INDEPENDENT AUDITOR’S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
EXPRESSWAY DEVELOPMENT SUPPORT PROJECT

We have audited the accompanying financial statements of Ethiopian Roads Authority, Expressway Development Support Project, financed under IDA Credit No. 5625 ET, which comprise the balance sheet as at 7 July 2017 and the statement of sources and uses of funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

Ethiopian Roads Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out on pages 7 and 8 and for such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ASC

© 251-011-5515222 Fax 251-011-5513083 E-mail: ASC@ethionet.com
INDEPENDENT AUDITOR’S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
EXPRESSWAY DEVELOPMENT SUPPORT PROJECT (continued)

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Ethiopian Roads Authority, Expressway Development Support Project, financed under IDA Credit No. 5625 ET at 7 July 2017 and of its sources and uses of funds for the year then ended in accordance with International Financial Reporting Standards.

Report on other requirements

As required by the World Bank guidelines we report that, to the extent we can assess:-

a) all external financing has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;

b) counterpart funds from the Government of Ethiopia have been provided and used in accordance with the financing agreement and only for the purpose for which the financing was provided;

c) goods and services financed have been provided in accordance with the relevant financing agreement and disbursement letters; and

d) Designated Account has been maintained in accordance with the provisions of the relevant financing agreement.

Furthermore, with respect to the statement of expenditures submitted during the year and stated on page 9, in our opinion,

a) the statement, together with the procedures and internal controls involved in its preparation can be relied upon to support the related withdrawals;

b) adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and

c) said expenditures are eligible for financing under IDA credit no. 5625 ET.

29 December 2017

Audit Services Corporation
<table>
<thead>
<tr>
<th>CURRENT ASSET</th>
<th>2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>573,971,530</td>
<td>545,770,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPRESENTED BY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCUMULATED FUND</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>573,971,530</td>
<td>545,770,000</td>
</tr>
</tbody>
</table>

The notes on pages 6 to 9 form an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Year ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7 July 2017</td>
<td>7 July 2017</td>
</tr>
<tr>
<td></td>
<td>7 July 2016</td>
<td></td>
</tr>
<tr>
<td><strong>SOURCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Deposit</td>
<td>255,689</td>
<td>255,689</td>
</tr>
<tr>
<td>IDA - SOE procedures</td>
<td>32,392,849</td>
<td>41,265,349</td>
</tr>
<tr>
<td>Gain on foreign exchange</td>
<td>32,648,538</td>
<td>578,418,538</td>
</tr>
<tr>
<td></td>
<td>536,897,500</td>
<td>536,897,500</td>
</tr>
<tr>
<td><strong>USES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants’ services</td>
<td>4,418,633</td>
<td>4,418,633</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>28,375</td>
<td>28,375</td>
</tr>
<tr>
<td></td>
<td>4,447,008</td>
<td>4,447,008</td>
</tr>
<tr>
<td><strong>EXCESS OF SOURCES</strong></td>
<td>28,201,530</td>
<td>573,971,530</td>
</tr>
<tr>
<td><strong>OVER USES</strong></td>
<td>545,770,000</td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 6 to 9 form an integral part of these financial statements.
ETHIOPIAN ROADS AUTHORITY
EXPRESSWAY DEVELOPMENT SUPPORT PROJECT
DESIGNATED ACCOUNT STATEMENT

For the year ended 7 July 2017
Account number 0100231300040
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related credit IDA 5625 ET
Currency USD

Beginning balance - 8 July 2016 25,000,000.00
World bank replenishments 11,515.74
25,011,515.74
Deduct: Payments to consultants and contractors 195,310.48
Ending balance - 7 July 2017 24,816,205.26

The notes on pages 6 to 9 form an integral part of these financial statements.
ETHIOPIAN ROADS AUTHORITY
EXPRESSWAY DEVELOPMENT SUPPORT PROJECT
IDA CREDIT NO. 5625 ET
NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The objective of the project is to enhance efficiency and safety in the movement of goods and people along the BATU (Zeway) – Arsi Negele section of the Modjo-Hawassa development corridor, whilst strengthening the Recipient’s institutional capacity to develop and manage high-capacity highways and expressways.

The Project constitutes of the following parts:-

Part 1: Construction of high capacity highway
   a) Construction of Batu (Zeway) – Arsi Negele section of the new Modjo-Hawassa Highway, including the provision of support for livelihood restoration activities.
   b) Monitoring and supervising the civil works to be carried out under part 1(a) of the Project.
   c) Supporting prioritized road safety improvement works at potential accident sites on the trunk road network and piloting the implementation of corridor-based road safety actions in the high-capacity highway and expressway networks.
   d) Deploying field intelligent transport systems (ITS) on the new Modjo-Hawassa Highway.

Part 2: Institutional Development and Regulatory Framework
   a) Strengthening the Recipient’s capacity for the development of expressways and high-capacity highways through:
      i) the preparation of a strategic master plan, and regulatory and legal frameworks for financing, operation and maintenance of expressways and high-capacity highways; and
      ii) the development of a national and sub-national ITS conceptual framework, including a strategic plan for ITS planning and development for management of expressways, high-capacity highways and road assets.
   b) Strengthening functional units within the Ethiopian Toll Roads Enterprise for expressway and high-capacity highway management including, inter alia, strengthening the capacity of said functional units for digital roads management through the provision of advisory services, training, and ITS and other technical equipment for central expressway management.
c) Undertaking studies and making recommendations on how to monitor and strengthen governance and transparency in procurement and contract management in the Recipient's road sector.

d) Preparing follow-on operations, including the preparation of related feasibility studies, environmental and social impact assessments, and concept designs for potential expressways and high-capacity highways.

Part 3: Road Safety and Institutional Development Support to the Transport Sector

a) Supporting the implementation of the Recipient's road safety systems through:

i) Strengthening the capacity of the Recipient's relevant road safety agency, including through conducting road safety assessment on selected heavily trafficked trunk road network to improve road safety; and

ii) Piloting enhanced enforcement of road safety requirements and post impact care focusing on selected accident-prone corridors.

b) Strengthening the policy-making, planning and monitoring functions of MOT.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project are stated below.

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards. They are prepared under the historical cost convention.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currency are translated into Birr at the approximate rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rate ruling at the balance sheet date.
c) Recognition of financial assets and financial liabilities

The Project recognizes a financial asset or a financial liability on its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, and only when, it is extinguished.

3 ACCUMULATED FUND

<table>
<thead>
<tr>
<th>BIRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 8 July 2016</td>
</tr>
<tr>
<td>Add: Deficit of Sources over Uses for the year</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

4 DATE OF AUTHORIZATION

The Authority's Deputy Director General of Human Resource and Finance authorized the issue of these financial statements on 29 December 2017.
ETHIOPIAN ROADS AUTHORITY
EXPRESSWAY DEVELOPMENT SUPPORT PROJECT
IDA CREDIT NO. 5625 ET
SOE WITHDRAWAL SCHEDULE
for SOE submitted during the year ended
7 JULY 2017

<table>
<thead>
<tr>
<th>Application number</th>
<th>Birr</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>255,688.58</td>
<td>11,515.74</td>
</tr>
</tbody>
</table>