INDEPENDENT AUDITORS' REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER

We have audited the financial statements of Ethiopian Electric Power, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, which comprise the balance sheet as at 7 July 2015, 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 AUDITORS' 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, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, as at 7 July 2015 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

- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;
- there was a clear linkage between the books of account and the financial statements;
- our examination revealed no weaknesses or irregularities in the systems of internal controls over financial expenditure;
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement.

Audit Services Corporation

30 December 2015
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No. TF 017206
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2015

2015
Ethiopian Birr

FINANCING
Credit from IDA
Initial deposit to Designated Account 30,670,950
Gain on foreign exchange 207,750

TOTAL FINANCING 30,878,700

PROJECT EXPENDITURES

TOTAL PROJECT EXPENDITURES

EXCESS OF FINANCING OVER EXPENDITURES 30,878,700
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No TF 017206
BALANCE SHEET
AS AT 7 JULY 2015

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<th>Notes</th>
<th>Ethiopian Birr</th>
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<td>GEOTHERMAL SECTOR DEVELOPMENT PROJECT</td>
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<td>DESIGNATED ACCOUNT STATEMENT</td>
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For year ended 7 July 2015  
Account number 100651300009  
Depository bank National Bank of Ethiopia  
Address Addis Ababa, Ethiopia  
Related Grant SCF-SREP-GRANT No TF 017206  
Currency USD  

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<tr>
<th>USD</th>
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Add: Gain on foreign exchange  

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<tr>
<th>USD</th>
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Ending balance at 7 July 2015  

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ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No. TF 017206
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2015

1 PROJECT INFORMATION

This Project was established to implement SCF-SREP- Grant No TF 017206 which was jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) on 10 June 2014. The grant amounts equal to twenty four million five hundred thousand United States Dollar ($24,500,000). The objective of the Project is to develop Geothermal Resources in the territory of Ethiopia which consists of the following part:

Part 1: Aluto Geothermal Site Development
(a) Drilling and testing production wells and setting up a steam gathering system;
(b) Financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management of Aluto geothermal site development.

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

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4 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 30 December 2015.
INDEPENDENT AUDITORS' REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER

We have audited the financial statements of Ethiopian Electric Power, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, which comprise the balance sheet as at 7 July 2015, 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.

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INDEPENDENT AUDITORS' 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, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, as at 7 July 2015 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

- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;
- there was a clear linkage between the books of account and the financial statements;
- our examination revealed no weaknesses or irregularities in the systems of internal controls over financial expenditure;
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement.

30 December 2015

Audit Services Corporation
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No. TF 017206
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2015

2015
Ethiopian Birr

FINANCING
Credit from IDA
   Initial deposit to Designated Account  30,670,950
   Gain on foreign exchange                207,750

TOTAL FINANCING  30,878,700

PROJECT EXPENDITURES

TOTAL PROJECT EXPENDITURES

EXCESS OF FINANCING OVER EXPENDITURES  30,878,700
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No TF 017206
BALANCE SHEET
AS AT 7 JULY 2015

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CURRENT ASSETS
Cash at bank

REPRESENTED BY

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ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No. TF 017206
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2015

1 PROJECT INFORMATION

This Project was established to implement SCF-SREP-Grant No TF 017206 which was jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) on 10 June 2014. The grant amounts equal to twenty four million five hundred thousand United States Dollar ($24,500,000). The objective of the Project is to develop Geothermal Resources in the territory of Ethiopia which consists of the following part:
Part 1: Aluto Geothermal Site Development
(a) Drilling and testing production wells and setting up a steam gathering system;
(b) Financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management of Aluto geothermal site development.

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

| National Bank of Ethiopia-A/c No. 0100651300009 | 30,878,700 |
| Ethiopian Birr |  |

4 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 30 December 2015.
INDEPENDENT AUDITORS' REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER

We have audited the financial statements of Ethiopian Electric Power, Geothermal Sector Development Project, financed under IDA Credit No. 5468 ET, which comprise the balance sheet as at 7 July 2015, 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.

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INDEPENDENT AUDITORS' 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, Geothermal Sector Development Project, financed under IDA Credit No. 5468 ET, as at 7 July 2015 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. 5468 ET;
- there was a clear linkage between the books of account and the financial statements;
- our examination revealed no weaknesses or irregularities in the systems of internal controls over financial expenditure;
- the Designated Account has been maintained in accordance with the provisions of the financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement.

Audis Services Corporation

30 December 2015
ETIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YAER ENDED 7 JULY 2015

2015
Ethiopian Birr

FINANCING
Credit from IDA
   Initial deposit to Designated Account  163,056,800
   Gain on foreign exchange               1,633,848

TOTAL FINANCING  164,690,648

PROJECT EXPENDITURES
Consultants’ services                        495,897

TOTAL PROJECT EXPENDITURES  495,897

EXCESS OF FINANCING OVER EXPENDITURES  164,194,751
**ETHIOPIAN ELECTRIC POWER**  
**GEOTHERMAL SECTOR DEVELOPMENT PROJECT**  
**IDA CREDIT NO. 5468 ET**  
**BALANCE SHEET**  
**AS AT 7 JULY 2015**

<table>
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<tr>
<th>ASSETS</th>
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<th>2015 Ethiopian Birr</th>
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<td>CURRENT ASSETS</td>
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<td>Sundry Payables</td>
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<td><strong>NET CURRENT ASSETS</strong></td>
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<td><strong>ACCUMULATED FUND</strong></td>
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<td>Description</td>
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<td>Currency</td>
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<td>7,978,526.00</td>
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<td>Ending balance at 7 July 2015</td>
<td>7,978,526.00</td>
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ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2015

1 PROJECT INFORMATION

This Project was established to implement IDA Credit No. 5468 ET which was jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) on 10 June 2014. The main objective of the project is to develop geothermal resources in Ethiopia to generate electricity.

The project consists of the following parts:

i) Aluto Geothermal Site Development—drilling and testing production wells and setting up steam gathering system, and financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management.

ii) Alalobad Geothermal Site Development—drilling and testing exploration wells and conducting a feasible study of the Alalobad geothermal site.

iii) Drilling Rigs, Associated Accessories and Spare Parts—provision of two full size modern diesel electric drilling rigs with all associated equipment.

iv) Legal, Institutional, and Regulatory Framework Development, Project Cost—development of the legislation and regulations related to geothermal sector, provision of technical assistance and capacity building and strengthening the EEP’s capacity for project management, monitoring and supervision, including financing of Operating Costs.

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

Ethiopian
Birr

National Bank of Ethiopia-
A/c No. 0100651300008

164,244,341
4 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 30 December 2015.
INDEPENDENT AUDITORS' REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER

We have audited the financial statements of Ethiopian Electric Power, Geothermal Sector Development Project, financed under IDA Credit No. 5468 ET, which comprise the balance sheet as at 7 July 2015, 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.

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INDEPENDENT AUDITORS' 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, Geothermal Sector Development Project, financed under IDA Credit No. 5468 ET, as at 7 July 2015 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;
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Audit Services Corporation

30 December 2015
ETIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YAER ENDED 7 JULY 2015

2015
Ethiopian Birr

FINANCING
Credit from IDA
   Initial deposit to Designated Account 163,056,800
   Gain on foreign exchange 1,633,848

TOTAL FINANCING 164,690,648

PROJECT EXPENDITURES
Consultants’ services 495,897

TOTAL PROJECT EXPENDITURES 495,897

EXCESS OF FINANCING OVER EXPENDITURES 164,194,751
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ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
DESIGNATED ACCOUNT STATEMENT

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</tr>
<tr>
<td><strong>Ending balance at 7 July 2015</strong></td>
<td><strong>7,978,526.00</strong></td>
<td><strong>164,244,340.53</strong></td>
</tr>
</tbody>
</table>
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2015

1 PROJECT INFORMATION

This Project was established to implement IDA Credit No. 5468 ET which was jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) on 10 June 2014. The main objective of the project is to develop geothermal resources in Ethiopia to generate electricity.

The project consists of the following parts:
   i) Aluto Geothermal Site Development - drilling and testing production wells and setting up steam gathering system, and financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management.
   ii) Alalobad Geothermal Site Development - drilling and testing exploration wells and conducting a feasible study of the Alalobad geothermal site.
   iii) Drilling Rigs, Associated Accessories and Spare Parts - provision of two full size modern diesel electric drilling rigs with all associated equipment.
   iv) Legal, Institutional, and Regulatory Framework Development, Project Cost-development of the legislation and regulations related to geothermal sector, provision of technical assistance and capacity building and strengthening the EEP's capacity for project management, monitoring and supervision, including financing of Operating Costs.

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

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ethiopian Birr</th>
</tr>
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<tbody>
<tr>
<td>National Bank of Ethiopia-A/c No. 0100651300008</td>
<td>164,244,341</td>
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ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
IDA CREDIT NO. 5468 ET
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2015

4 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electric Power authorized the issue of these financial statements on 30 December 2015.