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The Federal Democratic Republic of Ethiopia Audit Services Corporation

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

We have audited the financial statements of Ethiopian Electric Power, Electricity Network Reinforcement and Expansion Project, financed under IDA Credit No. 51260-ET and additional financing IDA Credit No. 58140-ET, Parts 1, 2 and 4.1, which comprise the balance sheet as at 7 July 2020 and the statement of sources and uses of funds and the Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of Ethiopian Electric Power is responsible for preparation of financial statements that give a true and fair view under the modified cash basis of accounting as described in note 2 to the financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ethiopian Electric Power, Electricity Network Reinforcement and Expansion Project, financed under IDA Credit No.51260-ET and additional financing IDA Credit No.58140-ET, Parts 1, 2 and 4.1, as at 7 July 2020 and of its sources and uses of funds for the year then ended in accordance with the modified cash basis of accounting described in note 2 to the financial statements.

Report on Other Requirements

In our opinion

- during the period IDA funds have been used in accordance with the conditions of the relevant financing agreement and only for the purposes for which the financing was provided;
- counterpart funds have been provided and used in accordance with the financing agreement, and only for the purposes for which the financing was provided;
- goods, works and services financed have been provided in accordance with the relevant financing agreement and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;
- the funds disbursed covered expenditures that are eligible for financing under IDA Credit No. 51260-ET and additional financing IDA Credit No 51840-ET, Parts 1, 2 and 4.1;
- there was a clear linkage between the books of account and the financial statements;
- our examination reveals no major weaknesses or irregularities in the system of internal control over financial expenditures; and
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the said Account were used only for the purposes intended in the financing agreement; and



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

- with respect to statements of expenditure, submitted during the year ended 7 July 2020 and listed on page 10, in our opinion:
 - a) the statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the relevant withdrawals,
 - b) adequate supporting documentation has been maintained to support claims to the IDA for reimbursements of expenditures incurred; and
 - c) which expenditures are eligible for financing under IDA Credit No. 51260-ET and additional financing IDA Credit No. 58140-ET

Audit Services Corporation

4 January 2021

**ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
AND EXPANSION PROJECT
IDA CREDIT NO. 51260-ET, AND ADDITIONAL FINANCING
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1
STATEMENT OF SOURCES AND EXPENDITURES
FOR THE YEAR ENDED 7 JULY 2020**

	7 July 2020 Ethiopian Birr	Cumulative from 12 June 2012 to 7 July 2019 Ethiopian Birr	2019 Ethiopian Birr
FINANCING			
Credit from IDA			
Initial deposit to Designated Account	-	94,641,500	-
Direct payments	393,449,955	1,856,892,582	295,425,055
SOE Procedures	-	1,566,090,414	98,066,624
Special Commitment	-	1,269,225,658	-
EEP's contribution	33,578,780	166,503,485	55,336,832
Gain on foreign exchange	27,119,560	70,699,025	26,848,113
Advance exchange difference	16,324,365	62,778,789	10,988,562
Retention exchange difference	(59,674,298)	(117,257,494)	(858,258)
Payable exchange difference	<u>3,759,013</u>	<u>3,122,174</u>	<u>-</u>
TOTAL FINANCING	<u>414,557,375</u>	<u>4,972,696,133</u>	<u>485,806,928</u>
PROJECT EXPENDITURES			
Supplies	270,213,757	3,606,281,409	49,815,265
Civil works	373,429,256	1,315,966,604	381,891,253
Consultant's service	22,797,629	54,842,026	4,419,835
Trainging	-	8,786,747	1,492,689
Operating cost	<u>5,126,942</u>	<u>96,357,258</u>	<u>45,261,702</u>
TOTAL EXPENDITURES	<u>671,567,584</u>	<u>5,082,234,044</u>	<u>482,820,744</u>
(DEFICIT)/ EXCESS OF FINANCING			
OVER EXPENDITURE	<u>(257,010,209)</u>	<u>(109,537,911)</u>	<u>2,986,184</u>

ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
AND EXPANSION PROJECT
IDA CREDIT NO.51260-ET AND ADDITIONAL FINANCING
IDA CREDIT NO 58140 ET
BALANCE SHEET
AS AT 7 JULY 2020

		2020	2,019.00
	Notes	Ethiopian Birr	Ethiopian Birr
<u>ASSETS</u>			
CURRENT ASSETS			
Advance to contractors		188,657,186	145,282,330
Cash at bank	3	<u>87,537,093</u>	<u>264,665,811</u>
		<u>276,194,279</u>	<u>409,948,141</u>
CURRENT LIABILITIES			
Retention		385,399,865	261,729,317
Withholding tax		<u>332,325</u>	<u>746,528</u>
		<u>385,732,190</u>	<u>262,475,843</u>
NET CURRENT ASSET		<u>109,537,911</u>	<u>147,472,298</u>
<u>REPRESENTED BY</u>			
FUND BALANCE	4	<u>109,537,911</u>	<u>147,472,298</u>

**ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
IDA CREDIT NO. 51260- ET AND IDA CREDIT NO.58140-ET, Parts 1, 2 and 4.1
DESIGNATED ACCOUNT STATEMENT**

For the year ended 7 July 2020
Account number 0101181300063
Depository bank National Bank of Ethiopia
Address Addis ababa, Ethiopia
Related credit IDA 58140
Currency USD

	<u>USD</u>	<u>Equivalent in Birr</u>
Beginning balance 7 July 2019	<u>6,267,336.33</u>	<u>185,017,409.07</u>
Less; payment for works	238,071.61	7,707,375.18
Advance to contractors	3,061,886.26	96,313,871.38
Consultancy services	<u>562,753.70</u>	<u>17,883,710.28</u>
	<u>3,862,711.57</u>	<u>121,964,958.84</u>
		63,052,453.23
Gain on foreign exchange		<u>21,209,686.20</u>
Ending balance 7 July 2020	<u>2,404,624.76</u>	<u>84,262,139.45</u>

**ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
IDA CREDIT NO. 51260- ET AND IDA CREDIT NO.58140-ET, Parts 1, 2 and 4.1
DESIGNATED ACCOUNT STATEMENT**

For the ended 7 July 2019 7 July 2020
Account number 0101181300063
Depository bank National Bank of Ethiopia
Address Addis ababa, Ethiopia
Related credit IDA 58140
Currency USD

	USD	Equivalent in Birr
Beginning balance 7 July 2019	2,698,034.34	79,648,402.55
Less:		
Payments for work	2,513,269.94	79,623,302.13
Retention	<u>91,305.64</u>	<u>2,660,016.67</u>
	2,604,575.58	82,283,318.80
		(2,634,916.25)
Gain on foreign exchange		<u>5,908,870.08</u>
Ending balance 7 July 2020	<u>93,458.76</u>	<u>3,274,953.83</u>

**ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
AND EXPANSION PROJECT
IDA CREDIT NO. 51260-ET AND ADDITIONAL FINANCING
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2020**

1 PROJECT INFORMATION

The Project was established to implement IDA credit No. 51260-ET, and IDA credit No.58140-ET which is jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA).The loan amounts equal to SDR 102,000,000 and SDR 127,800,000 respectively, The main objective of these parts of the Project is the reinforcement and expansion of the electricity network.

The Project became effective on 4 January 2013 for IDA Credit 51260-ET (GNREP) and for IDA Credit 58140-ET (ENREP) 31 August 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared on a modified cash basis whereby non-monetary assets are expensed when acquired and monetary assets and liabilities are carried at fair value.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currency are translated into Birr at the approximate rate of exchange prevailing at the date of the transaction. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the balance sheet date.

3 BANK BALANCES

	2020	2019
	Ethiopian Birr	Ethiopian Birr
National Bank of Ethiopia- A/C NO. 0101181300058(026151690000)	<u>87,537,093</u>	<u>264,665,811</u>

**ETHIOPIAN ELECTRIC POWER
ELECTRICITY NETWORK REINFORCEMENT
AND EXPANSION PROJECT
IDA CREDIT NO. 51260-ET AND ADDITIONAL FINANCING
IDA CREDIT NO. 58140-ET PARTS 1, 2 AND 4.1
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2020**

4. ACCUMULATE FUND

Ethiopian Birr

Balance at 7 July 2020	147,472,298
Add: Deficit of financing over expenditure for the year	<u>((257,010,209))</u> <u>(109,537,911)</u>

5. DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 4 January 2021.