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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN ELECTRIC POWER
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
30 JULY 2020

**Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
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Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Management, professional advisers and registered office

Management board

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

Executive management

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

Independent auditor
 Audit Services Corporation
 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



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

Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Report of the management board

The management board members submit their report together with the financial statements for the period ended 07 July 2020 to the supervising authority; Public Enterprises Holding and Administration Agency (PEHAA).

Incorporation and address

Ethiopian Electric Power was established as an autonomous public enterprise on 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 and dividends

The Enterprise's results for the year ended 07 July 2020 are set out on page 11. The loss for the year has been transferred to accumulated losses. The summarised results are presented below.

	07 July 2020 Birr'000	07 July 2019 Birr'000
Revenue from contracts with customers	9,013,936	6,244,919
Net loss for the year	(29,651,469)	(27,270,677)
Other comprehensive loss net of taxes	(2,278)	(3,984)
Total comprehensive loss for the year	(29,653,747)	(27,274,661)

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
23 August 2022



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Statement of management board's responsibilities

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
23 August 2022





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Office of the Federal Auditor General
Audit Service Corporation

**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 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Key Audit Matters (continued)

Other Matter

We have previously audited financial statements of the Entity comprising its financial position as at 7 July 2020, 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 16 March 2021.

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

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

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

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.
- 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.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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.

Other Information

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

Management is responsible for the other information. The other information comprises the Management board and executive management, the Report of the Management Board and the Statement of Management Board's Responsibilities, but does not include the financial statements and our auditor's report thereon.



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

Other Information

Information Other than the Financial Statements and Auditor's Report Thereon (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstatement. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Audit Services Corporation

23 August 2022



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Statement of profit or loss and other comprehensive income

	Notes	07 July 2020 Birr'000	07 July 2019 Birr'000
Revenue from contracts with customers	5	9,013,936	6,244,919
Direct costs	6(a)	(2,415,322)	(1,332,161)
Operating expenses	6(b)	(154,600)	(268,541)
Net impairment gain (loss) on financial assets	13 15	(352,116)	270,711
Other income (expense)	8	1,032,148	118,774
Earnings before interest, taxes, depreciation and amortization (EBITDA)		7,124,046	5,033,702
Depreciation of property, plant and equipment	10	(7,499,401)	(7,414,591)
Depreciation charge of right of use asset	11	(74,817)	(26,276)
		(7,574,218)	(7,440,867.00)
Operating loss		(450,172)	(2,407,165)
Finance costs	9	(29,201,297)	(24,863,512)
Net Loss for the year		(29,651,469)	(27,270,677.00)
Other comprehensive income (OCI)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain/(loss) on post employment benefits obligatio	17	(2,278)	(3,984)
		(2,278)	(3,984)
Total comprehensive loss for the period		(29,653,747)	(27,274,661)

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



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Statement of changes in equity

	Notes	Capital Birr'000	Legal reserve Birr'000	Other reserves Birr'000	Accumulated losses Birr'000	Non-distributable reserve Birr'000	Total equity Birr'000
As at 08 July 2018		65,039,790	2,283	(2,072)	(42,327,337)	162,767,839	185,480,503
Loss for the period		-	-	-	(27,270,677)	-	(27,270,677)
Other comprehensive income:							
Re-measurement gains on defined benefit plans	17	-	-	(3,984)	-	-	(3,984)
Total comprehensive income / (loss) for the period		-	-	(3,984)	(27,270,677)	-	(27,274,661)
Transaction with owners in their capacity as owners :							
Capital contribution	21	49,314,067	-	-	-	-	49,314,067
As at 07 July 2019		114,353,857	2,283	(6,056)	(69,598,014)	162,767,839	207,519,909
As at 08 July 2019		114,353,857	2,283	(6,056)	(69,598,014)	162,767,839	207,519,909
Loss for the period		-	-	-	(29,651,469)	-	(29,651,469)
Other comprehensive income:							
Re-measurement gains on defined benefit plans	17	-	-	(2,278)	-	-	(2,278)
Total comprehensive income / (loss) for the period		-	-	(2,278)	(29,651,469)	-	(29,653,747)
Transaction with owners in their capacity as owners :							
Capital contribution	21	4,469,909	-	-	-	-	4,469,908
As at 07 July 2020		118,823,766	2,283	(8,334)	(99,249,483)	162,767,839	182,336,071

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



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Statement of cash flows

	Notes	07 July 2020 Birr'000	07 July 2019 Birr'000
Cash flows from operating activities			
Cash generated used in operations	27 (a)	352,360	(863,526)
Interest paid on borrowings		(23,283,286)	(18,743,606)
Interest paid on leases		(12,707)	(3,419)
Net cash (outflow)/inflow from operating activities		(22,943,632)	(19,610,551)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(15,157,047)	(22,360,914)
Purchase of intangible assets	14	(34,822)	(210,300)
Payment for right of use assets	11	(79,761)	(661)
Net cash (outflow)/inflow from investing activities		(15,271,630)	(22,571,874)
Cash flows from financing activities			
Proceeds from borrowings	16	47,716,232	55,373,227
Repayments of borrowings	16	(13,407,317)	(12,120,264)
Principal elements of lease payments		(5,637)	(27,893)
Net cash (outflow)/inflow from financing activities		34,303,278	43,225,070
Net (decrease)/increase in cash and cash equivalents		(3,911,985)	1,042,644
Cash and cash equivalents at the beginning of the year	15	5,898,950	2,672,638
Effects of exchange rate changes on cash and cash equivalents		1,744,313	2,183,668
Cash and cash equivalents at the end of the year	15	3,731,278	5,898,950

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



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Notes to the financial statements

1 General information

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

The Enterprise's registered office is at:

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 2020 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 have been prepared in accordance with the going concern principle under the historical cost concept except where otherwise stated in the accounting policies. Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

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

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



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Notes to the financial statements

2 Significant accounting policies (continued)

2.c Going concern

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

2.d Changes in accounting policies and disclosures

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

There are no standards, amendments, interpretations that are not yet effective and that would be expected to have a material impact on the enterprise in the current or future reporting years.

2.e Foreign currency translation

2.e(i) Functional and Presentation currency

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

2.e(ii) Transactions and balances

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

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

2.f Recognition of revenue from contracts with customers

The Enterprise principally generates revenue from providing power generation, transmission and substation 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.

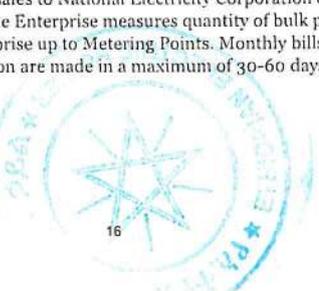
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Enterprise recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer.

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

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

The Enterprise measures its progress towards complete satisfaction of the transfer of bulk electric power, a performance obligation satisfied over time, using the output method to its main customer, Ethiopian Electric Utility (EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated a transmission and distribution loss of 12% and 6% for the years ended 07 July 2020 and 07 July 2019 respectively. Transmission and distribution loss is when the amount of electricity generated is greater than the amount delivered to end users and occurs due to technical losses like resistance loss over long transmission lines, energy losses in conductors and transformers and non-technical losses like metering inaccuracies. Loss of electric power during transmission and distribution is an underlying characteristic of the business of the Enterprise.

The Enterprise measures and recognises bulk electric power sales to National Electricity Corporation of The Sudan (NEC) 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. The Enterprise up to Metering Points. Monthly bills are raised based on predetermined tariffs and measurement of power delivered and cash collection are made in a maximum of 30-60 days for each bill raised in US Dollars.



Ethiopian Electric Power
IFRS financial statements
For the year ended 07 July 2020
Notes to the financial statements

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 year, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

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

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

2.h Financial instruments

2.h(i) Financial Assets

Classification

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

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

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

Measurement

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

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

Debt Instruments

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

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

Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

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

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

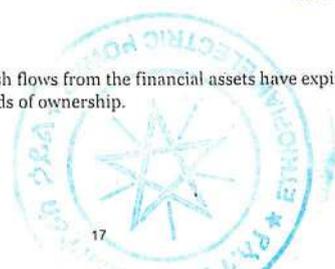
Other receivables generally arise from transactions outside the usual operating activities of the Enterprise.

Cash and cash equivalents

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

Derecognition

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



Ethiopian Electric Power
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For the year ended 07 July 2020
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2 Significant accounting policies (continued)

2.h Financial instruments (continued)

2.h(ii) Financial liabilities

Borrowings

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

Trade payables

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

2.h(iii) Impairment of financial assets

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

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

2.h(iv) Offsetting financial instruments

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

2.i Property, plant and Equipment

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

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

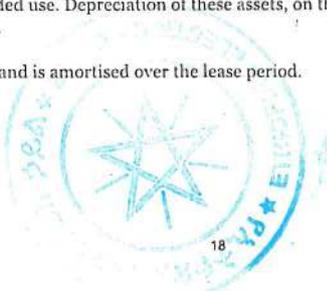
Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Useful life in years	Average residual value in %
Transmission lines	40-55	7%-9%
Buildings	10-100	10%-12%
Office equipment	8-40	10%-11%
Substation	8-70	6%-8%
Vehicles	8-50	6%-13%
Diesel Power Plant	8-70	22%-24%
Geothermal Power Plant	8-50	21%-23%
Hydro-electric power plants	8-100	8%-9%
Wind power Plant	8-55	5%-6%
Switch yard	8-70	3%-14%
Waste to Energy Plant	15-100	1%-2%

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

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

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



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2 Significant accounting policies (continued)

2.i Property, plant and Equipment (continued)

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

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 or loss for the year

2.j Intangible assets

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

Softwares

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

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

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

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

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



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2 Significant accounting policies (continued)

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.l 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.



Ethiopian Electric Power
IFRS financial statements
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2 Significant accounting policies (continued)

2.1 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.



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2 Significant accounting policies (continued)

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.n Current and deferred income tax

The Enterprise is exempt from business income tax.

2.o 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.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 it is extinguished, i.e. 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

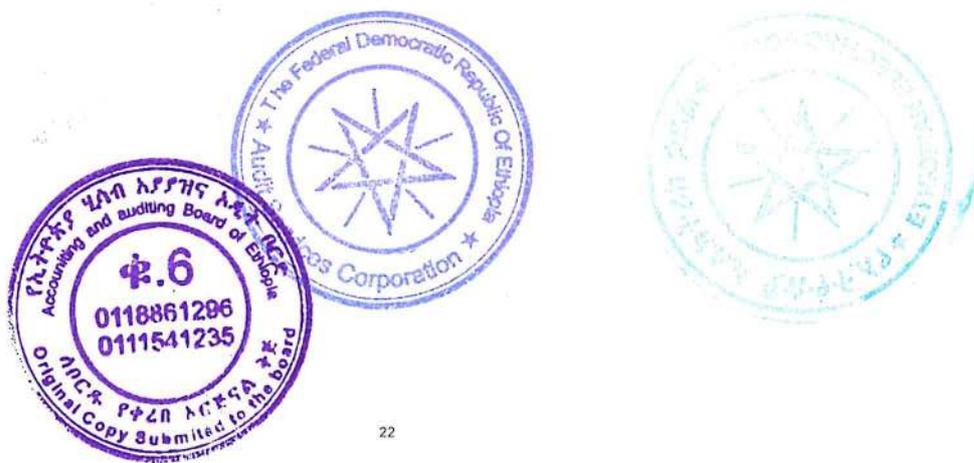
2.r(i) Short-term obligations

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.



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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 labor unions. 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.s Grants

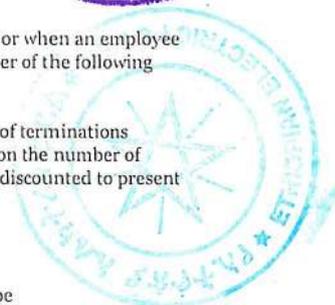
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Enterprise will comply with all attached conditions.

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.



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

3.c Revenue from sale of bulk power

The Enterprise measures and recognises bulk electric power sales to its main customer, Ethiopian Electric Utility (EEU) based on electric power sales made by Ethiopian Electric Utility to its end user customers. Revenue is measured at 60% of EEU's power sales. Management estimated transmission and distribution loss of 12% and 7% for the years ended 07 July 2020 and 2019 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

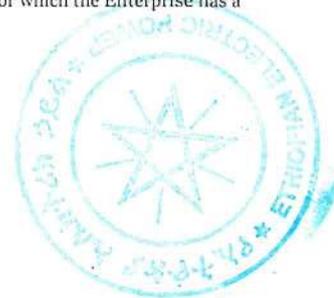
The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Enterprise uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Enterprise's past history, existing market conditions as well 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.g Provisions and contingent liabilities

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

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

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



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4 Financial risk management

4.a Introduction

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

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

Categories of financial instruments

		07 July 2020	07 July 2019
		Birr'000	Birr'000
Financial assets at amortised cost			
Current			
Trade receivables and other receivables	13	2,243,241	2,436,554
Cash and cash equivalents	15	3,731,278	5,898,950
		<u>5,974,519</u>	<u>8,335,504</u>
Financial liabilities at amortised cost			
Current			
Borrowings	16	126,149,546	101,260,311
Lease liability	11	59,101	16,587
Trade payables	18	11,850,490	14,674,961
Contract liabilities	19	308,056	74,282
Non current			
Borrowings	16	253,386,783	226,677,929
Lease liability	11	80,673	8,127
		<u>391,834,649</u>	<u>342,712,197</u>

Financial risk management (continued)

4.b Market risk

(i) Foreign exchange risk

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

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

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



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Financial risk management (continued)

4.b Market risk (continued)

(i) Foreign exchange risk (continued)

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

07-Jul-20	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	1,374,058	563,990	16,580	-	-	1,954,628
Trade receivables	1,670,393	-	-	-	-	1,670,393
	<u>3,044,451</u>	<u>563,990</u>	<u>16,580</u>	<u>-</u>	<u>-</u>	<u>3,625,021</u>
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	3,110,886	49,922	-	-	242,545	3,403,353
Borrowings: Bonds Payables	1,051,020	91,387	22,592	-	-	1,164,999
Borrowings: Long Term Loans	55,061,292	14,974,924	-	-	-	70,036,216
	<u>59,223,198</u>	<u>15,116,233</u>	<u>22,592</u>	<u>-</u>	<u>242,545</u>	<u>74,604,569</u>
	<u>(56,178,747)</u>	<u>(14,552,244)</u>	<u>(6,011)</u>	<u>-</u>	<u>(242,545)</u>	<u>(70,979,548)</u>
07-Jul-19						
	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	1,295,573	459,394	16,733	-	-	1,771,700
Trade receivables	765,264	-	-	-	-	765,264
	<u>2,060,837</u>	<u>459,394</u>	<u>16,733</u>	<u>-</u>	<u>-</u>	<u>2,536,964</u>
Foreign Currency Liabilities						
Trade payables	-	-	-	-	-	-
Contractor's retention	3,398,795	199,494	-	-	164,522	3,762,810
Borrowings: Bonds Payables	804,532	73,761	20,293	-	-	898,587
Borrowings: Long Term Loans	50,232,157	12,930,413	-	-	-	63,162,569
	<u>54,435,484</u>	<u>13,203,668</u>	<u>20,293</u>	<u>-</u>	<u>164,522</u>	<u>67,823,967</u>
	<u>(52,374,647)</u>	<u>(12,744,273)</u>	<u>(3,561)</u>	<u>-</u>	<u>(164,522)</u>	<u>(65,287,003)</u>



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Financial risk management (continued)

4.b Market risk (continued)

(i) Foreign exchange risk (continued)

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

	07 July 2020 Birr '000	07 July 2019 Birr '000
USD/Birr exchange rate - increase/decrease by 10% (2019: 10%)	5,617,875	3,428,310
EUR/Birr exchange rate - increase/decrease by 10% (2019: 10%)	1,455,224	892,099
GBP/Birr exchange rate - increase/decrease by 10% (2019: 10%)	601	249
SDR/Birr exchange rate - increase/decrease by 10% (2019: 10%)	(0)	(0)
UA/Birr exchange rate - increase/decrease by 10% (2019: 10%)	35,033	11,517
	<u>7,108,734</u>	<u>4,332,175</u>

(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 also holds fixed interest rate financial liabilities.

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

	2020 Birr '000	% of total	2019 Birr '000	% of total
Loans:				
Variable rate borrowings: Loans	38,246,962	54.5%	34,785,859	55.1%
Fixed rate borrowings: Loans	31,897,043	45.5%	28,377,134	44.9%
	<u>70,144,006</u>	<u>100%</u>	<u>63,162,993</u>	<u>100%</u>
Bonds:				
Fixed rate borrowings: Bonds	309,392,324	100%	264,775,248	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.

Interest rates - increase by 100 basis points*
 Interest rates - decrease by 100 basis points*
 *- Holding other variables constant

	Impact on pre-tax profit 07 July 2020 Birr '000	Impact on pre-tax profit 07 July 2019 Birr '000
Interest rates - increase by 100 basis points*	2,302,576	1,574,276
Interest rates - decrease by 100 basis points*	(2,302,576)	(1,574,276)



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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 2020				
Trade receivables and other receivables	13	2,361,610	108,370	306,819
Cash and cash equivalents	15	3,733,094	-	-
		6,094,704	108,370	306,819
07 July 2019				
Trade receivables and other receivables	13	615,936	2,079,361	64,618
Cash and cash equivalents	15	5,901,920	-	-
		6,517,856	2,079,361	64,618

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

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

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

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

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

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

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



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Financial risk management (continued)

4.c Credit risk (continued)

(i) Trade receivables

The Enterprise applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

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

	07 July 2020 Birr'000	07 July 2019 Birr'000
At start of year	193,066	465,374
Impairment losses for the year	353,270	12,410
Reversals of impairment losses for the year	-	(284,718)
Loss allowance as at period end	546,336	193,066

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

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



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Financial risk management (continued)

4.c Credit risk (continued)

(ii) Deposits with financial institutions

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

	07 July 2020	07 July 2019
	Birr'000	Birr'000
At start of year	2,970	1,373
Impairment losses for the year	-	1,597
Reversal of impairment losses for the year	(1,154)	-
Loss allowance as at period end	1,816	2,970

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 assets recognised in profit or loss

	07 July 2020	07 July 2019
	Birr'000	Birr'000
Impairment losses on trade receivables	353,270	12,410
Reversals of impairment losses on trade receivables	-	(284,718)
Impairment losses on deposits with financial institutions	-	1,597
Reversals of impairment losses on deposits with financial institutions	(1,154)	-
	352,116	352,101

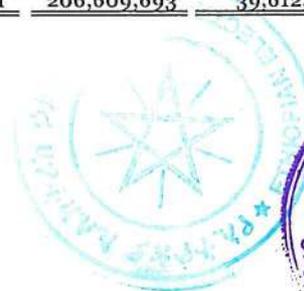
4.d Liquidity risk

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

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

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

	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total undiscounted Birr'000	Carrying amount Birr'000
At 7 July 2020:					
Borrowings	80,731,299	236,422,945	69,368,904	386,523,149	379,536,329
Lease liability	70,075	81,504	12,835	164,414	139,774
Trade payables	11,850,490	-	-	11,850,490	11,850,490
Contract liabilities	308,056	-	-	308,056	308,056
	92,959,921	236,504,449	69,381,739	398,846,109	391,526,593
At 7 July 2019:					
Borrowings	41,918,057	206,604,484	39,599,450	288,121,991	327,938,241
Lease liability	17,761	5,208	13,464	36,433	24,714
Trade payables	14,674,961	-	-	14,674,961	14,674,961
Contract liabilities	74,282	-	-	74,282	74,282
	56,685,061	206,609,693	39,612,914	302,907,668	342,712,198



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Financial risk management (continued)

4.d Liquidity risk (continued)

Financing arrangements:

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

	07 July 2020 Birr'000	07 July 2019 Birr'000
Undrawn borrowing facilities (loans)	-	-

4.e Capital management

The Enterprise's objectives when managing capital are to safeguard the Enterprise's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The gearing ratios as at 30 June 2020 and 30 June 2019 were as follows:

	07 July 2020 Birr'000	07 July 2019 Birr'000
Debt (Note 16)	379,672,713	327,959,565
Less: cash and cash equivalents (Note 15)	(3,731,278)	(5,898,950)
Net debt (i)	<u>375,941,435</u>	<u>322,060,615</u>
Equity (ii)	182,336,071	207,519,909
Net debt to equity ratio	2.06	1.55

(i) Debt is defined as borrowings as detailed in Note 16

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



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5 Revenue from contracts with customers		07 July 2020	07 July 2019
		Birr'000	Birr'000
Recognised over time:			
Revenue from sale of bulk electric power	5(a)	8,974,397	6,142,670
Revenue from other services	5(b)	39,539	102,249
		<u>9,013,936</u>	<u>6,244,919</u>
Disaggregation of revenue from contracts with customers			
5(a) Revenue from sale of bulk power			
		<u>Hydro</u>	<u>Wind</u>
		<u>Birr'000</u>	<u>Birr'000</u>
		<u>Waste</u>	<u>Total</u>
		<u>Birr'000</u>	<u>Birr'000</u>
Electricity			
For year ended 07 July 2020		8,534,981	333,459
For year ended 07 July 2019		5,863,918	259,552
			105,958
			19,200
			8,974,397
			6,142,670
Revenue from sale of bulk power per customer group		07 July 2020	07 July 2019
		Birr'000	Birr'000
Sale of Power to Ethiopian Electric Utility		5,958,613	4,200,674
Sale of Power to Djibouti		1,175,358	926,734
Sale of Power to Sudan		966,438	702,217
Sale of power to industrial customers		873,987	313,044
		<u>8,974,397</u>	<u>6,142,670</u>
5(b) Revenue from other services			
Construction income		30,719	69,946
Operations and maintenance income		8,820	32,303
		<u>39,539</u>	<u>102,249</u>
5(c) Reconciliation of movement in contract liabilities arising from revenue from contracts with customers:			
Beginning		74,282	60,445
Recognised as revenue		(2,618)	(55)
Additions / (reversals) in the period		236,391	13,892
Balance at the end of the year		<u>308,056</u>	<u>74,282</u>
The Enterprise has recognised impairment losses of Birr 470m as at 07 July 2020 (2019 : Birr 126m) from financial assets arising from revenue from contracts with customers.			
6 Expenses by nature		07 July 2020	07 July 2019
		Birr'000	Birr'000
6(a) Direct costs			
Materials and supplies		833,727	207,163
Fuel and lubricant		2,139	933
Employee benefit expense		1,038,716	768,158
Insurance costs		175,468	139,020
Travel and subsistence		83,096	54,405
Publicity costs		9,410	3,326
Miscellaneous costs		272,766	159,156
		<u>2,415,322</u>	<u>1,332,161</u>
6(b) Operating expenses			
Legal expense		(40,256)	175,535
Contracted construction and related services		66,953	85,904
Sundry expenses		53,796	5,241
Advertising and publicity		3,045	3,059
Consultation		1,697	2,512
Board fee		165	138
Audit fee		1,108	905
Employee benefits expense		68,092	(4,753)
		<u>254,600</u>	<u>268,541</u>



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10 Property, plant and equipment

	Hydroelectric power plants	Diesel power plants	Geothermal power plants	Wind power plants	Waste to energy power plants	Substations	Transmission Line	Switchyard	Land	Buildings	Office Equipment	Vehicles	WIP	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Cost														
As at 8 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
Additions	-	-	-	-	-	173,873	739,438	-	406,071	2,813	9	-	30,200,421	31,522,625
Transfer	-	-	-	-	2,849,846	2,542,920	373,345	201,948	-	215,816	8,805	3,158	(6,195,837)	0
At 07 July 2019	<u>143,828,762</u>	<u>1,078,528</u>	<u>541,075</u>	<u>25,393,844</u>	<u>2,849,846</u>	<u>54,435,039</u>	<u>110,377,933</u>	<u>5,993,986</u>	<u>33,531,431</u>	<u>2,868,614</u>	<u>290,984</u>	<u>1,453,184</u>	<u>158,599,012</u>	<u>541,242,238</u>
As at 8 July 2019	143,828,762	1,078,528	541,075	25,393,844	2,849,846	54,435,039	110,377,933	5,993,986	33,531,431	2,868,614	290,984	1,453,184	158,599,012	541,242,238
Additions	-	-	-	-	-	-	-	-	-	-	16,211	25,188	29,001,626	29,043,025
Transfer	-	-	-	-	-	-	112,097	-	-	-	-	-	(112,097)	-
At 07 July 2020	<u>143,828,762</u>	<u>1,078,528</u>	<u>541,075</u>	<u>25,393,844</u>	<u>2,849,846</u>	<u>54,435,039</u>	<u>110,490,030</u>	<u>5,993,986</u>	<u>33,531,431</u>	<u>2,868,614</u>	<u>307,195</u>	<u>1,478,372</u>	<u>187,488,541</u>	<u>570,285,263</u>
Accumulated depreciation														
As at 8 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)
Depreciation charge	(2,902,715)	(35,622)	(12,830)	(604,658)	(10,067)	(1,496,853)	(1,998,867)	(163,522)	-	(68,915)	(28,502)	(92,040)	-	(7,414,591)
At 07 July 2019	<u>(8,712,117)</u>	<u>(106,877)</u>	<u>(38,502)</u>	<u>(1,813,973)</u>	<u>(10,067)</u>	<u>(4,165,077)</u>	<u>(5,828,542)</u>	<u>(487,930)</u>	<u>-</u>	<u>(200,021)</u>	<u>(84,471)</u>	<u>(276,084)</u>	<u>-</u>	<u>(21,723,662)</u>
As at 8 July 2019	(8,712,117)	(106,877)	(38,502)	(1,813,973)	(10,067)	(4,165,077)	(5,828,542)	(487,930)	-	(200,021)	(84,471)	(276,084)	-	(21,723,662)
Depreciation charge	(2,901,329)	(35,487)	(12,753)	(604,552)	(54,038)	(1,518,666)	(2,010,948)	(167,785)	-	(72,001)	(30,015)	(91,827)	-	(7,499,401)
At 07 July 2020	<u>(11,613,446)</u>	<u>(142,364)</u>	<u>(51,256)</u>	<u>(2,418,526)</u>	<u>(64,106)</u>	<u>(5,683,743)</u>	<u>(7,839,489)</u>	<u>(655,715)</u>	<u>-</u>	<u>(272,022)</u>	<u>(114,486)</u>	<u>(367,911)</u>	<u>-</u>	<u>(29,223,063)</u>
Net book value														
As at 07 July 2019	<u>135,116,645</u>	<u>971,651</u>	<u>502,573</u>	<u>23,579,871</u>	<u>2,839,778</u>	<u>50,269,962</u>	<u>104,549,391</u>	<u>5,506,056</u>	<u>33,531,431</u>	<u>2,668,592</u>	<u>206,513</u>	<u>1,177,100</u>	<u>158,599,012</u>	<u>519,518,575</u>
As at 07 July 2020	<u>132,215,316</u>	<u>936,165</u>	<u>489,819</u>	<u>22,975,319</u>	<u>2,785,740</u>	<u>48,751,296</u>	<u>102,650,541</u>	<u>5,338,271</u>	<u>33,531,431</u>	<u>2,596,591</u>	<u>192,709</u>	<u>1,110,461</u>	<u>187,488,541</u>	<u>541,062,200</u>



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11 Leases

i) Amounts recognised in the statement of financial position

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

	07 July 2020 Birr '000'	07 July 2019 Birr '000'
Right of use assets		
Properties	149,596	23,955
Lease liability		
Current	59,101	16,587
Non-current	80,673	8,127
	<u>139,774</u>	<u>24,714</u>

ii) Right of use asset

	07 July 2020 Birr '000'	07 July 2019 Birr '000'
Balance at start of the year	23,955	39,194
Additions in the year	200,459	11,037
Lease terminations in the year	-	-
	<u>224,414</u>	<u>50,231</u>
Depreciation expense	(74,817)	(26,276)
Balance at end of the year	<u>149,596</u>	<u>23,955</u>

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

iii) Lease liability

Balance at start of the year	24,714	42,230
Additions in the year	120,697	10,376
Lease terminations in the year	-	-
Interest expense	12,707	3,419
	<u>158,118</u>	<u>56,026</u>
Repayments in the year	(18,344)	(31,312)
Balance at end of the year	<u>139,774</u>	<u>24,714</u>
Current	59,101	16,587
Non-current	80,673	8,127
	<u>139,774</u>	<u>24,714</u>



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

iv) Amounts recognised in the statement of profit or loss

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

	07 July 2020 Birr '000'	07 July 2019 Birr '000'
Depreciation charge right-of-use assets	74,817	26,276
Interest expense (included in finance costs)	12,707	3,419
	<u>87,524</u>	<u>29,695</u>

v) Amounts recognised in the statements of cash flows

Cash generated from operations - Interest paid	(12,707)	(3,419)
Cash generated from financing activities - lease payments	(5,637)	(27,893)



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16 Borrowings

		<u>7 July 2020</u> Birr'000	<u>7 July 2019</u> Birr'000
Non Current			
Government bonds (Commercial bank of Ethiopia)	Note 16 (a)	192,185,343	171,527,726
Other promissory notes payables	Note 16 (b)	1,165,000	950,156
Long term loans	Note 16 (c)	60,036,440	54,200,048
Total non current borrowings		<u>253,386,783</u>	<u>226,677,929</u>
Current			
Government bonds (Commercial bank of Ethiopia)	Note 16 (a)	116,041,980	92,297,366
Long term loans	Note 16 (c)	10,107,566	8,962,945
Total current borrowings		<u>126,149,546</u>	<u>101,260,311</u>
Total borrowings		<u>379,536,329</u>	<u>327,938,240</u>

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

	<u>7 July 2020</u> Birr'000	<u>7 July 2019</u> Birr'000
Government bonds (Commercial bank of Ethiopia)	308,227,323	263,825,092

These are 145 long term unsecured bonds obtained from Commercial Bank of Ethiopia each bearing interest at the rate of 8% per annum and repayable in 14 semi-annual instalments.

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

	<u>7 July 2020</u> Birr'000	<u>7 July 2019</u> Birr'000
Balance at the beginning of the year	263,825,092	215,319,798
Bonds issues in the period	47,716,232	46,300,000
Interest charged for the period	22,427,474	18,573,880
Principal repayments	(4,804,946)	-
Interest repayments	(20,936,529)	(16,368,586)
Balance at the end of the year	<u>308,227,323</u>	<u>263,825,092</u>

16 (b) Other bonds

	<u>7 July 2020</u> Birr'000	<u>7 July 2019</u> Birr'000
Other bonds	<u>1,165,000</u>	<u>950,156</u>
EEPCo. Millenium Bond	12,145	9,783
Ethiopian Telecommunication Corporation Bond	-	51,569
Grand Ethiopian Renaissance Dam Bond -USD Account	1,038,875	794,750
Grand Ethiopian Renaissance Dam Bond - EURO Account	91,387	73,761
Grand Ethiopian Renaissance Dam Bond - GBP Account	22,592	20,293
Grand Ethiopian Renaissance Dam Bond - ETB Account	1	-
Total other bonds	<u>1,165,000</u>	<u>950,156</u>
Balance at the beginning of the year	950,156	987,457
Bonds issues in the period	-	-
Interest charged for the period	193,047	-
Principal repayments	-	-
Interest repayments	-	(54,058)
Foreign exchange differences	21,797	16,757
Total other bonds	<u>1,165,000</u>	<u>950,156</u>

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



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16 (c) Long term Loans

	7 July 2020 Birr'000	7 July 2019 Birr'000
Foreign lending institutions and development agencies	70,144,006	63,162,993

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

The movements of the borrowings is as below:

	7 July 2020 Birr'000	7 July 2019 Birr'000
Balance at the beginning of the year	63,162,993	101,340,227
Additional loan disbursements acquired in the year	2,329,135	9,073,227
Interest charged for the period	2,239,709	3,859,192
Principal repayments made during the year	(8,602,371)	(12,120,264)
Interest repayments made during the year	(2,346,757)	(2,320,962)
Foreign exchange differences	13,361,296	7,008,100
Grant adjustment	-	423
Loans cancelled/assumed by Government	-	(43,676,951)
Balance at the end of the year	70,144,006	63,162,993

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

	7 July 2020 Birr'000	7 July 2019 Birr'000
Interest capitalized in capital work in progress for the year	7,086,934	8,087,092

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 08 July 2018	317,647,483	42,230	317,689,713
Net cash outflows	24,509,357	(20,906)	24,488,452
Foreign exchange adjustments	7,024,857	-	7,024,857
Other changes (effective interest and other finance charges)	(21,243,456)	-	(21,243,456)
Net debt as at 7 July 2019	327,938,240	21,324	327,959,565
Net debt as at 08 July 2019	327,938,240	21,324	327,959,565
Net cash outflows	13,354,764	115,060	13,469,824
Foreign exchange adjustments	13,383,094	-	13,383,094
Other changes (effective interest and other finance charges)	24,860,230	-	24,860,230
Net debt as at 7 July 2020	379,536,329	136,384	379,672,713



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17 Defined benefit liability

	07 July 2020 Birr'000	07 July 2019 Birr'000
Defined benefits liabilities:		
– Severance pay (note 17a)	11,684	7,997
– Free electricity liability (note 17b)	10,181	8,766
Liability in the statement of financial position	21,865	16,763
Amounts recognised in the statement of profit or loss		
– Severance pay (note 17a)	1,745	1,534
– Free electricity liability (note 17b)	1,724	753
Total defined benefit expenses	3,468	2,287
Remeasurements for:		
– Severance pay (note 17a)	2,549	(52)
– Free electricity liability (note 17b)	(270)	4,035
	2,278	3,984
Benefit payments		
– Severance pay (note 22a)	(607)	(207)
– Free electricity liability (note 22b)	(38)	(21)
	(645)	(228)

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

Maturity analysis

	07 July 2020 Birr'000	07 July 2019 Birr'000
Current	4,075	2,873
Non-Current	17,790	13,890
	21,865	16,763

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 every year 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 2020 Birr'000	07 July 2019 Birr'000
A Liability recognised in the financial position	11,684	7,997
B Amount recognised in the profit or loss		
Current service cost	902	816
Interest cost	843	718
	1,745	1,534
C Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from changes in :		
– demographic assumptions	-	-
– financial assumptions	63	34
– experience	2,486	(85)
	2,549	(52)



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

	07 July 2020 Birr'000	07 July 2019 Birr'000
At the beginning of the year	7,997	6,721
Current service cost	902	816
Interest cost	843	718
Remeasurement (gains)/ losses	2,549	(52)
Benefits paid	(607)	(207)
At the end of the year	11,684	7,997

The significant actuarial assumptions were as follows:

i) <u>Financial Assumption Long term Average</u>		
Discount Rate (p.a)	17.86%	18.12%
Salary Increase Rate (p.a)	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.

C Defined benefit obligations

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 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:

Change in assumption	07 July 2020		07 July 2019	
	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Salary growth rate	1%	7	5	(5)
Gross discount rate	1%	(237)	(160)	169

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

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



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17 b Free Electricity Benefit

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

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

	07 July 2020 Birr'000	07 July 2019 Birr'000
A Liability recognised in the financial position	10,181	8,766
B Amount recognised in the profit or loss		
Current service cost	70	-
Interest cost	1,654	753
	1,724	753
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	(11)	4,025
Remeasurement (gains)/losses arising from experience	(260)	10
	(270)	4,035



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

	07 July 2020 Birr'000	07 July 2019 Birr'000
At the beginning of the year	8,766	3,999
Current service cost	70	-
Interest cost	1,654	753
Remeasurement (gains)/ losses	(270)	4,035
Benefits paid	(38)	(21)
At the end of the year	10,181	8,766

The significant actuarial assumptions were as follows:

i) <u>Financial Assumption Long term Average</u>		
Discount Rate (p.a)	21.10%	21.08%
Tariff Increase Rate (p.a)	0.00%	0.00%
ii) <u>Mortality in Service</u>		

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:

	Change in assumption	07 July 2020		07 July 2019	
		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%	658	(356)	651	(580)
Gross discount rate	1%	(501)	559	(451)	503

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

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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 authorised and paid up capital.

The Enterprise had received freehold land for business use from the Government of the Federal Democratic Republic of Ethiopia. Additionally, the Government assumed borrowings from the Enterprise as below;

	<u>07 July 2020</u> Birr'000	<u>07 July 2019</u> Birr'000
Authorised capital	114,353,857	65,039,790
Paid up capital at start of the year	114,353,857	65,039,790
Capital contribution arising from borrowings absorbed by the Government	4,469,909	48,239,448
Capital contribution arising from freehold land	-	1,074,619
	<u>4,469,909</u>	<u>49,314,067</u>
At the end of the year	<u><u>118,823,766</u></u>	<u><u>114,353,857</u></u>

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 reserves

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

	<u>07 July 2020</u> Birr'000	<u>07 July 2019</u> Birr'000
At the beginning of the year	6,056	2,072
Remeasurement gain/(loss) on post employment benefits obligations	2,278	3,984
At the end of the year	<u><u>8,334</u></u>	<u><u>6,056</u></u>

24 Accumulated losses

Accumulated losses relates to accumulated profit or losses made by the Enterprise.

25 Non-distributable reserve

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



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26 Grants	07 July 2020 Birr'000	07 July 2019 Birr'000
At the beginning of the year	224,177	216,437
Addition	341,239	9,787
Amortization	-	(2,047)
At the end of the year	<u>565,416</u>	<u>224,177</u>
Current	-	2,047
Non-Current	<u>565,416</u>	<u>222,130</u>
	<u>565,416</u>	<u>224,177</u>

Grants from individuals and corporates

	07 July 2020 Birr'000	07 July 2019 Birr'000
Grants from individuals and corporates	<u>565,416</u>	<u>224,177</u>

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

27 (a) Cash generated from operating activities	Notes	07 July 2020 Birr'000	07 July 2019 Birr'000
Profit / (loss) for the period		(29,651,469)	(27,270,677)
Adjustments:			
Depreciation of property, plant and equipment	10	7,499,401	7,414,591
Depreciation charge of right of use asset	11	74,817	26,276
Interest expense on borrowings		17,773,305	14,347,169
Interest expense on leases		12,707	3,419
Unwind of discount on site restoration provision		(866)	152
Net foreign exchange (gains) / losses		12,475,615	9,337,830
Write (down) or writeback on inventory		(19,443)	(4,540)
Write (down) or writeback on assets		(837,967)	59,511
Impairment of trade receivables	13(b)	353,270	12,410
Reversal of impairment of trade receivables	13(b)	-	(284,718)
Impairment of cash and cash equivalents	15	-	1,597
Reversal of impairment of cash and cash equivalents	15	(1,154)	-
Amortisation of grants		-	(2,047)
Changes in working capital:			
-Decrease/ (Increase) in inventories		(29,695)	27,101
-Decrease/ (Increase) in trade and other receivables		(5,750,746)	(1,960,775)
-Increase/ (Decrease) in employee benefit obligations		5,102	6,043
-Increase/ (Decrease) in contract liabilities		233,774	13,837
-Increase/ (Decrease) in grants		341,239	9,787
-Increase/ (Decrease) in provisions		(38,976)	163,206
-Increase/ (Decrease) in trade and other payables		(2,086,554)	(2,763,698)
		<u>352,360</u>	<u>(863,526)</u>



27 (b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

	07 July 2020 Birr'000	07 July 2019 Birr'000
Interest capitalized in capital work in progress for the year (Note 16)	7,086,934	8,087,092
Capital contribution arising from conversion of borrowings to capital (Note 21)	4,469,909	48,239,448
Acquisition of property, plant and equipment through borrowings (Note 16)	2,329,135	-
Capital contribution arising from freehold land (Note 21)	-	1,074,619
	<u>13,885,978</u>	<u>57,401,159</u>



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28 Related party transactions

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

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

These are disclosed below:

28 a) Key management compensation

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

	07 July 2020 Birr'000	07 July 2019 Birr'000
Salaries and other short-term employee benefits	34,314	19,688
Sitting allowance	1,632	1,159
	35,947	20,847

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 2020 Number	07 July 2019 Number
Professionals and high level managers and supervisors	1,326	1,222
Semi-professional, Administrative and Clerical	1,748	860
Technician and Skilled	4,309	5,081
	7,383	7,163

29 Contingent liabilities

The Enterprise is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The Enterprise considers it to be probable that the some judgements will not be in its favour and should therefore recognise a provision in relation to these claims. The potential undiscounted amount of the total payments that the Enterprise could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately Birr 440 million (7 July 2019: Birr 865 million).

30 Commitments

The Enterprise has commitments, not provided for in these financial statements, of Birr 57.78 billion (07 July 2019: Birr 74.46 billion) for purchase and construction of various capital items.

31 Date of authorisation for issue

The Chief Executive Officer of the Enterprise authorised the issue of these financial statements on 23 August 2022.

32 Events after reporting period

Except as disclosed below, there were no significant events that occurred between 07 July 2020 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. The total carrying value of the assets in the region as at 07 July 2020 was Birr 30,144,492,786.

