changes in demographic assumptions	-	-	-
	Remeasurement (gains)/losses arising from changes in the financial assumptions	(430)	778	(584)
	Remeasurement (gains)/losses arising from experience	94	227	388
		(336)	1,005	(195)

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

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
At the beginning of the year	3,699	2,231	-
Current service cost	-	-	2,055
Interest cost	655	474	378
Remeasurement (gains)/ losses	(336)	1,005	(195)
Benefits paid	(20)	(11)	(7)
At the end of the year	3,999	3,699	2,231

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	07 July 2018	07 July 2017	08 July 2016
Discount Rate (p.a)	20.81%	19.11%	23.04%
Tariff Increase Rate (p.a)	0.00%	0.00%	0.00%

ii) Mortality in Service

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

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 7% at the youngest ages falling with increasing age to 6% at age 57.

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

	Impact on free electricity benefit obligation				
	07 July 2018			07 July 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Tariff growth rate	1%	314	(279)	332	(292)
Interest rate	1%	(218)	244	(232)	263

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

18 Trade and other payables	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Trade payables			
Project Accruals	16,970,621	29,696,998	18,548,608
Trade payables	-	-	1,561,438
	16,970,621	29,696,998	20,110,046
Other payables			
Contractor retention	4,444,676	4,681,455	3,940,205
Taxes payable	54,099	16,815	96,910
Bonus accrual	31,920	26,369	23,351
Leave accrual	36,705	38,899	16,880
Free electricity accrual	17,591	12,020	5,480
Sundry creditors	4,691	5,369	17,606
Staff payables	-	6	43
Other accruals	503	1,038	8,866
	4,590,185	4,781,971	4,109,341
	21,560,806	34,478,969	24,219,387

Contract retention relates amounts withheld by the Enterprise from contractors.

19 Contract liabilities	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Deferred revenue	58,471	60,037	-
Customer contribution	1,974	1,974	1,974
	60,445	62,011	1,974

20 **Provisions**

A reconciliation of the changes in provisions is as follows:

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Provision for legal claims	245,244	19,460	1,014
Provision for lease restoration costs	1,455	1,276	1,108
	246,699	20,736	2,122
Maturity			
Current	245,244	19,460	1,014
Non-Current	1,455	1,276	1,108
	246,699	20,736	2,122

	Birr'000	Birr'000
Movement in provisions :		
Balance at start of the year	20,736	2,122
Provision in the year	225,963	18,614
Balance at the end of the year	246,699	20,736

21 Capital

Ethiopian Electric Power is wholly owned by the government of the Federal Democratic Republic of Ethiopia. The Enterprise is established by the council of ministers regulation No.302/2013 with authorized and paid up capital. The authorised capital for the Enterprise is birr one hundred and twenty billion.

Additionally, 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. Such freehold land is recognised as both an asset and capital contribution at fair value as shown below :

	07 July 2018 Birr'000	07 July 2017 Birr'000	8 July 2016 Birr'000
Authorised capital	120.000.000	120.000.000	120.000.000
Paid up capital at start of the year	64.888.159	64.508.515	30.415.948
Capital contribution in the year - Freehold land	151.631	379.644	32.594.084
Capital contribution in the year - UEAP project			1.498.483
At the end of the year	65.039.790	64.888.159	64.508.515

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 it reaches a maximum of 20% of capital. The Enterprise made a loss in the period for thus legal reserve transfer has not been made.

23 Other reserve

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

	07 July 2018 Birr'000	07 July 2017 Birr'000
At the beginning of the year	1.261	(341)
Remeasurement gain/(loss) on post employment benefits obligations	811	1.602
At the end of the year	2.072	1.261

24 Retained earnings

Retained earnings relates to accumulated profit or losses made by the Enterprise.

25 Non-distributable reserve

Non-distributable reserve includes first time IFRS adoption adjustments as disclosed in Note 31 which are not distributable as dividends in compliance with guidance issued by Accounting and Auditing Board of Ethiopia dated 30th October 2019.

	07 July 2018 Birr'000	07 July 2017 Birr'000
At the beginning of the year	163.193.006	165.895.723
Write back (down) of differences on property. plant and equipment carrying values	-425.167	-2.702.717
At the end of the year	162.767.838	163.193.006

Differences between IFRS and previous GAAP carrying values on property. plant and equipment relating to IFRS adoption are adjusted through the non-distributable reserve in financial years ending July 07. 2017 and 2018.

26 Grants

	07 July 2018 Birr'000	07 July 2017 Birr'000
At the beginning of the year	77.504	68.178
Addition	140.058	10.625
Amortization	(1.125)	(1.299)
At the end of the year	216.437	77.504

	07 July 2018 Birr'000	07 July 2017 Birr'000	07 July 2016 Birr'000
Current	2.047	1.125	1.299
Non-Current	214.390	76.379	66.879
	216.437	77.504	68,178

26 (a) Grant benefit from government loans below market rate interest

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Grant benefit from government loans below market rate interest	2.047	1.548	2.847

26(b) Grants from individuals and corporates

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Grants from individuals and corporates	214.390	75.956	65.331

These are grant contributions from individuals and corporate entities towards the completion of the Grand Ethiopian Renaissance Dam (GERD). These grants are not refundable and shall be recognised as grant income upon the completion of the project.

27 Cash generated from operating activities

	Notes	07 July 2018 Birr'000	07 July 2017 Birr'000
Profit / (loss) for the period		(25.036.632)	(9.700.728)
Adjustments for:			
Depreciation of property, plant and equipment	10	7.242.649	7.066.421
Depreciation charge of right of use asset	11	23.532	22.384
Interest expense on borrowings	9	7.524.763	2.342.016
Interest expense on leases	9	4.814	6.460
Net foreign exchange (gains) / losses	9	13.681.207	5.487.525
Write (down) or writeback on inventory	8	6.525	2.665
Write back (down) of differences on property, plant and equipment carrying values	25	(425.167)	(2.702.717)
Impairment of trade receivables	13 (b)	400.756	-
Impairment of cash and cash equivalents	15	536	(55)
Amortisation of grants	26	1.125	1.299
Changes in working capital:			
-Decrease/ (Increase) in inventories		(160.794)	(17.390)
-Decrease/ (Increase) in trade and other receivables		(2.884.893)	(703.533)
-Increase/ (Decrease) in employee benefit obligations		1.820	2.406
-Increase/ (Decrease) in contract liabilities		(1.566)	60.037
-Increase/ (Decrease) in grants		138.933	9.326
-Increase/ (Decrease) in provisions		225.963	18.614
-Increase/ (Decrease) in trade and other payables		(12.918.163)	10.259.581
		(12,174,591)	12,154,911

28 Related party transactions

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

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

These are disclosed below:

28 a) *Key management compensation*

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

	07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
Salaries and other short-term employee benefits	13,980	12,177	10,728
Sitting allowance	462	489	462
	14,442	12,666	11,190

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

28 b) Management board members and employees

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

	07 July 2018 Number	07 July 2017 Number	08 July 2016 Number
Professionals and high level managers and supervisors	1,161	1,180	1,132
Semi-professional, Administrative and Clerical	909	928	887
Technician and Skilled	4,936	4,214	3,798
	7,006	6,322	5,817

29 Contingent liabilities

The Enterprise is a party to numerous legal actions brought by different organizations and individuals arising from third parties. The Enterprise considers it to be probable that the some judgements will not be in its favour and should therefore recognise a provision in relation to these claims. The potential undiscounted amount of the total payments that the Enterprise could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately Birr 610.3 million (7 July 2017: Birr 19.2 million, 7 July 2016: Birr 2 million).

30 Commitments

The Enterprise has commitments, not provided for in these financial statements, of Birr 75 billion (07 July 2017: Birr 88.57 billion 07 July 2016: Birr 45.15 billion) for purchase and construction of various capital items.

The Enterprise had access to the following future undrawn borrowing facilities as below :

07 July 2018 Birr'000	07 July 2017 Birr'000	08 July 2016 Birr'000
3,748,334	8,394,197	12,780,293

31 Events after reporting period

Except as disclosed below, there were no significant events that occurred between 07 July 2018 and the date of issue of these financial statements.

Covid 19 assessment

The Enterprise has assessed the impact of Covid 19 on the business. Based on the assessment, management believes there are no material uncertainties arising.

Possible damage of assets in the Northern region of Ethiopia

Since November 2020, the government of the Federal Democratic Republic of Ethiopia has been carrying out military operations in the northern region of Ethiopia. The Enterprise has not been able to assess the extent to which its fixed assets located in the northern part of the country may have been damaged by the military operations as the operations are still in progress.

32 Income tax

The Enterprise is exempt from income tax.

33 First-time adoption of IFRS for the Enterprise

These financial statements, for the year ended 07 July 2018, are the first the Enterprise has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 07 July 2018, the Enterprise prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. Accordingly, the Enterprise has prepared financial statements which comply with IFRS applicable for period ended 07 July 2018, together with the comparative period information as at and for the year ended 07 July 2017, as described in the significant accounting policies.

In preparing these financial statements, the Enterprise's opening statement of financial position was prepared as at 8 July 2016, the Enterprise's date of transition to IFRS. This note explains the principal adjustments made by the Enterprise in restating its financial statements prepared under the previous framework, including the statement of financial position as at 8 July 2016 and the financial statements as at and for the year ended 07 July 2017.

In preparing its opening IFRS statement of financial position, the Enterprise has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Enterprise's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these financial statements in accordance with IFRS 1, the Enterprise has applied all applicable mandatory exceptions from full retrospective IFRS 1 offers twenty optional exemptions that entities may choose to apply. Where applied, these exemptions seek to reduce the burden of retrospective application in areas where the IFRS presumes that the costs of applying these standards retrospectively (backwards) may exceed the benefit of the information to users of the financial statements.

The Enterprise has applied the following exemptions:

(a) Fair value as deemed cost for property, plant and equipment and intangible assets

The Enterprise chose to apply the fair value exemption where a revaluation has been carried out in connection with a specific event. The Enterprise carried out its last valuation as at 08 July 2016 and therefore opted to use these fair values as the deemed cost on transition date.

(b) Leases

IFRIC 4, 'Determining whether an arrangement contains a lease', deals with arrangements such as outsourcing, take or pay and the right to use capacity. It gives guidance on determining whether such arrangements are, or contain, leases, despite not having the legal form of a lease. If they fall within IFRIC 4 then they should be accounted for in accordance with IFRS 16, 'Leases'.

The interpretation requires the assessment of whether or not an arrangement contains a lease to be carried out at the inception of the arrangement. It does, however, contain some transitional arrangements for existing users of IFRS so that, in the year of application, the assessment can be carried out based on facts existing at the start of the earliest comparative period rather than at inception. A first time adopter can determine whether or not an arrangement at the date of transition contains a lease on the basis of facts at that date.

The Enterprise chose to apply the exemption which allows it to determine whether an arrangement contains a lease based on the facts and circumstances existing on 8 July 2016.

(c) Designation of Previously Recognised Financial Instruments

A financial asset can be designated on initial recognition as amortised cost, FVOCI or FVTPL. A first-time adopter can apply IFRS 9 and designate a financial asset at fair value through profit or loss in certain circumstances:

Any financial asset that meets the criteria for designation in IFRS 9 can be designated at fair value through profit or loss at the date of transition to IFRSs, based on facts and circumstances existing at that date. An equity investment that meets the criteria for designation in IFRS 9 can be designated at fair value through other comprehensive income at the date of transition to IFRSs, based on facts and circumstances existing at that date.

The Enterprise chose to apply the exemption giving it the liberty to determine designation of its financial instruments e.g. trade receivables, treasury bills under IFRS 9 will be based on the facts and circumstances existing at the date of transition i.e. 8 July 2016.

(d) Fair value measurement of financial instruments at initial recognition

IFRS requires application of the "day 1" gain or loss recognition requirements in IFRS 9 for financial instruments recorded at fair value. Applying this requirement retrospectively under IFRS may be burdensome. As a result an exemption is offered under IFRS and is applicable to financial instruments carried at fair value for which there is no active market.

The Enterprise chose to apply the exemption allowing it to apply the requirement to recognise day 1 gain or loss prospectively to transactions entered into on or after the date of transition to IFRS. This will result in no gain or loss recognised on the initial recognition of a financial asset or financial liability prior to 8 July 2016.

(e) *Borrowing costs*

A first-time adopter can apply IAS 23 on borrowing costs from the date of transition or from an earlier date. In practice, IAS 23 requirements are applied prospectively to borrowing costs for which the commencement date for capitalisation is on or after such a date. This exemption allows a first time adopter to apply the transitional provisions of IAS 23 Borrowing costs.
An Enterprise might have capitalised borrowing costs under previous GAAP, the Enterprise:
i) shall not restate the borrowing cost component that was capitalized under previous GAAP and that was included in the carrying amount of assets at that date; and
ii) shall account for borrowing costs incurred on or after that date in accordance with IAS 23, including those borrowing costs incurred on or after that date on qualifying assets already under construction.

The Enterprise chose to apply the exemption.

(f) *Decommissioning liabilities included in the cost of property, plant and equipment*

An exemption is available for a first-time adopter that has decommissioning liabilities in the scope of IFRIC 1. First-time adopters can, applying the exemption, do the following:

i) Measure the liability in accordance with IAS 37 at the date of transition.
ii) Estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using the Enterprise's best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the period since it was first incurred.
iii) Calculate the accumulated depreciation on that discounted amount, as at the date of transition to IFRS, based on the current estimate of the useful life of the asset and using the depreciation policy adopted by the Enterprise under IFRS.
iv) The resulting calculated amount is then added to the carrying value of the related asset. The related liability is recorded under IAS 37

The Enterprise chose to apply the exemption as at transition date.

Exceptions applied

There are also seven mandatory exceptions where retrospective application is not permitted, to ensure that certain core accounting principles are not wrongly applied in the Enterprise's bid to retrospectively report IFRS. Only three of the seven exceptions are relevant to the Enterprise and are summarised below :

(a) Estimates

Estimates made in accordance with IFRSs at the date of transition to IFRS should be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies), unless there is objective evidence that those estimates were in error or where application of previous framework did not require estimation such as post-employment benefits.

(b) De-recognition of financial assets and financial liabilities

This exception exempts a first time adopter from full retrospective application of the de-recognition rules in IFRS 9, "Financial instruments: Recognition and measurement", for all financial assets and liabilities derecognised before 1 January 2004 or transition date. Therefore, financial assets and liabilities derecognised before 1 July 2016 are not re-recognised under IFRS

(c) Government loans

A first-time adopter classifies all government loans received as financial liabilities or equity in accordance with IAS 32. Government loans with a below-market rate of interest are normally measured at fair value on initial recognition. This exception requires first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS, unless the necessary information was obtained at the time of initially accounting for that loan.

If a first-time adopter did not, under its previous GAAP, recognise and measure a government loan in accordance with IAS 20, it uses the loan's previous GAAP carrying amount at the date of transition to IFRS as the loan's carrying amount in the opening IFRS statement of financial position. The Enterprise subsequently applies IFRS 9 to the measurement of such loans after the date of transition to IFRS.

33 a) Reconciliation of Statement of total comprehensive income for the year ended 07 July 2017

	Notes	Balances as per GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	Balances as per IFRS Birr'000
Revenue from contracts with customers	A	(4.350.443)	(81.266)	26.461	(4.405.248)
Direct costs	B	1.010.471	-	(22.996)	987.475
Operating expenses	C	90.752	-	62.444	153.196
Net impairment gain (loss) on financial and contract assets	D	-	-	(55)	(55)
Other (income)/expense	E	(94.206)	81.266	(3.963)	(16.904)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**(3,343,426)**	-	**61,891**	**(3,281,536)**
Depreciation of property, plant and equipment	F	2.003.114	-	5.063.307	7.066.421
Depreciation charge of right of use asset	G	-	-	22.384	22.384
Amortization intangible assets		-	-	-	-
		2.003.114	-	5.085,691	7.088.805
Operating profit		**(1,340,312)**	-	**5,147,582**	**3,807,269**
Finance costs	H	8.116.941	-	(2.223.482)	5.893.459
Finance costs - net		8.116.941	-	(2.223.482)	5.893.459
Profit / (loss) before income tax		**6,776,629**	-	**2,924,100**	**9,700,728**
Income tax expense		-	-	-	-
(Profit) / loss after tax		**6,776,629**	-	**2,924,100**	**9,700,728**
Other comprehensive income (OCI)					
Items that will not be reclassified to profit or loss:					
Remeasurement gain/(loss) on post employment benefits obligations	I	-	-	1.602	1.602
Total comprehensive income for the period		6,776,629	-	2,925,702	9,702,330

33 b) Reconciliation of statement of financial position as at 07 July 2017

	Notes	Balances as per GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	Balances as per IFRS Birr'000
ASSETS					
Property, plant and equipment	J	284,627,390	(23,192,141)	204,844,253	466,279,501
Intangible assets	K	243,642	-	(125,511)	118,131
Right of use assets	L	-	-	55,872	55,872
Long term receivables	M	3,899,326	-	(3,783,898)	115,428
Inventories	N	161,711	-	8,511	170,222
Trade and other receivables	O	1,071,087	23,199,956	(199,415)	24,071,628
Cash and cash equivalents	P	1,633,472	-	(837)	1,632,635
Total assets		**291,636,628**	**7,815**	**200,798,975**	**492,443,417**
EQUITY AND LIABILITIES					
LIABILITIES					
Borrowings	Q	(249,878,760)	-	2,933,092	(246,945,668)
Trade and other payables	R	(25,568,276)	(7,815)	(8,902,881)	(34,478,970)
Provisions	S	-	-	(20,736)	(20,736)
Contract liabilities		(62,011)	-	-	(62,011)
Lease liabilities	T	-	-	(58,147)	(58,147)
Grants	U	(75,956)	-	(1,548)	(77,504)
Employee benefit obligations	V	-	-	(8,900)	(8,900)
Total liabilities		**(275,585,003)**	**(7,815)**	**(6,059,120)**	**(281,651,938)**
Equity attributable to owners					
Capital	W	(30,415,948)	-	(34,472,211)	(64,888,159)
Legal reserve		(2,283)	-	-	(2,283)
Other reserves	I	-	-	1,261	1,261
Accumulated losses		14,366,606	(14,366,606)	-	-
Retained earnings	X		14,366,606	2,924,100	17,290,705
Non-distributable reserve	Y	-	-	(163,193,006)	(163,193,006)
Total equity		**(16,051,625)**	**-**	**(194,739,856)**	**(210,791,482)**
Total equity and liabilities		**(291,636,628)**	**(7,815)**	**(200,798,977)**	**(492,443,417)**

33 c) Reconciliation of statement of financial position as at 08 July 2016

	Notes	Balances as per GAAP Birr'000	Reclassification Birr'000	Remeasurement Birr'000	Balances as per IFRS Birr'000
ASSETS					
Property, plant and equipment	J	234,119,695	(22,978,306)	215,466,454	426,607,843
Intangible assets	K	215,546	-	(110,876)	104,670
Right of use assets	L	-	-	74,541	74,541
Long term receivables	M	3,433,249	-	(3,317,821)	115,428
Inventories	N	150,255	-	5,242	155,497
Trade and other receivables	O	597,452	22,978,306	(207,663)	23,368,095
Cash and cash equivalents	P	1,569,722	-	(892)	1,568,830
Total assets		**240,085,919**	-	**211,908,985**	**451,994,904**
EQUITY AND LIABILITIES					
LIABILITIES					
Borrowings	Q	(206,006,003)	-	1,199,572	(204,806,431)
Trade and other payables	R	(9,085,725)	-	(15,133,663)	(24,219,388)
Provisions	S	-	-	(2,122)	(2,122)
Contract liabilities		(1,974)	-	-	(1,974)
Lease liabilities	T	-	-	(73,433)	(73,433)
Grants	U	(65,331)	-	(2,847)	(68,178)
Employee benefit obligations	V	-	-	(6,493)	(6,493)
Total liabilities		**(215,159,033)**	-	**(14,018,986)**	**(229,178,019)**
Equity attributable to owners					
Capital	W	(30,415,948)	-	(34,092,567)	(64,508,515)
Legal reserve		(2,283)	-	-	(2,283)
Other reserves	I	-	-	(341)	(341)
Accumulated losses		5,491,345	(5,491,345)	-	-
Retained earnings	X	-	5,491,345	2,098,632	7,589,977
Non-distributable reserve	Y		-	(165,895,723)	(165,895,723)
Total equity		**(24,926,886)**	-	**(197,889,999)**	**(222,816,885)**
Total equity and liabilities		**(240,085,919)**	-	**(211,908,985)**	**(451,994,904)**

33 d) Notes to the reconciliation of equity and profit

		07 July 2017 Birr'000
A	**Revenue from contracts with customers**	
	Revenue from contracts with customers as per previous GAAP	(4.350.443)
	Reclassification	
	Being reclassification of miscellaneous income to income from operations, maintenance and services	(81.266)
	Remeasurement adjustments :	
	Being adjustment to reconcile EEP revenue to revenue as per EEU records	26.461
		(54.805)
	Revenue from contracts with customers as per IFRS	**(4.405.248)**

Under Ethiopian GAAP, revenue from bulk electricity was recognised at a point in time based on Ethiopian Electric Utility (EEU) records. Sales of bulk electricity were measured at 60% of the fair value of the consideration received by EEU from it's customers and other income was recognised when significant risks and rewards were transferred to the recipient.

On transition to IFRS, the Enterprise made adjustments on revenue from contracts with customers to recognise revenue over time as per EEU records and also reclassified miscellaneous income to income from operations, maintenance and services.

		07 July 2017 Birr'000
B	**Direct costs**	
	Direct costs as per previous GAAP	1.010.471
	Remeasurement adjustments :	
	Being adjustment to reverse arbitrary provision for stock obsolescence	(603)
	Being adjustment to accrue employee bonus payable	3.018
	Being reversal of rent expense to lease liability	(25.411)
		(22.996)
	Direct costs as per IFRS	**987.475**

Under GAAP, the Enterprise had calculated stock obsolescence using arbitrary provisions, expensed operating lease payments as they occurred and accounted for its employee bonus on a cash basis. On transition to IFRS, the arbitrary stock obsolescence was reversed and employee bonus relating to the period was accounted for using the accrual accounting method. The Enterprise also recognised lease liabilities and right of use assets in accordance with IFRS 16. 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. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Consequently the rent expense previously recognised under Ethiopian GAAP was reversed.

		07 July 2017 Birr'000
C	**Operating expenses**	
	Operating expenses as per previous GAAP	90.752
	Remeasurement adjustments :	
	Being adjustment to accrue employee leave payable	22.020
	Being adjustment to recognise provision in relation to legal claims	18.446
	Being adjustment to accrue for free electric benefit for active employees	6.539
	Being de-recognition of deferred expenditures not meeting capitalization criteria	14.635
	Being recognition of defined benefit liability and related costs	804
		62.444
	Operating expenses as per IFRS	**153.196**

Under Ethiopian GAAP, the Enterprise did not recognise provisions in relations to legal claims. It also did not recognise employee leave payable, recognise free electricity provided to staff and deferred certain expenditures. Under IFRS, the deferred expenditures that did not meet the capitalisation criteria were expensed, provisions for legal claims and employee leave made as per the standard requirements and the employee benefits provided accounted for.

		07 July 2017 Birr'000
D	**Net impairment gain (loss) on financial and contract assets**	
	Net impairment gain (loss) on financial and contract assets as per previous GAAP	-
	Remeasurement adjustments :	
	Being IFRS 9 impairment assessment for cash with financial institutions	(55)
		(55)
	Net impairment gain (loss) on financial and contract assets as per IFRS	**(55)**

On transition to IFRS, financial and contract assets are carried at amortised cost. Expected credit losses on these balances has been assessed and recognised in the statement of profit or loss in line with IFRS 9.

E	Other income	07 July 2017 Birr'000
	Other income as per previous GAAP	(94,206)
	Reclassification	
	Being reclassification of miscellaneous income to income from operations, maintenance and services	81,266
	Remeasurement adjustments :	
	Being amortization of grant	(1,299)
	Being write back on inventory	(2,665)
		(3,964)
	Other income as per IFRS	**(16,904)**

Grants previously recognised under Ethiopian GAAP were reversed on transition to IFRS to recognise the grants correctly in the period they were earned by the Enterprise.

F	Depreciation of property, plant and equipment	07 July 2017 Birr'000
	Depreciation of property, plant and equipment as per previous GAAP	2,003,114
	Remeasurement adjustments :	
	Being depreciation of buildings and infrastructure	65,079
	Being entry to correct depreciation and accumulated depreciation accounts of buildings and infrastructure	(2,227)
	Being depreciation of diesel generating station	35,627
	Being entry to correct depreciation and accumulated depreciation accounts of diesel generating station	(10,775)
	Being depreciation of geo-thermal generating station	12,837
	Being entry to correct depreciation and accumulated depreciation accounts of geo-thermal generating station	(8,068)
	Being depreciation of hydro generating station	2,906,417
	Being entry to correct depreciation and accumulated depreciation accounts of hydro generating station	(971,265)
	Being depreciation of office furniture and equipment	27,959
	Being entry to correct depreciation and accumulated depreciation accounts of office furniture and equipment	(36,446)
	Being depreciation of substations	1,289,919
	Being entry to correct depreciation and accumulated depreciation accounts of substations	(201,958)
	Being depreciation of switchyard	161,762
	Being entry to correct depreciation and accumulated depreciation accounts of switchyard	
	Being depreciation of transmission line	1,870,142
	Being entry to correct depreciation and accumulated depreciation accounts of transmission line	(232,690)
	Being depreciation of vehicles	92,022
	Being entry to correct depreciation and accumulated depreciation accounts of vehicles	(22,166)
	Being depreciation of wind generation power plant	604,658
	Being entry to correct depreciation and accumulated depreciation accounts of wind generation power plant	(517,520)
		5,063,307
	Depreciation of property, plant and equipment as per IFRS	**7,066,421**

On transition to IFRS, the Enterprise chose to apply the fair value as deemed cost exemption for property plant and equipment. As part of the fair valuation exercise as at 08 July 2016, the Enterprise also reviewed the useful lives and residual values of its PPE assets. Consequently the depreciation expense on PPE recognised in the statement of profit or loss was adjusted.

G	Depreciation charge of right of use asset	07 July 2017 Birr'000
	Depreciation charge of right of use asset as per previous GAAP	-
	Remeasurement adjustments :	
	Being depreciation expense for right of use asset in the year	22,384
		22,384
	Depreciation charge of right of use asset as per IFRS	**22,384**

Under Ethiopian GAAP, the Enterprise expensed rent payments on lease as incurred. On transition to IFRS, the Enterprise recognised lease liabilities and right of use assets in accordance with IFRS 16. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Consequently, amortization of the right of use assets was recognised in the statement of profit or loss.

H	Finance costs	07 July 2017 Birr'000
	Finance costs as per previous GAAP	8,116,941
	Remeasurement adjustments :	
	Being effective interest rate adjustment of promissory notes	27,928
	Being effective interest rate adjustment of long term loans	44,018
	Being effective interest rate adjustment of short term loan - suppliers credit	-
	Being adjustment to recognise unwinding of restoration costs upon remeasurement	118
	Being effective interest rate adjustment of long term bonds	2,517
	Being adjustment for an unsupported write down on long term loans	-
	Being interest adjustments on grants	1,299
	Being foreign exchange adjustment on other promissory notes	15,539
	Being foreign exchange adjustments on long term loan balances	(26,301)
	Being net loss or (gain) on valuation of borrowings	(2,260,173)
	Being IAS 21 effects of foreign exchange on foreign currency denominated assets and liabilities	(34,886)
	Being interest expense on lease liability	6,460
		(2,223,482)
	Finance costs as per IFRS	**5,893,459**

Under GAAP, both foreign currency and local currency denominated borrowings held by the Enterprise were carried at the principal amount plus accrued interest at contractual interest rate. On transition to IFRS, the borrowings were recognized as financial liabilities held at amortised cost and interest expense recognised at effective interest rate. Consequently, the interest expense and the foreign exchange gains and losses recognised in the statement of profit or loss under Ethiopian GAAP were adjusted.

I	Other reserves	07 July 2017 Birr'000
	Other reserves as per previous GAAP	-
	Remeasurement adjustments :	
	Remeasurement (gains)/losses arising from changes in actuarial estimates - severance pay	(146)
	Remeasurement (gains)/losses arising from changes in actuarial estimates - free electricity	(195)
	Remeasurement (gains)/losses arising from changes in actuarial estimates - severance pay	598
	Remeasurement (gains)/losses arising from changes in actuarial estimates - free electricity	1,005
		1,260
	Other reserves as per IFRS	**1,260**

The Enterprise provides free electricity benefits and severance pay to its staff. Defined benefit obligations relating to these benefits had not been recognised. On transition, the Enterprise performed actuarial valuations of these liabilities as per IAS 19 and recognised the resulting liabilities in its financial statements.

Remeasurement gains and losses (net of deferred tax) arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. The remeasurement gains and losses are accumulated and presented as other reserves in the statement of financial position.

J	Property, Plant and Equipment	07 July 2017 Birr'000	8 July 2016 Birr'000
	Property, Plant and Equipment as per previous GAAP	284,627,390	234,119,695
	Reclassification		
	Being reclassification of advance payments	(23,192,140)	(22,978,306)
	Remeasurement adjustments :		
	Rollover adjustment	215,466,454	-
	Being fair valuation of buildings and infrastructure	-	2,477,828
	Being fair valuation of diesel generating station	-	942,320
	Being fair valuation of geo-thermal generating station	-	481,407
	Being fair valuation of hydro generating station	-	117,063,731
	Being fair valuation of land	379,644	32,594,085
	Being fair valuation of work in progress	-	(96,365,259)
	Being fair valuation of office furniture and equipment	-	168,715
	Being fair valuation of substations	-	40,729,472
	Being fair valuation of switchyard	-	5,753,478
	Being fair valuation of transmission line	-	92,471,783
	Being fair valuation of vehicles	-	1,376,380
	Being fair valuation of wind generation power plant	-	17,641,424
	Being capitalised borrowing costs	461,655	131,090
	Being additions to buildings and infrastructure - 2017	36,568	-
	Being depreciation of buildings and infrastructure	(65,079)	-
	Being entry to correct depreciation and accumulated depreciation accounts of buildings and infrastructure	2,227	-
	Being entry to correct fixed asset accounts of buildings and infrastructure - 2017	-	-
	Being additions to diesel generating station - 2017	-	-
	Being depreciation of diesel generating station	(35,627)	-
	Being entry to correct depreciation and accumulated depreciation accounts of diesel generating station	10,774	-
	Being entry to correct fixed asset accounts of diesel generating station - 2017	-	-
	Being depreciation of geo-thermal generating station	(12,837)	-
	Being entry to correct depreciation and accumulated depreciation accounts of geo-thermal generating station	8,068	-
	Being depreciation of hydro generating station	(2,906,417)	-
	Being entry to correct depreciation and accumulated depreciation accounts of hydro generating station	971,265	-
	Being entry to correct fixed asset accounts of hydro generating station - 2017	(98,358)	-
	Being additions to work in progress - 2017	40,902,819	-
	Being entry to correct work in progress accounts - 2017	(43,515,592)	-
	Being additions to office furniture and equipment - 2017	1,239	-
	Being depreciation of office furniture and equipment	(27,959)	-
	Being entry to correct depreciation and accumulated depreciation accounts of office furniture and equipment	36,559	-
	Being entry to correct fixed asset accounts of office furniture and equipment - 2017	(3,268)	-
	Being additions to substations - 2017	1,908,785	-
	Being depreciation of substations	(1,289,919)	-
	Being entry to correct depreciation and accumulated depreciation accounts of substations	201,958	-
	Being entry to correct fixed asset accounts of substations - 2017	(493,054)	-
	Being additions to switchyard - 2017	38,560	-
	Being depreciation of switchyard	(161,762)	-
	Being entry to correct fixed asset accounts of switchyard - 2017	-	-
	Being entry to correct depreciation and accumulated depreciation accounts of switchyard	-	-
	Being additions to transmission line - 2017	3,008,809	-
	Being depreciation of transmission line	(1,870,142)	-
	Being entry to correct depreciation and accumulated depreciation accounts of transmission line	232,690	-
	Being entry to correct fixed asset accounts of transmission line - 2017	(652,793)	-
	Being additions to vehicles - 2017	-	-
	Being depreciation of vehicles	(92,022)	-
	Being entry to correct depreciation and accumulated depreciation accounts of vehicles	18,375	-
	Being entry to correct fixed asset accounts of vehicles - 2017	(26,124)	-
	Being depreciation of wind generation power plant	(604,658)	-
	Being entry to correct depreciation and accumulated depreciation accounts of wind generation power plant	517,518	-
	Being entry to correct fixed asset accounts of wind generation power plant - 2017	(7,504,106)	-
		(10,622,204)	215,466,454
	Property, Plant and Equipment as per IFRS	**466,279,500**	**426,607,843**

On transition to IFRS, the Enterprise chose to apply the fair value as deemed cost exemption for property plant and equipment. As part of the fair valuation exercise as at 08 July 2016, the Enterprise also reviewed the useful lives and residual values of its PPE assets. Consequently the cost, accumulated depreciation and depreciation expense on PPE as per Ethiopian GAAP were adjusted. The Enterprise also reclassified advance payments to contractors to trade and other receivables on transition to IFRS.

K Intangible assets

	07 July 2017 Birr'000	8 July 2016 Birr'000
Intangible assets as per previous GAAP	243,642	215,546
Remeasurement adjustments :		
Rollover adjustment	(110,876)	
Being de-recognition of expenses not meeting capitalisation criteria	(14,635)	(110,876)
	118,131	(110,876)
Intangible assets as per IFRS	**118,131**	**104,670**

On transition to IFRS, the Enterprise chose to apply the fair value as deemed cost exemption for intangible assets. As part of the fair valuation exercise as at 08 July 2016, the Enterprise also reviewed the useful lives and residual values of its intangible assets. Consequently the cost, accumulated amortization and amortization expense on intangible assets as per Ethiopian GAAP were adjusted.

L Right of use assets

	07 July 2017 Birr'000	8 July 2016 Birr'000
Right of use assets as per previous GAAP	-	-
Remeasurement adjustments :		
Rollover adjustment	74,541	
Being recognition of right of use assets	3,723	73,433
Being derecognition of terminated leases	(59)	-
Being recognition of provision for restoration cost into right-of-use asset	50	1,108
To recognise depreciation of right of use assets	(22,383)	
	(18,669)	74,541
Right of use assets as per IFRS	**55,872**	**74,541**

Under Ethiopian GAAP, the Enterprise expensed rent payments on lease as incurred. On transition to IFRS, the Enterprise recognised lease liabilities and right of use assets in accordance with IFRS 16. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In addition restorations costs relating to estimate of costs to be incurred by the Enterprise in restoring leased sites to the condition required by the terms and conditions of leases have been recognised under IFRS.

M Long term receivables

	07 July 2017 Birr'000	8 July 2016 Birr'000
Long term other receivables as per previous GAAP	3,899,326	3,433,249
Remeasurement adjustments :		
Rollover adjustment	(3,317,821)	
Being write back of long term receivables on asset valuation	(466,077)	(3,317,821)
	(3,783,898)	(3,317,821)
Long term other receivables as per IFRS	**115,428**	**115,428**

The Enterprise makes contributions to the Universal Electrification Access Program (UEAP) under Ethiopian Electric Utility for construction of transmission lines and substations. The Enterprise receives the constructed assets once complete. These adjustments are made on transition to IFRS as the assets are verified as received during the asset valuation.

N Inventories

	07 July 2017 Birr'000	8 July 2016 Birr'000
Inventories as per previous GAAP	161,711	150,255
Remeasurement adjustments :		
Rollover adjustment	5,242	
Being adjustment to reconcile inventory to detailed inventory listing (Stock count)	2,666	(2,666)
Being adjustment to reverse arbitrary provision for stock obsolescence	603	7,908
	8,511	5,242
Inventories as per IFRS	**170,222**	**155,497**

On transition to IFRS, the Enterprise valued inventories at the lower of cost or net realisable value. This resulted to a write back on inventories that was credited to the statement of profit or loss.

O	Trade and other receivables	07 July 2017 Birr'000	8 July 2016 Birr'000
	Trade and other receivables as per previous GAAP	1,071,087	597,452
	Reclassification		
	Being reclassification of advance payments	23,199,955	22,978,306
	Remeasurement adjustments :		
	Rollover adjustment	(207,663)	-
	Being IAS 21 effects of foreign exchange on foreign currency denominated assets	34,709	(147,730)
	Being recognition of trade receivable from EEU	(26,461)	(276)
	Being recognition of IFRS 9 expected credit losses for trade receivables	-	(59,657)
		(199,414)	(207,663)
	Trade and other receivables as per IFRS	**24,071,628**	**23,368,095**

On transition to IFRS expected credit losses for trade receivables has been assessed and recognised in the statement of profit or loss in line with IFRS 9. The Enterprise also reclassified advance payments made to contractors from PPE to trade and other receivables.

The Enterprise has also recognised unrealised foreign exchange gains and losses arising from revaluation of its trade receivables balances in accordance with IAS 21.

P	Cash and cash equivalents	07 July 2017 Birr'000	8 July 2016 Birr'000
	Cash and cash equivalents as per previous GAAP	1,633,472	1,569,722
	Remeasurement adjustments :		
	Rollover adjustment	(892)	
	Being IFRS 9 impairment assessment for cash with financial institutions	55	(892)
	To recognise foreign exchange gain/(loss) on foreign currency cash and cash equivalents	-	-
		(837)	(892)
	Cash and cash equivalents as per IFRS	**1,632,635**	**1,568,830**

On transition to IFRS, fixed and time deposits with banks and other financial institutions have been carried at amortised cost. Expected credit losses in respect of the balances has been assessed and recognised by the Enterprise in line with IFRS 9.

Q	Borrowings	07 July 2017 Birr'000	8 July 2016 Birr'000
	Borrowings as per previous GAAP	(249,878,760)	(206,006,003)
	Remeasurement adjustments :		
	Rollover adjustment	1,199,572	-
	Being recognition of borrowings at effective interest rate	1,160,380	1,257,120
	Being recognition of government grant due to below market interest	-	2,847
	Being interest adjustment on grants	(1,299)	
	Being recognition of foreign currency effect on borrowings	10,761	(63,951)
	Being adjustment for an unsupported write down on long term loans	563,677	3,556
		2,933,092	1,199,572
	Borrowings as per IFRS	**(246,945,668)**	**(204,806,431)**

Under GAAP, both foreign currency and local currency denominated borrowings held by the Enterprise were carried at the principal amount plus accrued interest at contractual interest rate. On transition to IFRS, the borrowings were recognized as financial liabilities held at amortised cost and interest expense recognised at effective interest rate.

R	Trade and other payables	07 July 2017 Birr'000	8 July 2016 Birr'000
	Trade and other payables as per previous GAAP	(25,568,276)	(9,085,725)
	Reclassification		
	Being reclassification of advance payments	(7,815)	-
	Remeasurement adjustments :		
	Rollover adjustment	(15,133,662)	
	Being adjustment to accrue employee leave payable	(22,020)	(16,880)
	Being adjustment to accrue employee bonus payable	(3,018)	(23,351)
	Being adjustment to accrue for free electric benefit for active employees	(6,539)	(5,480)
	Being effects of foreign exchange on foreign currency denominated liabilities	177	(196)
	Being accrual of WIP additions in subsequent years for assets in existence at asset valuation date	6,262,184	(15,087,756)
		(8,902,878)	(15,133,662)
	Trade and other payables as per IFRS	**(34,478,970)**	**(24,219,388)**

The Enterprise, upon transition to IFRS, has provided for employee leave payable and employee bonus payable and also recognised unrealised foreign exchange gains and losses arising from revaluation of its trade and other payable balances in accordance with IAS 21.

S	Provisions	07 July 2017 Birr'000	8 July 2016 Birr'000
	Provisions as per previous GAAP	-	-
	Remeasurement adjustments :		
	Rollover adjustment	(2,122)	
	Being adjustment to recognise provision in relation to legal claims	(18,446)	(1,014)
	Being recognition of provision for restoration cost into right-of-use asset	(168)	(1,108)
		(20,736)	(2,122)
	Provisions as per IFRS	**(20,736)**	**(2,122)**

Under IFRS, provisions for legal claims are recognised when the Enterprise has a present legal or constructive obligation a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. On transition to IFRS, the Enterprise recognises as provisions the costs associated with restoration and returning an asset operated under a lease to its original condition upon termination of the lease.

T	Lease liabilities	07 July 2017 Birr'000	8 July 2016 Birr'000
	Lease liabilities as per previous GAAP	-	-
	Remeasurement adjustments :		
	Rollover adjustment	(73,433)	-
	Being recognition of lease liability at transition date	(3,723)	(73,433)
	Being reversal of rent expense to lease liability	25,410	-
	Being interest expense on lease liability in the year	(6,460)	-
	Being derecognition of lease terminated leases	59	-
		(58,147)	(73,433)
	Lease liabilities as per IFRS	**(58,147)**	**(73,433)**

Under Ethiopian GAAP, the Enterprise expensed rent payments on lease as incurred. On transition to IFRS, the Enterprise recognised lease liabilities in accordance with IFRS 16. 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.

U	Grants	07 July 2017 Birr'000	8 July 2016 Birr'000
	Grants as per previous GAAP	(75,956)	(65,331)
	Remeasurement adjustments :		
	Rollover adjustment	(2,847)	-
	Being adjustment to recognise grant on loans below market interest rate	-	(2,847)
	Being amortization of grants	1,299	-
		(1,548)	(2,847)
	Grants as per IFRS	**(77,504)**	**(68,178)**

Grants previously recognised under Ethiopian GAAP were reversed on transition to IFRS to recognise the grants correctly in the period they were earned by the Enterprise.

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V	Employee benefits obligations	07 July 2017 Birr'000	8 July 2016 Birr'000
	Employee benefits obligations as per previous GAAP	-	-
	Remeasurement adjustments :		
	Rollover adjustment	(6.493)	
	Being recognition of defined benefit liability and related costs - free electricity	(464)	(2.231)
	Being recognition of defined benefit liability and related costs - severance pay	(341)	(4.262)
	Remeasurement (gains)/losses arising from changes in actuarial estimates - severance pay	(598)	
	Remeasurement (gains)/losses arising from changes in actuarial estimates - free electricity	(1.005)	-
		(8.900)	(6.493)
	Employee benefits obligations as per IFRS	**(8,900)**	**(6,493)**

The Enterprise provides free electricity benefits and severance pay for its staff. Defined benefit obligations relating to these benefits had not been recognised. On transition. the Enterprise performed actuarial valuations of these liabilities as per IAS 19 and recognised the resulting liabilities in its financial statements.

W	Capital	07 July 2017 Birr'000	8 July 2016 Birr'000
	Capital as per previous GAAP	(30.415.948)	(30.415.948)
	Remeasurement adjustments :		
	Rollover adjustment	(34.092.567)	-
	Being capital contribution arising from freehold land received from the government (shareholder)	(379.644)	(32.594.085)
	To recognise capital from government contribution		(1.498.482)
		(34.472.211)	(34.092.567)
	Capital as per IFRS	**(64,888,159)**	**(64,508,515)**

The Enterprise recognised capital contribution in the form of both capital and freehold land from the Government (shareholder) on transition to IFRS.

		07 July 2017 Birr'000	8 July 2016 Birr'000
X	**Retained earnings**		
	Retained earnings as per previous GAAP	(17,290,705)	(7,589,977)
	Remeasurement adjustments :		
	Rollover adjustment		
	Loss for the period	(25,036,632)	(9,700,728)
	Retained earnings as per IFRS	**(42,327,337)**	**(17,290,705)**

		07 July 2017 Birr'000	8 July 2016 Birr'000
Y	**Non-distributable reserve**		
	Non-distributable reserve as per previous GAAP	-	-
	Remeasurement adjustments :		
	Rollover adjustment	(165,895,723)	-
	Being first time IFRS adjustments		(165,895,723)
	Write down (back) of differences on property, plant and equipment carrying values	2,702,717	
	Non-distributable reserve as per IFRS	**(163,193,006)**	**(165,895,723)**

The Enterprise recognised a non-distributable reserve on 1 July 2016 arising out of IFRS adoption adjustments. This reserve is not distributable as dividends in compliance with guidance issued by the Accounting and Auditing Board of Ethiopia. Differences between IFRS and previous GAAP carrying values on property, plant and equipment relating to IFRS adoption are adjusted through the non-distributable reserve in subsequent years.