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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN ELECTRIC UTILITY
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2022

ETHIOPIAN ELECTRIC UTILITY
IFRS Financial Statements
FOR THE YEAR ENDED 7 JULY 2022
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ETHIOPIAN ELECTRIC UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2022
Management Board and executive management

Management Board

W/t Frehiwot Tamiru	Board Chairperson	Appointed	July 08, 2022	
Ato Shisema G/Selassie	Board Member	Appointed	July 08, 2022	
Ato Worku Gachena	Board Member	Appointed	July 08, 2022	
Ato Ashebir Balcha	Board Member	Appointed	July 08, 2022	
Dr. Eng. Sutan Weli	Board Member	Appointed	July 08, 2022	
Ato Mengesha Dessie	Board Member	Appointed	March 25, 2019	
Ato Hayelu Zewede	Board Member	Appointed	March 10, 2021	
Dr. Eng. Getahun Mekuria	Board Chairperson	Appointed	December 09, 2016	Replaced on July 08, 2022
Dr. Eng. Negede Abate	Board Member	Appointed	December 09, 2016	Replaced on July 08, 2022
Ato Bogale Feleke	Board Member	Appointed	December 09, 2016	Replaced on July 08, 2022
Ato Beyene G/Meskel	Board Member	Appointed	December 09, 2016	Replaced on July 08, 2022
W/t Tsegereda Atenafu	Board Member	Appointed	September 12, 2019	Replaced on July 08, 2022
W/ro Lelese Neme	Board Member	Appointed	September 12, 2019	Replaced on July 08, 2022
Ato Negusu Tilahun	Board Member	Appointed	September 12, 2019	Replaced on July 08, 2022

Executive Management

Ato Shiferaw Tellila	Chief Executive Officer
Ato Demeke Robi	Executive, Automation & Energy Management
Ato Bizuwork Demisie	Executive, Distribution System
Dr. Gebeyehu Likasa	Executive, Addis Ababa Region
Ato Getu Geremew	Executive, Oromiya Region
Ato Kinife Negash	Executive, SNNP Region
Ato Mesfin G/Medihien	Executive, Tigray Region
Ato Solomon Tasew	Executive, Amhara Region
Ato Fikiremaria Alemayehu	Executive, Dire Dawa Region
Ato Ferid Abdulselem	Executive, Hariri Region
Ato Kasahun Kebede	Executive, Beneshangul Gumz Region
Ato Bikila Wakejera	Executive, Gambela Region
Ato Kalid Teha	Executive, Somale Region
Ato Yasin Ali	Executive, Afar Region
Ato Esayas Denedir	Director, Procurement, Logistic, Property & Facility
W/ro Meaza Alemayehu	Director, Finance & Investment
W/ro Zeritu Fikire	Director, Human Resource
W/ro Lemlem Misganaw	Director, Portfolio Projects Management
Ato Solomon G/Medhin	Director, Planning & Reporting
Ato Abebe Tesfa	Director, Legal Service
Ato Getachew Baheru	Director, Internal Audit
Ato Tefera Derebe	Director, Engineering & Quality
Ato Esubalew Tenaw	Director, Change Management
W/ro Dagimhiwot Fantahun	Director, Environment & Safety
W/ro Meazagenet Tsegaye	Director, Women & Children Affair
Ato Melaku Taye	Director, Communication
Ato Heberework Yemenu	Director, Ethics & Anticorruption

Corporate Office
Degaulle Square
Electric Building
P.O.Box 1223
Addis Ababa, Ethiopia

Independent Auditor
Audit Service Corporation
Addis Ababa
Ethiopia

Principal Banker
Commerical Bank of Ethiopia
Addis Ababa
Ethiopia



ETHIOPIAN ELECTRIC UTI
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2022
Report of the Management Board

The management board members submit their report together with the financial statements for the period ended July 07, 2022 to the Public Enterprises Holding and Administration Agency (PEHAA) and Ethiopian Investment Holdings.

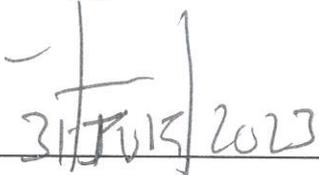
Ethiopian Electric Utility (EEU) is a public enterprise established on October 2013 by Council of Minister's Regulation No. 303/2013 following the split of Ethiopian Electric Power Corporation (EEPCo) in to two Separate entities and amended by Regulation No. 382/2016

The principal activity of the Utility is to construct & administer electric distribution networks, to purchase bulk electric power & sale electric energy to the public.

The Utility's results for the year ended July 07, 2022 are set out on page 8.

Management Board

The Management board members who held office during the year and to the date of this report are set out on page 1.


31/07/2023

W/t Frehiwot Tamiru
Chairperson Management Board



ETHIOPIAN ELECTRIC UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2022
Statement of management board's responsibilities

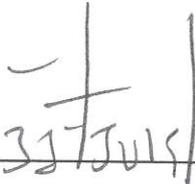
In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) has directed the Utility to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs).

The Utility's Management Board is responsible to decide on policy issues, appointing & dismissal of the chief executive officer, approve the employment, assignment & dismissal of the officers accountable to the chief executive officer, approve internal regulations, work program and budget, approve long term loans, propose the capital of the utility, ensure that proper books of accounts are kept for the enterprise, submits books of account to the auditors and approve sales of fixed asset.

To enable the Management Board to meet this responsibility, the management board & executive management implement system 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 and adequate segregation of duties.

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

Signed on behalf of the management board by:


31/07/2023

W/t Frehiwot Tamiru

Chairperson Management Board





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Office of the Federal Auditor General
Audit Service Corporation

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Electric Utility (the Entity), which comprise the statement of financial position as at 7 July 2022, and the statement of profit or loss and other comprehensive income, statement of cash flow, and statement of changes in equity 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 2022 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 those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

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

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

In preparing the financial statements, management is responsible for assessing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

Report on the Audit of the Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Other Information

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

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

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

Audit Services Corporation

31 July 2023



ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 7 JULY 2022

	Notes	2022 ETB	2021 ETB
Revenue	4	<u>23,880,409,850</u>	<u>20,018,767,460</u>
Cost of sales (Power, Distribution , Substation and Transmission)	5	<u>(18,299,109,180)</u>	<u>(16,283,720,087)</u>
Gross profit		5,581,300,670	3,735,047,374
Other operating income	6	2,322,389,450	2,346,267,774
Administration expense	7a	(4,209,685,734)	(2,829,203,988)
Other operating expense	8	179,845,471	(382,929,049)
Impairment allowance	7b	<u>(563,663,515)</u>	<u>(580,845,071)</u>
Operating profit		3,310,186,342	2,288,337,039
Finance costs/charges	9	<u>(720,296,328)</u>	<u>(974,114,733)</u>
Profit before tax		2,589,890,014	1,314,222,306
Income tax expense		<u>-</u>	<u>-</u>
Profit for the year		<u>2,589,890,014</u>	<u>1,314,222,306</u>
Other comprehensive income, net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re measurement gain (loss) on retirement benefits obligations		<u>302,982,000</u>	<u>-</u>
Total comprehensive income for the year		<u>2,892,872,014</u>	<u>1,314,222,306</u>

The Notes on pages 12-45 are an integral part of these Financial statements



ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF FINANCIAL POSITION
AS AT 7 JULY 2022

		2022 (ETB)	2021 (ETB)
Assets	Notes		
Non-current assets			
Property, plant and equipment	11	44,764,057,539	42,693,339,043
Forest assets	12	297,606,087	266,473,213
Intangible Asset	13	895,494,829	663,976,697
Right use of asset - Office	14	133,503,580	21,339,434
Advance and Prepayments	17	2,427,931,026	2,374,356,043
Investment	18	20,596,186	17,947,648
		48,539,189,247	46,037,432,079
Current assets			
Cash and cash equivalents		24,845,344,071	16,399,722,177
Trade receivables	16.1	4,803,735,803	4,976,807,139
Other receivable	16.2	171,218,329	2,136,824,346
Inventories	19	11,182,178,130	9,194,146,168
		41,002,476,333	32,707,499,830
Total assets		89,541,665,580	78,744,931,909
Equity and liabilities			
Equity			
paid up capital		49,840,885,261	49,840,885,261
legal reserve	20	313,733,473	184,238,972
Retained earnings	21	2,460,395,514	-
Grant and contribution	22	2,321,703,345	-
Other Reserve	23	252,639,280	(50,342,720)
Reserve for excess of deemed cost over book value	24	11,123,771,881	11,123,771,881
Total equity		66,313,128,754	61,098,553,394
Non-current liabilities			
Lease Liability	15	106,132,566	5,530,699
Customer Deposit	25.3	1,041,998,163	785,237,910
Long term loans	25.2	9,418,183,487	6,000,099,072
Suppliers Credit	25.4	821,299,325	691,916,395
Contractors Retention	25.5	1,294,845,015	854,114,239
Post Employment benefit liabilities	27	695,135,432	821,046,818
Contract liabilities	29	5,550,974,549	2,826,542,387
		18,928,568,537	11,984,487,520
Current liabilities			
Current portion of Lease Liability	15	13,923,055	13,923,055
Trade and other payables	25.1	3,724,065,797	5,044,866,920
Other tax obligations	28	64,094,680	141,386,255
Contract liabilities - Prepaid Cards	29	250,214,767	166,377,238
Accruals and Provision	30	247,669,990	295,337,526
		4,299,968,289	5,661,890,994
Total liabilities		23,228,536,826	17,646,378,514
Total equity and liabilities		89,541,665,580	78,744,931,909

The Notes on pages 12-45 are an integral part of these Financial statements

The financial statements on pages 8 to 45 were authorized by Executive Management for issue on July 31, 2023 and signed by Ato Shiferaw Telila, Chief Executive Officer of the Utility.



(Signature)
Shiferaw Telila
Chief Executive Officer

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 7 JULY 2022

	2022 (ETB)	2021 (ETB)
Operating activities		
Profit	2,589,890,014	1,314,222,306
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and impairment of property, plant and equipment	3,820,181,985	3,899,415,991
Amortization of the right use of assets	41,060,849	22,408,459
Amortization of intangible assets	47,730,992	99,288
Impairment of financial asset	563,663,515	580,845,071
Current service cost	68,171,614	46,148,781
Interest Cost	108,899,000	90,236,350
Gain in fair value Measurement of forest asset	(31,132,873)	(19,949,847)
Concessional loan discount (income)	(1,378,546,857)	(875,318,702)
Proceeds from the disposal of Property Plant & Equipment	(33,211,401)	(3,266,535)
Interest expense	611,397,328	883,878,383
Foreign exchange loss	802,534,862	1,254,704,507
	7,210,639,028	7,193,424,053
Working capital adjustments:		
Decrease in trade, other receivables	1,575,013,839	(2,788,719,271)
Increase in advance and prepayment	(53,574,983)	2,296,956,739
Increase in inventories	(1,988,031,962)	(1,007,022,157)
Decrease in trade and other payables	(1,361,922,705)	1,901,845,546
Increase in contract liability	2,724,432,162	68,698,509
Increase in customer Deposit	256,760,253	273,268,942
Increase in contractors retention	440,730,775	119,031,883
	8,804,046,408	8,057,484,245
Interest paid	(611,397,328)	(883,878,383)
Net cash flows from operating activities	8,192,649,080	7,173,605,862
Investing activities		
Purchase of property, plant and equipment	(5,890,900,479)	(3,602,355,504)
Proceeds from the disposal of Property Plant & Equipment	33,211,401	3,266,535
Purchase of intangible asset	(279,249,125)	431,853,406
Gain from investment in associate	(2,648,539)	3,255,339
Net cash flows used in investing activities	(6,139,586,742)	(3,163,980,224)
Financing activities		
Proceed from Capital and grant contribution	2,321,703,345	2,246,900,914
Proceeds from borrowings (loan and supplier Credit)	4,123,479,340	2,524,191,815
Repayment of borrowings (loan and supplier Credit)	-	(3,180,530,042)
Payment for additional leased asset	(52,623,128)	(22,650,224)
Net cash flows from/(used in) financing activities	6,392,559,557	1,567,912,463
Net increase/ (decrease) in cash and cash equivalents	8,445,621,894	5,577,538,100
Cash and cash equivalents at 8 July,	16,399,722,177	10,822,184,076
Cash and cash equivalents at 7 July	24,845,344,072	16,399,722,177

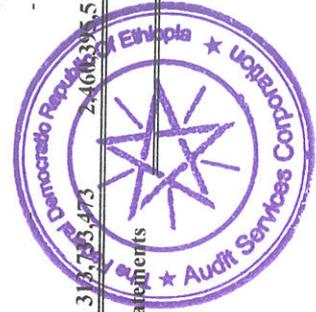
The Notes on pages 12-45 are an integral part of these Financial statements



ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 7 JULY 2022

	paid up capital ETB	Legal Reserve ETB	Retained Earnings ETB	Reserve for excess of deemed cost over book value ETB	Grant and Contribution ETB	Other Reserve ETB	Total ETB
Balance at 7 July 2020	44,763,102,402	118,527,857	-	11,123,966,881	1,582,370,754	(50,342,720)	57,537,625,174
Profit for the year	-	-	1,314,222,306	-	-	-	1,314,222,306
Transfer to legal reserve	-	65,711,115	(65,711,115)	-	-	-	-
Other Comprehensive income for the year	-	-	-	-	-	-	-
Grant & Contribution	-	-	-	-	2,654,599,413	-	2,654,599,413
Increase in Capital	5,077,782,859	-	(840,812,692)	-	(4,236,970,167)	-	-
Transfer from retained earnings	-	-	(407,698,498)	(195,000)	-	-	(407,893,498)
Balance at 7 July 2021	49,840,885,261	184,238,972	-	11,123,771,881	-	(50,342,720)	61,098,553,394
Profit for the year	-	-	2,589,890,014	-	-	-	2,589,890,014
Transfer to legal reserve	-	129,494,501	(129,494,501)	-	-	-	-
Other Comprehensive income for the year	-	-	-	-	-	302,982,000	302,982,000
Grant & Contribution	-	-	-	-	2,321,703,345	-	2,321,703,345
Increase in Capital	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-
Balance at 7 July 2022	49,840,885,261	313,733,473	2,460,395,514	11,123,771,881	2,321,703,345	252,639,280	66,313,128,754

The Notes on pages 12-45 are an integral part of these Financial statements



1. General information

Ethiopian Electric Utility (EEU) is a monopoly public Utility which was established on October 2013 by the Council of Ministers Regulation No. 303/2013 following the split of Ethiopian Electric Power Corporation (EEPCo) in to two separate entities. As a result EEU is mandated to deal with the operation of Substations & power transmission lines up to 66 kV, to undertake construction works & operation of off-grid electricity generation, to construct & administer electric distribution networks, to sell & purchase bulk electric power on transmission lines up to 66 kv and the Utility is mandated to initiate electric tariff amendments. Currently the utility applies 5 (Five) categories of tariffs such as domestic tariffs, general tariff, low volt time of day industrial tariff, high volt time of day industrial tariff 15 KV, as well as street light tariff .

The Utility is governed under public Enterprise proclamation no. 25/1992.The Supervising Authority is Ministry of Water, Irrigation & Electric.

EEU has 13 regional offices following the State's government structure; there are different districts and customer service offices led by those regions.

The Utility purchases bulk electric from Ethiopian Electric Power (EEP) and sales electric energy to its local & foreign customers using the post paid & prepaid energy meters installed in the customers' premises. Purchase of bulk power is done based on the power purchase contract agreement made between the two companies. As per the agreement EEP should install energy meters in all respective delivery stations & power purchase will be done using those meters, untill that, EEU will pay 60% of its revenue from sales of electric to EEP as a cost of Energy purchased (cost of goods sold) .

2. Significant accounting Policies

2.1 Basis of preparation and Statement of compliance

Statement of Compliance

The financial statements for the period end 7 July 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

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

Use of Judgments and Estimates

In preparing these Financial Statements, management has made judgments, estimates and assumptions that affect the application of the Utility's accounting policies and reported amounts of asset, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to estimates are recognized prospectively. Information about judgment, estimates and assumption that are significant to the financial statements, are disclosed in note 3.



2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Utility in preparing its financial statements:

2.2.1 Current versus non-current classification

The Utility presents assets and liabilities in the statement of financial position based on current/non-current classification.

2.2.2 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Utility uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Utility determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Utility has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

2.2.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue from Sales of electric power/Post paid:- The Utility recognizes revenue from sales of electric power on monthly basis based on the measure taken by the kilowatt hour meter installed in the premise of each customer. It recognizes revenue from the sales of electric energy over time.

Revenue from prepaid meter sales system:- This revenue arises from the sales of electric energy, it allows the consumer to pay in advance. Initially the prepaid energy sales are recorded as a contract liability and recognized as revenue when the consumer utilize the energy. The prepaid energy is assumed to be utilized at the earliest when the consumer presents the card for recharge or one month from the energy has purchased.

Revenue from Electric Power Connection work & other services:- The utility recognizes revenue from new connection works and from services provided on the customers' premises (Relocation and maintenance) over time when performance obligation is satisfied. i.e when the utility provided electric service in the premises of the customers & the customers have got the right to use the electric service. (as per IFRS 15 an entity shall recognize revenue when or as the entity satisfies the performance obligation by transferring a promised goods or services to a customer).The utility uses input method to recognize revenue from connection work.



2.2.4. Interest income/expense

For all financial instruments measured at amortized cost interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

2.2.5 Foreign currencies

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Utility operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Utility's functional currency.

Transactions and balances

Foreign currency transactions are initially translated to the Functional Currency using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the transaction at exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in Profit or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of Property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Utility recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the profit or loss as incurred

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as only when it is probable that future economic benefits associated with the item will flow to the Utility and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows;

Asset Class:	Theoretical Useful Life (years)
· Distribution	15 - 25 years
· Transmission lines	25 - 40 years
· Substations	15 - 40 years
· Diesels	10 – 50 years
· Vehicles	20 years
· Motor Cycle	5 years
· Administrative building	40 years
· Office furniture and equipment	15 - 25 years



The Utility commences Depreciation when the asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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 recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or Cash Generating Unit's fair value less costs of sale and its value in use.

2.2.7 Leases

Right-of-use asset

The Utility is party to lease arrangements over land and office buildings. It recognizes right-of-use assets and the related liabilities at the commencement date for all lease arrangements that are entered into that convey the right to control the use of identified assets for a period of time. The commencement date of the lease is the date when the lessor makes the asset available for use by the Enterprise.

The right-of-use assets are initially measured at the present value of the minimum lease payments.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted for any re-measurement of the lease liability.

The Utility acquired land, free of charge for indefinite period, long before the Land Lease proclamation comes to effect. The Land is valued by external valuation expert considering the lease price for similar location. As the possession is for indefinite period, freehold land is not depreciated.

Right of Use of Asset amortization is calculated on straight-line method over the term of the lease or the useful life of the asset, whichever is the shorter. In the case of the lease hold land the cost is amortized over the lease period.

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date including fixed payments, less any incentive payments that will be receivable by the Utility from the lessor;

The lease payments are discounted using the Utility's incremental borrowing rate. After initial recognition date, the Utility accounts for the lease liabilities by reducing the carrying amount to reflect payments made on the lease;

Short term lease and low value assets are recognized on a straight-line basis as an expense in profit or loss. Short term leases are with a lease term of 12 month or less



2.2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is presented as a separate line in the statement of profit or loss.

Amortization of intangible assets with definite useful life is calculated using straight line method as follows:-

Asset Class:	Theoretical Useful Life (years)
Prepaid Meter Software	19 years
ERP Software	15 years

2.2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the Utility becomes a party to the contractual provisions of the instrument.

Classification

The classification depends on the Utility's business model for managing the financial assets/Financial Liability and the contractual term of the cash flow. The Utility classifies its financial assets as follows:

Those to be measured subsequently at amortized cost

Those to be measured subsequently at fair value (either through OCI or through profit or loss)

The classification depends on the Utility's business model for managing the financial assets/Financial Liability and the contractual term of the cash flow. The Utility business model is to hold financial assets in order to collect contractual cash flows. After initial recognition, the Utility shall measure a financial asset at amortised cost.

Recognition

Regular way of purchases and sales of financial assets/Financial Liability are recognized on trade date, the date on which the Utility commits to purchase or sell the asset.

De-recognition

Financial Asset/Financial Liability are derecognized when the rights to receive cash flows from the asset have expired, or have been transferred and the Utility has transferred substantially all the risks and rewards of ownership.

Measurement

All financial assets are recognized initially at fair value plus transaction cost in the case of a financial asset not at fair value through profit or loss (FVPL). The subsequent measurement of financial assets depends on their classification as described below:



i) Financial assets

Trade and Other Receivable

Trade receivables are the amounts due from customer for services performed in ordinary course of the business. Other trade receivables are receivables arise from new connection and rechargeable works. They are generally due for settlement within a year and therefore classified as current. For some reason if they fail to settle within a year they are presented as noncurrent. Trade receivables and other receivables are recognized initially at Fair value. The Utility holds the trade receivables with the objective to collect the contractual cash flows and therefore measures at amortized cost using the effective interest rate (EIR) method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing with original maturities of three months or less from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Impairment of financial assets

The Utility assesses Impairment of financial asset by using expected credit losses(ECL) for financial asset carried at amortized cost. The impairment methodology applied depends on whether there has been a significant evidence increase in credit risk.

The Utility applies simplified approach permitted by IFRS 9, which requires lifetime credit losses to be recognized from initial recognition of receivables.

ii) Financial Liabilities

Financial liabilities are subsequently measured at amortized cost such as at fair value through profit or loss and liabilities measured at amortized cost such as loans, borrowings, and payables. The Utility's financial liabilities include loans and borrowings, trade and other payables, .

Loans and Borrowings

The Utility's Borrowing and Loans are comprises long term loans and Bonds payables. Initially, recognized at fair value net of transaction cost incurred and subsequently interest bearing loans and borrowings measured at amortized cost using the effective interest rate method

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included in finance costs in the statement of profit or loss.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method



De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.2. 10 Borrowing cost

Interest cost shall be included as a component of the historical acquisition cost of qualifying fixed assets constructed for the Utility's own use (major construction or acquisition projects only).

2.2.11 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories are stated using the weighted-average cost method

Provision for damaged inventory having no further usage or no market value is provisioned at 100% and Provision for slow moving and obsolete inventory are provisioned by market value.

2.2.12 Impairment of non-financial assets

Intangible asset that have an indefinite useful life are not subject to amortization and are tested, annual for impairment if there is indication that an asset may be impaired.

Other asset tested for impairment when there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Utility estimates the asset's recoverable amount.

2.2.13 Employee benefits

Short-term benefits

Salary, Wages, annual leave sick leave, bonuses and non-monetary benefits such as kwh electric energy monthly consumption up to 440 kwh are expected to payable within 12 months after the service is rendered. The amount is recognized in respect of employees' service up to the end of the reporting period and is measured at an amount expected to be paid when the liabilities are settled

Post employment benefit

Defined contribution plans. These are post-employment benefit plans under which the Utility pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Utility is obligation to contribute 11 % of the employee's basic salary to Public Servant Social Security and recognized as an expense in the period that related employee services are rendered..

Define Benefit Plan, This is a post employee benefit plan . The Utility's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Utility accounts for both legal obligation which is severance payment and constructive obligation which is free electricity for its retired staff.



The Utility is obliged by law to pay severance payment for eligible employees who served the Utility for more than 5 years when the employment is terminated. The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services.

The Utility also has a practice of providing free electricity to those employees who will have served the Utility for more than 10 years and resign on retirement. This benefit is payable to the retired employees in the form of monthly kilowatt-hour (kWh) electric energy up to 264 Kwh according to their past years of service.

Accordingly the present value of post employment benefit obligation and the related current service cost were measured using the projected unit credit method. Management estimates the benefit obligation annually with some basic actuarial assumption.

Termination benefit

Termination benefits are payable when employment is terminated by the Utility before the normal retirement date or when employee accepts voluntary redundancy in exchange of benefits.

2.2.14 Provisions

Provisions are recognized when the Utility has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.2.15 Leave accrual

A provision is made for the estimated liability for annual vacation as a result of services rendered by employees up to the end of the reporting period. Employee's entitlements to annual vacation are also charged to the profit or loss when they accrue to employees.

2.2.16 Forestry Asset

Forest assets are stated at fair value and recognized once EEU has possession of the land or once plantations have been established on land acquired by EEU. Any gain or loss arising from a change in fair market value is recognized in the statement of profit or loss and other comprehensive income. The same accounting treatment applies when biological assets are derecognized or impaired

The Income approach has been used to determine the valuation. a regular income over a specified period of time must be established through the income being received or receivable in future. From this a deduction is made to cater for annual expenses in running the plantations. As no records are available for such activities as well as lack of evidence of any sales, the alternative was to estimate the volume of the forest products available for sale and design a reasonable selling regime based on internationally acceptable standards without impacting negatively environmental protection and a forestation programs of the country

2.2.17. Concessional Loan

Loans from foreign finance providers and bonds issued to ethiopian electorci utility at a lower rate than the market interest rate and hence recognized at fair value (discounted amount using market rate).The difference between the fair value and the cash receipt(face value) is charged to profit or loss as concessional income

2.3 New or revised Standards or Interpretations

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



3. Significant accounting judgments, estimates and assumptions

The preparation of the Utility's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods

Judgments

In the process of applying the Utility's accounting policies, management has not encountered any situation that calls for any significant judgments, which have significant effect on the amounts recognized in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Utility based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Utility. Such changes are reflected in the assumptions when they occur.

Useful life of property, plant and equipment

The Utility measures its property, plant and equipment at cost less accumulated depreciation and for the purpose of determining depreciation, the Utility estimated the use full life .

Power Purchase Agreement:

EEU has Power Purchase Agreement with EEP, and Starting from November 2020 up to December 2021 Power purchase for 26 Substations in Addis Ababa, Finfine, Ambo, Ginchi, Debre birhan and Arerti has done using energy meters & for the others based on 60/40 rate. Currently EEP has installed meters in all substations and starting from December 2021 Power Purchase from EEP has fully undertaken using energy meters.

Employee termination benefit

The cost of post employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and employee turnover rates . Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a post employment benefit obligation is highly sensitive to changes in these assumptions. The actuarial valuation for post employee benefit obligation for the year 7 July 2022 was made by professional actuary Ruparelia Consultants Limited (RCL).



4 Revenue

The following are analysis of the Utility's' revenue for the year

	2022 (ETB)	2021 (ETB)
Sale of electricity - local-post paid	13,864,721,369	10,995,994,505
sales of electricity -local- prepaid meter	3,360,139,050	2,489,760,139
Revenue from capital work	388,049,723	555,637,426
Service charges	629,744,934	2,509,935,553
Meter service charges	956,174,278	934,364,483
Connection fees	1,645,794,336	1,499,713,760
Sales of electricity - foreign	77,272,535	1,571,891
Sales of power factor correctors	2,957,978,353	1,031,664,775
Income from sales of compact fluorescent lamps	535,272	124,927
	<u><u>23,880,409,850</u></u>	<u><u>20,018,767,460</u></u>

4.1 Significant payment terms

The entity operates on both advance collection and credit arrangements

Advance collection

EEU collects advances from the customer to contribute to the cost of the connection, and in return the utility constructs the connecting infrastructure and retains responsibility for maintaining it. The utility also introduced the prepaid system which eliminates the need for manual meter reading, computing the bill, and bill collection. It allows the customer pay in advance.

Credit arrangement

The entity issue bills to customers and make collections for sales of electric power in the following month of consumption. The entity has also arranged credit facility scheme for its customers such as for low income household and industrial customer whereby power connection service or installation of power factor corrector services are given respectively.

4.2 Information about major customers

Ethiopian Electric Utility sale electric power through out the country for industries and millions of households. No individual customer contributed 3 % or more to the Utility's revenue for FY 2022 .

4.3 Sole Producer and Distributer (Monopoly) right.

The power and utility industry in Ethiopia is operated only by government under a monopoly through its enterprises such as EEP and EEU. They are the main player in the Ethiopian energy sector. EEU is therefore a state monopoly in distribution and the operation of power transmission lines of ≤ 66 kV, it owns and operates the off grid Electricity generation, low voltage power transmission lines, substation and distribution up to 66 kV Volt level.



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5 Cost of Goods Sold

	2022 (ETB)	2021 (ETB)
Power Purchase - EEP	12,065,528,625	8,026,585,204
Distribution (5.1)	6,030,050,900	8,101,595,229
Substation and Transmission (5.1)	203,529,656	155,539,654
	<u>18,299,109,180</u>	<u>16,283,720,087</u>

From November 2020 up to November 2021 EEP installed Energy Meters in 26 Substations (Addis Ababa, Finfine ,Ambo, Ginch, Debre Brehan and Arerti) . And From December 2021 EEP install Meters almost in all substations & power purchase is undergoing only by Meters. Therefore:- From the total sales of electricity Birr 17,302,132,954.25 :-
 Birr 14,772,926,374.88 is the sales amount for which energy is purchased using Meters. And Birr 136,832,257.20 is invoice amount of Tigray region (Not in service). Due to this the amount considered for 60/40 ratio in the 1st 4(four) months (Sene/2013 to Tikimt/2014) is birr 2,392,374,322.17; Thus the cost of Power Purchase is the sum of (60% of 2,392,374,322.17= birr 1,435,424,593.30) & amount paid by Meter reading through out the year birr 10,630,104,031.21.

5.1 Cost of Distribution, Substation and Transmission

	2022 (ETB)			2021 (ETB)		
	Distribution	Substation & Transmission	Total	Distribution	Substation & Transmission	Total
Salary and Wages	1,605,470,393	55,564,251	1,661,034,643	1,817,913,392	9,121,096	1,827,034,488
Depreciation	3,264,096,987	146,758,338	3,410,855,325	3,252,393,404	146,074,587	3,398,467,991
Material and supplies	671,419,917	-	671,419,917	1,692,461,226	-	1,692,461,226
Other personnel cost	4,289,451	325,424	4,614,875	19,700,274	-	19,700,274
Travel and subsistence	139,398,280	-	139,398,280	513,699,070	-	513,699,070
Fuel and lubricants	27,519,299	-	27,519,299	28,509,843	-	28,509,843
Rent	70,840,095	-	70,840,095	54,628,274	-	54,628,274
Amortization	-	-	-	47,497,827	-	47,497,827
Communications	5,416,519	-	5,416,519	20,969,239	-	20,969,239
Insurance	2,107,370	-	2,107,370	29,608,114	-	29,608,114
Miscellaneous	239,492,589	881,643	240,374,231	624,214,566	343,972	624,558,538
	<u>6,030,050,900</u>	<u>203,529,656</u>	<u>6,233,580,556</u>	<u>8,101,595,229</u>	<u>155,539,654</u>	<u>8,257,134,883</u>

During 2021 Fiscal year Presentation of Depreciation Expenses no Cost of distribution, substation and transmission sold and administration expenses were erroneously transposed and now the errors are restated and presented correctly.

6 Other income

	2022 (ETB)	2021 (ETB)
Concessional loan discount (income)	1,378,546,857	875,318,702
General line	28,529,595	22,561,921
Club sales	20,396,156	13,082,617
Maintenance and service	294,367,794	268,383,905
Investment income	2,648,539	(3,652,313)
Fines	35,286,877	26,083,710
Miscellaneous	562,613,632	1,144,489,232
	<u>2,322,389,450</u>	<u>2,346,267,774</u>

6.1 Compensation for damages represents cash received from insurance liable individual who caused incidents and damages on the distribution, and transmission assets of the utility. Incomes from general lines arises from installation of lines for communities The Utility's other income reported as miscellaneous includes income from sales of scrap material, disposal of asset, and others.



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7a Admin expense

	2022 (ETB)	2021 (ETB)
Salary, Wages and Benefits	1,708,378,092	1,020,222,371
Current Service Cost	68,171,614	46,148,781
Material and supplies	542,320,955	414,364,119
Depreciation	420,337,663	500,943,023
Other personnel cost	186,011,584	119,500,166
Amortization	88,791,841	3,058,755
Communications	276,155,979	23,035,901
Fuel and lubricants	131,590,046	114,609,185
Insurance	32,426,556	729,222
Rent	97,038,513	227,884,295
Travel and subsistence	247,642,117	99,305,084
Miscellaneous	410,820,775	259,403,088
	<u>4,209,685,734</u>	<u>2,829,203,988</u>

During 2021 Fiscal year Presentation of Depreciation Expenses no Cost of distribution, substation and transmission sold and administration expenses were erroneously transposed and now the errors are restated and presented correctly.

7b Impairment Allowance

	2022 (ETB)	2021 (ETB)
Bad Debt expense	563,663,515	580,845,071
	<u>563,663,515</u>	<u>580,845,071</u>

8 Other operating expense

	2022 (ETB)	2021 (ETB)
Loss on Foreign exchange	(181,753,334)	381,518,374
Audit Fee	1,601,263	1,048,250
Board Fee	306,600	362,425
	<u>(179,845,471)</u>	<u>382,929,049</u>

Foreign exchange losses recognized in the statement of profit or loss are the net balance of gains & losses on exchange rate, resulted from the settlement of such Transactions in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies. However the forex loss amount on Note 24.2 results from discounted future cashflow at market rate

9 Finance cost/income

	2022 (ETB)	2021 (ETB)
Interest expense	601,380,639	861,469,924
Interest on employee termination benefit obligation (9.1)	108,899,000	90,236,350
Interest on Lease liability (9.1)	10,016,689	22,408,459
	<u>720,296,328</u>	<u>974,114,733</u>

Interest expense is related to the long term loan obtained from commercial bank of Ethiopia bearing interest at a rate of 11.5% per annum. Also included under finance cost is unwinding of the present value of employee termination benefit obligation and lease liability.

10 Taxation

The utility is exempted from Profit tax and Government Profit share as per Letter from Ministry of Finance with Letter reference no $\mu/h/\Phi/5/20$ dated 21-10-2010 E.C.



12 Forest assets

	(IAS 41) ETB Fair value through P&L
Basis of presentation and measurement	
At 7 July 2021	266,473,214
Increase/(decrease) in fair value of biological assets	<u>31,132,873</u>
At 7 July 2022	<u>297,606,087</u>

EEU's fair value of Forest assets were measured on 7 July 2022 by internal experts

EEU had declared to sell all forest assets on Addis Zemen Magazine on Megabit 01/2015. and currently it is under evaluation.

13 Intangible Assets

	Website	Billing Software	ERP software in process	Billing Software	Total
	ETB	ETB	ETB	ETB	ETB
Cost					
At 7 July 2021	-	1,985,750	663,579,547	47,398,538	712,963,835
Additions	1,612,501		277,636,623		279,249,125
Transfer		-	(941,216,171)	941,216,171	-
At 7 July 2022	1,612,501	1,985,750	-	988,614,709	992,212,960
Amortization					-
At 7 July 2021	-	1,588,600	-	47,398,538	48,987,138
Charge for the year	182,455	99,289	-	47,449,248	47,730,992
At 7 July 2022	182,455	1,687,889	-	94,847,786	96,718,130
NET BOOK VALUE					
At 7 July 2022	1,430,046	297,861	-	893,766,923	895,494,829
At 7 July 2021	-	397,149	663,579,547	-	663,976,697

In the year 2005 the Utility has purchased a billing software. EEU has an absolute control over the use of the software and is also subject to annual license renewal charge of fixed amount.



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14 Right of use asset (Building)

The Utility's Universal electric access program office building and bill collection outlets are held under a lease arrangements. The right of use asset as well as lease liability that has been recognized in respect of these rents are only related to those lease arrangements with a lease period of more than 12 months and having monthly rental of Birr 200,000 or more. Any other short-term lease below 12 month period and below the recognition materiality level have not been recognized as the right of use asset (ROA).

	2022 (ETB)	2021 (ETB)
Cost		
At 7 July 2021	70,439,912	64,075,038
Additions	153,224,995	6,364,874
Disposals	<u>(31,600,256)</u>	-
At 7 July	<u>192,064,652</u>	<u>70,439,912</u>
Amortization and impairment		
At 7 July 2021	(49,100,478)	(26,692,018)
Amortization charge for the year	(41,060,849)	(22,408,459)
Disposals	<u>31,600,256</u>	-
At 7 July	<u>(58,561,071)</u>	<u>(49,100,478)</u>
Net book value		
At 7 July 2022	<u><u>133,503,580</u></u>	<u><u>21,339,434</u></u>

15 Lease liability (Building)

	2022 (ETB)	2021 (ETB)
Balance at 7 July 2021	19,453,754	35,739,104
Additional obligation - new contract	153,224,995	6,364,874
Finance charge	10,016,689	3,058,755
Repayments	<u>(62,639,818)</u>	<u>(25,708,979)</u>
Balance at 7 July 2022	<u><u>120,055,621</u></u>	<u><u>19,453,754</u></u>



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The lease agreements include fixed monthly lease payments with commitment for restoration and removal costs at the final time of the lease. The management considers restoration and removal costs are immaterial and do not include the provision for restoration and removal costs in the right-of-use assets; the utility recognizes such costs in profit and loss when they are incurred. The details of the agreement for each leased is detailed below.

No.	Lessor's Name	Location (District)	Lease Term		Payment Period	Number of Payment	Periodic Payment	Total Lease Payment
			Start Date (MM DD YY)	End Date (MM DD YY)				
Lease-1b	E.O.T.C.Houses& Buildings	Oromia (Adama)	9-Apr-2020	8-Apr-2023	Semi annually	6	2,400,017	14,400,103
Lease-2	Berges Clinic-2	PPM (A.A)	11-Nov-2018	10-Nov-2021	Quarterly	12	1,264,727	15,176,720
Lease-4	De Leopold international Hotel	Oromia Head Office (A.A)	7-Aug-2018	6-Aug-2021	Quarterly	12	1,760,870	21,130,434
Lease-5	Tensae kale	Hossana	8-Jul-2021	7-Jul-2024	Semi-Annually	6	1,731,051	10,386,306
Lease-6	Magbanze p.l.c	South Addis Ababa District	7-Aug-2019	6-Aug-2022	Semi-Annually	6	2,569,200	15,415,200
Lease-7	Munir Ali	West Addis Abab District	8-Jan-2021	8-Jan-2024	Semi-Annually	6	-	-
Lease-8	Getere share company-2	North Addis Ababa District	7-Aug-2021	6-Aug-2024	Annually	3	3,202,207	9,606,620
Lease-9	Tegenu Bekele	North Addis Ababa District	25-Oct-2021	24-Oct-2024	Annually	3	2,795,069	8,385,206
Lease-10	Werkaferahu	Oromia (Ambo)	7-Aug-2021	6-Aug-2023	Annually	2	2,850,900	5,701,800
Lease-11	Nureidin Mohamed	Afar (Semera)	9-Jan-2022	8-Jan-2027	Semi-Annually	10	1,782,000	17,820,000
Lease-12	Berges Clinic-3	PPM (A.A)	10-Nov-2021	9-Nov-2024	Semi-Annually	6	3,910,071	23,460,428
Lease-13	NIB	Oromia Head Office(A.A)	28-Oct-2021	27-Oct-2026	Annually	5	21,749,436	108,747,182

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16 Financial assets :

	2022 ETB	2021 ETB
Trade receivables	4,803,735,803	4,976,807,139
Other receivable	171,218,329	2,136,824,346
Total financial assets	4,974,954,131	7,113,631,485
	-	-
Total current	4,974,954,131	7,113,631,485
Total non-current	-	-

16.1 Trade receivables

	2022 ETB	2021 ETB
Customer Billing	5,501,297,770	5,057,278,653
New Connection	184,884,966	241,389,660
Rechargeable work	1,366,294	1,366,294
less; Allowance for credit losses 16.1.1	(883,813,227)	(323,227,467)
Net trade receivable	4,803,735,803	4,976,807,139
	-	-

16.1.1 Allowance for credit losses

The average credit period for collection of trade receivable is three months. No interest is charged on trade receivables. For other trade receivable such as those that arise from new connection and rechargeable works, The Utility has recognized an allowance for doubtful debts through individually assessing all outstanding receivables.

Trade receivables disclosed below include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Utility has recognized an allowance for doubtful debts. It represents only of trade debtors arising from customer billing for distribution of electric power.

The ECL is computed based on historical data, it is difficult to incorporate the expected data related to macroeconomic (inflation, GDP, unemployment) determinant to each utility customers in our country

<u>Age of receivables - Customer billing</u>	30 June 2022	30 June 2021
	ETB	ETB
1 - 90 days	4,285,511,015	4,285,511,015
91 days - 1 year	530,340,496	756,396,196
1 year - 2 years	-	-
Over 2 years	-	-
Total	4,815,851,511	5,041,907,211

The movements in impairment allowance for trade receivable is analyzed below:

	Individually impaired ETB	Collectively impaired ETB	Total ETB
At 7 July 2021	61,867,148	259,994,026	321,861,174
Impairment loss recognized on receivables Utilized/written off	48,219,631	-	48,219,631
Unused amounts reversed/recovered	-	-	-
At 7 July 2022	110,086,779	259,994,026	370,080,805



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16.2 Other receivable

	2022 (ETB)	2021 (ETB)
Metal and engineering corporation	94,772,962	94,772,962
Sundry Debtors	252,823,060	2,103,855,598
Staff receivable	93,141,296	128,771,529
VAT receivable	27,030,716	100,065,543
Cash and stock shortages	6,941,076	9,975,293
Suspense	2,173,210	2,173,210
Gross amount	476,882,321	2,439,614,136
Less: Impairment allowance (Others)	(305,663,992)	(302,789,790)
	171,218,329	2,136,824,346

The balances receivable from METEC which arose from sale of scrap material to METEC on credit has been outstanding for long period of time and hence is fully provided for. Staff receivable represent the travel advance or per-diem paid to the staffs and not settled at the year end.

17 Advance and prepayment

	2022 (ETB)	2021 (ETB)
Advance payment	2,710,204,462	2,656,629,481
Allowance for credit losses	(282,273,436)	(282,273,437)
	2,427,931,026	2,374,356,043

This represent advance payment made to the utility's major suppliers and contractor for purchase of capital good items and services such as construction to be delivered in the future. The prepayment is released to Construction in progress (CIP) on a proportionate basis at a 30% of the work executed to date when the billing is issued. Certain prepayments were found to be impaired and an allowance for credit losses has been recorded accordingly within other expenses. The impaired prepayments are advance payments mostly made to suppliers and service providers including professional consultancies in the business-to-business market that are experiencing operational difficulties and failed to deliver the promised goods and services with in the agreed period of time.

18 Investment in Associate

	Investment in Ethiopian electrometer plc	Investment in Ethio China Electric Power SC
Share	40%	7%
Balance at 7 July 2021	17,550,672	396,975
Add :- Investment income/Loss for the period	2,648,539	
Addition Investment		
Less:- Dividend income received	-	
Balance at 7 July 2022	20,199,211	396,975



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In 2015, the utility has collaborated with a foreign based private Utility called Elsewedy Electrometer to establish a new Utility called Ethiopian electrometer plc. with an initial registered share capital of total paid up capital of 60 million birr. The plc. is engaged in the manufacturing of all types of Electricity meter and pre-paid electricity meter system which is mainly supplied to the utility. EEU owns 40% of the shares of the plc. (i.e. 2,400 shares) by contributing 24 million birr. .

In 2020, the utility has collaborated with Ethiopian Electric Power and foreign based Share Companies called Zhong Chuang Xin International Limited, Zhong Wang Da International Limited, Zhong Hui De International Limited, Zhong Hui Cheng International Limited and Mr. Mr.Zhu Liwel to establish a new Utility called Ethiopia-China Electric Power Share Company with an initial registered share capital of USD 187,500 equal to 5,925,000 birr. The share company is engage in Electro Mechanical Construction, Provision of Technical and Vocational Training Service and other related business activities.EEU owns 7% of the shares of the company. (i.e. 67 shares) by contributing 396,975 birr

19 Inventories

	<u>2022 (ETB)</u>	<u>2021 (ETB)</u>
General Stock	9,261,565,998	8,332,571,595
Stationery	116,908,986.05	95,351,470
Diesel Fuel	-	-
Oil and Lubricants	1,394,447.46	2,340,240
Other	144,565,086	116,892,782
Obsolete material	81,180,539	80,895,422
	<u>9,605,615,056</u>	<u>8,628,051,508</u>
Pro. For Stock Obsolescence	(80,895,422)	(80,895,422)
	9,524,719,634	8,547,156,086
Goods In transit	1,657,458,496	646,990,082
Total inventories at the lower of cost and net realizable value	<u><u>11,182,178,130</u></u>	<u><u>9,194,146,168</u></u>



20 Legal Reserve

The legal reserve is a statutory reserve to which 5% of net profits for the year shall be transferred each year to this reserve until it amounts to 20 % of the capital.

21 Retained earnings

The utility transfer net profit after deducting legal Reserve to Retained Earning . Because the utility is exempted from Profit tax and Government Profit share as per Letter from Ministry of Finance with Letter reference no ቃ/ክ/ቀ/5/20 dated 21-10-2010 E.C.

22 Grant and Contribution

This is an equity reserve to which budget contribution received from the Government of the Federal democratic republic of Ethiopia is accumulated. Loan forgiven and assumed by Government are also transferred to grant.

23 Other reserve

A component of equity to which an increase or a decrease in the projections used to value a Utility's defined benefit pension plan obligations (severance and KWH benefit liability) is charged.

24 Reserve for excess of deemed cost over book value

The reserve for excess of deemed cost is resulted from the increase in revaluation of property, plant and equipment, and freehold land at first time adoption of IFRS,. However, the reserve is not available to distribution or capital enhancement.

25 Financial liabilities at amortized cost:

This note is a summary of all financial liabilities of the utility at the reporting date. Each elements of the liabilities are further explained below from note 24.1 - 24.6

25.1 Trade and other payables

	2022	ETB	2021	ETB
Trade payable	1,934,582,178		1,610,266,466	
Interest Payable - bonds		-		12,899,910
Interest Payable - Long term loan	674,862,731		355,986,133	
Sundry payable	1,114,620,887		3,065,714,411	
	3,724,065,797		5,044,866,920	

25.2 Long term loans

Loan type	ADF-20-956-000	Foreign loan		Total
		IDA-6157	IDA-6158	
Interest rate	3%	6%	6%	
Maturity	Jan-48	Oct-41	Oct-41	
Balance at 7 July 2021	37,874,998	8,877,411	5,953,346,664	6,000,099,072
Add; Disbursement	239,539,859	1,785,354,435	2,098,585,046	4,123,479,340
; Forex loss	14,184,291	58,483,286	600,484,355	673,151,932
Less: Concessional loan	(142,437,393)	(567,662,122)	(668,447,343)	(1,378,546,857)
Less: Loan Assumed by the government				-
Balance at 7 July 2022	149,161,756	1,285,053,010	7,983,968,721	9,418,183,487

The loans are on lent through Ministry of finance (MOF) and recognized up on disbursement from the bank at the fair value of the consideration received translated in to Birr at the exchange rate ruling at date on which the loan is disbursed

The borrowing are re-payable within five to Fifty years



25.3 Customer Deposit

Customer deposit is refundable deposit made by the customer up on connection (up on inception of the contract) as guarantee for meter installed at the customer's premise. It is recognized as a payable up on collection of advance. The deposit is refunded up on termination of the contract by the customer.

25.4 Supplier Credit

	Good Luck ETB	Supreme &Co ETB	Cobra ETB	Total
Balance at 7 July 2021	295,787,258	102,763	396,026,374	691,916,395
; Forex loss	-	-	129,382,930	129,382,930
Less: Settlement	-	-	-	-
Balance at 7 July 2022	295,787,258	102,763	525,409,304	821,299,325

The utility also purchases project machineries and stocks from abroad on a deferred letters of credit basis guaranteed by the ministry of finance. The supplier Utility sign credit sales contract with the Utility where the later agrees to ship and deliver the item at an agreed quantity and specification. Up on signing of the agreement, the utility issues in favour of the seller an irrevocable letter of credit exclusively in USD or other foreign currency payable in years from bill of lading date up on submission of original required shipping documents. Recognized up on receipt of the goods from the supplier at the fair value of the goods received translated in to Birr at the exchange rate ruling at date on which the transaction is occurred.

The borrowing are payable as follows

	At '2022	At '2021
not later than one year		
later than one year and not later than five years	821,299,325	691,916,395
later than five years	-	-
	821,299,325	691,916,395

25.5 Contractors' retention / Retention Payable

Represent a Payment made for a construction works that is withheld pending the completion of some specified condition. When a contractor is bills the utility for works executed, The utility withheld five percentage (5 %) of the payment due as a retention money until the constructed plant is successfully competed and become operational.

26 Financial Risk Management

26.1 Introduction

The utility's risk management policy aimed to assess the existing and potential risk, examine the level of existing risk, control and take remedy action.

The utility is exposed to a wide array of risks internally suchas daily operations, internal processes, assets, properties etc. and externally such as issues related legal, social, political and economic etc. The Utility's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on finance, customer, injury loss time, project delay etc.

The Utility's activities expose it to a variety of financial risks, including financial risk (credit and Market risk, and interest rates risk), Liquidity risk, and Non financial risks.



26.1.1 Risk management structure

The Management has the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Utility.

The responsibility for risk management is decentralized. Corporate Planning Directorate office in collaboration with respective directorate offices is responsible for the development and regular update of risk management and implementing principles, frameworks, policies and risk appetite and forward for approval to management. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to management

The Management is responsible for translating and implementing the Utility's risk management strategy, priorities and policies as approved by the Managing Director..

The Utility's policy is that risk management processes throughout the Utility are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Utility.

26.1.2 Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the Utility. These limits reflect the business strategy and market environment of the Utility as well as the level of risk that the Utility is willing to accept, with additional emphasis on selected regions. In addition, the Utility measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

26.1.3 Risk mitigation

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

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

26.2 Financial risk

Financial instruments by category

The Utility's financial assets are classified into the following categories: at fair value through profit or loss (FVTPL) or amortized cost and the financial liabilities are classified into other liabilities at amortized cost. Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.



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The Utility's classification of its financial assets is summarized in the table below:

	FVTPL	Amortized Cost	Total
7 July 2022	ETB	ETB	ETB
Cash and balances with banks	24,845,344,071	-	24,845,344,071
Trade receivables	-	4,803,735,803	4,803,735,803
Other receivables excluding prepayments	-	171,218,329	171,218,329
Total financial assets	24,845,344,071	4,974,954,131	29,820,298,203

	FVTPL	Amortized Cost	Total
7/7/2021	ETB	ETB	ETB
Cash and balances with banks	16,399,722,177	-	16,399,722,177
Trade receivables	-	4,976,807,139	4,976,807,139
Other receivables excluding prepayments	-	2,136,824,346	2,136,824,346
Total financial assets	16,399,722,177	7,113,631,485	23,513,353,663

26.3 Credit risk

The Utility has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Utility is exposed to credit risk is trade receivables.

26.3.1 Management of credit risk

The table below show the maximum exposure to credit risk for the Utility's financial assets. The maximum exposure is show gross before the effect of mitigation:

		7 July 2022	7 July 2021
	Notes	ETB	ETB
Cash and balances with banks		24,845,344,071	16,399,722,177
Trade receivables	16.1	4,803,735,803	4,976,807,139
Other receivables excluding prepayments	16.2	171,218,329	2,136,824,346
		29,820,298,203	23,513,353,663

26.3.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 07 July 2022, 07 July 2021 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Utility has cash or cash equivalent that are held in foreign currency.

The Utility applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

(b)

The expected loss rates are based on the payment profile for sales over the past 48 months before 7 July 2022 and 7 July 2021 respectively as well as the corresponding historical credit losses during that period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Utility on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The ECL is computed based on historical data, it is difficult to incorporate the expected data related to macroeconomic (inflation, GDP, unemployment) determinant to each utility customers in our country

On the above basis the expected credit loss for trade receivables as at 30 June 2022 and 2021 was determined as follows:

30-Jun-22	0 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years <	Total
Expected credit loss rate	0.00%	6%	78%	100%	
Gross carrying amount	2,247,154,859	2,038,356,156	756,396,196		
Lifetime expected credit loss	-	115,878,142	105,111,102	39,004,782	259,994,026
30 June 2021	0 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years <	Total
Expected credit loss rate	0.00%	6.00%	78.00%	100.00%	
Gross carrying amount	2,247,154,859	2,038,356,156	756,396,196	756,396,196	
Lifetime expected credit loss	-	115,878,142	105,111,102	39,004,782	259,994,026

The closing balances of the trade receivables loss allowance as at 7 July 2022, and 7 July 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	ETB
Loss allowance as at 7 July 2021	259,994,026
Loss allowance recognized during the year	-
Loss allowance as at 7 July 2022	<u>259,994,026</u>



26.4 Liquidity risk

Liquidity risk is the risk that the Utility cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Utility might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Utility on acceptable terms.

Liquidity risk management in the Utility is solely determined by the Chief Finance Officer(CFO). CFO bears the overall responsibility for liquidity risk. The main objective of the Utility's liquidity risk framework is to maintain sufficient liquidity in order to ensure that the Utility will settle maturing obligations.

26.4.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

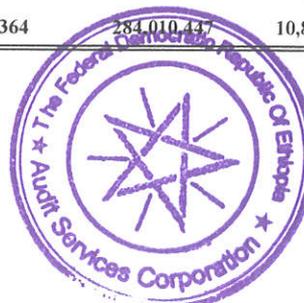
The Utility evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Utility devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Utility's reputation.

26.4.2 Maturity analysis of financial liabilities

The table below analyses the Utility's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	0-180 days	181 - 365 days	Over 1 year	Total
	ETB	ETB	ETB	ETB
7-Jul-22				
Trade and other payables	3,862,592,463			3,862,592,463
Contractors Retention			1,295,320,990	1,295,320,990
Other tax obligations	37,056,352			37,056,352
Accruals and Provision	12,099,500	236,779,913		248,879,413
Long term loans			14,444,755,630	14,444,755,630
Suppliers Credit			821,299,325	821,299,325
Total financial liabilities	3,911,748,315	236,779,913	16,561,375,944	20,709,904,173
7-Jul-21				
Trade and other payables	5,044,866,920	-	-	5,044,866,920
Contractors Retention	-	-	854,114,239	854,114,239
Other tax obligations	41,318,364	-	-	41,318,364
Accruals and Provision	11,327,080	284,010,447	-	295,337,526
Long term loans	-		9,274,875,885	9,274,875,885
Suppliers Credit			691,916,395	691,916,395
Total financial liabilities	5,097,512,364	284,010,447	10,820,906,520	16,202,429,330



26.4.3 Maturity analysis of Lease Liabilities

The table below analyses the Utility's lease liabilities based on the remaining period at the statement of financial position. The cash flows presented are the undiscounted amounts to be settled in future.

7-Jul-22	0-180days ETB	181-365days ETB	Over 1 year ETB	Total ETB
Lease 1b	2,400,017	-	-	2,400,017
Lease 5	1,731,051	1,731,051	3,462,102	6,924,204
Lease 7	1,214,400	1,214,400	1,214,400	3,643,200
Lease 8	1,601,103	1,601,103	3,202,207	6,404,414
Lease 9	1,397,534	1,397,534	2,795,069	5,590,138
Lease 10	1,425,450	1,425,450	-	2,850,900
Lease 11	-	-	10,692,000	10,692,000
Lease 12	3,910,071	3,910,071	7,820,143	15,640,285
Lease 13	10,874,718	10,874,718	65,248,309	86,997,746
	24,554,346	22,154,328	94,434,230	141,142,904

7-Jul-21	0-180days ETB	181-365days ETB	Over 1 year ETB	
Lease 1b	2,400,017	2,400,017	2,400,017	7,200,051
Lease2	1,264,727			1,264,727
Lease 5	1,226,880			1,226,880
Lease6	2,569,200	2,569,200	-	5,138,400
Lease 7	1,214,400	1,214,400	3,643,200	6,072,000
Lease 9	2,569,200	2,569,200		5,138,400
	11,244,424	8,752,817	6,043,217	26,040,458

26.5 Market risk

Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the Sales and Marketing department on regular basis, to identify any adverse movement in the underlying variables.



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(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Utility's exposure to the risk of changes in market interest rates relates primarily to the Utility's obligations and financial assets with floating interest rates. The Utility is also exposed on fixed rate financial assets and financial liabilities. The Utility's investment portfolio is comprised of Ethiopian Government bonds and equity investments.

The Utility has loans and borrowings and therefore is exposed to interest rate risk as far as loans and borrowings are concerned. Loans and receivable assets are carried at cost, hence any movement in market interest rate has no effect on the value of such assets.

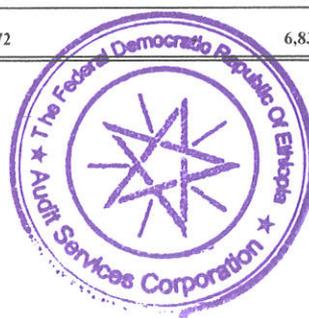
The table below sets out information on the exposures to fixed and variable interest instruments

7-Jul-22

	Fixed	Floating interest bearing	Non-interest bearing	Total
	ETB	ETB	ETB	ETB
Assets				
Cash and bank balances	24,845,344,071	-	-	24,845,344,071
Trade receivables	-	-	4,803,735,803	4,803,735,803
Other receivables excluding prepayments	-	-	171,218,329	171,218,329
Total	24,845,344,071	-	4,974,954,131	29,820,298,203
Liabilities				
Trade payables	-	-	5,018,910,812	5,018,910,812
Borrowings	9,418,183,487	-	-	9,418,183,487
Other liabilities	-	-	1,212,225,409	1,212,225,409
Total	9,418,183,487	-	6,231,136,221	15,649,319,708

7-Jul-21

	Fixed	Floating interest bearing	Non-interest bearing	Total
	ETB	ETB	ETB	ETB
Assets				
Cash and bank balances	16,399,722,177	-	-	16,399,722,177
Trade receivables	-	-	4,976,807,139	4,976,807,139
Other receivables excluding prepayments	-	-	2,136,824,346	2,136,824,346
Total	16,399,722,177	-	7,113,631,485	23,513,353,663
Liabilities				
Trade payables	-	-	5,898,981,159	5,898,981,159
Borrowings	6,000,099,072	-	-	6,000,099,072
Other liabilities	-	-	932,154,864	932,154,864
Total	6,000,099,072	-	6,831,136,022	12,831,235,094



(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Utility primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency. The Utility is therefore not exposed to currency risk.

26.6 Capital management

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

	2022	2021
	ETB	ETB
paid up capital	-	49,840,885,261
Legal reserve	-	184,238,972
Retained earnings	-	-
Other reserve	-	11,073,429,162
Equity	-	61,098,553,395
Total liability	23,228,536,826	17,646,378,515
Less: current liability	(4,299,968,289)	(5,661,890,995)
Net debt	27,528,505,116	23,308,269,510
Gearing	100%	28%

26.7 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

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

26.7.1 Fair value methods and assumptions

Trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

26.7.2 Valuation technique using significant unobservable inputs – Level 3

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



26.7.3 Transfers between the fair value hierarchy categories

During the two reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

26.8 Offsetting financial assets and financial liabilities

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

27 Defined benefit obligation (Severance and Electric Energy Benefit)

Valuation Approach

The provision was based on an independent actuarial valuation performed by Ruparelia Consultants Limited (RCL) using the projected unit credit method. The severance benefit and Electric Energy benefit plan is an unfunded defined benefit scheme. The key financial assumptions are the discount rate, the rate of salary increases and age of retirement. The Utility does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize. The actuarial valuation for post employee benefit obligation for the year 7 July 2022 was made by professional actuary Ruparelia Consultants Limited (RCL). The Actuarial (gain) loss comprises of financial assumptions and experience adjustment. The experience gain is driven by actual benefit payments being lower than expected on the other side, salary increases between initially recognized and 2022 have been higher than that expected. The details of the valuation approached is explained

	7 July 2022	7 July 2021
	ETB	ETB
Defined benefits liabilities: (Note 26 a)		
Present value of funded obligation - Electric Energy Benefit	666,495,533	753,946,512
Present value of funded obligation - Severance Benefit	28,639,899	67,100,306
Defined Benefit Obligation (Asset) recognized in the SOFP	695,135,432	821,046,818

Income statement charge included in personnel expenses: (Note 26 b)

	2022 (ETB)	2021 (ETB)
Electric Energy Benefit	114,538,031	120,789,607
Severance Benefit	62,532,583	15,595,523
Total defined benefit expenses	177,070,614	136,385,131

re-measurements gain or loss for the Defined Benefit Obligation

	2022 (ETB)	2021 (ETB)
Electric Energy Benefit	(201,989,010)	-
Severance Benefit	(100,992,990)	-
	(302,982,000)	-



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27 a Liability recognized in the financial position

	7 July 2022	7 July 2021
	ETB	ETB
Electric energy benefit	666,495,533	753,946,512
Severance pay	28,639,899	67,100,306
	695,135,432	821,046,818

27 b Amount recognized in the profit or loss

	7 July 2022	7 July 2022	7 July 2021	2021
	ETB	ETB	ETB	ETB
	Electric Energy Benefit	Severance Benefit	Electric Energy Benefit	Severance Benefit
Current service cost (excluding interest)	53,502,268	26,750,732	48,297,394	9,723,238
Interest cost	72,599,696	36,299,304	83,128,407	7,107,943
Benefit Paid	(11,563,933)	(517,453)	(10,636,194)	(1,235,657)
	114,538,031	62,532,583	120,789,607	15,595,523

27 c Changes in the present value of the defined benefit obligation

	7 July 2022	7 July 2022	7 July 2021	7 July 2021
	ETB	ETB	ETB	ETB
	Electric Energy Benefit	Severance Benefit	Electric Energy Benefit	Severance Benefit
At the beginning of the year	753,946,512	67,100,306	633,156,905	51,504,783
Current service cost	53,502,268	26,750,732	48,297,394	9,723,238
Interest cost	72,599,696	36,299,304	83,128,407	7,107,943
Actuarial (gains)/losses on experience	(201,989,010)	(100,992,990)	-	-
Benefits paid	(11,563,933)	(517,453)	(10,636,194)	(1,235,657)
At the end of the year	666,495,533	28,639,899	753,946,512	67,100,306

27 d The principal assumptions used in determining defined benefit obligations

	7 July 2022	7 July 2021
	ETB	ETB
Discount rate (p.a)	14.75%	12.75%
Long term salary increases (p.a)	10.75%	10.75%
Retirement age assumption	55	55



(i) Discount rate

The Utility opted to use a discount rate of (7 July 2022: 14.75%.) based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

(ii) Long term salary increases

A salary increase assumption of 10.75% p.a. has been assumed at 7 July 2022 . Salary increases have been assumed to occur at the end of each accounting year (i.e. at 7 July every year)..The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

(iii) Electric Energy consumption Tariff

In order to estimate the monetary value of this benefit, the KWh has been converted into Birr using the tariff rates determined by the management.

(iv) Withdrawals from service

The withdrawal rate selected was based on experience in other similar arrangements.

<u>Age</u>	<u>Withdrawal rates</u>
20	15.0%
25	12.0%
30	6.0%
35	2.5%
40	1.8%
45	1.0%
50	0.0%
55	0.0%
60	0.0%

(v) Ill-health / Disability

<u>Age</u>	<u>Ill-health rates</u>
20	0.04%
25	0.04%
30	0.04%
35	0.04%
40	0.06%
45	0.11%
50	0.20%
55	0.35%
60	0.57%



27 e Quantitative sensitivity analysis for significant assumption

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

Figures in Birr	Sensitivity scenarios				
	(1) Base	(2) I + 1	(3) I - 1	(4) e & cpi	(5) e & cpi-1
Assumptions being varied					
Discount rate (i)	14.75%	15.75%	13.75%	14.75%	14.75%
Salary increases (e) and inflation (cpi)	10.75%	10.75%	10.75%	11.75%	9.75%
Actuarial Liability					
7-Jul-22	695,136,006	617,494,864	791,566,502	797,276,188	612,272,330

Key risks

The risks associated with severance benefit entitlements are as follows:

The benefits are linked to salary and consequently has an associated risk of an increase in salary.

The benefits are defined as per the labour proclamation and hence possible amendment to the proclamation could change this benefit and materially change the cost of the Utility

The severance benefit is unfunded with no separate assets, an investment risk would therefore not arise.

Severance benefit is payable when an employees contract of employment is terminated by the initiation of the employer against the provision of law. The actual cost to the Utility of the benefits is therefore subject to the demographic movement of the employees.

28 Other tax and obligation

	2022 ETB	2021 ETB
Employment Income tax	11,934,778	21,845,692
Withholding tax payable	24,999,735	20,303,677
Vat Payable / Receivable	27,038,328	100,067,891
Pension contribution payable	121,840	(831,005)
	<u>64,094,680</u>	<u>141,386,255</u>



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29 Contract liabilities

Contract liability represents to EEU's obligation to deliver services to a customer for which the entity has received consideration from the customer.

	Customer Contribution		Prepaid	Total
	Capital	Non Capital	Current Liability	
	ETB	ETB	ETB	
At 7 July 2021	2,292,101,253	534,441,134	166,377,238	2,992,919,624
Deferred during the year	1,166,159,850	3,571,588,775	3,443,976,578	8,181,725,203
Released to the statement of profit or loss	(226,427,074)	(1,784,519,235)	(3,360,139,050)	(5,371,085,359)
Transfer to other liabilities		(2,370,154)		(2,370,154)
At 7 July 2022	3,231,834,029	2,319,140,521	250,214,767	5,801,189,316

30 Accrual and Provision

	Accrual	Provision		Total
	Accrual	Annual Leave	Legal	
	ETB	ETB	ETB	ETB
Balance at 7 July 2021	11,327,080	46,861,765	237,148,682	295,337,526
Provision For the year	4,160,567	82,751,980	71,516,740	158,429,287
Reversal/Repayment	(3,388,146)	(3,935,844)	(198,772,833)	(206,096,823)
Accrual and Provision At 7 July 2022	12,099,500	125,677,901	109,892,589	247,669,990

Included in accrual is cumulative annual leave , utility , unclaimed salary and others accrued at the reporting date. Each employee is entitled to an annual leave of 14 days for the first year of employment and keeps on increasing one day per additional year of service until it reaches the maximum amount allowed per year . However , the leave can only be carried forward for one more year.

Provision for legal claims arising from litigation of labour cases, contractual and extra contractual liability and property damage claims are being recognized.



31 Related party transactions'

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party: controls, controlled by, or under common control with, the entity and has an interest in the entity that gives it significant influence over the entity. The Utility discloses the nature of relationships between its related parties irrespective of whether there have been transactions between them.

Key management has been determined to be the members of the management board and the executive management of the Utility

	2022 ETB	2021 ETB
Board Allowance	306,600	119,800
Key Management Compensation		

The compensation paid to key management personnel shown below

	2022 ETB	2021 ETB
	20,426,870	19,127,283

Compensation of key management includes Salary, management allowance, house rent allowance, telephone allowance, and house rent allowance .fuel and free electricity

32 Events after reporting period

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 war may cause major destruction of the assets that may lead to significant decline in energy sales in the Amhara, Afar and Tigray regions. As per the assessment report of Amhara and Afar Region Electric utility offices the estimated loss due to the war is approximately Birr 1,105,129,767.23 and Birr 112,838,450.28 respectively.. Regarding the Tigray region's Electric Utility the Enterprise has not been unable to assess the extent to which its assets located in the northern part of the country may have been damaged by the military operations. The estimated loss due to the war is approximately Net Asset of the Region which is Birr 5,648,645,091.45. The amount stated in the assessment report is not confirmed by auditors

33 Contingent liabilities and commitments

The entity has contingent liabilities arising from legislation that has been sued by different entities and individuals, but not provided for in these financial statements amounting to Birr 10,381,687.

The Entity has commitments which is not provided in these financial statements of approximately Birr 1,462,018,806 in respect to various purchase contracts.

