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**AUDIT SERVICES
CORPORATION**

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

ETHIOPIAN ELECTRIC UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2024
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ETHIOPIAN ELECTRIC UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2024
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. Sultan Weli	Board Member	Appointed	July 08, 2022
Ato Mengesha Dessie	Board Member	Appointed	March 25, 2019
Ato Hailu Zewide	Board Member	Appointed	March 10, 2021

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/Medihen	Executive, Tigray Region
Ato Solomon Tasew	Executive, Amhara Region
Ato Fikiremariam 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 Resouce
W/ro Lemlem Misganaw	Director, Portfolio Projects Management
Ato Gemechu Yimer	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
Mexico Square at NIB Building 7th Floor
Addis Ababa, Ethiopia
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 UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2024
Report of the Management Board

The management board members submit their report together with the financial statements for the period ended July 07, 2024 to the Ethiopian investment holdings.

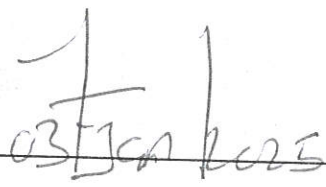
Ethiopian Electric Utility (EEU) is a public enterprise established on October 2013 by Council of Minister's Regulation No. 303/2013 following the split of Ethiopian Electric Power Corporation (EEPCo) in to two Separate entities and amended by Regulation No. 382/2016

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

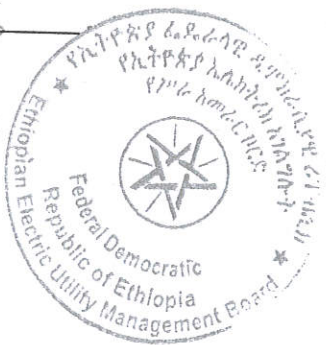
The Utility's results for the year ended July 07, 2024 are set out on page 8.

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.



W/t Frehiwot Tamiru
Chairperson Management Board



ETHIOPIAN ELECTRIC UTILITY
IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7 JULY 2024
Statement of management board's responsibilities

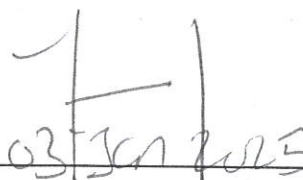
In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) has directed the Utility to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs).

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.

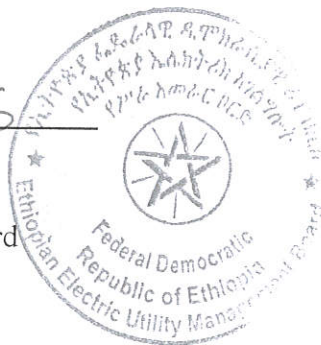
To enable the Management Board to meet this responsibility, the management board & executive management implement system of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost 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:



W/t Frehiwot Tamiru
Chairperson Management Board





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Office of the Federal Auditor General
Audit Services Corporation

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

Report on the Audit of the Financial Statements

Opinion

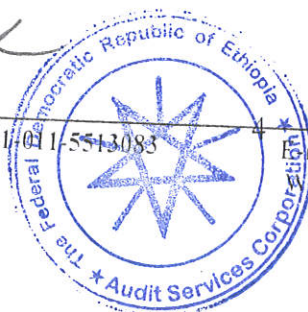
We have audited the financial statements of Ethiopian Electric Utility (the Entity), which comprise the statement of financial position as at 7 July 2024, and the statement of profit or loss and other comprehensive income, statement of cash flow, and statement of changes in equity for the year then ended, 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 2024 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.

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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)

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

3 January 2025



ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 7 JULY 2024

	Notes	2024 ETB	2023 ETB As Restated-Note 35
Revenues	4	33,931,188,888	31,288,342,172
Cost of sales (Power, Distribution , Substation and Transmission)	5	(29,331,385,249)	(26,026,167,048)
Gross profit		4,599,803,639	5,262,175,125
Investment income	16.1	13,317	3,146,256
Other operating incomes	6	6,686,969,034	2,447,849,439
Administration expenses	7a	(4,436,805,974)	(4,266,930,296)
Other operating expenses	8	(5,047,601)	(1,575,729)
Impairment allowances	7b	(799,592,911)	442,416,210
Operating profit		6,045,339,505	3,887,081,004
Finance costs/charges	9	(2,321,536,311)	(1,564,389,842)
Profit before tax		3,723,803,194	2,322,691,162
Income tax expense	10	-	-
Profit for the year		3,723,803,194	2,322,691,162

The Notes on pages 12-47 are an integral part of these Financial statements

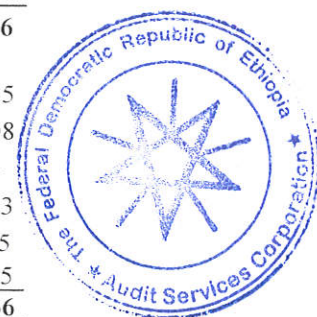



ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF FINANCIAL POSITION
AS AT 7 JULY 2024

		2024 (ETB)	2023 (ETB)
Assets	Notes		As Restated-Note 35
Non-current assets			
Property, plant and equipment	11	56,586,076,593	47,946,789,041
Intangible Assets	13	763,257,748	829,165,395
Right use of assets - Office	14	84,446,820	194,722,425
Advances	15	6,102,116,137	2,314,204,892
Investments in Associates and Joint Ventures	16.1	23,755,759	23,742,442
Investments in Time Deposit	16.2	500,750,000	-
		64,060,403,057	51,308,624,195
Current assets			
Cash and cash equivalents	17	33,353,380,786	29,164,515,359
Trade receivables	18.1	2,088,323,242	3,332,028,095
Other receivables	18.2	269,096,532	253,333,289
Inventories	19	17,778,241,125	14,157,096,794
Investments in Time Deposit	16.2	500,750,000	-
Prepayments	15	111,141,028	13,666,741
Non-current Assets Held for Sale		6,297,887	9,350,925
		54,107,230,600	46,929,991,203
Total assets		118,167,633,657	98,238,615,398
Equity and liabilities			
Equity			
paid up capital		62,289,554,816	49,840,885,261
legal reserve	20	623,782,331	437,592,171
Retained earnings	21	3,537,613,034	4,389,803,945
Contributions	22	-	3,329,962,429
Other Reserve	23	252,639,280	252,639,280
Reserve for excess of deemed cost over book value	24	10,057,015,737	10,066,050,781
Total equity		76,760,605,199	68,316,933,867
Non-current liabilities			
Lease Liabilities	25	28,951,668	163,744,213
Customers' Deposit	26.3	1,103,299,791	1,076,449,727
Long term loans	26.2	13,392,394,887	12,307,316,504
Suppliers' Credit	26.4	-	862,453,818
Contractors' Retention	26.5	2,816,366,510	1,846,559,280
Post Employment benefit liabilities	28	988,951,666	813,389,432
Contract liabilities	30	13,777,768,790	6,217,436,892
		32,107,733,311	23,287,349,866
Current liabilities			
Current portion of Lease Liabilities	25	39,926,174	13,923,055
Trade and other payables	26.1	7,078,571,353	5,742,928,808
Current portion of Long Term Loans payable	26.2	993,939,877	-
Other tax obligations	29	22,731,689	77,345,303
Contract liabilities - Prepaid Cards		548,710,217	388,202,655
Accruals and Provision		615,415,837	411,931,845
		9,299,295,147	6,634,331,666
Total liabilities		41,407,028,458	29,921,681,531
Total equity and liabilities		118,167,633,657	98,238,615,398

The Notes on pages 12-47 are an integral part of these financial statements

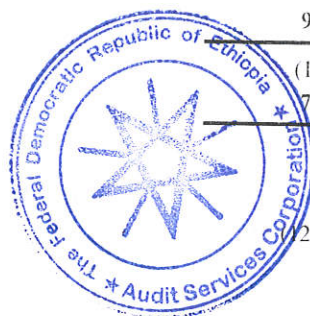
The financial statements on pages 8 to 47 were approved by the Board of Directors of the Ethiopian Electric Utility on July 10, 2024. Shiferaw Telila, Chief Executive Officer/EEU, CEO/ for issue on January 03, 2025




Shiferaw Telila
Chief Executive Officer

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 7 JULY 2024

	2024 (ETB)	2023 (ETB)
Operating activities		As Restated- Note 35
Profit	3,723,803,194	2,322,691,162
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and impairment of property, plant and equipment	4,100,611,189	4,062,383,518
Loss on Disposal of Fixed Assets	63,235,801	60,025,912
Amortization of the right use of assets	77,016,933	91,798,925
Amortization of intangible assets	65,907,647	66,329,435
Impairment of financial assets	568,093,598	(490,127,674)
Impairment of Advances	(12,710,045)	14,299,166
Provision for Inventories	242,217,006	33,412,299
Severance Expense (Current service cost & Interest Expense)	175,562,234	118,254,000
Concessional loans discount (income)	(4,593,488,552)	(1,181,581,592)
Interest expenses	1,887,891,538	1,559,661,380
Foreign exchange losses	569,643,429	492,619,513
	6,867,783,971	7,149,766,044
Working capital adjustments:		
Decrease in trade, other receivables	659,848,011	1,879,720,422
Increase in Investments in Time Deposit	(1,001,500,000)	-
Increase in advances	(3,775,201,199)	94,407,170
Increase in inventories	(3,863,361,337)	(3,008,330,963)
Increase in prepayments	(97,474,287)	(8,646,943)
Increase in trade and other payables	1,645,020,486	2,169,221,879
Increase in contract liabilities	7,720,839,459	666,462,343
Increase in customers' Deposit	26,850,064	34,451,564
Increase in contractors' retention	969,807,230	551,714,265
	9,152,612,398	9,528,765,780
Interest paid	(1,887,891,538)	(1,559,661,380)
Net cash flows from operating activities	7,264,720,860	7,969,104,400
Investing activities		
Purchase of property, plant and equipment	(2,803,134,542)	(8,178,889,405)
Gain from investment in associate	(13,317)	(3,146,256)
Proceeds from disposal of fixed Assets	(9,246,819)	-
Net cash flows used in investing activities	(12,812,394,679)	(8,182,035,660)
Financing activities		
Proceed from Capital and grant contributions	4,728,903,181	1,008,259,084
Proceeds from borrowings (loan and supplier Credit)	5,142,392,041	3,619,249,588
Payment for additional leased assets	(134,755,976)	(95,406,122)
Net cash flows from/(used in) financing activities	9,736,539,245	4,532,102,550
Net increase/ (decrease) in cash and cash equivalents	4,188,865,426	4,319,171,289
Cash and cash equivalents at 8 July,	29,164,515,360	24,845,344,071
Cash and cash equivalents at 7 July	33,353,380,786	29,164,515,360



The Notes on pages 12-47 are an integral part of these Financial statements

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 7 JULY 2024



	Notes	paid up capital ETB	Legal Reserve ETB	Retained Earnings ETB	Reserve for excess of deemed cost over book value ETB	Contribution ETB	Other Reserve ETB	Total ETB
Balance at 7 July 2022	35	49,840,885,261	313,733,473	2,327,493,568	11,123,771,881	2,321,703,345	252,639,280	66,180,226,808
Profit for the year				2,322,691,162				2,322,691,162
Transfer to legal reserve	20		123,858,698	(123,858,698)				
Contributions	22			(136,522,087)		1,008,259,084		1,008,259,084 (136,522,087)
Transfer from retained capital deemed cost over book value	24				(1,057,721,100)			(1,057,721,100)
Balance at 7 July 2024	35	49,840,885,261	437,592,171	4,389,803,945	10,066,050,781	3,329,962,429	252,639,280	68,316,933,867
Profit for the year				3,723,803,194				3,723,803,194
Transfer to legal reserve	22		186,190,160	(186,190,160)				
Contributions	22					4,728,903,181		4,728,903,181
Transfer from Contributions	21	8,058,865,610				(8,058,865,610)		
Transfer from retained earnings	21	4,389,803,945		(4,389,803,945)				
Transfer from reserve for excess of deemed cost over book value	24				(9,035,044)			(9,035,044)
Balance at 7 July 2024		62,289,554,816	623,782,331	3,537,613,034	10,057,015,737		252,639,280	76,760,605,199

In reference to Minutes of Ethiopian Investment Holdings Board of Directors on November 16, 2024; The utility's authorized capital is increased to birr 120 billion and mandated the payment of the difference between the authorized capital & the paid-up capital with in five (5) years from the date 16 November 2024.

The Notes on pages 12-47 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 and amended by Regulation No. 382/2016. 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 Ethiopian Investment Holdings.

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, until 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. Material accounting Policies

2.1 Basis of preparation and Statement of compliance

Statement of Compliance

The financial statements for the period end 7 July 2024 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 Material accounting policies

The following are the material 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.



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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 material 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	5 years
· Motor Cycle	5 years
· Administrative building	5 years
· Office furniture and equipment	5 - 25 years



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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.

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 the lease arrangements with monthly rent above birr 200,000 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.

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



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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
Website	5 years

2.2.9 Financial instruments

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

Classification

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 asse

De-recognition

Financial Assets 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

The Utility initially recognize it's financial assets at thier transaction price, as defined by IFRS 15. And subsequently measurement of financial assets of the utility is at amortised cost.



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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 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 material 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). As example Loans from African Development Fund (ADF) & World bank (ADELE) are assigned for projects under construction, So the interest costs are capotalized to the construction costs.

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

2.2.12 Impairment of non-financial assets

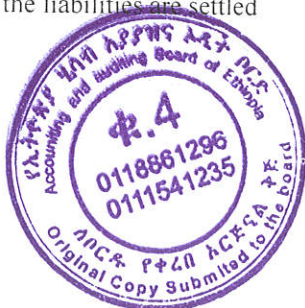
Intangible asset that have an indefinite useful life are not subject to amortization and are tested, annual for impairment if there is indication that an asset may be impaired.

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. 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 va;ue) is charged to profit or loss as concessional income

2.3 New or revised Standards or Interpretations

There are no new standards, amendments or 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. Material 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 material 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 a Power Purchase Agreement with Ethiopian Electric Power. The Power Purchase from EEP has fully undertaken by using energy meters installed in all substations

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 2023 was made by professional actuary Ruparelia Consultants Limited (RCL).



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4 Revenue

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

	2024 (ETB)	2023 (ETB)
Sale of electricity - local-post paid	17,630,687,026	16,876,698,085
sales of electricity -local- prepaid meter	4,146,642,789	3,794,503,531
Revenue from capital work	533,655,217	373,462,998
Service charges	958,573,379	395,283,000
Meter service charges	1,349,163,147	1,069,923,803
Connection fees	4,742,958,857	5,042,010,042
Sales of electricity - foreign	32,568,414	38,572,260
Sales of power factor correctors	4,536,889,132	3,697,503,795
Income from sales of compact fluorescent lamps	50,927	384,660
	<u>33,931,188,888</u>	<u>31,288,342,172</u>

4.1 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 2024

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

	2024 (ETB)	2023 (ETB) As Restated-Note 35
Power Purchase - EEP	17,014,739,681	14,892,454,823
Distribution (5.1)	12,087,608,028	10,728,844,240
Substation and Transmission (5.1)	229,037,540	207,146,583
	<u>29,331,385,249</u>	<u>25,828,445,646</u>

5.1 Cost of Distribution, Substation and Transmission

	2024 (ETB)			2023 (ETB)		
	Distribution	Substation & Transmission	Total	Distribution	Substation & Transmission	Total
Salary and Wages	4,067,928,595	79,241,478	4,147,170,074	2,986,550,413	58,342,463	3,044,892,876
Depreciation	3,724,003,445	148,632,075	3,872,635,521	3,693,229,173	147,968,468	3,841,197,641
Material and supplies	2,457,354,588		2,457,354,588	2,687,843,182	-	2,687,843,182
Other personnel cost	262,630,581	223,456	262,854,037	65,446,047	86,255	65,532,302
Travel and subsistence	399,372,140		399,372,140	331,227,914	-	331,227,914
Fuel and lubricants	286,672,087		286,672,087	203,336,119	-	203,336,119
Rent	139,071,423		139,071,423	111,764,813	-	111,764,813
Amortization	111,623,912		111,623,912	86,957,357	-	86,957,357
Communications	176,833,220		176,833,220	19,718,349	-	19,718,349
Insurance	43,741,370		43,741,370	6,649,713	-	6,649,713
Miscellaneous	418,376,666	940,530	419,317,197	536,121,161	749,396	536,870,557
	<u>12,087,608,028</u>	<u>229,037,540</u>	<u>12,316,645,567</u>	<u>10,728,844,240</u>	<u>207,146,583</u>	<u>10,935,990,823</u>

6 Other income

	2024 (ETB)	2023 (ETB)
Concessional loan discount (income)	4,593,488,552	1,181,581,592
General line	269,075,282	238,053,853
Club sales	26,446,143	22,080,790
Maintenance and service	612,057,126	485,958,915
Fines	122,355,597	37,929,400
Miscellaneous	1,062,046,334	482,244,889
Income from Time Deposit	1,500,000	
	<u>6,686,969,034</u>	<u>2,447,849,439</u>

6.1 Incomes from general lines arise 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.



ETHIOPIAN ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS
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7a Admin expense

	2024 (ETB)	2023 (ETB)
Salary, Wages and Benefits	1,166,454,769	970,593,205
Current Service Cost	51,769,307	14,676,000
Material and supplies	1,157,652,802	1,057,144,213
Depreciation	227,975,668	243,419,061
Other personnel cost	74,138,318	145,634,050
Amortization	31,483,667	71,171,002
Communications	178,431,122	421,909,539
Fuel and lubricants	239,513,849	223,677,518
Insurance	12,337,309	35,396,827
Rent	46,314,937	39,942,575
Travel and subsistence	112,643,424	107,984,717
Miscellaneous	1,138,090,802	935,381,588
	<u>4,436,805,974</u>	<u>4,266,930,296</u>

7b Impairment Allowance

	2024 (ETB)	2023 (ETB)
Bad Debt expense	799,592,911	(442,416,209)
	<u>799,592,911</u>	<u>(442,416,209)</u>

8 Other operating expense

	2024 (ETB)	2023 (ETB)
Audit Fee	4,731,701	1,273,729
Board Fee	315,900	302,000
	<u>5,047,601</u>	<u>1,575,729</u>

9 Finance cost/income

	2024 (ETB)	2023 (ETB)
Loss on Foreign exchange	296,064,996	(55,610,934)
Interest expense	1,887,891,538	1,537,290,082
Interest on employee termination benefit obligation (9.1)	123,792,928	103,578,000
Interest on Lease liability (9.1)	13,786,850	22,371,299
	<u>2,321,536,311</u>	<u>1,607,628,446</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.

10 Taxation

The utility is exempted from Profit tax and Government Profit share as per Letter from Ministry of Finance with Letter reference no ታ/ክ/ቀ/5/20 dated 21-10-2010 E.C.



ETHIOPIAN ELECTRIC UTILITY
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FOR THE YEAR ENDED 7 JULY 2024



II Cost of Property, plant and equi



	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
	Building	Land improvements	Substation	Motor vehicles	Office Furniture and equipment	Garage and workshop equipment, Construction machinery	Diesel generator	Distribution and Transmission line	Construction in progress	As Restated Note 35	ETB	ETB	Total
As at 7 July 2023	883,833,079	76,332,257	1,354,032,388	1,658,192,778	1,168,581,957	129,686,323	133,303,002	50,449,382,041	14,916,253,309		70,769,597,134		
Additions				85,536,463	166,100,769	120,637			12,551,376,674		12,803,134,542		
Transfer	140,233,657		28,166,673										
Disposals													
/Derecognition	(2,006,300)			(15,278,824)	(897,584)				(5,121,994,116)		(107,454,854)		
As at 7 July 2024	1,022,060,435	76,332,257	1,382,199,061	1,728,450,418	1,333,785,142	129,806,960	133,303,002	55,313,703,682	22,345,635,866		83,465,276,823		
Accumulated depreciation													
As at 7 July 2023	137,057,283	19,958,394	678,352,374	490,505,447	669,579,719	35,062,600	64,161,580	20,728,130,697			22,822,808,093		
Charge for the year	29,358,468	4,881,223	86,056,456	122,522,921	201,358,109	5,525,248	7,962,204	3,642,946,559			4,100,611,189		
Transfer													
Disposals	(530,535)			(7,582,967)	(638,308)						(44,219,053)		
As at 7 July 2024	165,885,216	24,839,618	764,408,831	605,445,401	870,299,520	40,587,848	72,123,785	24,335,610,012			26,879,200,229		
As at 7 July 2023	746,775,796	56,373,862	675,680,014	1,167,687,332	499,002,239	94,623,724	69,141,421	29,721,251,345	14,916,253,309		47,946,789,041		
As at 7 July 2024	856,175,219	51,492,639	617,790,230	1,123,005,017	463,485,622	89,219,113	61,179,217	30,978,093,670	22,345,635,866		56,586,076,593		

The Utility has free hold Land donated from City Administration and Regional State Governments through out the country which had a value of birr 896,832,100 during first time adoption of IFRSs.

ETHIOPIAN ELECTRIC UTILITY
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12 Forest assets

The utility has a forest asset in Oromia, SNNP and Sidama Regions. Which valued during first time adoption of IFRSs /2019/ which is birr 161,084,036.

Region	Value as of	Area in m ²
Oromia	Nekemy/Tsege	955000
	Fincha/Segno G	336000
	Shambu/Homi	188100
	Bore	67000
	Addis Alem	247000
SNNR	Hossana	147000
Sidama	Yirgalem	15000
Tota;		1955100

13 Intangible Assets

	Website	Billing Software	ERP Software	Total
	ETB	ETB	ETB	ETB
Cost				
At 7 July 2023	1,612,501	1,985,750	988,614,709	992,212,960
Additions				-
Transfer				-
At 7 July 2024	1,612,501	1,985,750	988,614,709	992,212,960
Amortization				
At 7 July 2023	504,955	1,787,176	160,755,433	163,047,565
Charge for the year	322,500	50,600	65,534,547	65,907,647
At 7 July 2024	827,456	1,837,776	226,289,980	228,955,212
NET BOOK VALUE				
At 7 July 2024	785,045	147,973	762,324,729	763,257,748
At 7 July 2023	1,107,546	198,573	827,859,276	829,165,395



ETHIOPIAN ELECTRIC UTILITY
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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).

	2024 (ETB)	2023 (ETB)
Cost		
At 7 July 2023	319,037,922	192,064,652
Additions	27,687,006	153,017,769
Disposals	<u>(147,108,303)</u>	<u>(26,044,499)</u>
At 7 July	<u>199,616,625</u>	<u>319,037,922</u>
Amortization and impairment		
At 7 July 2023	(124,315,497)	(58,561,071)
Amortization charge for the year	(77,016,933)	(91,798,925)
Disposals	86,162,624	26,044,499
At 7 July	<u>(115,169,805)</u>	<u>(124,315,497)</u>
Net book value		
At 7 July	<u>84,446,820</u>	<u>194,722,425</u>

15 Advances & Prepayments

	2024 (ETB)	2023 (ETB)
Advance & pre payment	6,497,119,722	2,624,444,235
Allowance for credit losses	<u>(283,862,557)</u>	<u>(296,572,602)</u>
	<u>6,213,257,165</u>	<u>2,327,871,633</u>

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.



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16 Investments

16.1 Investments in Associates and Joint Ventures

	Investment in Ethiopian electrometer plc	Investment in Ethio China Electric Power SC	Total
Share	40%	7%	
Balance at 7 July 2023	23,345,467	396,975	23,742,442
Add :- Investment income/loss	(43,342)		
Addition Investment	56,659		
Less:- Dividend income received	-		
Balance at 7 July 2024	23,358,784	396,975	23,755,759

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

The utility account its investment in associate and Joint ventures using equity method. Equity method is a method of accounting whereby the investment is initially accounted at cost and adjusted thereafter for the post acquisition change in the utility's share of net asset of the investee.

16.2 Investment in Time Deposit

CD No	AIB/CD No 04622	AIB/CD No 04620
Investment in Time Deposit	500,000,000	500,000,000
Add :- Investment income	750,000	750,000
Balance at 7 July 2024	500,750,000	500,750,000

In 2024 the utility made investment in time deposit at Awash International Bank S.C.on 03 July 2024 for Eighteen and Twelve months respectively which bear interest at 18.25 per annum payable on the due date of the deposit. The Utility holds the Certificate of Deposit with the objective to collect the contractual cash flows and interest. Therefore measures at amortized cost using the effective interest rate (EIR) method.



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17 Cash and cash equivalents:

	2024 ETB	2023 ETB
Cash at Bank	32,814,255,733	28,086,061,167
Restricted cash Margin Held	539,435,251	1,078,191,090
Cash on hand	(310,198)	263,102
Total financial assets	33,353,380,786	29,164,515,359

Restricted cash Margin Held is margin money deposited in the National Bank for the purpose of enabling the bank to meet payment under the condition and amount specified in letter of credit

18 Financial assets :

	2024 ETB	2023 ETB
Trade receivables	2,088,323,242	3,332,028,095
Other receivable	269,096,532	253,333,289
Total financial assets	2,357,419,774	3,585,361,384
Total current	2,357,419,774	3,585,361,384
Total non-current	-	-



18.1 Trade receivables

	2024 ETB	2023 ETB
Customer Billing	3,013,702,879	3,622,390,010
New Connection	184,397,780	184,369,333
Rechargeable work	1,366,294	1,366,294
less; Allowance for credit losses 18.1.1	(1,111,143,711)	(476,097,541)
Net trade receivable	2,088,323,242	3,332,028,095



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18.2 Other receivable

	2024 (ETB)	2023 (ETB)
Metal and engineering corporation /METEC/	94,772,962	94,772,962
Sundry Debtors	285,153,278	241,918,255
Staff receivable	29,316,393	97,065,806
VAT receivable	212,301	27,216,724
Cash and stock shortages	15,941,031	15,611,547
Suspense	-	-
Gross amount	425,395,965	476,585,293
Less: Impairment allowance (Others)	(156,299,434)	(223,252,004)
	269,096,532	253,333,289

The balances receivable from METEC which arose from sale of scrap material 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.

19 Inventories

	2024 (ETB)	2023 (ETB)
General Stock	15,460,001,647	10,472,650,724
Stationery	174,461,335	157,149,252
Diesel Fuel	-	-
Oil and Lubricants	2,133,989	1,662,262
Other	253,837,108	209,969,156
Obsolete material	356,524,728	114,175,847
	16,246,958,806	10,955,607,241
Pro. For Stock Obsolescence	(356,524,728)	(114,307,721)
	15,890,434,078	10,841,299,520
Goods In transit	1,887,807,046	3,315,797,275
Total inventories at the lower of cost and net realizable value	17,778,241,125	14,157,096,794



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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 ታ/ክ/ቀ/5/20 dated 21-10-2010 E.C.

22 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, forest asset & and freehold land at first time adoption of IFRS. The reserve is not available to distribution or capital enhancement.

25 Lease liability (Building)

	2024 (ETB)	2023 (ETB)
Balance at 7 July 2023	177,667,268	120,055,621
Additional obligation - new contract	25,966,550	153,017,769
Finance charge	13,786,850	22,371,299
Repayments	(148,542,826)	(117,777,421)
Balance at 7 July 2024	68,877,842	177,667,268



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.



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26 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 26.1 - 26.5

26.1 Trade and other payables

	2024 ETB	2023 ETB As Restated- Note 35
Trade payable	3,150,713,617	4,003,295,738
Interest Payable - Long term loan	2,371,653,498	920,755,774
Payable to EBC	13,221,247	707,424
Sundry payable	1,542,982,992	818,169,871
	7,078,571,353	5,742,928,808



26.2 Long term loans

Loan type	Foreign loan					
	IDA72940	ADELEIDA-68570	ADF-20-956-000	IDA-6157	IDA-6158	Total
Interest rate	2.5%	2%	3%	6%	6%	
Maturity	Oct-60	Dec-46	Jan-48	Oct-41	Oct-41	
Balance at 7 July 2023	-	57,091,604	247,136,891	3,585,514,473	8,417,573,535	12,307,316,503
Add; Disbursement	3,993,177,106	20,549,124	244,389,783	1,756,335,267	34,185,380	6,048,636,659
; Forex loss	16,407,269	3,031,885	15,510,065	124,667,467	366,235,941	525,852,628
Less: Concessional loan	(2,695,126,111)	(20,312,287)	(178,969,606)	(494,136,809)	(112,986,338)	(3,501,531,151)
Current Maturity				(291,548,809)	(702,391,067)	(993,939,877)
Balance at 7 July 2024	1,314,458,264	60,360,326	328,067,133	4,680,831,589	8,002,617,450	14,386,334,763

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 borrowings are re-payable 20 to 26 years

26.3 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.



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26.4 Supplier Credit

	Good Luck	Supreme & Co	Cobra	Total
	ETB	ETB	ETB	
Balance at 7 July 2023	313,380,388	108,875	548,964,555	862,453,818
; Forex loss	25,225,812	6,546	18,558,443	43,790,801
Less: Settlement/ Write back	(338,606,199)	(115,420)	(567,522,999)	(906,244,618)
Balance at 7 July 2024	-	-	-	-

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 '2024	At '2023
not later than one year		
later than one year and not later than five years	-	862,453,818
later than five years	-	-
	-	862,453,818

26.5 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 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.





27 Financial Risk Management

27.1 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 such as daily operations, internal processes assets, properties etc. and externally such as issues related to 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.

27.1.1 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 in collaboration with respective directorates is responsible for the development and regularly update risk management and implementing principles, frameworks, policies and risk mitigation plan and forwards to management for approval. 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 Directors.

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.



27.1.2 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.

27.1.3 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.

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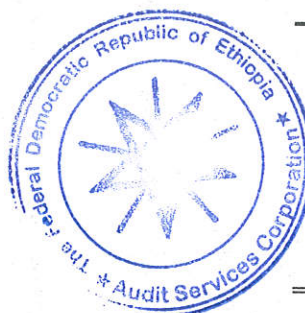
27.2 Financial risk

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.

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

	FVTPL	Amortized Cost	Total
	ETB	ETB	ETB
7 July 2024			
Cash and balances with banks	33,353,380,786	-	33,353,380,786
Trade receivables	-	2,088,323,242	2,088,323,242
Other receivables excluding prepayments	-	269,096,532	269,096,532
Total financial assets	33,353,380,786	2,357,419,774	35,710,800,560
7/7/2023			
Cash and balances with banks	29,164,515,359	-	29,164,515,359
Trade receivables	-	3,332,028,095	3,332,028,095
Other receivables excluding prepayments	-	253,333,289	253,333,289
Total financial assets	29,164,515,359	3,585,361,384	32,749,876,743



27.3 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.

27.3.1 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:

	Notes	7 July 2024 ETB	7 July 2023 ETB
Cash and balances with banks		33,353,380,786	29,164,515,359
Trade receivables	18.1	2,088,323,242	3,332,028,095
Other receivables excluding prepayments	18.2	269,096,532	253,333,289
		35,710,800,560	32,749,876,743

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27.3.2 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 2024, 07 July 2023 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 that are held in foreign currency and it is translated & recorded in ETB during every transaction based on the current exchange rate.

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 2024 and 7 July 2023 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 2024 and 2023 was determined as follows:

30-Jun-24	0-30	30 - 60 days	60 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years <	Total
Expected credit loss rate	0%	36%	59%	86%	46%	100%	
Gross carrying amount	1,610,080,878	248,640,829.4	272,690,719	505,095,810	174,625,765	230,027,245	3,041,161,246
Lifetime expected credit loss	-	90,033,648	160,318,816	434,107,173	80,277,918	230,027,245	994,764,801

30 June 2023	0-30	30 - 60 days	0 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years <	Total
Expected credit loss rate	0%	0%	0%	6%	71%	100%	
Gross carrying amount	2,194,410,788	415,352,832.51	266,495,434	318,232,996	225,596,118	169,985,785	3,590,073,954
Lifetime expected credit loss	-	-	-	23,897,263	179,664,096	169,985,785	373,547,145

The closing balances of the trade receivables loss allowance as at 7 July 2024, and 7 July 2023 reconciles with the trade receivables loss allowance opening balance as follows:

Loss allowance as at 7 July 2023	373,547,145
Loss allowance recognized during the year	621,217,656
Loss allowance as at 7 July 2024	<u>994,764,801</u>



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27.4 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.

27.4.1 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.

27.4.2 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.

	Notes	0-180 days	181 - 365 days	Over 1 year	Total
		ETB	ETB	ETB	ETB
7-Jul-24					
Trade and other payable	26.1	7,078,571,353			7,078,571,353
Contractors Retention	26.5			2,816,366,510	2,816,366,510
Other tax obligations	29	22,731,689			22,731,689
Accruals and Provision	31	32,674,225	582,741,613		615,415,837
Long term loans				18,681,545,907	18,681,545,907
Suppliers Credit	26.4				
Total financial liabilities		7,133,977,267	582,741,613	21,497,912,417	29,214,631,297
7-Jul-23					
Trade and other payable	26.1	5,380,065,908			5,380,065,908
Contractors Retention				1,846,559,280	1,846,559,280
Other tax obligations		77,345,303			77,345,303
Accruals and Provision		13,463,429	398,468,416		411,931,845
Long term loans				18,681,545,907	18,681,545,907
Suppliers Credit				862,453,818	862,453,818
Total financial liabilities		5,470,874,639	398,468,416	21,390,559,005	27,259,902,061



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27.4.3 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.

	0-180days ETB	181-365days ETB	Over 1 year ETB	Total ETB
7-Jul-24	24,978,327	44,147,745	12,282,898	81,408,969
7-Jul-23	47,317,641	46,501,716	112,163,342	205,982,698

27.5 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.

(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 Loans 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-24

	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and bank balances	33,353,380,786	-	-	33,353,380,786
Trade receivables	-	-	2,088,323,242	2,088,323,242
Other receivables excluding prepayments	-	-	269,096,532	269,096,532
Total	33,353,380,786	-	2,357,419,774	35,710,800,560
Liabilities				
Trade payables	-	-	9,894,937,863	9,894,937,863
Borrowings	14,386,334,763	-	-	14,386,334,763
Other liabilities	-	-	1,154,983,148	1,154,983,148
Total	14,386,334,763	-	11,049,921,011	25,436,255,774

7-Jul-23

	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and bank balances	29,164,515,359	-	-	29,164,515,359
Trade receivables	-	-	3,332,028,095	3,332,028,095
Other receivables excluding prepayments	-	-	253,333,289	253,333,289
Total	29,164,515,359	-	3,585,361,384	32,749,876,743
Liabilities				
Trade payables	-	-	7,226,625,188	7,226,625,188
Borrowings	12,307,316,504	-	-	12,307,316,504
Other liabilities	-	-	1,317,539,243	1,317,539,243
Total	12,307,316,504	-	8,544,164,430	20,851,480,934



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(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.

27.6 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 2023, and 2022 where as follows.

	2024	2023
	ETB	ETB
paid up capital	62,289,554,816	49,840,885,261
Legal reserve	623,782,331	313,733,473
Retained earnings	3,537,613,034	2,460,395,514
Other reserve	10,309,655,017	13,698,114,506
Equity	76,760,605,199	66,313,128,754
Total liability	41,407,028,458	23,228,536,826
Less: current liability	(9,299,295,147)	(4,299,968,289)
Net debt	32,107,733,311	18,928,568,537
Gearing	29%	22%



27.7 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 material to the fair value measurement as a whole.

27.7.1 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.

27.7.2 Valuation technique using significant unobservable inputs – Level 3

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

27.7.3 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.



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27.8 Offsetting financial assets and financial liabilities

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

28 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 2023 was made by professional actuary Ruparelia Consultants Limited (RCL). The Actuarial (gain) loss comprises of financial assumptions and experience adjustment. We use 2022 Actuarial valuation re-measurement rate to estimate the value of 2023 post employment benefit obligation.

	7 July 2024	7 July 2023
	ETB	ETB
Defined benefits liabilities: (Note 28 a)		
Present value of funded obligation - Electric Energy Benefit	893,424,446	746,658,100
Present value of funded obligation - Severance Benefit	95,527,221	66,731,332
Defined Benefit Obligation (Asset) recognized in the SOFP	988,951,666	813,389,432

Income statement charge included in personnel expenses: (Note 28 b)

	2024 (ETB)	2023 (ETB)
Electric Energy Benefit	146,766,346	80,162,567
Severance Benefit	28,795,888	38,091,433
Total defined benefit expenses	175,562,234	118,254,000

re-measurements gain or loss for the Defined Benefit Obligation

28 a Liability recognized in the financial position

	7 July 2024	7 July 2023
	ETB	ETB
Electric energy benefit	893,424,446	746,658,100
Severance pay	95,527,221	66,731,332
	988,951,666	813,389,432



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29 Other tax and obligation

	2024 ETB	2023 ETB
Employment Income tax	1,269,773	32,071,425
Withholding tax payable	17,328,993	18,025,549
Vat Payable / Receivable	291,643	27,248,328
Pension contribution payable	3,841,281	-
	<u>22,731,689</u>	<u>77,345,303</u>

30 Contract liabilities

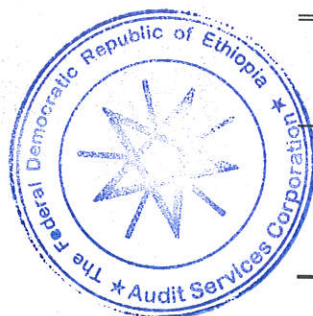
Contract liability represents to EEU's obligation to deliver services to a customer for which the entity has received consideration from the customer.

	Customer Contribution		Prepaid	Total
	Capital ETB	Non Capital ETB	Current Liability ETB	
At 7 July 2023	4,572,518,974	1,644,917,917	388,202,655	6,605,639,547
Deferred during the year	3,389,762,519	4,481,879,386	548,710,217	8,420,352,123
Released to the statement of profit or loss	(168,978,697)	(140,574,525)	(388,202,655)	(697,755,877)
Transfer to other liabilities		(1,756,786)		(1,756,786)
At 7 July 2024	<u>7,793,302,797</u>	<u>5,984,465,993</u>	<u>548,710,217</u>	<u>14,326,479,007</u>



31 Accrual and Provision

	Accrual	Provision		Total
	Accrual ETB	Annual Leave ETB	Legal ETB	ETB
Balance at 7 July 2023	13,463,429	232,391,306	166,077,110	411,931,845
Provision For the year	31,477,887	280,636,165	99,132,536	411,246,588
Reversal/Repayment	(12,267,091)	(115,239,256)	(80,256,248)	(207,762,595)
Accrual and Provision At 7 July 2024	<u>32,674,225</u>	<u>397,788,215</u>	<u>184,953,398</u>	<u>615,415,837</u>



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 16 days for the first year of employment and keeps on increasing one day per additional two year of service until it reaches the maximum amount allowed per year . However , the leave can only be carried forward for two more year.

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

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32 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.

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

	<u>2024 ETB</u>	<u>2023 ETB</u>
Board Allowance	315,900	302,000
Key Management Compensation		

The compensation paid to key management personnel shown below

<u>2024 ETB</u>	<u>2023 ETB</u>
26,723,698	24,744,165

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

3.2 Ethiopian Electric utility is under the control of Ethiopian Investment holdings which have 22 subsidiaries under it. The utility has receivables from the sales of Electricity and purchase of goods and services both from Ethiopian Investment holdings and its subsidiaries'.

Organization Under Ethiopian Investment Holdings	Balance of Payable To	Balance of Sales To	Balance of Purchase From
Educational Materials Production Development Enterprises		414,533	
Genet Hotel Enterprise		931,549	
Federal Housing Corporation			679,609
Ethiopian Construction Works Corporation		366,790	
Chemical Industry Corporation		90,885,284	493,812
Ethio-telecom	2,128,013	53,937,293	65,172,583
Ethiopia Pulp and Paper S.C		11,273,597	
Ethiopian Airlines Group	136,434	65,801,742	1,526,749
Development & Hotel Company		709,192	
SPA Services Enterprise		4,083,465	
Ethiopian Agricultural Business Corporation		363,406	
Gihon Hotel Enterprise		1,886,402	375,782
National Alcohol and Liquor Factory		4,637,940.15	
Ethiopian Insurance Corporation		1,027,864	57,243,626
Ethiopian Shipping and Logistics		3,592,423	350,710,789
Commercial Bank of Ethiopia		25,214,284	



33 Events after reporting period

The Management of the Utility decided to change its Head office location Rented Building for Five Years From Nib International Bank. By this its own Head office building transfer to investment property with Net Book value of 22.052.436.08. The value of the asset under previous relevance at the date of transition acts as the base cost. EEU uses the cost model as a subsequent measure of investment property.

The utility applies new organizational structure starting from 08 July 2024. By this the utility organize in five regional coordination office, 33 Regions and 585 service centers.

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34 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 Birr106,305,911.69

The Entity has commitments which is not provided in these financial statements of approximately Birr 3,415,694,800.70 in respect to various purchase contracts.

35 Retrospective Restatement of Errors

Restatement of errors is done for Cost of Energy purchase, for which the cost was recorded in the year which was not incurred,. And For Interest expences of projects under construction which was recorded as expenses instead of Construction cost. And Loss on Foreign exchange which was recorded as other operating expenses instead of Finance cost.

Cost of Energy purchased in previous years (2021, 2022, 2023), but was not recorded in the years which was incurred amounting birr 362,862,899 is corrected as follows:-

Statement of Profit or Loss and OCI as previously Reported

	2023	2022	2021
Revenue	31,288,342,172	23,880,409,850	20,018,767,460
Power Purchase EEP	(14,892,454,823)	(12,065,528,625)	(8,026,585,204)
Cost of Transmission Distribution Substation	(10,935,990,823)	(6,233,580,556)	(8,257,134,883)
Gross Profit	5,459,896,527	5,581,300,669	3,735,047,373
Investment income	3,146,256	2,648,539	(3,652,313)
Other operating income	2,447,849,439	2,319,740,911	2,349,920,087
Administration expense	(4,266,930,296)	(4,209,685,734)	(2,829,203,988)
Other operating expense	54,035,205	179,845,471	(382,929,049)
Impairment Allowance	442,416,210	(563,663,515)	(580,845,071)
Operating Profit	4,140,413,340	3,310,186,341	2,288,337,039
Finance Cost*	(1,663,239,380)	(720,296,328)	(974,114,733)
	<u>2,477,173,959</u>	<u>2,589,890,014</u>	<u>1,314,222,306</u>

Other operating expense	2023	2022	2021
Loss on Foreign exchange	(55,610,934)	(181,753,334)	361,518,374
Audit Fee	1,273,729	1,601,243	1,048,250
Board Fee	302,000	306,600	362,425
	<u>(54,035,205)</u>	<u>(179,845,491)</u>	<u>362,929,049</u>

Loss on Foreign Exchange was previously recorded as other operating expenses, however in reference to IAS 21 it should be recorded as Finance costs, due to this corrections are done for the last years (2021, 2022 & 2023) as follows:-

Finance Cost

Interest on employee termination benefit (103,578,000	108,899,000	90,236,350
Interest on Lease liability (9.1)	22,371,299	10,016,689	22,408,459
Interest foreign Loan 500854*	1,537,075,597	601,054,493	568,244,440
Interest local banks 500858	214,485	326,146	293,225,483
	<u>1,663,239,380</u>	<u>720,296,328</u>	<u>974,114,733</u>



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Loan No ADF-20-956-000 and Adele 6857 are loan for the construction of qualified asset for the project no EDRH/18/10000/001, EDRH/21/10150/001 and EDRH/21/10150/002. The interest expenses were previously recognized as expenses, however in reference to IAS 23 the interest expenses should be recognized as construction cost until the construction is completed & the asset becomes ready for use, due to this corrections are done for the last years (2021, 2022 & 2023) as follows:-

	2023	2022	2021
*ADF-20-956-000	42,530,875	30,450,124	1,789,428
*Adele 6857	707,729	-	-
	<u>43,238,604</u>	<u>30,450,124</u>	<u>1,789,428</u>

Statement of Financial Position as previously Reported

	2023	2022	2021
Total Property Plant and Equipment*			
Construction in Progress	14,840,775,152	9,514,351,874	9,253,158,216
Other PPE	<u>33,030,535,733</u>	<u>35,249,705,665</u>	<u>33,440,180,827</u>
	* <u>47,871,310,885</u>	<u>44,764,057,539</u>	<u>42,693,339,043</u>

Equity and Liability

Equity	2023	2022	2021
Retained Earnings	4,677,188,688	2,460,395,514	-
	<u>4,677,188,688</u>	<u>2,460,395,514</u>	<u>-</u>

Trade payables	2023	2022	2021
200000 LocalPurchasePayable	337,966,729	313,056,142	766,302,310
200001 ForeignPurchase Pay	1,284,404,150	762,758,203	348,467,074
200002 Energy chargepayable	645,231,667	666,970,847	378,842,036
200012 GR/IR Clr account	976,852,000	68,627,079	115,629,757
200013 Freight clr account	<u>395,978,292</u>	<u>123,169,908</u>	<u>1,025,289</u>
	<u>3,640,432,838</u>	<u>1,934,582,178</u>	<u>1,610,266,466</u>



ETHIOPIAN ELECTRIC UTILITY
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Statement of Profit or Loss and OCI Restated

	2023	2022	2021
Revenue	31,288,342,172	23,880,409,850	20,018,767,460
Power Purchase EEP	(15,090,176,225)	(12,203,790,988)	(8,053,464,339)
Cost of Transmission Distribution Substation	(10,935,990,823)	(6,233,580,556)	(8,257,134,883)
Gross Profit	5,262,175,125	5,443,038,306	3,708,168,238
Investment income	3,146,256	2,648,539	(3,652,313)
Other operating income	2,447,849,439	2,319,740,911	2,349,920,087
Administration expense	(4,266,930,296)	(4,209,685,734)	(2,829,203,988)
Other operating expense	(1,575,729)	(1,907,843)	(1,410,675)
Impairment Allowance	442,416,309	(536,663,515)	(580,845,071)
Operating Profit	3,887,081,103	3,017,170,664	2,642,976,278
Finance Cost	(1,564,389,842)	(508,092,870)	(1,332,843,670)
Profit of the year	2,322,691,261	2,509,077,794	1,310,132,608

Other operating expense

	2023	2022	2021
Audit Fee	1,273,729	1,601,243	1,048,250
Board Fee	302,000	306,600	362,425
	<u>1,575,729</u>	<u>1,907,843</u>	<u>1,410,675</u>

Finance Cost

Loss on Foreign exchange	(55,610,934)	(181,753,334)	361,518,374
Interest on employee termination benefit	103,578,000	108,899,000	89,236,350
Interest on Lease liability (9.1)	22,371,299	10,016,689	22,408,450
Interest foreign Loan 500854*	1,493,836,992	570,604,369	566,455,012
Interest local banks	214,485	326,146	293,225,483
	<u>1,564,389,842</u>	<u>508,092,870</u>	<u>1,332,843,670</u>

Statement of Financial Position Restated

	2023	2022	2021
Total Property Plant and Equipment*			
Construction in Progress	14,884,013,756	9,544,801,998	9,254,947,644
Other PPE	33,030,535,733	35,249,705,665	33,440,180,827
	<u>47,914,549,489</u>	<u>44,794,507,663</u>	<u>42,695,128,471</u>

Equity and Liability

	2023	2022	2021
Equity			
Retained Earnings	2,189,789,216	2,327,493,568	(25,089,707)
	<u>2,189,789,216</u>	<u>2,327,493,568</u>	<u>(25,089,707)</u>

Trade payables

	2023	2022	2021
200000 LocalPurchasePayable	337,966,729	313,056,142	766,302,310
200001 ForeignPurchase Pay	1,284,404,150	762,758,203	348,467,074
200002 Energy chargepayable	842,953,069	805,233,209	405,721,171
200012 GR/IR Clr account	976,852,000	68,627,079	115,629,757
200013 Freight clr account	395,978,292	123,169,908	1,025,289
	<u>3,838,154,240</u>	<u>2,072,844,541</u>	<u>1,637,145,601</u>



