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Office of the Federal Auditor General
Audit Services Corporation

**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN TOLL ROADS ENTERPRISE**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Toll Roads Enterprise (the Enterprise), which comprise the statement of financial position as at 30 Sene 2016, and statement of profit or 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Enterprise as at 30 Sene 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Enterprise 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 these requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, but we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN TOLL ROADS ENTERPRISE (continued)

Key Audit Matters (continued)

Toll Revenue

There are risks that tolls collected may not be completely and accurately recorded; toll collectors and/or supervisors may misappropriate toll collections; insufficient toll may be collected for large trucks and buses; and cash collected may not be deposited intact and in time. In response to these risks, we assessed the reasonableness of the design of the system of internal control by enquiring of the Enterprise's management and staff and reviewing the documented system developed by the Enterprise. We reviewed and tested physical safeguarding controls that existed around cash and checked that there were adequate procedures to identify variances between tolls collected, expected revenue and cash deposited. We checked that there were proper segregation of duties between collectors, supervisors and the finance personnel. A sample of detailed toll related data was reviewed and tested for completeness and accuracy. We also checked on a sample basis that cash collected from all plazas have been banked intact and in time. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found that numerous internal controls are in place and operating effectively and as intended.

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

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

In preparing the financial statements, management is responsible for assessing the Enterprise'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 Enterprise or to cease operations, or has no realistic alternative but to do so.

Those charged with governaice are responsible for overseeing the Enterprise's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN TOLL ROADS ENTERPRISE (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is 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 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 Enterprise'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 Enterprise'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 Enterprise to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, 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 TOLL ROADS ENTERPRISE (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Ato Tegegn Hailemariam.

Audit Service Corporation

30 Hedar 2017

ETHIOPIAN TOLL ROADS ENTERPRISE
STATEMENT OF FINANCIAL POSITION
AS AT 30 SENE 2016

	Notes		2015 Birr
ASSETS			
Non-current assets			
Property, plant and equipment	5	264,892,729	205,952,690
Intangible Assets	6	2,720,600	3,225,258
Deferred tax asset	13,c	14,664,190	9,175,107
		282,277,519	**218,353,055**
Current assets			
Inventories	7	83,589,375	92,851,341
Trade and other receivables	8	77,306,082	20,883,886
Withholding tax recievable		201,312	172,856
Cash balance at escrow bank account	9,ii	359,562,382	336,460,335
Cash and cash equivalents	9,i	844,551,907	667,090,659
		1,365,211,058	**1,117,459,077**
TOTAL ASSETS		**1,647,488,578**	**1,335,812,133**
EQUITY & LIABILITIES			
Equity			
Paid up Capital		125,836,250	125,836,250
Retained earnings		1,194,329,401	961,337,691
Legal Reserve		25,167,250	25,167,250
Other comprehensive income		(2,758,164)	(1,016,043)
		1,342,574,736	**1,111,325,148**
Liabilities			
Non-current liabilities			
Severance and compensation pay	12,a	26,989,271	19,100,739
		26,989,271	19,100,739
Current liabilities			
Trade and Other payables	11	115,568,716	90,562,407
Provision for annual leave		8,574,821	6,832,036
Current tax liabilities	13,c	153,781,034	107,991,803
		277,924,571	**205,386,246**
Total Liabilities		**304,913,842**	**224,486,985**
TOTAL EQUITY & LIABILITIES		**1,647,488,578**	**1,335,812,133**

ETHIOPIAN TOLL ROADS ENTERPRISE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SENE 2016

	Note		2015 Birr
Revenue			
Toll fee		909,237,385	693,736,490
Other income	14	27,850,396	14,289,939
Total revenue		**937,087,780**	**708,026,429**
Expense			
Personnel Expense	15	211,210,247	169,952,536
Other Operating expenses	16	256,004,616	193,723,702
Total Expense		**467,214,863**	**363,676,238**
Operating profit		**469,872,918**	**344,350,191**
Interest income		84,383,711	66,888,804
Profit before tax		**554,256,629**	**411,238,995**
Income tax expense	13,d	(145,853,654)	(103,203,847)
Profit for the year		**408,402,975**	**308,035,148**
OTHER COMPREHENSIVE INCOME			
Remeasurement gain/(loss) on retirement benefits obligations		(2,488,745)	(3,037,287)
Deferred tax (liability)/asset on remeasurement gain or loss		746,624	911,186
Other comprehensive income, net of tax		**(1,742,122)**	**(2,126,101)**
Total comprehensive income(loss)		**406,660,853**	**305,909,047**

ETHIOPIAN TOLL ROADS ENTERPRISE
STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 30 SENE 2016

	Paid up capital	Retained Earning	Legal Reserve	Other Comprehensive income	Total
	ETB	ETB	ETB	ETB	ETB
Balance as at 30 Sene 2014	**125,836,250**	**784,694,346**	**25,167,250**	**1,110,058**	**936,807,904**
Profit for the year	-	308,035,148	-	-	308,035,148
Prior period taxes paid	-	(131,391,802)			(131,391,802)
Other comprehensive income	-	-	-	(2,126,101)	(2,126,101)
Balance as at 30 Sene 2015	**125,836,250**	**961,337,692**	**25,167,250**	**(1,016,043)**	**1,111,325,149**
Profit for the year	-	408,402,975	-	-	408,402,975
Prior period taxes paid	-	(175,411,266)	-		(175,411,266)
Other comprehensive income	-	-	-	(1,742,122)	(1,742,122)
Balance as at 30 Sene 2016	**125,836,250**	**1,194,329,401**	**25,167,250**	**(2,758,164)**	**1,342,574,736**

ETHIOPIAN TOLL ROADS ENTERPRISE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SENE 2016

		2015 Birr
Cash flows from operating activities		
Profit before tax	554,256,629	411,238,995
Adjustments for non-cash income and expenses:		
Depreciation	29,023,584	25,324,130
Amortization	504,658	503,279
Current service cost	1,067,806	716,625
Interest expnse	4,912,672	3,033,401
loss on disposal		7,609
severance paid	(580,691)	(502,046)
Interest income	(84,383,711)	(66,888,804)
	504,800,947	**373,433,188**
Changes in working capital:		
Trade and other receivables	(56,422,196)	3,657,484
Inventories	9,261,966	(53,561,360)
Trade and other payables payables	25,006,309	29,208,310
Provisions	1,742,785	1,249,875
	(20,411,136)	**(19,445,692)**
Cash reciepts from interest on bank deposits	84,383,711	66,888,804
Profit tax paid during the year	(104,634,025)	(83,266,565)
Prior period taxes paid	(175,411,266)	(131,391,802)
Withholding tax paid	(201,312)	(172,856)
Net cash from (used in) operating activities	**288,526,919**	**206,045,078**
Cash flows from investing activities		
Cash payment(transfer) to/from escrow bank account	(23,102,047)	(21,589,031)
Additions to fixed assets	(87,963,625)	(93,401,632)
Net cash from (used in) investing activities	**(111,065,672)**	**(114,990,663)**
Cash flows from financing uctivities		
Net increase (decrease) in cash and cash equivalents	**177,461,247**	**91,054,413**
Cash and cash equivalents at beginning of year	667,090,659	576,036,246
Cash and cash equivalents at end of year	**844,551,907**	**667,090,659**
Components ofCash and Cash Equivalent at end of of the year		
Cash at Bank	839,066,741	665,227,356
Cash on hand	5,485,165.84	1,863,303
Total Net Cah ~~and cash~~ Equivalent at end of the year	**844,551,907**	**667,090,659**

NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 30 SENE 2016

1 GENERAL INFORMATION

Ethiopian Toll Roads Enterprise was established by council of Ministers Regulation No. 310/2006 on 17th of Hamle 2006, with the objective to provide toll road services to road users; to operate and ensure the maintenance of toll roads; to operate service stations constructed within the boundaries of toll roads; and to undertake other related activities necessary for the attainment of its objectives.

The Enterprise is accountable to Ethiopian Investment Holding (EIH) and governed by the Public Enterprises establishment proclamation No. 25/1984 and Toll roads proclamation 843/2006. It is domiciled in Ethiopia.

The address of its registered office is:
Post Office Box 1270
Akaki-Kality Sub-city, Addis Ababa, Ethiopia

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 BASIS OF PREPARATION

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by International Accounting Standard Board (IASB).

The financial statements have been prepared under the historical cost convention except for certain properties and financial instruments that are measured at revalued amounts or fair values as explained under significant accounting policies section below.

2.2 FUNCTIONAL AND PRESENTATION CURRENCY

2.2.1

These financial statements are presented in Ethiopian Birr (ETB), which is the Enterprise's functional currency. All financial information presented in Ethiopian Birr has been rounded to the nearest Birr in the Enterprise's financial statements and in the notes to the financial statements.

2.2.2 Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

2.3 GOING CONCERN

The financial statements have been prepared on a going concern basis. The management have no doubt that the Enterprise would remain in existence after 12 months.

2.4 ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Enterprise's accounting policies. The areas involving higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3 below.

2.5 NEW ACCOUNTING STANDARDS AND AMENDMENTS TO THE EXISTING STANDARDS

There are numbers of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 Hamle 2014. The decision of the management on these standards and interpretations either to early adopt them or defer the application until their respective effective dates is set out below:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual reporting periods beginning on or after 22 Tahisas 2017 and are to be applied retrospectively. Earlier application is permitted. The Enterprise has opted not to adopt early. No significant impact is expected.

IAS 12 Amendments on deferred tax

Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Effective for annual reporting periods beginning on or after 22 Tahisas 2017. The Enterprise shall apply the amendment when due. The amendments are not expected to have an impact on the Company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8): The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Effective for annual reporting periods beginning on or after 22 Tahisas 2017. The Enterprise will apply the amendment when due. The amendments are not expected to have an impact on the Enterprise's financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Effective for annual reporting periods beginning on or after 22 Tahisas 2017.The Enterprise will apply the amendment when due. The amendments are expected to have an impact on the Enterprise's financial statements.

2.6 REVENUE RECOGNITION

The Enterprise recognizes revenue at point in time and the cash collection is done immediately after provision of service. As permitted under IFRS 15, no disclosure of transaction price allocated to remaining performance obligations is necessary if either of the following conditions is met.

(a) The performance obligation is part of a contract that has an original expection of one year or less; or (b) Revenue is recognised based on the entity's right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date
The Enterprise has applied this practical expedient transaction as its contracts with customers are usually for less than a year (usually immediately after provision of service).

The Enterprise issues prepaid toll cards to corporate customers with predefined terms and condition for utilization.The consideration received from issuance of prepaid toll cards is recorded as deferred revenue until the service has been provided. Revenue on space rental for advertising is recognized over time proportion and period elapsed as the agreement is time-based. Other revenues that include revenues from crane service, parking and penalties, and investment income are recorded as they are earned. Unutilized toll cards are recognized as revenue using estimates regarding the timing of recognition based on terms and conditions of the cards and historical trends.

There were no unutilized toll cards to be reported as deferred revenue at end of each reporting period in these financial statements.

2.7 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and where applicable direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of issues are calculated using the weighted moving average method. Net realizable value represents the estimated selling price less all estimated costs of disposal.

Redundant and slow-moving inventories are identified on a regular basis and written down to their realizable values. Consumables are written down with regard to their age, condition and utility.

2.8 PROPERTY, PLANT AND EQUIPMENT

Properties held for use in the supply of services, or for administrative purposes and properties in the course of construction are carried at cost, less accumulated depreciation, less any recognized impairment loss. Cost includes professional fees and for qualifying assets borrowing costs capitalized in accordance with the Enterprise's accounting policy. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

Maintenance and repair costs are recognized as follows: Maintenance expenses incurred during the useful life of property, plant and Equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses. The cost of periodic major overhaul programs are capitalized as a separate component and depreciated over its expected useful life. That is, Major overhaul expenditure, including replacement spares and labour costs, is capitalized and amortized over the average expected life between major overhauls.

Depreciation on property is charged so as to write off the cost of the assets, other than properties under construction, over their estimated useful lives, using the straight line method. Depreciation on assets under construction commences when the assets are ready for their intended use. Salvage value is estimated to be 0.5% of the original cost or Br 100.00 whichever is lower. The percentage for calculation of Depreciation is as follows:

Property, Plant and Equipment Class	Depreciation Rate
Road safety Facilities	10%
Road Machinery and Motorized Equipment	24%
Motor Vehicles and other transport vehicles	24%
Engineering Laboratory and Radio Equipments	18%
Computers and Accessories	10%
Office Furniture and Equipments	12%
Other Property, plant and Equipment	10%

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress. When the Enterprise receives credits from manufacturers in connection with the acquisition of certain Property, Plant Equipments (PPE), the credits are offset against the cost of related PPE. The spare parts purchased separately are carried as property, plant and equipment if meet recognition criteria and generally depreciate in line with the PPE to which they relate.

Property, plant and equipment items whose individual unit costs are less than Birr 10,000 are charged to operating expenses. Gains or losses arising on disposal or retirement of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognized through profit or loss.

The Federal Democratic Republic of Ethiopia Ethiopian Toll Roads Enterprise

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2.9 INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates, with the effect of any changes in estimate being accounted for on a prospective basis.

Externally acquired intangible assets are capitalized at cost only when future economic benefits are probable. Costs include the purchase price together with any directly attributable expenditure.

The Enterprise's intangible assets which have a finite useful life are amortized over their useful life using straight-line method. Software are amortized over useful life of 10 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

2.10 EMPLOYEE BENEFITS

The Enterprise operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post employment benefits.

Defined contribution plan

The Enterprise contributes to the defined contribution plan (Pension scheme) in line with the provisions of Ethiopian pension law. Funding under the scheme is 7% and 11% by employees and the Enterprise respectively. The scheme is based on the employees' basic salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

Defined benefit plan

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable to Employees when employment is terminated by the Enterprise before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Enterprise recognises 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 Enterprise recognizes a liability and an expense for bonuses based on enterprise Labour Union agrement and Top and middle level management Depend on performance and board decision. The Enterprise recognizes a provision where contractually obliged or where there is an Enterprise performance and labour union agrement that has created a constructive obligation.

2.11 CURRENT AND DEFERRED INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement Profit or Loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Enterprise utilizes the asset and liability method of accounting for taxes under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the enactment date. Deferred tax assets are recognized to the extent that realization is considered probable.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Enterprise reviews at each statement of financial position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilization, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The value in use is determined by the estimated present value of future cash flows generated by the asset.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in net income. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 FINANCIAL INSTRUMENTS

Financial instruments - initial recognition and subsequent 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.

a) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Enterprise commits to purchase or sell the asset.

Subsequent measurement

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

- Amortized cost
- Fair value through profit and loss
- Fair value through other comprehensive income

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Amortized cost

Financial assets at amortized costs are non-derivative instrument with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in impairment charge (if any).

The Enterprise's amortized costs comprise of receivables and advances payments for purchases, investment security and other financial assets.

Derecognition of financial assets

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 Enterprise's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or

- the Enterprise has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either (a) the Enterprise has transferred substantially all the risks and rewards of the asset, or (b) the Enterprise has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Enterprise has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset. The Enterprise continues to recognise the transferred asset to the extent of the Enterprise's continuing involvement. In that case, the Enterprise also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Enterprise has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Enterprise could be required to repay.

Impairment of financial assets

The Enterprise assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Enterprise's financial liabilities include advance collections and payables to various creditors including trade creditors among others.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
Financial liabilities at amortized cost: Financial instruments issued by the Enterprise, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Enterprise having an obligation either to deliver cash or provision of services.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Derecognition of financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Enterprise tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognized when they have been redeemed or otherwise extinguished or associated service is provided.

c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Enterprise has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Enterprise or the counterparty.

2.14 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, deposits held at demand deposit with Banks and other short term highly liquid investments with original maturities of three months or less.

2.15 PROVISIONS

Provisions, including provisions for legal litigations, restructuring and environmental issues, are recognized when the Enterprise has a present obligation (legal or constructive) as a result of a past event, it is probable that the Enterprise will be required to settle the obligation, and a reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognized when the Enterprise has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Enterprise.

The environmental provision includes estimated costs to meet government laws and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Enterprise's prior experience.

2.16 NON-MONETARY TRANSACTIONS

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are rendered. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires management to exercise judgment in the process of applying the Enterprise's accounting policies. Accordingly, in the process of applying the Enterprise's accounting policies, the management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial periods. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

3.1 A decline in the value of fixed assets could have a significant effect on the amounts recognized in the financial statements. The management asses the impairment of fixed assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could make an impairment review necessary included the following:

- Significant decline in the market value beyond the level which would be expected from the passage of time and normal use.

- Significant changes in technology and regulatory environments.

- Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

3.2

Useful lives and residual values of Property, Plant and Equipment: Critical estimates are made by management in determining the useful lives, usage pattern and residual values of property, plant and equipment based on the intended use and economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3.3 Management uses judgment and estimates in determining the appropriate amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Enterprise does not recognize any deferred tax assets on its deductible temporary differences and unused tax losses which it believe that it is not probable that taxable profit will be available against which such deductible temporary differences and unused tax losses can be utilized. Besides, the management does not recognize a presumed deferred tax liability on temporary differences that will not have effect on future tax expenses or payables of the enterprise. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Enterprise's deferred and current tax situations.

3.4 Post-employment and other employee benefits except for the defined contribution component of the pension plans, require certain level of estimation with respect of employee turnover rates, discount rate, salary increment rate. Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty. Actual results may differ from results that are estimated based on assumptions.

3.5 The Enterprise uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the undertaking of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management's best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

3.6 Determining whether a liability should be recognized as a provision requires management to exercise judgment. The Enterprise must determine if a present obligation arises from past events, if it is probable that the Enterprise will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management's experience and judgment. If the Enterprise considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

4 Financial risk management

The Enterprise manages the financial risks that arise from its operations. Changing market conditions expose the Enterprise to various financial risks and have highlighted the importance of financial risk management as an element of control for the Enterprise. Principal financial risks faced in the normal course of the Enterprise's business are credit risk and liquidity risk. The policy of the Enterprise is to minimize the negative effect of such risks on cash flow, financial performance and equity.

Ethiopian Toll Roads Enterprise carries out its activities in an extremely dynamic, and often highly price regulated commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business of the Enterprise and its ability to recognize, successfully control and manage risks early in their development and to identify and exploit opportunities are key to successfully realize its vision.

4.1 Liquidity risk

Liquidity risk is the risk that the Enterprise is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Enterprise proactively manages cash surpluses using a combination of short and long term investment program that ensure adequate liquidity to meet its short and long term obligations. Ethiopian Toll Roads Enterprise seeks to maintain sufficient cash balances to cover six months debt obligations.

4.2 Credit risk

The Enterprise is exposed to credit risk which is the risk that the counter party will cause a financial loss to the Enterprise by failing to discharge an obligation. Credit exposure also arises from derivative counterparties as well as from agents selling prepaid cards on behalf of Enterprise.

The Enterprise does not have significant concentrations of credit risk other than on derivative counterparties where transactions are limited to financial institutions and state-owned companies possessing high credit quality and hence the risk of default is low. Cash surpluses are maintained with credible financial institutions minimizing risk of default.

Majority of credits are generally short term in duration. So, the credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Enterprise has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the Enterprise's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated. The board has set limits for investing in specified banks and financial institutions.

4.3 Operational risk

The Enterprise's operations are based on a rigorous Operational safety culture, which is maintained through continuous and long-term implementation of the Safety & Quality Management Systems. When operational decisions are made, safety issues always take the highest priority in relation to other factors that influence decision-making. Operational safety is an integral mechanism of all activities as well as a required way of operating not only for the Enterprise's own personnel, but also for subcontractors.

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The main principle of safety work is non-punitive reporting of deviations in the way intended by the Enterprise's guidelines. The purpose of reporting is to find reasons, not to assign blame. The Enterprise, however, does not tolerate willful acts contrary to guidelines, methods or prescribed working practices. Decision-making not directly related to operations must also support the Enterprise's objective of achieving and maintaining a high level of operational safety.

4.4 Capital risk management

The Enterprise monitors the return on equity which is defined as the profit for the year expressed as a percentage of average equity. The Enterprise seeks to provide a higher return to the equity by improving on efficiencies to provide world class service to meet its growth plans. Ethiopian Toll Roads Enterprise also monitors capital on the basis of a gearing ratio which is calculated as the ratio of non-current borrowings net of bank and cash balances to equity.

The Federal Democratic Republic of Ethiopia • Audit Services Corporation

The Federal Democratic Republic of Ethiopia Ethiopian Toll Roads Enterprise

Accounting and Auditing Board of Ethiopia
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5 PROPERTY, PLANT AND EQUIPMENT

	Balance at 30 SENE 2015 Birr	Additions Birr	reclassification/ Transfers Birr	Balance at 30 SENE 2016 Birr
COST				
Building	26,519,389		-	26,519,389
Road safety Facility	23,203,034			23,203,034
Motorized Road Equipments	56,866,863		-	56,866,863
Motor vehicles	93,755,247	14,652,840	-	108,408,087
Engineering laboratory and Radio Equipments	3,279,609		-	3,279,609
Furniture & Office equipment	5,876,240	1,714,413		7,590,653
Computer & accessories	13,698,893	7,212,508		20,911,401
Other fixed assets	49,541,219	6,877,581	26,527,609	82,946,409
Construction in progress	64,328,202	57,496,828	(26,527,609)	95,297,421
	337,068,695	87,954,170		425,022,865
DEPRECIATION				
Building	816,492	531,801	-	1,348,293
Road safety Facility	10,356,150	2,324,966	-	12,681,116
Motorized Road Equipments	35,226,780	7,569,433	-	42,796,213
Motor vehicles	61,509,976	11,002,848	-	72,512,824
Engineering laboratory and Radio Equipments	3,164,854	48,618	-	3,213,472
Furniture & Office equipment	2,468,366	709,756	-	3,178,122
Computer & accessories	3,811,643	1,649,256		5,460,899
Other fixed assets	13,761,743	5,186,906		18,939,195
	131,116,005	29,023,584	-	160,130,136
Net book value	205,952,690			264,892,729

The Enterprise conducted physical count of fixed assets at end of reporting period which covered checking existence and performance of assets. Hence, as per assessment of management of the enterprise, no impairment of fixed assets exists as at reporting date.

There are old motor vehicles and other fixed assets received from Ethiopian Road Authority(ERA) which the Enterprise recorded at nominal values for control purpose as the items are alредy fully depreciated. The fixed assets kept operational to date(to reporting date) through periodic maintenances.

6 INTANGIBLE ASSETS

	Balance at 30 SENE 2015 Birr	Additions Birr	Balance at 30 SENE 2016 Birr
COST			
Software	4,476,491	-	4,476,491
Other intangible assets	556,600		556,600
	5,033,091	-	**5,033,091**
AMORTIZATION			
Software	1,517,485	291,726	1,809,211
Other intangible assets	290,347	212,932	503,279
	1,807,832	**504,658**	**2,312,490**
Net book value	**3,225,258**		**2,720,600**

7 INVENTORIES

	Birr	2015 Birr
Fuel & Lubricant	8,528,672	8,243,226
Stationery and Supplies	6,088,276	7,004,504
Uniforms	1,486,458	1,085,532
Tools and Construction Materials	7,899,425	7,520,909
Spareparts	19,957,102	15,437,761
Sanitary Materials	1,867,140	976,257
Foods	13,883	22,718
Environmental protecttion items	1,988,644	1,572,604
Electrical Mateials	10,309,128	8,922,121
Sundry Mateials	25,450,646	42,065,708
	83,589,375	**92,851,341**

The Enterprise has fast moving inventory items which are being consumed as services are provided. These inventory items are reported at cost values as the costs are close estimates of market values of inventories reported.

8 TRADE AND OTHER RECEIVABLES

	Birr	2015 Birr
Staff debtors	11,082,166	4,202,645
Purchase Advance	56,515,076	16,467,921
VAT recievable	8,547,761	-
Sundry recievable	2,009,975	1,062,205
Deposits and prepayments	111,920	111,930
	78,266,897	21,844,701
Allowance for doubtful accounts	(960,815)	(960,815)
	77,306,082	**20,883,886**

8.a Allowance for doubtful accounts shown above is related to long outstanding reciebables from staffs. Movements of provision for impairment of staff receivables are shown as follows:

	Birr	2015 Birr
At beginning of year	(960,815)	(960,815)
Provision in the year	-	
	(960,815)	**(960,815)**

9 CASH ON HAND AND AT BANK

	Birr	2015 Birr
Cash at bank	1,198,629,123	1,001,687,691
Cash on hand	5,485,166	1,863,303
	1,204,114,289	**1,003,550,994**

9.i Cash and cash equivalents

	Birr	2015 Birr
Cash at bank	839,066,741	665,227,356
Cash and cash equivalents	5,485,166	1,863,303
	844,551,907	**667,090,659**

9.ii Cash balance at escrow bank account

	Birr	2015 Birr
Cash balance at escrow bank account	359,562,382	336,460,335
	1,204,114,289	**1,003,550,994**

Cash balance at escrow bank account represents cash deposited to the bank account at commercial bank of ethiopia which is opened as per escrow account agreement with objective of maintaining cash balance as security deposit at a level sufficient to cover loan repayment falling due for payment over the next 12 months. This cash balance can either be used for settlement of loan by instruction of Export-Import Bank of China if the government of the Federal Democratic Republic of Ethiopia fails to pay the loan associated to the escrow account or it will be released to Ethiopian Toll Roads Enterprise when the loan is fully paid as per the agreement. The escrow account requirement involving the Enterprise has been changed now as the loan repayment responsibilty has been fully taken over by Ministry of Finance. Hence, the Enterprise does not have any liabilities in relation to servicing of the loan.

10 PAID UP CAPITAL

The Enterprise is fully government owned. There are no shares and no par value. The Enterprise's Capital is Birr 125,836,250.00 which has been paid in cash and in kind up to the end of this financial year (30 Sene 2016).

11 TRADE AND OTHER PAYABLES

		2015
	Birr	Birr
Property damage collected in advance	70,980,665	52,853,228
VAT payable		384,803
Income tax payable	3,031,966	2,352,137
Pension payable	1,752,371	1,458,083
Payroll fund	1,924,645	1,335,575
Accrued bonus	19,237,767	14,256,172
Accrued payable	1,261,031	2,660,938
Withholding tax payable	716,027	399,169
VAT withholding	2,398,890	1,030,814
Cost sharing payable	14,055	26,344
Retention payable	6,061,249	4,064,480
Deferred income	6,647,085	9,433,387
Sundry creditors	1,542,965	307,277
	115,568,716	90,562,407

12 EMPLOYEE BENEFIT

12.a Defined benefit liability

		2015
	Birr	Birr
Defined benefits liabilities:		
Severance pay,Non Current	26,989,271	19,100,739
Liability in the statement of financial position	**26,989,271**	**19,100,739**

12.b Amount recognised in other comprehensive income:

Remeasurements for:

		2015
	Birr	Birr
Remeasurement (gains)/losses	2,488,745	3,037,287
Deferred tax (liability)/asset on remeasurement gain or loss	(746,624)	(911,186)
	1,742,122	2,126,101

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

12.c Severance pay

The Enterprise operates an unfunded severance pay plan for its employees who have served the Enterprise for 5 years and above and are not yet reached the retirement age. The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

ETHIOPIAN TOLL ROADS ENTERPRISE
NOTES TO THE ACCOUNTS (continued)

Below are the details of movements and amounts recognised in the financial

12.d	Amount recognised in the profit or loss	Birr	2015 Birr
	Current service cost	1,067,806	716,625
	Interest cost	4,912,672	3,033,401
		5,980,478	3,750,025

12.e	Amount recognised in other comprehensive income:		
	Remeasurement (gains)/losses	2,488,745	3,037,287
		2,488,745	3,037,287

12.f The movement in the defined benefit obligation over the years is as follows:

	Birr	2015 Birr
At the beginning of the year	19,100,739	12,815,472
Current service cost	1,067,806	716,625
Interest cost	4,912,672	3,033,401
Remeasurement (gains)/ losses	2,488,745	3,037,287
Benefits paid	(580,691)	(502,046)
At the end of the year	**26,989,271**	**19,100,739**

12.g The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	Birr	2015 Birr
Discount rate (p.a)	25.72%	25.72%
Long term salary Increase rate (p.a)	22.47%	23.31%

ii) Estimated employee turnover rate

The turnover rates are as summarised below :

Age Category	Resignation rates per annum
Less than 25	12.50%
25-29	10.00%
30-34	7.50%
35-39	5.00%
40-44	2.50%
45-49	1.00%
Over 49	0.00%

13 TAXATION

		2015 Birr
a) Profit before tax	554,256,629	411,238,995
Depreciation and amortization		
Per accounting policy	29,528,242	25,827,409
Compensation and Severance pay	5,980,478	3,750,025
Entertainment expense	4,500,663	3,216,380
Penalty	7,349,789	2,928,414
Annual leave accrual	1,742,785	1,249,875
Food	17,870,779	-
Loss on disposal of fixed assets	-	7,609
Severance paid	(580,691)	(502,046)
Depreciation Per tax policy	(34,277,924)	(30,571,591)
Interest income taxed at source	(84,383,711)	(66,888,804)
Taxable profit	501,987,040	349,356,267
Provision for tax	**150,596,112**	**104,806,880**

b) Depreciation per tax proclamation

	Buildings and Civil works	Computers	Other Business Assets	Total Deprecation
Depreciation base brought forw	-	264,073	9,225,424	
	-	264,073	9,225,424	
Tax book value brought forwar	25,636,504	11,982,749	142,453,002	
Current year addition	-	7,212,508	22,631,454	
	25,636,504	**19,459,330**	**174,309,880**	
Less: depreciation on assets acquired upto 30 Sene 2008	-	(66,018)	(1,845,085)	
Depreciation of assets acquired since 1 Hamle 2008	(1,325,969)	(3,393,269)	(27,142,924)	**(33,773,266)**
Depreciation base carried forw	**24,310,535**	**16,000,043**	**145,321,871**	

c) Profit tax payable

	Birr	2015 Birr
Profit tax brought forward	107,991,803	86,561,874
Profit tax paid during the year	(104,634,025)	(83,266,565)
Withholding tax recievable set-off	(172,856)	(110,385)
Current year provision	150,596,112	104,806,880
Profit tax carried forward	**153,781,034**	**107,991,803**

d) Tax Expense

	Birr	2015 Birr
Current year provision	150,596,112	104,806,880
Deferred tax(detailed below	(4,742,458)	(1,603,033)
Total tax in statement of profit or loss	**145,853,654**	**103,203,847**

e) Deferred tax

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

	Birr	2015 Birr
Net Book Value Per	(172,315,909)	(144,849,747)
Tax base	185,632,449	149,500,664
Temporary difference	13,316,540	4,650,917
Employee benefit	26,989,271	19,100,739
	40,305,811	**23,751,656**
Deferred Tax @ 30%	12,091,743	7,125,497
Deferred tax brought forward	7,125,497	6,660,889
Total Net Deferred tax expense of current year	**4,966,246**	**464,608**

The analysis of deferred tax assets/(liabilities) is as follows:

	Birr	2015 Birr
To be recovered after more than 12 months	12,091,743	7,125,497
To be recovered within 12 months	-	-
	12,091,743	7,125,497

Details of deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L) and in equity or other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	Sene 30, 2015 Birr	Credit/ (charge) to P/L Birr	Credit/ (charge) to equity Birr	Sene 30, 2016 Birr
Property, plant and equipment	1,395,275	2,599,687	-	3,994,962
Annual leave accrual	2,049,611	522,835		2,572,446
Post employment benefit obligation	5,730,222	1,619,936	746,624	8,096,781
Total deferred tax assets/(liabilities)	9,175,107	4,742,458	746,624	14,664,190

14 OTHER INCOME

	Birr	2015 Birr
Miscellaneous Income	1,871,028	817,308
Crane Service	10,203,709	3,519,391
Penalty	4,143,571	1,251,523
Advertising space	9,634,999	6,749,644
Parking	1,997,090	1,952,073
	27,850,396	**14,289,93[illegible]**

15 PERSONNEL EXPENSE

		2015
	Birr	Birr
Salary and wages	140,940,327	118,849,088
Bonus	19,619,446	15,428,074
Pension	12,852,242	10,467,905
Severance and compensation pay	5,980,478	3,750,025
Food allowance	17,870,779	-
Allowances	13,946,974	21,457,444
	211,210,247	169,952,536

16 OTHER OPERATING EXPENSES

		2015
	Birr	Birr
Per diem and Training	8,533,336	7,134,034
Board fees	403,600	83,200
Road safety and maintenance	16,263,335	6,091,196
Communication	1,517,293	1,144,658
Security Service	19,392,798	13,672,667
Transporation Charge	14,382,848	7,336,085
Lease and Rentals	1,891,161	340,440
Stationery and printing	8,675,186	7,381,012
Repair and maintenance	10,045,390	9,851,644
Small tools	20,409,645	7,157,463
Tyres and tubes	14,062,671	13,368,445
Utilities	6,464,432	5,704,017
Fuel and lubricant	55,665,348	42,639,516
Cleaning and sanitation	5,627,066	3,478,657
Depreciation	29,023,584	25,324,130
Amortization	504,658	503,279
Uniforms	1,649,636	7,597,993
Insurance	11,407,326	7,379,653
Advertising	1,118,266	2,025,713
Professional fee	6,973,584	1,108,205
Environmental protection	7,358,832	7,670,404
Entertiment	4,500,663	3,216,380
Bank charge	45,949	43,251
Audit fee	1,505,000	2,530,000
Penalty	7,349,789	2,028,414
Loss on disposal of fixed assets		7,609
Miscellaneous	1,233,221	8,905,638
	256,004,616	193,723,702

17 RELATED PARTY TRANSACTIONS

The remuneration of key executives with the exception of the General Manager's is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors. The remuneration of the General Manager's is determined by supervisory body of the Enterprise.The Enterprise's key executives have been defined as the executive staff members that are members of the Corporate Management Committee.

The compensation paid or payable to key management are:

	2016 Birr	2015 Birr
Salaries and wages	6,366,144	6,164,928
Bonus	999,986	750,468
Long term employee benefit	514,083	466,399
	7,880,213	7,381,795

18 EMPLOYEES

The Enterprise employed 973 staffs at 30 Sene 2016 (2015: 908)

19 EVENTS AFTER REPORTING PERIOD

There were no significant post balance sheet events which could have a material effect on the state of affairs of the Enterprise at 30 sene 2016 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

20 DATE OF AUTHORIZATION

The enterprise General Manager authorized the issue of these finacial statements on 30 Hidar 2017.