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**AUDIT SERVICES  
CORPORATION**

**ETHIOPIAN CONSTRUCTION DESIGN AND SUPERVISION**

**WORKS CORPORATION**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**30 JUNE 2019**

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**Office of the Federal Auditor General**  
**Audit Service Corporation**



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN CONSTRUCTION DESIGN  
AND SUPERVISION WORKS CORPORATION**

**Report on the Audit of the Financial Statements**

***Qualified Opinion***

We have audited the financial statements of Ethiopian Construction Design and Supervision Works Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2019, and the statement profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, but excluding note 8 to the financial statements.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for Qualified Opinion***

The financial statements do not properly discuss or disclose some requirements of IFRS. Because of the number of such deficiencies, it is not practicable for us to describe them all.

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 Corporation 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 qualified opinion.

*asc*



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN CONSTRUCTION DESIGN  
AND SUPERVISION WORKS CORPORATION (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.

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

***Other Matter***

***Additional 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 note 8 to 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.

***Management's Responsibilities for the Financial Statements***

The general manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the general manager 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

The management board is responsible for overseeing the Corporation's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN CONSTRUCTION DESIGN  
AND SUPERVISION WORKS CORPORATION (continued)**



**Report on the Audit of the Financial Statements (continued)**

***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.

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 Corporation'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 Corporation'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 Corporation 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.



**INDEPENDENT AUDITOR'S REPORT TO THE  
SUPERVISING AUTHORITY OF  
ETHIOPIAN CONSTRUCTION DESIGN  
AND SUPERVISION WORKS CORPORATION (continued)**

**Report on the Audit of the Financial Statements (continued)**

***Auditors' Responsibilities for 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.

*Audit Services Corporation*

10 October 2022



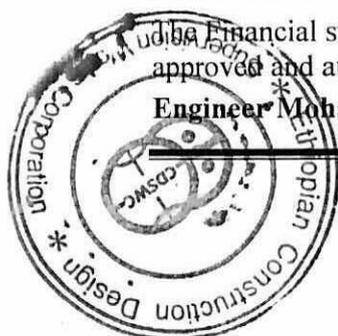


**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement of Financial Position**  
**As of June 30, 2019**

	Notes	Birr	June 30, 2018 Birr (As restated)
<b>Non-current assets</b>			
Property, plant and equipment	2b, 6a	337,736,392	321,166,250
Construction in Progress	6b	23,863,861	17,065,392
Intangible Asset	2c, 6c	2,735,947	2,773,661
Government securities	2d, 6d	4,346,575	4,346,575
Deferred tax Assets	2e	11,202,703	12,500,196
<b>Total non-current assets</b>		<b>379,885,478</b>	<b>357,852,074</b>
<b>Current assets</b>			
Inventory	2f, 6e	40,406,909	30,849,308
Value added tax recoverable		53,292,967	28,442,960
Trade receivable	2d, 4, 6f	502,792,362	386,545,977
Contract asset	2d	164,607,820	77,577,093
Other Receivables	2g, 4, 6g	133,234,264	64,285,714
Other Tax Recoverable	2g	11,349,065	14,272,458
Cash and cash equivalents	2d, 4	111,772,454	172,443,385
<b>Total current assets</b>		<b>1,017,455,841</b>	<b>774,416,894</b>
<b>Non-current Asset held for Sale</b>	2h, 6h	1,284,810	
<b>Total assets</b>		<b>1,398,626,129</b>	<b>1,132,268,968</b>
<b>Current liabilities</b>			
Contract Liabilities		7,408,191	10,247,160
Other Payables	6i	142,720,123	107,367,234
Value added tax Payable		50,785,399	49,293,358
Income tax	2e, 6j	77,788,696	60,046,963
Employee benefit payable	2i	23,508,198	16,042,102
<b>Total current liabilities</b>		<b>302,210,607</b>	<b>242,996,817</b>
<b>Non-current liabilities</b>			
Long term employee benefit payable	2i,5	96,423,799	84,379,392
Deferred tax liability	2d,	39,201,253	36,051,769
<b>Total non-current liabilities</b>		<b>135,625,052</b>	<b>120,431,161</b>
<b>Total liabilities</b>		<b>437,835,659</b>	<b>363,427,978</b>
<b>EQUITY</b>			
Authorized Capital	Birr 1,301,515,785		
Paid-up Capital	6m	926,056,690	743,704,685
Legal Reserve	6n	29,227,926	19,630,452
Equity in Excess of Paid up capital	6o	5,505,853	5,505,853
<b>Total Equity</b>		<b>960,790,469</b>	<b>768,840,990</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,398,626,129</b>	<b>1,132,268,968</b>

This financial statement and the note which is the integral part of the financial statement are approved and authorized for issue on 10 October 2022 and were signed by;

Engineer Mohammed Abdurrahman Chief Executive officer



**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement profit and loss and other comprehensive income**  
**For the year ended June 30, 2019**

	Notes	Birr	2018 Birr (As restated)
Revenue	2l, 6p	759,851,867	636,495,227
Cost of sales	6q	324,618,058	277,227,686
<b>Gross profit</b>		<b>435,233,809</b>	<b>359,267,541</b>
Other income	6r	26,478,868	42,323,806
Administration Expense	5,6s	212,682,449	192,319,927
Provision for Uncollectable receivable	6f	-26,126,306	
<b>Profit before tax</b>		<b>275,156,535</b>	<b>209,271,420</b>
Tax expense	2e, 6k,6l	83,207,057	-72,342,518
<b>Profit for the year</b>		<b>191,949,479</b>	<b>136,928,902</b>

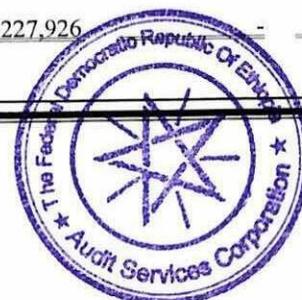


Ethiopian Construction Design & Supervision Works Corporation  
IFRS Based Financial Statement  
As of June 30, 2019



**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement of changes in equity**  
**For the year ended June 30, 2019**

	Note	Share Capital <u>Birr</u>	Excess of Paid up Capital <u>Birr</u>	Legal reserve <u>Birr</u>	Retained Earning <u>Birr</u>	Total <u>Birr</u>
<b>Balance At 30 June 2017</b>						
As previously reported		393,771,990	5,505,853	10,806,572	162,606,520	572,690,935
Adjustment	5				<u>(36,236,897)</u>	<u>(36,236,897)</u>
As restated		393,771,990	5,505,853	10,806,572	126,369,623	536,454,038
Transfer		162,606,520			(162,606,520)	
Reversal of State dividend		95,458,049				95,458,049
Profit for the year					176,477,602	
As restated					136,928,902	136,928,902
Transfer		<u>128,105,022</u>		<u>8,823,880</u>	<u>(136,928,902)</u>	-
		<u>779,941,581</u>	<u>5,505,853</u>	<u>19,630,452</u>	<u>(36,236,897)</u>	<u>768,840,990</u>
<b>Balance At 30 June 2018</b>						
as per previously Reported		819,490,282	5,505,853	19,630,452		844,626,587
Adjustment	5	<u>(39,548,700)</u>			<u>(36,236,897)</u>	<u>(75,785,597)</u>
Transfer		<u>(36,236,897)</u>			<u>36,236,897</u>	
As restated		743,704,685	5,505,853	19,630,452	-	768,840,990
Profit for the year					191,949,479	191,949,479
Transfer	6m,6n	<u>146,115,108</u>		<u>9,597,474</u>	<u>(155,712,582)</u>	-
<b>Balance At 30 June 2019</b>		<u>926,056,690</u>	<u>5,505,853</u>	<u>29,227,926</u>	-	<u>960,790,469</u>



**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement of cash flows**  
**For the year ended on June 30, 2019**

	June 30,2019 Birr	June 30,2018 Birr (As restated)
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	275,156,535	209,271,420
Adjustment For:		
Depreciation & Amortization	17,039,764	17,157,057
Gain From Foreign Exchange rate change	(285,188)	(439,633)
Gain From Disposal of Plant property & equipment	(3,414)	(1,828,431)
Annual Leave Provision	9,632,902	-
Long term Employee Benefit	12,044,407	22,517,276
Provision for obsolete stock	124,021	-
Provision for Expected Credit loss	(26,126,306)	-
	<b>287,582,720</b>	<b>246,677,689</b>
Movement in Working Capital		
(Increase) Decrease in inventory	(9,681,622)	63,033
(Increase) Decrease in Tread receivable & Other receivables	(268,025,966)	(150,708,676)
Increase (Decrease) in contract liability & Other payables	31,839,155	17,533,827
<b>Cash generated from operation</b>	<b>41,714,287</b>	<b>113,565,873</b>
Income tax Paid	(61,018,347)	(70,680,715)
<b>Net Cash inflow /(out flow) from operating activities</b>	<b>(19,304,060)</b>	<b>42,885,158</b>
<b>Cash flows from investing activities</b>		
Purchase of Plant Property & Equipment	(35,122,523)	(24,028,897)
Purchase of Materials for construction	(6,798,469)	(8,481,596)
<b>Net cash outflow from investing activities</b>	<b>(41,920,992)</b>	<b>(32,510,493)</b>
<b>Cash flows from financing activities</b>		
Proceeds from disposal of Plant Property & equipment	268,933	3,623,537
Proceeds from Gain on Foreign Exchange rate change	285,188	439,633
<b>Net cash (outflow)/inflow from financing activities</b>	<b>554,121</b>	<b>4,063,170</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(60,670,931)</b>	<b>14,437,835</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>172,443,385</b>	<b>158,005,550</b>
<b>Ending Cash Balance</b>	<b>111,772,454</b>	<b>172,443,385</b>





**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2019**

**1. REPORTING ENTITY INFORMATION**

Ethiopian Construction Design and Supervision Works Corporation (the 'Corporation') is a Corporation domiciled in Ethiopia. The corporation has been established by the council of ministers regulation No.365/2015 and governed by public enterprises Proclamation No.25/1992. The corporation is established to provide study, surveying, design, construction supervision, contract administration, consultancy, training, material inspection and laboratory services on roads, bridges, tunnels, airfields, railways, buildings, architectural engineering, dams, irrigation, drainage, water supply, water quality, sewerage disposal, dry waste disposal, hydropower, wind and geothermal energy development, integrated water use, integrated basin development, basing development, flood prediction and diversion, water infrastructure, city and sub city planning and architectural engineering, rural development plan and settlement, land use planning, geo-techniques and foundation engineering and other infrastructure development projects where the market failure exists.

The address of the Company's registered office is Ethiopian Construction Design & Supervision Works Corporation headquarters, Bole- Megenagna Ring road in front of the former Imperial Hotel, Addis Ababa, Bole sub city, Woreda 5.

The Corporation is registered in the Trade Register of Business Registration Number MT/AA/2/0034395/2008 and Business License Number MT/AA/14/673/559605/2008.

**a. Basis of Preparation**

The principal accounting policies applied in the preparation of this financial statement are set out below. The Financial statement for the period ended on June 30,2019 has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and related interpretations issued by the International Financial Reporting Interpretations Committee(IFRIC). Additional information required by National regulations is included where appropriate.





**b. Judgments & Estimates**

The preparation of the financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Management believes that the underlying assumptions are appropriate and that the Corporation's financial statement therefore presents the results fairly.

**c. Functional and Presentation Currency**

Items included in the financial statement are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The functional currency and presentation currency of the Corporation is the Ethiopian Birr (ETB).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Early Adoption of Accounting Policies and Disclosures**

Standards, amendments and interpretations that are not yet effective and that would be expected to have no material impact on the corporation in the current or future reporting period have not been applied in preparing this financial statement.

**b. Property, Plant and Equipment**

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

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

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



Category	Useful life in years	Residual Value (based on %age of cost)
Building	50	50%
Motor Vehicle	15	30%
Computer & Accessories	10	5%
Furniture & fittings	10	5%
Equipment	10	5%
Office Machine	15	5%
Heavy Duty Machine	20	40%



The Corporation commences depreciation when the asset is available for use. Land is not depreciated. Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

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

#### **Gains and losses on sale**

Net gains on sale of items of plant property & equipment are presented in profit or loss as other income. Net losses on sale are included in administration Expenses. Net gains and losses are recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the plant property & equipment.

#### **c. Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.



The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. Intangible assets with infinite lives will not amortize but there will be an impairment loss test.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

Category	Useful life in years	Residual Value
Intangible Asset (software )	8	No residual Value



**d. Financial Instruments**

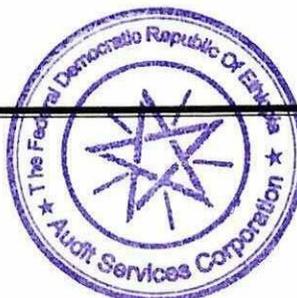
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 uses mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 allows aging of receivables using provision matrix table that holds a relevant loss rate to compute allowances for trade receivable. Thus the corporation categorized the receivables based on their age and apply a specified percentage to compute impairment.

**Financial Assets**

**Initial recognition and measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets except trade receivable are recognized initially at fair value.





### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into three categories:

- At amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

The basis of classification depends on the Corporation's business model and the contractual cash flow characteristics of financial assets. In the process of providing consultancy services, the corporation issue an invoice to its client having provided the deliverables as per the contract agreement. Such business activity create a trade receivable to the corporation and a business model of 'hold to collect' has been set to manage financial assets in order to generate cash flows. Therefore according to the 'hold to collect' business model, the corporation holds financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. All current financial assets the Corporation has are classified under amortized cost and adopted the expected credit losses model of IFRS 9.

For trade receivables, the Corporation chooses to apply the Stage 3 approach to recognize an allowance for lifetime expected credit losses from initial recognition. The corporation measures the loss allowance at an amount equal to lifetime expected credit losses using provision matrix table. In this regard the corporation was using the inflation rate declared by central statistics agency in determining the loss rate for aging analysis of receivables. But in the current year the corporation has used the average banks' lending rate in setting the loss rate.

The reason why the corporation prefer to use the bank's lending rate rather than inflation rate, the inflation rate currently showing the results of abnormal market practices & unstable unlike the bank interest rate. On the other hand the corporation assume that most of the clients which are governmental organizations & ministries do not pay their obligation due to budget shortage and the experiences show that the receivables will not be remain as uncollectable but there will be a delay in collection. The reflection of these circumstances can be expressed as if the receivables were not collected on time, the corporation may lose only the benefits related with time value of money.

This situation made the corporation to assume the bank's interest rate is the preferable base to set the loss rate in analyzing the aging of receivables to calculate the expected credit loss. At every reporting date, the historical observed default is updated to reflect current and forecast credit conditions if there are conditions that indicates default rates have changed.





A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Corporation's statement of financial position) when the rights to receive cash flows from the financial asset have expired or has been transferred.

The corporation has recognized revenues based on percentage of completion method for its study & design projects before it reached at its milestone stated on the contract. In this case the corporation recognize its right to consideration as "contract asset" in exchange for the services provided.

### **Financial liabilities**

#### **Recognition and measurement**

Financial liabilities are initially measured at fair value (the transaction price) using effective interest rate. After initial recognition, all financial liabilities of the Corporation are measured at amortized cost. The fair values of trade payables of the Corporation are similar with their transaction price. Collections from advance payment by clients are recognized as liability and stated as unearned revenue until the earning process is completed.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, cash at bank and treasury bills when they are deemed receivable within three months.

#### **e. Income Taxation**

##### **Current income tax**

The income tax liability for the period is the tax payable on the current period's taxable income based on the applicable income tax rate. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia.

##### **Deferred tax**

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and





are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

#### **f. Inventories**

Inventories are measured at the lower of cost and Net Realizable Value. The Corporation writes down the values of obsolete inventories to nil which it no longer expects future economic from. Inventories are presented net of impairment. To value the cost of inventories, the Corporation uses weighted average method.

#### **g. Other Assets**

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the Corporation's financial statements include the following:

##### **Prepayments**

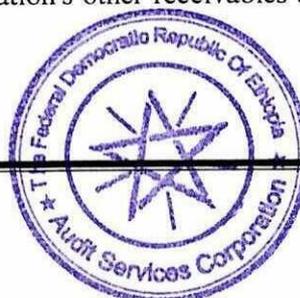
Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortised over the period in which the service is to be enjoyed.

##### **Other tax recoverable**

According to the federal income tax proclamation number 979/2016, the corporation's client is obliged to withheld 2 % of our sales and repay it to the tax authority. Therefore the corporation will record this withholding tax following the receiving of official receipt provided by the client and report it as other tax recoverable on the statement of financial position.

##### **Other receivables**

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Corporation's other receivables are sundry receivables and other receivables from debtors.



#### **h. Non-Current Assets (or disposal groups) Held for Sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of de recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

#### **i. Employee Benefits**

##### **Leave and Severance pay**

The Corporation has an employee benefit scheme which follows the Corporation's Labor union Collective agreement & management directive in which it effects severance pay for those employees who voluntarily leaves the Corporation after 5 and plus years of service. The payment made is based on employees' final salary.

In the financial statement as of June 30, 2018, the Corporation uses estimates, averages and computational short cuts to provide an approximation of the liability incurred on each year in relation to severance pay. Since this model uses more of approximation by taking average values





of salary and turnover rates, it was noted that the estimate is so far from the reality. Therefore, in 2019 the corporation has decided to implement a new model that uses the actual data for service year & salary to calculate the severance pay for each eligible employee. As a result we have made an adjustment on carrying amount of severance pay liability and Equity account by ETB 58,754,173 and br. 12,044,408 has been recorded as additional provision for the current year.

The Corporation recognizes a liability for bonuses and profit-sharing based on a formula that takes into consideration the profit at each year end. The Corporation accounts for annual leaves by providing in full for all unused leaves.

The Corporation has a defined post-employment scheme in line with the provisions of pension for public servants proclamation 714/2011. Funding under the scheme is 7% and 11% by employees and the Corporation respectively. The pension scheme is based on employees' monthly salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

#### **Termination benefits**

Termination benefits are payable to employees as per proclamation 1156/2019 and collective agreement made between the labor union & the management as well as based on the management directives of the corporation. When employment is terminated by the corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **Bonus plans**

The Corporation recognizes a liability and an expense for bonuses based on the decision of the board of management following the acceptable level of profit plan performance. The Corporation recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.





#### **j. Impairment of Non-Financial Assets**

The Corporation assesses, at each reporting date, whether there is an indication that an asset/ cash generating unit (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset/cash generating unit is required, the Corporation estimates the CGU'S recoverable amount. CGU'S recoverable amount is the higher of cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for each CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (i.e, the borrowing cost of the Corporation) that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

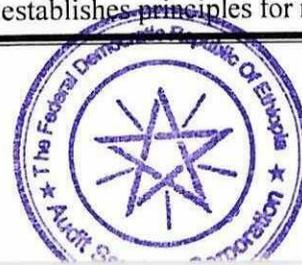
#### **k. Provision**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

#### **l. Recognition of Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard deals with revenue recognition and establishes principles for reporting





useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

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

Projects of Study & Design Services has their own milestones stated on the contract agreement. These milestones are outputs at different stages of the project. The milestones could be delivering Inception Report, feasibility study report, Draft design report and Final design report to the client. The Corporation Recognizes revenue when Performance obligations are satisfied at a point in time.

For Projects of Construction supervision service, the Corporation bills fixed amount for each hour of service provided by the assigned professionals and deployment of scientific & other equipment. Therefore, the Corporation recognizes revenue in the amount to which it has a right to invoice.

#### **Foreign exchange gains or losses**

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the statement of profit or loss; they are included under other income.

#### **m. Cash Flow Statement**

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as fair value changes and other non -cash items which has no effect on the profit and loss statement have been eliminated for the purpose of preparing this statement.





### 3. FINANCIAL RISK MANAGEMENT

#### Introduction

Risk is inherent in the Corporation's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Risk Management provides a comprehensive and dynamic framework for identifying, measuring, monitoring and managing financial and non-financial risks. When the quantitative data disclosed at the reporting date is not representative of the Corporation's exposure to risk during the period, further information that is representative must be assisted in qualitative disclosures.

This process of risk management is critical to the Corporation's continuing profitability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities. The Corporation is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

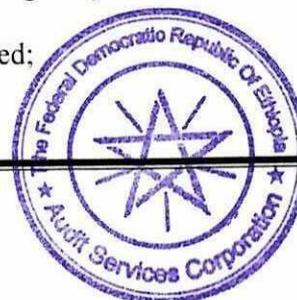
The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Corporation policy is to monitor those business risks through the Corporation's strategic planning process.

#### Risk management structure

The objective of the Corporation's risk policies and procedures is to ensure that the risks in its operations are identified, measured, monitored and effectively managed. Exposure to risk is managed to ensure that it will remain within limits and the risk appetite adopted by the Corporation will comply with regulatory requirements. The Corporation has established a comprehensive risk management system.

The Corporation risk management and control is based on the following key principles: -

- The Board of management approve risk management policies of the Corporation and ensure their implementation;
- Risk management policies and systems are reviewed regularly to reflect changes in the regulations, market conditions, product and services offered;





- The Board of management is assisted by the Audit committee to undertake regular and ad-hoc reviews of risk management control and procures
- Board of management ensures that appropriate remedial actions are taken whenever there are risks which are out of Corporation's risk appetite.

**Risk mitigation**

Risk controls and mitigates, identified and approved for the Corporation, are documented for existing and new processes and systems. The adequacy of these mitigates 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.

**Financial Instruments by category**

The Corporation's financial assets are categorized and classified under amortized cost measurements. The classification of the Corporation's financial assets are summarized in the table below.

	30 June 2019 Birr	30 June 2018 Birr
Cash and balances with banks	111,772,654	172,443,385
Tread receivable	502,792,362	386,545,977
<b>Total financial Assets</b>	<b>614,565,016</b>	<b>558,989,362</b>

**Credit risk**

Credit risk is the probability that a counterparty of the Corporation will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Corporation is exposed to credit risk due to its credit policy.

**Management of credit risk**

In measuring credit risk of receivables to various counterparties, the Corporation considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to





the counter party/obligor and its likely future developments, credit history of the counter party /obligor; and the likely recovery percentage in case of default obligations-value of collateral and other ways out. Our credit exposure is largely on tread receivables still outstanding.

#### **Maximum exposure to credit risk**

All tread receivables still outstanding are not backed by any form of guaranty. The maximum exposure to risk is thus the current carrying amount of tread receivables.

#### **Credit quality of cash and cash equivalent**

The credit quality of cash and cash equivalents and short-term investments that were neither past due nor impaired at as 30 June 2019, have been classified as non-rated as there are no credit rating agencies in Ethiopia.

#### **Investments**

The Corporation limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have strong credit history.

#### **Market risk**

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities. The Corporation does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

#### **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 audit committee on regularly, to identify any adverse movement in the underlying variables.

#### **Foreign currency risk**

The corporation is exposed to foreign currency risk on its foreign activates. The Corporation is engaged in two foreign projects which are denominated in a currency other than the functional currency during the fiscal year 2018/2019. The currency that give rise to this risk is the US dollar.



In managing foreign currency risk, the corporation aims to ensure the availability of the foreign currency and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies will have a positive/negative impact on profit.

The Corporation currently has access to foreign currency through sale of its service. The Corporation doesn't raise capital in any currency other than the functional currency.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS**

##### **Estimates and assumptions**

The preparation of the Corporation's financial statement requires management to make judgments, estimates and assumptions that affect the reported amount of assets, 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 assets or liabilities affected in future periods.

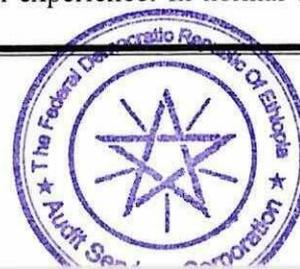
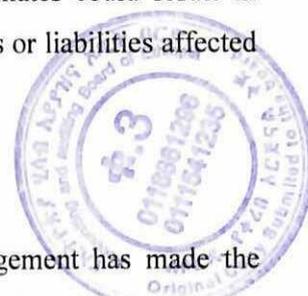
##### **Judgments**

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

##### **Impairment losses on receivables**

The Corporation chooses to apply the 3 Stage approach or to recognize an allowance for lifetime expected credit losses from initial recognition. The Corporation reviews its receivables for impairment on an on-going basis and write down the carrying amount of receivables if there is a reasonable expectation that amounts won't be recovered/ collected. To provide for loss allowances on trade receivables, the Corporation looks in to past history, experience, trends as well as nature of transactions and type of customers.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances,



historical experience provides objective and relevant information from which to assess inherent loss within each portfolio.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and exchange rates.

The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

#### **Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

#### **Provisions**

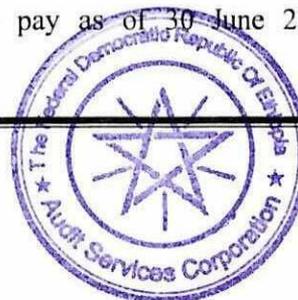
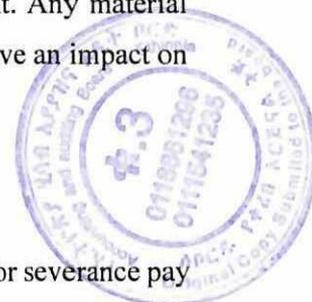
The reconciliation of provisions for Tax/Legal related cases and accrued balances for severance pay are based on the best estimate of the Corporation. The Corporation has assessed past experiences, trends, the opinion of legal department and industry trends to come up with numeric figures for liabilities with uncertain timing and amount.

#### **Severance pays**

The Corporation uses estimates, averages and computational short cuts to provide a reliable approximation of the liability incurred in relation to severance pay. It is assumed that an employee will stay until retirement & annual average salary growth rate is calculated using uses five years trend to come up with average figures.

### **5. RESTATEMENT OF COMPARATIVE FIGURES**

In 2018/2019 the corporation has implemented a new model to compute severance pay liability. This model has been resulted in significant amount differentiation from the previous model. The re-measurement had made the cumulative severance pay as of 30 June 2018 to be Birr



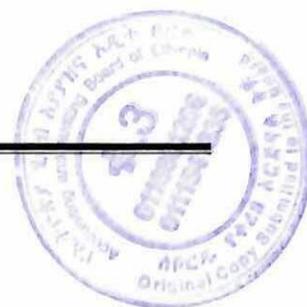
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84,379,391.73. Adjustment is made for the carrying amount of liability & equity account by the amount of 58,754,173.15 on the period the change was made.

There for the comparative figure in the financial statements of 2019 is restated as Birr 84,379,391.73 statement of financial position and administration expense has been increased by Birr 22,517,275.69. Also in 2018 there was found double recording of tread receivable and the related revenue account. Hence, having made adjustments, the record that was doubled erroneously with birr -17,031,424 has been corrected and the comparative figures have been restated. All the effects of the restatements on the cash flow also considered. Moreover, in order to make the statement of financial position comparable with the financial statement as of June 30, 2018, amounts reported in other receivable reclassified and value added tax recoverable and other tax recoverable separately stated. There is also a reclassification on the amount stated as other payable and value added tax payable is separately reported.





**6. DETAIL OF ACCOUNT BALANCE**

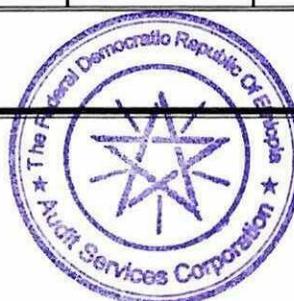
**a. Property, Plant and Equipment**

**Cost**

	Balance 30 June 2018 Birr	Addition Birr	Disposal Birr	Balance 30 June 2019 Birr
Land & Building	122,624,239	13,611,902	-	136,236,141
Computer & Related Equipment	26,746,790	9,442,131	2,717,971	33,470,950
Equipment (Eng.,Camp.& Off.Eqip.)	67,913,540	6,154,872	293,886	73,774,526
Heavy Duty Machine	35,478,856	-	-	35,478,856
Motor Vehicle	184,829,259	48,696	4,091,206	180,786,749
Furniture & Fittings	21,158,757	3,989,021	229,020	24,918,758
Office Machine	10,457,987	1,513,065	455,753	11,515,300
<b>Total Cost</b>	<b>469,209,428</b>	<b>34,759,687</b>	<b>7,787,836</b>	<b>496,181,279</b>

**Depreciation**

	Balance 30 June 2018 Birr	Addition Birr	Disposal Birr	Balance 30 June 2019 Birr
Land & Building	5,720,260	1,231,677	-	6,951,937
Computer & Related Equipment	17,322,558	1,799,379	2,582,073	16,539,864
Equipment (Eng.,Camp.& Off.Eqip.)	45,719,589	3,560,650	275,792	49,004,447
Heavy Duty Machine	11,526,140	897,177	-	12,423,317
Motor Vehicle	55,884,835	6,808,387	2,806,396	59,886,826
Furniture & Fittings	6,615,449	1,803,222	177,205	8,241,465
Office Machine	5,254,347	538,723	396,041	5,397,029
<b>Total</b>	<b>148,043,178</b>	<b>16,639,214</b>	<b>6,237,506</b>	<b>158,444,886</b>
<b>Book Value</b>	<b>321,166,249</b>	<b>18,120,472.89</b>	<b>1,550,329</b>	<b>337,736,392</b>



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**Cost**

	Balance 30 June 2017 Birr	Addition Birr	Disposal Birr	Balance 30 June 2018 Birr
Building	121,924,805	699,434	-	122,624,238
Computer & Related Equipment	24,631,250	2,128,278	(12,739)	26,746,790
Equipment (Eng.,Camp.& Off.Eqip.)	64,369,807	3,545,733	-	67,913,540
Heavy Duty Machine	35,476,858	-	-	35,478,856
Motor Vehicle	180,243,157	5,058,103	(472,000)	184,829,259
Furniture & Fittings	11,716,229	9,442,528	-	21,158,757
Office Machine	10,378,572	79,415	-	10,457,987
<b>Total Cost</b>	<b>448,740,678</b>	<b>20,953,491</b>	<b>(484,739)</b>	<b>469,209,428</b>

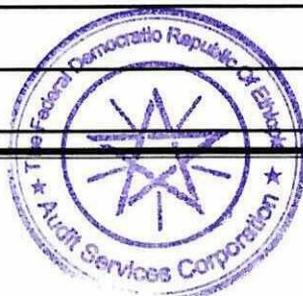
**Depreciation**

	Balance 30 June 2017	Addition Birr	Disposal Birr	Balance 30 June 2018
Building	4,494,784	1,225,476	-	5,720,260
Computer & Related Equipment	15,735,594	1,586,964	-	17,322,558
Equipment (Eng.,Camp.& Off.Eqip.)	42,029,943	3,689,646	-	45,719,589
Heavy Duty Machine	10,463,420	1,064,366	-	11,526,140
Motor Vehicle	48,927,330	7,429,495	(471,990)	55,884,835
Furniture & Fittings	5,314,736	1,300,713	-	6,615,449
Office Machine	4,704,751	549,596	-	5,254,347
<b>Total</b>	<b>131,670,558</b>	<b>16,846,256</b>	<b>(471,990)</b>	<b>148,043,178</b>
<b>Book Value</b>	<b>317,070,120</b>			<b>321,166,250</b>

**b. Construction in Progress**

Construction in progress relates with site work at the head office of the Corporation. The construction is expected to be completed in the near Future along with all work and title deed transfer.

<b>Construction in Progress</b>	June 30,2019 Birr	June 30,2018 Birr
Beginning Balance	17,065,392	8,583,796
Addition	6,798,469	8,481,596
<b>Ending Balance</b>	<b>23,863,861</b>	<b>17,065,392</b>





**c. Intangible Assets - Software**

**Cost**

	June 30,2019 Birr	June 30,2018 Birr
Beginning Balance	5,063,717	2,126,076
Addition	362,836	2,937,641
Ending Balance	<b>5,426,553</b>	<b>5,063,717</b>

**Accumulated Depreciation**

	June 30,2019 Birr	June 30,2018 Birr
Beginning Balance	2,290,055	1,919,255
Addition	400,550	310,800
Ending Balance	<b>2,690,606</b>	<b>2,290,055</b>

**Book value**

	June 30,2019 Birr	June 30,2018 Birr
Book value	<b>2,735,947</b>	<b>2,773,661</b>

**d. Investment in Government Securities**

The Corporation purchased Ethiopian government saving bond which is issued by the federal government of Ethiopia Ministry of Finance with face amount of br. 4,346,575 issued on February 10, 2012. The bond maturity date is five years from the date of issue which is February 9, 2017 and is redeemable in full without any discount or premium. The bond holds no interest and no interest income is accrued. Due to delay in process & different correspondence between the bank and the corporation, the amount has not returned back until the end of this fiscal period.



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**e. Inventories**

	June 30,2019 Birr	June 30,2018 Birr
Stationary	6,050,407	3,929,608
Office Supplies	4,220,867	2,734,700
Construction Supp. & Other	75,836	448,128
Laboratory Supplies	1,928,490	1,520,551
Motor Vehicle Spare parts	18,186,928	20,586,023
Rig Spare parts	9,525,050	1,514,396
Other Supplies (Camping, Eng. & Clearing Supplies)	419,330	115,902
<b>Total</b>	<b>40,406,909</b>	<b>30,849,308</b>

**f. Trade Receivable**

	June 30,2019 Birr	June 30,2018 Birr
Trade receivable	747,727,838	570,577,032
Less: Provision for doubtful trade receivable	-80,327,656	-106,453,962
	<b>667,400,182</b>	<b>464,123,070</b>

**g. Other Receivables**

	June 30,2019 Birr	June 30,2018 Birr
Accrued Receivable	53,467,306	1,546,757
Sundry Debtors	55,690,435	52,607,885
Staff Debtors	6,630,115	5,166,874
Retention Receivable	293,291	345,620
Travel Advance	14,646,221	1,101,581
Prepayments	521,785	188,789
Purchase Advance	2,240,347	3,583,445
<b>Sub total</b>	<b>133,489,501</b>	<b>64,540,951</b>
Less: provision for doubtful staff debtors	-237,237	-237,237
Less : provision for doubtful sundry debtors	-18,000	-18,000
	<b>133,234,264</b>	<b>64,285,714</b>





#### h. Non-Current Assets Held for Sale

	June 30,2019 Birr	June 30,2018 Birr
Vehicles	1,284,810	

In the year preceding this reporting year, The Corporation decided to dispose 19 motor vehicles through sale and had classified them as held for sale after assessing that all the criteria were met for the assets to be classified as such. The Corporation decided to sale the assets because it was deemed that the vehicles would bring more economic benefit through sale rather than continuing use.

As per the property management directive of the corporation, the committee assigned for the disposal process submit a proposal with professional advice of the current status of the vehicles with their valuation for initial bid price. Based on the information provided the board of management of the corporation has decided that the vehicles to be disposed of through sale. Since the sales will be done in the next period, there is gain or loss is seen on the current fiscal year. The vehicles had original cost of 4,091,206 and accumulated depreciation of 2,806,396. Therefore, the value of non -current asset held for sale was 1,284,810.

#### i. Other Payables

	June 30,2019 Birr	June 30,2018 Birr
Unearned Revenue	46,978,435	46,027,056
Sunday Creditors	26,631,329	11,904,393
Taxes & Pension Payable	23,066,536	6,432,288
Accruals	46,043,823	43,003,497
<b>Total</b>	<b>142,720,123</b>	<b>107,367,234</b>

#### j. Current Tax Payable

	For the year ended 30 June 2019 Birr	For the year ended 30 June 2018 Birr
Beginning balance	60,046,963	54,394,693
Adjustment	-8,525	1,953,001
Paid during the year	-61,009,822	-70,680,715
Current profit tax	78,760,081	74,379,984
<b>Total</b>	<b>77,788,696</b>	<b>60,046,963</b>

Income tax is paid as per the provisional financial statement before the end date of tax payment and the changes on the tax payable after the corrected profit of the year is adjusted.



**k. Tax Charge**

	For the year ended 30 June 2019 Birr	For the year ended 30 June 2018 Birr
<b>Net Profit before tax</b>	<b>275,156,535.00</b>	<b>209,271,420</b>
Add: Disallowed expenses		
Entertainment	2,203,257	1,432,391
Donation		
Penalty	480	472,679
Depreciation - IFRS	17,041,580	17,157,057
Severance pays expense	12,044,407	31,839,182
Leave expense	9,632,903	-330,842
Provision for obsolete stock	124,020	
Provision for doubtful debts	-26,126,307	
Add: restated revenue		17,031,424
<b>Less :Allowed Expenses</b>		
Depreciation for tax purpose	27,539,857	27,011,609
<b>Less: Income taxed at source or not to be taxed</b>		
Gain on Disposal of PPE	3,417	1,928,421
<b>Taxable profit</b>	<b>262,533,602</b>	<b>247,933,281</b>
<b>Income tax at 30%</b>	<b>78,760,081</b>	<b>74,379,984</b>

**i. Income Tax Expense**

	For the year ended 30 June 2019 Birr	For the year ended 30 June 2018 Birr
Current tax based on adjusted profit at 30%	78,760,081	74,379,984
Deferred tax assets expense	1,297,493	-2,697,319
Deferred tax liabilities expense	3,149,483	659,853
<b>Total tax expense</b>	<b>83,207,057</b>	<b>72,342,518</b>





**m. Paid-up Capital**

The Corporation is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. Though the Corporation has been established with a paid up capital of birr 393,771,990, Ministry of finance & economic cooperation has allowed the corporation to use its whole profit after tax & legal reserve to increase its paid up capital till it reaches the authorized capital through a letter dated march 06,2018 with reference number ከሃ.ፀፀ/41/7/39.

Therefore the current year profit after tax less of legal reserve, previous years accumulated profit, state dividend payable along with dividend tax payable and industrial development fund payable amounts has been transferred to paid up capital in the financial statement prepared as of June 30, 2019. Currently the total paid up capital of the corporation becomes br. 926,056,690. The Corporation plans & implement investment purchases & activities using the annual Profit transferred to paid up capital The Corporation is not a publicly traded company and has no practice of issuing shares for sale in neither public nor private markets.

**n. Legal Reserve**

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

**o. Excess of paid-up capital**

Excess of contribution in cash and in kind over the proclaimed paid up capital at the date of establishment. It is not available for distribution.

**p. Revenue**

	For the year ended 30 June 2019 Birr	For the year ended 30 June 2018 Birr
Study, Design & Construction Supervision	730,653,650	527,338,066
Laboratory Service & Geotechnical Work	29,198,217	109,157,161
<b>Total</b>	<b>759,851,867</b>	<b>636,495,227</b>





**q. Operating Cost**

	For the year ended 30 June 2019	For the year ended 30 June 2018
	Birr	Birr
Salaries and Related Benefits	215,262,086	169,381,023
Traveling & Transportation	52,987,459	69,460,045
Depreciation & Amortization	7,348,553	8,021,552
Professional Services/Sub Consultancy	1,484,506	1,573,569
Rental Expense	20,491,089	9,121,088
Materials & Supplies	11,815,565	3,810,612
Repair & Maintenance	10,018,350	750,941
Printing Advertising & Communication	2,176,027	2,270,516
Entertainment	752,169	-
Miscellaneous -other expense	2,282,254	12,838,341
<b>Total</b>	<b>324,618,058</b>	<b>277,227,687</b>

**r. Other Income**

	For the year ended 30 June 2019	For the year ended 30 June 2018
	Birr	Birr
Rent Income	18,370,699	19,632,219
Fines		6,533
Gain on disposal of PPE	3,414	1,828,431
Gain on Foreign Currency rate change	285,188	439,633
Miscellaneous	7,819,567	20,416,991
<b>Total</b>	<b>26,478,869</b>	<b>42,323,807</b>





**s. Administration Expenses**

	<b>For the year ended 30 June 2019 Birr</b>	<b>For the year ended 30 June 2018 Birr</b>
Salaries and Related Benefits	148,551,367	123,638,484
Supplies & utilities	18,573,021	7,633,888
Printing and Advertizing	2,717,325	1,543,814
Communications	1,210,234	1,237,570
Traveling & Transport	2,259,107	6,677,327
Insurance	5,268,205	3,774,290
Depreciation	9,693,028	9,135,505
Entertainment	1,451,085	1,432,391
Rental Expense	1,946,858	531,242
Severance pay & Annual leave	18,575,732	31,839,182
Miscellaneous	2,436,487	4,876,234
<b>Total</b>	<b>212,682,449</b>	<b>192,319,927</b>

**t. Contingent Liabilities**

Tax assessments have not yet been finalized with the tax authorities. One of the Corporation's constituent organizations is being charged by the tax authority with addition assessments amounting to Birr 34,506,376 in respect to business income tax, value added tax and penalties. An appeal against these assessments has been lodged with the Federal Tax Appeal Tribunal. The outcome of the appeal cannot be assessed at this time and no provision for this contingent liability has been made in these financial statements.

**u. Events after the reporting period**

There were no significant events that occurred after the reporting period which should be reported in this financial statement.

**7. DATE OF AUTHORIZATION**

The chief executive officer of Ethiopian Construction Design & Supervision Corporation authorized the issue of these financial statements on 10 October 2022

**8. ADDITIONAL INFORMATION**

The Corporation has Four Sectors And two centers Considered as a business unites under the legal entity of Ethiopian construction Design & Supervision Works Corporation. The summarized Statement of financial position and Statement of profit or loss for each sector & center along with account breakdowns are presented as follows as an additional disclosure.



Ethiopian Construction Design & Supervision Works Corporation  
IFRS Based Financial Statement  
As of June 30, 2019

**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement of Financial Position**  
**As of June 30, 2019**

Description	Water & Energy Design & Super. Works Sector	Building and Urban Dev't Design & Super. Works Sector	Tran. Design & Super. Works Sector	Geo. Inv. Geog. Engin. Undergro und Works Design & Super. works Sector	Research Laboratory & Training Center	Surveying Geospacial & Civil Informatics Center	Ethiopian Con. Des. & Sup. Works Corp. Head Office	Consolidated Balance Sheet
<b>ASSETS</b>								
Non Current Assets	271,636,384	45,088,811	14,606,146	523,184	110,808	274,573	48,930,383	381,170,288
Current Assets	424,822,967	242,861,498	129,670,787	38,466,707	5,830,752	12,501,460	1,202,447,714	1,017,455,839
<b>TOTAL ASSETS</b>	<b>1,001,228,491</b>	<b>450,912,186</b>	<b>258,574,906</b>	<b>99,316,042</b>	<b>44,047,645</b>	<b>65,321,687</b>	<b>1,698,834,076</b>	<b>1,398,626,128</b>
<b>LIABILITIES</b>								
Non-Current Liabilities	28,304,059	26,125,987	12,639,787	8,472,922	7,565,168	9,303,261	43,213,869	135,625,052
Current Liabilities	111,220,039	35,264,061	25,826,156	7,503,699	4,760,842	4,227,480	113,408,331	302,210,607
<b>TOTAL LIABILITIES</b>	<b>392,477,676</b>	<b>142,942,527</b>	<b>157,085,589</b>	<b>78,837,390</b>	<b>52,846,899</b>	<b>56,064,832</b>	<b>738,043,608</b>	<b>437,835,659</b>
Paid up							926,056,690	926,056,690
Legal Reserve							29,227,926	29,227,926
Other Component of Equity							5,505,854	5,505,854
<b>Total Equity</b>	<b>608,750,815</b>	<b>307,969,659</b>	<b>101,489,318</b>	<b>20,478,652</b>	<b>(8,799,254)</b>	<b>9,256,855</b>	<b>960,790,469</b>	<b>960,790,469</b>
<b>TOTAL LIABILITY &amp; EQUITY</b>							<b>1,698,834,076</b>	<b>1,398,626,128</b>



Ethiopian Construction Design & Supervision Works Corporation  
IFRS Based Financial Statement  
As of June 30, 2019



**Ethiopian Construction Design and Supervision Works Corporation**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For The Year Ended June 30, 2019**

Items	Water & Energy Design & Super. Works Sector	Building and Urban Dev't Design & Super. works	Tran. Design & Super. Works Sector	Geo.Inv.Geo.E ngin. Undergro und Works	Research Laboratory & Training Center	Surveying Geospacial & Civil Informatics	Elimination	Consolidated profit and Loss Statement
<b>Revenue:</b>								
Operating Revenue	349,856,965	227,800,408	135,673,469	17,322,807	10,351,248	18,846,969		759,851,867
Intracorporate Revenue	765,183	125,100	453,090	44,135,178	25,639,693	39,403,842	110,522,086	-
<b>Total Revenue</b>	350,622,149	227,925,508	136,126,559	61,457,985	35,990,941	58,250,811		759,851,867
Intracorporate Expense	69,722,649	9,104,914	30,257,107	1,437,416	-	-	110,522,086	-
<b>Net Operating Revenue</b>	280,899,499	218,820,594	105,869,452	60,020,570	35,990,941	58,250,811	(110,522,086)	759,851,867
Cost of Sales	98,023,687	7,192,103	49,666,206	27,844,408	26,305,839	21,880,174		296,912,416
<b>Gross Operating Profit</b>	182,875,812	145,628,492	56,203,247	32,176,162	9,685,102	36,370,637		462,939,451
Other Income	16,202,470	3,788,862	6,216,707	79,317	106,486	85,027		26,478,868
<b>Expenses:</b>								
Administrative Expense	97,683,169	38,535,020	34,355,340	18,114,870	8,942,533	16,630,851		214,261,784
Net Profit Before Tax	101,395,113	110,882,333	28,064,614	14,140,609	849,054	19,824,812		275,156,535

