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**AUDIT SERVICES
CORPORATION**

ETHIOPIAN CONSTRUCTION WORKS CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2023

**ETHIOPIAN CONSTRUCTION WORKS CORPORATION
DRAFT FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 7 JULY 2023**

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**ETHIOPIAN CONSTRUCTION WORKS CORPORATION
CORPORATE INFORMATION
FOR THE YEAR ENDED 7 JULY 2023**

Board of Directors

Engineer Ayisha Mohammed
Dr. Abraha Adugna
Dr. Alemu Sime
Ato Abdisa Yadeta
Dr. Lema Gudisa
Engineer Moges Tibebe
Ato Muluneh Aboye
Ato Ayele Kebede
Engineer Afework Nigussie
W/ro Elsabet Asegid
Ato Sintayehu Gobeze

Board Chairman
Vice Board chairman
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board secretary

Key management

Name
Engineer Yonas Ayalew
Engineer Bizualem Taye
Engineer Bemnet Gashaw
Engineer Alemnew Alene
Engineer Ashenafi Hassen
Ato Wakjira Yilma
Ato Assefa Kesito
Ato Amente Dadi
Engineer Wegen Solomon
Engineer Tadel Fole
Ato Alemayehu Terefe
Ato sintayehu Gobeze
Ato Abdulkadir Hussien
Ato Yohannes Ayele

Positions
CEO
Deputy CEO of Transport infrastructure construction sector
Deputy CEO of Water infrastructure construction sector
Deputy CEO of construction machinery or equipment management sector
Deputy CEO of Building and Housing construction sector
Deputy CEO of Corporate resource Management and service sector
Deputy CEO of planning and corporate affairs sector
Deputy CEO of Secretariat
Deputy CEO of Business Development and project Management Center
Deputy CEO of Production center
Chief Finance Officer
Human Resource Management
Procurement and property Management Department
Audit main department

Registered address

Addis Ababa City Administration
Gurd Shola, Around Athletics Federation Building, 21951/100, Addis Ababa,
Ethiopia Addis-Abeba
P.O.BOX. 21952/1000
Phone Number +251116675473
E-mail: www.ecwc.gov.et
Addis Ababa, Ethiopia

Principal place of business

Addis Ababa
Ethiopia

Auditors

Audit Service Corporation

Bankers

Commercial Bank of Ethiopia
Phone: +251-115-515004 / +251-111-228755
email: cbe@combanketh.et
P.O.Box 255



**ETHIOPIAN CONSTRUCTION WORKS CORPORATION
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED 7 JULY 2023**

The Commercial Code of the Federal Democratic Republic of Ethiopia require the Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia also requires the Management to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The Management is also responsible for safeguarding the assets of the Company.

The Management is responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its operating results in the manner required by the Commercial Code of Ethiopia, 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. The responsibilities include;

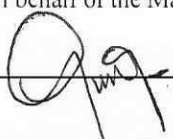
- a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;
- b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- c) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the

The Management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.


Nothing has come to the attention of the Management to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Management by:



Yonas Ayalew (Engineer)
Chief Executive
Officer





Alemayehu Terefe
Chief Financial Officer



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Office of the Federal Auditor General
Audit Services Corporation

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



Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Ethiopian Construction Works Corporation (the Corporation), which comprise the consolidated statement of financial position as at 7 July 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters 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 7 July 2022 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

1. There is un-reconciled difference totalling Birr 144,224,629 between Head Office record and individual projects in respect of cost of construction materials transferred to projects. The difference was not investigated and adjusted; rather it has been transferred to creditors account. In consequence, both inventory and creditor accounts shown on the statement of financial position were incorrectly stated.
2. Included in trade and other receivable account shown on the statement of financial position are amounts totalling about Birr 3,260,000,000 that had been outstanding for more than a year in respect of which expected credit loss of adequate amount has not been maintained, we obtained no adequate assurance that they represent enforceable and recoverable receivable. In consequence we were unable to determine whether any adjustments were necessary in respect of receivables shown on the statement of financial position at Birr 7,024,967,874.
3. Creditors account shown on the statement of financial position includes long outstanding balances totalling over Birr 2,587,000,000 for which we obtained no sufficient appropriate documentations or explanation as to the reason they had not been settled. In consequence, we were unable to determine whether any adjustments might have been found necessary in respect of creditors shown on the statement of financial position at Birr 5,124,443,829.

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

Report on the Audit of the Financial Statements (continued)

Basis for Qualified Opinion (continued)

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.

Key Audit Matters

Key audit matters are 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. We have determined no other matters to be the key audit matters to be communicated in our report other than the matters described in the *Basis for qualified Opinion* section.

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

Management is responsible for the preparation and fair presentation of the 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 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

Report on the Audit of the Financial Statements (continued)

Auditor's 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.

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

Report on the Audit of the Financial Statements (continued)

Auditor's 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 those 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 Services Corporation

6 November 2024

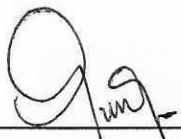



**ETHIOPIAN CONSTRUCTION WORKS CORPORATION
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 07 JULY 2023**

Currency: Ethiopian Birr

	Notes	2023	2022
Operating revenues	4	7,655,988,778	5,542,920,393
Costs of sales	5	5,709,812,851	3,949,586,328
Gross profit		1,946,175,928	1,593,334,065
Other income	6	344,873,598	30,643,152
		2,291,049,526	1,623,977,217
Operating costs			
General and administrative expenses	7	1,274,648,289	1,260,415,958
Expected credit losses		20,968,023	35,771,683
Selling and distribution expenses		3,360,627	2,599,353
		1,298,976,939	1,298,786,994
Profit (loss) before interest and tax		992,072,586	325,190,222
Profit (loss) before tax		992,072,586	325,190,222
Tax expense (Credit)	8.1	(310,828,937)	29,435,145
Profit (loss) after tax		681,243,650	354,625,367
Other comprehensive income (OCI) net of income tax			
Remeasurement gain/(loss) on retirement benefits obligations		10,189,978	(599,254)
Total comprehensive income (loss) for the year		691,433,628	354,026,113
Profit (loss) for the year attributable to:			
Owner of the Parent		682,358,609	342,417,930
Non-controlling interest		9,075,019	11,608,184
		691,433,628	354,026,113

The accompanying notes form an integral part of these financial statements.


Yonas Ayalew (Engineer)
Chief Executive
Officer


Alemayehu Terefe
Chief Financial Officer




ETHIOPIAN CONSTRUCTION WORKS CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 07 JULY 2023

Currency: Ethiopian Birr

	Notes	2023	2022
Assets			
Non-current assets			
Property, Plant and Equipment	9	2,450,820,057	17,594,866,561
Right of Use Assets	10	456,642	464,669
Investment in Other Securities	11	27,250,835	9,642,885
		<u>2,478,527,534</u>	<u>17,604,974,115</u>
Current assets			
Inventories	12	1,312,920,993	1,121,045,389
Contract Asset	13	8,766,493,858	6,368,360,807
Tax Recoverable		671,630,490	561,015,155
Trade and Other Receivables	14	7,024,967,874	4,639,957,585
Cash and Cash Equivalents	15	1,600,593,492	3,023,431,053
		<u>19,376,606,707</u>	<u>15,713,809,989</u>
Total Assets		<u>21,855,134,241</u>	<u>33,318,784,104</u>
Equity and Liabilities			
Equity			
Paid up Capital	16	7,752,049,271	7,752,049,271
Legal Reserve	17	88,902,232	55,293,800
Revaluation Surplus	18	2,579,820,130	2,579,820,130
Retained Earnings	19	(2,106,291,520)	(5,272,563,286)
Other Comprehensive Income		(4,613)	(10,194,591)
Total equity attributable to the Parent		<u>8,314,475,500</u>	<u>5,104,405,324</u>
Non-Controlling Interest		26,587,696	29,120,861
Total Equity		<u>8,341,063,195</u>	<u>5,133,526,185</u>
Liabilities			
Non-Current Liabilities			
Long Term Loans	20		16,949,821,315
Deferred Tax Liability	21	81,678,827	85,153,370
Construction Contract Liability	22	149,498,981	252,483,878
Employee Benefit		18,131,923	18,215,022
		<u>249,309,732</u>	<u>17,305,673,586</u>
Current Liabilities			
Trade and Other payables	23	5,124,443,829	4,345,043,852
Contract Advance		7,890,926,688	6,456,856,338
Income Tax Payables	24	147,493,022	66,545,206
Other Tax Payables	25	101,897,777	11,138,938
		<u>13,264,761,316</u>	<u>10,879,584,333</u>
Total Liabilities		<u>13,514,071,048</u>	<u>28,185,257,919</u>
Total Equity and Liabilities		<u>21,855,134,244</u>	<u>33,318,784,104</u>

The accompanying notes form an integral part of these financial statements.



Tinas Ayalew (Engineer)
 Chief Executive
 Officer


 Alemayehu Terefe
 Chief Financial Officer



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 07 JULY 2023

	Paid-up Capital	Legal Reserve	Retained Earnings	Revaluation Reserve	Other Comp. Income	Total	Non-controlling Interests	Total Equity
Balance at 08 July 2021	7,752,049,271	38,142,941	(5,619,718,118)	4,220,903,966	(9,595,337)	6,381,782,722	23,711,088	6,405,493,810
Total comprehensive income for the year	-	-	343,017,183	-	(599,254)	342,417,930	11,608,184	354,026,113
Transfer to legal reserve	-	17,150,859	(17,150,859)	-	-	-	-	-
Subsidiary Company Restatement of Prior Period Errors	-	-	21,288,508	(1,641,083,836)	-	(1,619,795,328)	-	(1,619,795,328)
Dividend declared	-	-	-	-	-	-	(6,198,411)	(6,198,411)
Balance at 7 July 2022	7,752,049,271	55,293,800	(5,272,563,286)	2,579,820,130	(10,194,591)	5,104,405,324	29,120,861	5,133,526,185
Total comprehensive income for the year	-	-	672,168,631	-	10,189,978	682,358,609	9,075,019	691,433,628
Transfer to legal reserve	-	33,608,432	(33,608,432)	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	(11,608,184)	(11,608,184)
Difference between Derecognition of Long Term Loan and financing effect	-	-	2,527,711,566	-	-	-	-	-
Balance at 7 July 2023	7,752,049,271	88,902,232	(2,106,291,520)	2,579,820,130	(4,613)	5,786,763,933	26,587,696	5,813,351,629

The accompanying notes form an integral part of these financial statements.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 07 JULY 2023

Currency: Ethiopian Birr

	Notes	2023	2022
Cash flows from operating activities			
Profit (loss) before tax		992,072,586	325,190,222
Adjustments For:			
Depreciation and amortization	9&10	204,583,841	226,662,502
		<u>1,196,656,427</u>	<u>551,852,724</u>
Movements in working capital			
(Increase)Decrease in inventories	12	(191,875,604)	359,212,142
Increase in trade and other receivables	14	(2,385,010,289)	(1,137,068,134)
(Increase)Decrease in tax receivables		(110,615,335)	1,105,902,552
Increase in contract assets	13	(2,398,133,051)	(1,627,087,197)
Increase in trade and other payables	23	1,253,292,380	895,889,978
Increase in contract advance		1,434,070,350	2,364,075,775
Increase (Decrease) in other tax payables	25	90,758,839	(33,181,780)
Increase in employee benefits		10,106,879	1,475,820
Decrease in Construction Contract Liability	22	(102,984,897)	(38,494,245)
Cash generated from (used for) operations		<u>(1,203,734,300)</u>	<u>2,442,577,635</u>
Income tax paid	9.3	(233,355,663)	(1,035,810,033)
Net Cash inflows from (outflow for) operating activities		<u>(1,437,089,963)</u>	<u>1,406,767,602</u>
Cash flows from investing activities			
Investment in financial securities	11	(17,607,951)	(407,950)
Payments for property, plant and equipment	9	43,468,537	(2,695,709,241)
Net cash out flows for investing activities		<u>25,860,586</u>	<u>(2,696,117,191)</u>
Cash flows from financing activities			
Proceeds from borrowings	20	-	2,202,249,719
Dividends paid to non-controlling interest		(11,608,184)	(6,198,411)
Net cash generated from financing activities		<u>(11,608,184)</u>	<u>2,196,051,309</u>
Net (decrease)increase in cash and cash equivalents		(1,422,837,562)	906,701,718
Cash and cash equivalent, opening		3,023,431,052	2,116,729,334
Cash and cash equivalent, ending		<u>1,600,593,491</u>	<u>3,023,431,052</u>
Cash and cash equivalent represented by:			
Cash and bank balances	15	1,600,593,492	3,023,431,053
		<u>1,600,593,492</u>	<u>3,023,431,053</u>

The accompanying notes form an integral part of these financial statements.

Increases and decreases in the balance sheet items without actual movement of cash are not considered in the cash flows. These are as follows:

Decrease in payments for property, plant and equipment by way of derecognition of construction in progress, increase in trade and other payables, increase in retained earnings and decrease in long term loan of Birr 16,760,884,099, Birr 473,892,402, Birr 2,527,711,566 and Birr 18,814,703,263 respectively following transfer of long-term loan to Liability and Asset Management Corporation (LAMC) were not considered in the cash flows.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Nature of Operations

The Ethiopian Construction Works Corporation (hereinafter referred to as Corporation) is a public enterprise wholly owned by the Government of the Federal Democratic Republic of Ethiopia. It is established through Council of Ministers Regulation No. 366/2016 as amended by Council of Ministers Regulation No. 390/2016 as a public enterprise. In addition to its establishment regulations, the Corporation is governed by the Public Enterprises Proclamation No. 25/1999 and is supervised by the Ministry of Public Enterprises. The Corporation has 70% controlling interest in Geosynthetics Industrial Works Pvt. Ltd. Company.

The Corporation is established to engage, among others, in domestic and overseas construction works as a contractor in the construction, upgrading and maintenance of buildings, roads, bridges, dams, irrigations, and hydropower generations; airfields, rail ways, ports, sewerage systems, drainage, deep water wells, canals, reclamations and river diversions, and other civil works. It also engages in the assembling of construction equipment and machineries; manufacturing of spare parts; provision of construction equipment and machinery maintenance service; acquisition, ownership and administration of irrigation dams, deep water wells and water supply canals.

The Corporation has district offices and projects in different parts of Ethiopia and it is headquartered in Addis Ababa.

2 General Information, Statement of compliance with IFRS and going concern assumption

2.1 Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Going concern assumption

The financial statements have been prepared on a going concern basis. Management has no doubt that the corporation would remain in existence after 12 months from the date of issuance of this report.

2.3 Reporting Period

The corporation's fiscal year runs from 08 July of one year to 07 July of the following year. These financial statements therefore are for the 2023 fiscal year with comparative figures for 2022 fiscal year.

3 Significant accounting policies

3.1 Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts.

3.2 Basis of consolidation

The Group's financial statements consolidate those of the parent company and its subsidiaries as of 07 July 2023. The subsidiary has a reporting date of 07 July.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The subsidiary, Geosynthetics Industrial Works Pvt. Ltd. Company is included in the consolidated financial statements.



3 Significant accounting policies (Continued)

3.3 Equity investment in subsidiary

For the purpose of separate financial statements, the Corporation accounts its equity investment in its subsidiary, Geosynthetics Industrial Works Pvt. Ltd. Company, using the equity method. Under the equity method, the investment in the subsidiary is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Corporation's share of net assets of the subsidiary since the acquisition date. The dividends received or receivable from the subsidiary are recognized as a reduction in the carrying amount of the investment.

3.4 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

3.5 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in currency units Ethiopian Birr, which is also the functional currency of the corporation.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at the period-end. They are measured at historical cost (translated using the exchange rates at the transaction date).

3.6 Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires the management of the Group to make judgments, estimates and assumptions which affect the reported amount of the Group's assets, liabilities, income, expenses, and related disclosures. Judgments, assumptions and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Group's financial statements are prepared.

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

a) Going concern basis

The financial statements have been prepared on a going concern basis. Management has no doubt that the Group would remain in existence after 12 months from the date of issuance of this report.

b) Lease

The Group has entered into different rental commitments. The Group has determined whether a contract contains a lease based on an evaluation of the terms and conditions of the arrangements. For further information on lease commitments please refer to note 3.17.



3 Significant accounting policies (Continued)

3.6 Judgments, Estimates and Assumptions (Continued)

c) Impairment losses on receivables

The Group reviews its receivables for impairment on an on-going basis. The Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, or collectively for receivables that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate are present in the portfolio at the date of assessment. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

d) Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions including the determination of the discount rate, future salary increases, mortality rates and separation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For further information please refer to note 3.16.

e) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items. For further information please refer to note 3.10.

f) Impairment of non-financial asset

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

g) Percentage-of-completion measurement

The percentage-of-completion method is used for the recognition of periodic construction revenue from long term construction contracts. This method enables to determine the progress of performance of obligations of the construction contract and the amount of revenue to be recognized over time. To do this, significant estimates such as total contract costs to date of reporting, remaining costs to complete the remaining part of obligations of each contract, the transaction price of each contractual obligations, price escalations, rebates etc. needs to be made. The management of the project offices continually review all estimates involved in such construction contracts and adjusts these estimates as necessary. For further information please refer to note 3.11 and 4.

h) Provision for loss making construction contracts: Onerous contracts

The Group records provisions for onerous construction contracts when the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. Onerous contracts are identified by monitoring the progress of the contract and updating the estimate of the expected costs which reflects the least net cost of exiting from the contract, which is the lower of, the cost of fulfilling the contract or the compensation or penalties arising from failure to fulfil the contract and comparing this cost with the expected benefit to be received from the same. Estimates and judgements are subject to change based on new information as contracts progress. For further information please refer to note 26.



3 Significant accounting policies (Continued)

3.7 New or revised Standards or Interpretations

3.7.1 Application of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning or after 1 January 2020, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statement.

New and Amendments to standards

Effective for annual periods beginning on or after

Insurance contracts – IFRS 17	1 January 2021
Amendments to IAS 1 - classification of liabilities	1 January 2022
Amendments to the conceptual framework	1 January 2022
Amendments to IAS 8 - accounting estimates	1 January 2023

Insurance contracts – IFRS 17

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15 and IFRS 9 are also applied. The standard should be applied retrospectively unless impracticable.

The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

Differences in accounting between business combinations and asset acquisitions include, among other things, the recognition of goodwill, recognition and measurement of contingent consideration, accounting for transaction costs, and deferred tax accounting.

The effective date of the amendment is for years beginning on or after 1 January 2022 and the impact of this amendment is currently being assessed.

The amended definition is: 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The effective date of the amendment is for years beginning on or after 1 July 2020 and the impact of this amendment is currently being assessed.



3 Significant accounting policies (Continued)

3.7 New or revised Standards or Interpretations (Continued)

Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

These amendments should be applied for annual periods beginning on or after 1 January 2022, retrospectively in accordance to IAS 1. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

Amendments to the conceptual framework

The IASB has revised its Conceptual Framework. This will not result in any immediate change to IFRS, but the Board and Interpretations Committee will use the revised Framework in setting future standards. It is therefore helpful for stakeholders to understand the concepts in the Framework and the potential ways in which they might impact future guidance.

Level in the IFRS hierarchy

The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS.

Key changes

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.

- Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.



3 Significant accounting policies (Continued)

3.7 New or revised Standards or Interpretations (Continued)
Amendments to the conceptual framework (Continued)

- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- Removing the probability threshold for recognition, and adding guidance on derecognition.
- Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The Board did not make any changes that address challenges in classifying instruments with characteristics of both liability and equity. That will be addressed through the IASB's standard-setting project on that topic. Other amendments to the Framework might be needed at the conclusion of that project.

Amendments to IAS 8 focus entirely on accounting estimates and clarify the following:

The definition of a change in accounting estimates is replaced 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 Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.



3 Significant accounting policies (Continued)

3.8 Financial Instruments

3.8.1 Recognition and Derecognition of Financial Instruments

i. Recognition and Measurement

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

ii. De recognition of financial assets and financial liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of comprehensive income.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognize in the statement of comprehensive income. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognize in the statement of comprehensive income.

Trade accounts receivable are recognized at invoiced amounts and do not bear interest. Trade accounts receivable are initially measured at their transaction price in accordance with IFRS 15 and are subsequently measured at amortized cost in accordance with IFRS 9. Trade accounts receivable are reduced by provision for credit losses on receivables. The provision for losses on receivables reflects an estimate of lifetime expected credit losses on the group's trade receivables in accordance with IFRS 9.

3.8.2 Classification and measurement of financial instruments

The Group holds all its financial assets in a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest. Consequently, the Group classifies and measures all its financial assets at amortized cost. All financial liabilities are measured subsequently at amortized cost using the effective interest method.

On initial recognition, the Group measures its financial assets and financial liabilities at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities,



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Significant accounting policies (Continued)

3.8 Financial Instruments

3.8.3 Impairment of financial assets

The Group recognizes a loss allowance provision for expected credit losses on investments in debt instruments that are measured at amortized cost, lease receivables, and trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognizes lifetime ECL (expected credit losses) for trade and other receivables, and contract assets, and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix simplified approach based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Impairment losses are presented as separate line item in the Statement of Comprehensive Income.

The Group recognizes lifetime ECL (expected credit losses) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime expected credit loss represents the expected losses that will result from all possible default events over the expected life of a financial instrument

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.



3 Significant accounting policies (Continued)

3.10 Property, Plant and Equipment

Property, plant and equipment are valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Items of property, plant and equipment are subject to depreciation over their respective expected useful life on a straight-line basis. The expected useful life is summarized as follows:

No.	Description	Useful Life
1.	Building and Infrastructure	10-60 years
2.	Construction Machinery and Equipment	5-25 years
3.	Motor Vehicles and Other Transport Vehicles	5-20 years
4.	Office Furniture and Equipment	5-10 years
5.	Computers and Related Software	4-8 years
6.	Engineering and laboratory equipment	5-10 years
7.	Workshop Equipment and Tools	5-25 years
8.	Dam and related assets	30-80 years
9.	Other Fixed Assets	5-10 years

The useful life of an asset is the period in which the Group expects to utilize the benefits embodied in the assets, and not necessarily the assets' economic life. The Group uses the following indicators to determine useful life: expected usage of assets, expected physical wear and tear, and technical and commercial obsolescence. An estimate is made of the amount the Group would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life. Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the Statement of Comprehensive Income.

Property, plant, and equipment are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less direct costs to sell and the asset value in use (being the present value of the expected future cash flows of the asset). An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

Impairment losses recognized in prior periods for property, plant, and equipment are assessed at each reporting date for any indications that the impairment loss has decreased or may no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognized within other income in the statement of comprehensive income in the period the disposal occurs.



3 Significant accounting policies (Continued)

3.10 Property, Plant and Equipment (Continued)

Capitalization of subsequent costs

Subsequent expenditure on an item of PPE is expenditure that occurs after the acquisition/initial recognition of the item. The Corporation evaluates such subsequent expenditure to determine whether it may be capitalized or expensed at the time incurred and in some cases, the entity apply professional judgement to determine if the subsequent expenditure is capital in nature. Subsequent expenditure can only be capitalized when the asset recognition criteria has been met.

3.11 Revenue Recognition

The Group recognizes revenue in line with IFRS 15. IFRS 15 follows a 5-step approach to recognize revenue. The core principle of IFRS 15 is a 5-step model to distinguish each distinct performance obligation within a contract that the Group has with its customer and to recognize revenue on the level of the performance obligations, reflecting the consideration that the Group expects to be entitled for, in exchange for those goods or services.

Revenue is shown, exclusive of value added tax, rebates and discounts after eliminating sales within the Group. Specific revenue recognition issues are discussed hereunder.

3.11.1 Construction Revenue

For construction contracts, when the outcome can be estimated reliably, revenues and contract costs are recognized as revenue and expense, respectively, by reference to the percentage of completion (PoC) of the contract activity at the end of the reporting period ("cost to cost method"). Contract revenues include the contract price agreed with the customer considering escalation, contract amendments and claims and penalties when assessed as probable. The use of PoC method depends on the nature of the contract. The percentage of completion is measured by reference to the contract costs incurred up to the statement of financial position date as a percentage of total estimated costs for each contract.

3.11.2 Sale of Goods

Revenue arising from the sale of goods is recognized when the Group transfers the item, through delivery to the customer or collection by the customer, and control over the goods have been transferred to the customer. Revenue is recorded net of returns, discounts/offers and value added taxes.

3.11.3 Sale of Services

Revenue arising from the sale of services is recognized when the Group renders the service and consumed by the customer. Such revenue is recorded net of discounts/offers and value added taxes.

3.11.4 Rental Income

Rental income is recognized in the period in which it is earned, in accordance with the terms of the lease.

3.11.5 Contract Asset

Construction contracts impose an obligation on the Group to correct defects and errors on construction sites post-completion. The client usually retains some amount of money from each payment to the Group (5%) and half of such payments are released upon provisional acceptance of the project by the client. Retentions for defects usually run for 12 months from the point at which the site is provisionally accepted by the client. Retention receivables are reported as contract assets. This is so because retentions are rights to payments that are conditional on further performance by the Group. Hence retentions are reported as contract assets



3 Significant accounting policies (Continued)

3.12 Provisions, Contingent Assets and Contingent Liabilities

Provisions comprise liabilities of uncertain timing or amount that arise from construction, environmental, litigation and other risks. Provisions are recognized when the Group has a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated. Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Group.

The Group is party to litigations related to a number of matters. Management regularly analyze current information about legal matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal lawyers are used for these assessments. Most of current legal matters however are contractual in nature hence the amount of liability are known and are already recognized. Most of these legal issues are questions of the timing of payments rather than the liability amounts. As a result there is no litigations that could amount to a recognition of contingent liability. The group do not recognize contingent assets, however, in making the decision regarding the need for provisions for contingent liabilities, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Group or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

3.13 Income Taxes

Current income tax

Current income tax for the current period is measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in Ethiopia. During the reporting period, the Group didn't operate and generate taxable income in a foreign country.

Deferred income tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets, if any, is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted by the end of the reporting period.

3.14 Inventories

Inventories are generally measured at the lower of cost (acquisition cost or manufacturing cost to bring each inventory item to its present location and condition) and net realizable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labor, and production related overheads (based on normal operating capacity and normal consumption of material, labor and other production costs), including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of the business less the estimated costs to complete the sale.

3.15 Change in Accounting Policies and Disclosures

The accounting policies applied by the Group for preparing its full set financial statements for the year ended 7 July 2023 are the same as that applied for the comparative financial statements.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Significant accounting policies (Continued)

3.16 Employee Benefits

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees or for the termination of employment.

Defined contribution benefits

A defined contribution plan for the group is a post-employment benefit plan under which the group pays fixed contributions into a separate entity administered by the Federal Government of Ethiopia. The Group will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefits expense in the Statement of Comprehensive Income in the period in which the related services are rendered by employees. The Group is required to contribute 11 percent of the basic salary of employees to the pension fund.

Short term benefit

Short term employee benefit obligations are measured and are expensed as the related services are rendered by employees without discounting them. Short term benefit liabilities are recognized for the amount that is expected to be paid within a year. Such obligations include wages and salaries, bonus, leave benefits, allowances and other incentives that so occurred as a result of past services provided by employees, and can be estimated reliably.

Severance pay

Severance payments are recognized in line with the requirements of the labor law of Ethiopia and using actuarial valuation method.

3.17 Leased Assets

Contracts entered by the Group (as a lessor or lessee) are accounted for as prescribed by IFRS 16.

Group as a lessee:

A contract is assessed by the Group to identify whether it contains a lease, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- a) The contract involves the use of an identified asset- where the asset is explicitly and implicitly specified in the contract and either physically separate from others or represent substantially all of the capacity of physically distinct asset;
- b) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Significant accounting policies (Continued)

3.17 Leased Assets (Continued)

Group as a lessee: (Continued)

c) The group has the right to direct the use of the asset.

The Group enters into a rental contract of construction equipment and machineries where, for some of them, contract duration is about twelve months and which are renewable only upon the agreement between the two parties. Upon initial application, for such type of contracts, the Group assessed that it is neither reasonably certain to exercise the renewal option (for these contracts do get terminated during the rainy season) nor be able to determine the period for which the renewal option be exercised. The Group, hence, has elected the practical expedient not to recognize a right of use asset or lease liability of all short-term rentals of equipment, machineries and buildings for which the term ends within 12 months from the date of initial application. The Group recognizes payments associated with these contracts as expenses or costs over the term of the contract.

Moreover, the Group obtain some heavy machineries and construction equipment through rent that involve variable lease payments that are linked to the future performance or use of an underlying asset (for example machine hours, Kilometers covered, or other unit of measure of future use). Since the payment depends on the future use of the assets, there is no fixed payment implied from the contract as the payments are variable based on the use of the assets. The Group does not recognize Lease liability and Right of use asset for such type of contracts. This is due to high level of measurement uncertainty of future liability and hence cost of lease. Hence, the variable payments do not meet the definition of liability until uses occur.

The Group recognizes variable lease payments not included in the measurement of the lease liability, as expense in profit or loss or cost of asset in the period in which the event or condition that triggers those payments occurs.

The group as a LESSOR: The Group has the policy that all leases where the Group transfers risks and benefits of the asset, and are for periods longer than 75% of the asset's estimated useful life are accounted as financing leases. In this case the leased asset will be derecognized and a receivable is recognized. If none of the above criteria are fulfilled the lease is recognized as an operating lease in which only rental income is recognized. In this financial report all assets leased by the Group are considered as operating lease.



4 Operating revenue

Revenues are mainly comprised of construction revenue and those sources that are associated with sales of goods and services. The group is mainly engaged in the provision of construction services to customers. As such its performance obligations related to construction revenue is satisfied when it finalizes the construction of buildings, roads and dams and when it handed them over to clients. Payment for construction service-related performance obligations is made based on progress on construction works. Such progress towards satisfying performance obligations is measured and payment certificates are approved by the consultant and client of each project so to make payments.

Likewise, performance obligations on goods sold, mainly of construction materials are satisfied when goods are delivered to customers. Payment for such sale of goods is made either at the time of receiving purchase orders or upon delivery of goods to customers. For further information please refer to note 3.6 (g) and 3.11.

4.1 Operating Revenues by type

The operating revenues are the following:

Construction Revenue	7,169,849,573	5,095,871,458
Maintenance Revenue	6,897,713	1,106,812
Sales of Construction	479,241,492	445,942,123
Total	7,655,988,778	5,542,920,393

4.2 Operating Revenues by Recognition Timing

The operating revenues by timing of recognition are analyzed as follows:

Recognition at single point in time	486,139,205	447,048,935
Recognition over a period of time	7,169,849,573	5,095,871,458
Total	7,655,988,778	5,542,920,393

4.3 Key Accounts Movement Related to Construction Revenue

4.3.1 Contract Asset

Beginning Balance	6,368,360,807	4,741,273,610
Contract Asset Addition	12,147,554,013	13,228,777,846
Contract Asset Deduction	(9,749,420,961)	(11,601,690,649)
Ending Balance	8,766,493,858	6,368,360,807

4.3.2 Trade Receivable

Beginning Balance	3,583,399,000	3,444,024,212
Trade Receivable Addition	9,466,231,155	5,201,628,426
Trade Receivable Deduction	(9,211,474,777)	(5,062,253,638)
Ending Balance	3,838,155,378	3,583,399,000

4.3.3 Contract Advance

Beginning Balance	6,456,856,338	4,092,780,563
Contract Advance Addition	2,997,083,717	4,623,355,287
Contract Advance Deduction	(1,563,013,366)	(2,259,279,512)
Ending Balance	7,890,926,688	6,456,856,338

4.3.4 Onerous Contract

The Group has six onerous contract projects which are accounted for as per IAS 37. The detail is provided in note 22.1.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr
2022

5 Costs of sales

	2023	2022
Construction Materials	1,558,700,903	953,278,743
Loss from onerous contract (Note 27.1)	(102,984,897)	(38,494,245)
Spare parts	51,285,992	62,360,515
Tires and Tubes	26,500,683	34,291,573
Salaries and wages	1,057,373,186	1,028,138,044
Travelling	224,730,705	136,626,690
Fuel and lubricants	517,704,663	309,659,099
Sub-Contractor	1,472,869,646	697,564,499
Rent	317,160,507	245,659,315
Depreciation	89,493,050	80,259,782
Insurance	2,488,130	7,092,989
Entertainment	21,681,249	13,238,299
Other Expense	92,876,576	74,819,864
Cost of goods sold	379,932,460	345,091,161
Total	5,709,812,851	3,949,586,328

6 Other income

Sales of Construction Materials	312,492,467	24,522,389
Rental Income	31,899,567	5,541,562
Interest Income	481,565	579,201
Total	344,873,598	30,643,152

7 General and Administrative Expenses

Salaries and benefits	480,944,068	526,784,215
Fuel and lubricants	195,602,133	50,232,062
Spare parts	5,434,882	28,117,928
Tires and Tubes	17,237,649	12,414,707
Travelling and per-diem	25,711,561	17,049,080
Insurance	34,963,341	15,825,503
Communications	33,749,453	4,804,364
Printing and stationery	370,118	5,092,420
Professional fee	7,830,011	8,256,762
Entertainment	27,546,005	11,701,787
Rent	19,169,713	64,568,813
Depreciation	117,223,132	132,063,070
Sport	1,872,142	6,673,158
Donation	93,173,532	86,592,402
Other Expense	209,762,087	121,550,643
Severance expense	683,181	1,475,820
Annual leave expense	962,663	394,923.00
Penalty	2,247,616.92	8,713,329.13
Board members allowance	165,000	317,000
Bad Debit Written-Off	-	3,618,880
Provision for Letter of Credit	-	154,169,090
Bad Debt Expenses	20,968,023	35,771,683
Total	1,295,616,312	1,296,187,641



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr
 2022

8 Taxation

8.1 Tax expenses

Current tax expense	Note 8.2	314,303,479	188,208,036
Deferred tax	Note 21.1	(3,474,543)	(217,643,181)
Tax expense (Credit)		310,828,937	(29,435,145)

8.2 Income tax expense

Profit (Loss) before tax		992,072,586	325,190,222
Add :			
Sport Expense		1,872,142	6,673,158
Entertainment		49,227,254	24,940,086
Penalty		2,247,617	8,713,329
Loss from onerous contract		(102,984,897)	(38,494,245)
Depreciation expense - per financial record		206,716,182	214,502,942
Employee benefits		1,645,844	1,711,584
Donation		93,173,532	86,592,402
Provision for Letter of Credit		-	154,169,090
Expected credit losses		20,968,023	35,771,683
		<u>1,264,938,283</u>	<u>819,770,253</u>
Less:			
Depreciation Expense - per tax		217,074,475	192,410,132
Others		185,544	
		<u>217,260,019</u>	<u>192,410,132</u>
Taxable Income		<u>1,047,678,264</u>	<u>627,360,121</u>
Current Tax Expense		<u>314,303,479</u>	<u>188,208,036</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

Property, plant and equipment	Land	Building and infrastructure	Construction Machinery and Equipment	Motor Vehicles and Other Transport Vehicles	Other Property, Plant and Equipment	Property, Plant and Equipment in Transit	Construction in progress	Total
Cost								
At 8 July 2021	778,292,190	1,040,016,197	1,700,544,699	1,568,869,153	268,917,751	24,492,215	13,733,168,362	19,114,300,567
Additions	-	-	57,354,572	100,984,940	46,366,047	-	2,493,122,529	2,697,828,088
Disposals	(3,315,000)	(702,965,063)	-	(2,796,033)	(145,394)	-	(953,267,734.57)	(1,662,489,225)
Balance at 7 July 2022	774,977,190	337,051,134	1,757,899,271	1,667,058,060	315,138,404	24,492,215	15,273,023,157	20,149,639,430
At 8 July 2022	774,977,190	337,051,134	1,757,899,271	1,667,058,060	315,138,404	24,492,215	15,273,023,157	20,149,639,430
Additions	-	-	65,186,119	-	111,805,255	-	-	176,991,373
Disposals	-	-	(88,322)	-	245,828	-	(15,116,619,570)	(15,116,463,064)
Balance at 7 July 2023	774,977,190	337,051,134	1,822,997,068	1,667,058,060	427,189,487	24,492,215	156,403,587	5,210,168,740
Depreciation								
At 8 July 2021	-	(111,171,914)	(1,232,891,959)	(893,507,000)	(131,122,571)	-	-	(2,368,693,444)
Additions	-	(12,392,256)	(82,956,788)	(120,060,081)	(11,245,350)	-	-	(226,654,475)
Disposals	-	39,752,470	-	741,230	81,350	-	-	40,575,050
Balance at 7 July 2022	-	(83,811,700)	(1,315,848,748)	(1,012,825,851)	(142,286,570)	-	-	(2,554,772,869)
At 8 July 2022	-	(83,811,700)	(1,315,848,748)	(1,012,825,851)	(142,286,570)	-	-	(2,554,772,869)
Additions	-	(12,392,256)	(85,556,746)	(89,035,899)	(17,590,912)	-	-	(204,575,814)
Balance at 7 July 2023	-	(96,203,957)	(1,401,405,494)	(1,101,861,750)	(159,877,483)	-	-	(2,759,348,683)
NET BOOK VALUE								
At 7 July 2023	774,977,190	240,847,177	421,591,573	565,196,310	267,312,004	24,492,215	156,403,587	2,450,820,057
At 7 July 2022	774,977,190	253,239,433	442,050,523	654,232,209	172,851,834	24,492,215	15,273,023,157	17,594,866,561



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

10 Right of Use Assets: Leasehold land

The Group leased a 47,927 m2 plot of land, located at Lemi-kura sub city of Addis Ababa City administration, from various private holders (7 Private holders) for a lease term of 80 years which started from June 1999. The lease value was fully paid at the beginning of the lease term and the leasehold land cost is being amortized over the period of the lease using a straight- line method.

Cost

At 8 July 2021	642,153
Additions	-
Disposals	-
Balance at 7 July 2022	<u>642,153</u>

At 8 July 2022	642,153
Additions	-
Disposals	-
Balance at 7 July 2023	<u>642,153</u>

Accumulated Amortization

At 8 July 2021	(169,457)
Additions	(8,027)
Disposals	-
Balance at 7 July 2022	<u>(177,484)</u>

At 8 July 2022	(177,484)
Additions	(8,027)
Disposals	-
Balance at 7 July 2023	<u>(185,511)</u>

At 7 July 2023	<u>456,642</u>
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At 7 July 2022	<u>464,669</u>
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ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

11 Investment in Other Securities

	2023	2022
Investments in Government saving Bond	9,050,835	9,642,885
Equity Investment	3,675,000	3,675,000
Provision for Equity Investment	(3,675,000)	(3,675,000)
Investment Rising HONGFA PLC	18,200,000	
	27,250,835	9,642,885
Investments in Government saving Bond, bearing interest at the rate of 6% per annum and maturing in December 2024	9,050,835	8,642,885
Investments in Government saving Bond, bearing interest at the rate of 5.5 per annum and maturing in April 2023		1,000,000
Equity Investment in Addis Abeba Building Materials Production PLC	3,675,000	3,675,000
Provision for Equity Investment	(3,675,000)	(3,675,000)
Investment Rising HONGFA PLC	18,200,000	
Total	27,250,835	9,642,885

Investment in Government Bonds represents investment on securities issued to finance the Great Ethiopian Renaissance Dam. Since it is assumed that the effective interest rate for such government bond is equal to its coupon rate, the investment has a carrying value equal to its face value.

Investment of Birr 3.6 million was also made in Addis Ababa Building Materials Production PLC (investee). This investment represented 35% of the ownership and voting rights in the investee. However, this company ceased operation since 2016 fiscal year and the contract of its management as well as its staffs were terminated. The machineries of the investee were uninstalled and are stored waiting for a final decision on its fate by the court of law. It is the judgement of the management that, the only available assets of the investee, factory machineries, are technologically obsolete. The group's liability in relation to this investment is limited to the amount of its investment. Due to these facts, the management estimated that the total investment value on this company was impaired. Hence impairment loss and provision for the same was recognized and reported.

12 Inventories

Goods in Transit	448,005,377	449,004,510
Provision for Goods in Transit	(447,867,989)	(447,867,989)
Materials	828,202,423	727,956,177
Work in progress	100,412	65,478
Finished goods	38,605,709	39,242,976
Spare parts	445,875,061	352,644,237
Total	1,312,920,993	1,121,045,389



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
13 Contract Asset		
Retention receivable	1,377,483,673	1,180,898,131
Cost of estimated earnings in excess of billing	7,389,010,185	5,187,462,676
Total	8,766,493,858	6,368,360,807
14 Trade and Other Receivables		
Trade receivable	4,759,197,015	3,646,996,135
Advance to suppliers	2,321,449,305	1,275,300,126
Staff receivable	229,720,671	356,097,113
Insurance Prepayment	24,448,543	161,914,142
Other receivables	547,414,528	35,944,237
Allowance for expected credit losses (Note 16.1)	(857,262,189)	(836,294,166)
Total	7,024,967,874	4,639,957,585

14.1 Exposure to credit risk

Trade receivables inherently expose the Corporation to credit risk, being the risk that the Corporation will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the corporations deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analyzed individually for creditworthiness before terms and conditions are offered. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

Trade receivables arise from provision of construction services to customers on credit and sales of goods and no interest is charged on outstanding trade receivables.

Expected credit loss allowance is recognized for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.



Currency: Ethiopian Birr

2023

2022

14 Trade and Other Receivables (Continued)

14.1 Exposure to credit risk (Continued)

The corporation measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2022	Provision rate	2022
	Estimated gross carrying amount at default		Loss allowance (Lifetime expected credit loss)
Current (or not yet overdue):	220,339,060	0%	-
One year over due	261,911,934	5%	13,095,597
Two year over due	97,104,167	15%	14,565,625
Three year over due	445,921,406	20%	89,184,281
Four year	434,998,313	25%	108,749,578
Five year	2,019,958,636	30%	605,987,591
	3,480,233,516		831,582,672
GIW-Subsidiary			4,711,494
Total			836,294,166

	2023	Provision rate	2023
	Estimated gross carrying amount at default		Loss allowance (Lifetime expected credit loss)
Current (or not yet overdue):	1,400,283,996	0%	-
One year over due	348,933,686	5%	17,446,684
Two year over due	244,250,559	15%	36,637,584
Three year over due	188,811,738	20%	37,762,348
Four year over due	312,547,791	25%	78,136,948
Five year over due	2,255,255,218	30%	676,576,566
	4,750,082,987		846,560,129
GIW-Subsidiary			10,702,060
Total			857,262,189

14.2 Movement in expected credit

Opening balance	836,294,166
Current period charges	20,968,023
Closing balance	857,262,189



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

2023

2022

15 Cash and Cash Equivalents

Cash at Bank	1,593,860,564	3,017,106,667
Cash on Hand	6,732,928	6,324,386
	<u>1,600,593,492</u>	<u>3,023,431,053</u>

16 Paid Up Capital

The Group is a government-owned entity established by statutory law. The authorized capital of the Group is ETB 20.3 billion and its actual paid-up capital upon establishment was ETB 7.3 billion though it was promulgated to be ETB 7.7 Billion on the regulation that established the corporation. The balance was paid by the government in 2021.

17 Legal Reserve

The legal reserve is a statutory reserve to which not less than one twentieth (5%) of the net profits for the year shall be transferred each year to this reserve until it amounts to 20% of the capital.

18 Revaluation reserve

A revaluation reserve as an element of equity of this group is a non-cash reserve created to reflect the true value of property, plant and equipment for the market value of this category of assets were more than the value of such asset as recorded in the books of account. This reserve's purpose is to reflect and account for, in the books, the fair value of these assets as on July 8, 2017 and was used as deemed cost at the date of transition to IFRS. It is expressly excluded from free reserves; hence, this reserve is not available to distribute as dividends.

Opening Balance	2,579,820,130	4,220,903,966
Decrease in revaluation surplus relating to the assets disposed		(1,641,083,836)
Ending Balance	<u>2,579,820,130</u>	<u>2,579,820,130</u>

19 Retained Earning

This element of equity represents the amount of profit waiting for distribution in the form of dividend unless the Council of Ministers approved its otherwise use based on a proposal presented to use. As per the Council of Ministers Regulation No. 107/2003, 60% and 40% of the net profits of the Group, after deduction of legal reserve, should be transferred, respectively, to the Federal Government as state dividend and as contribution to the Industrial Development Fund.

Opening Balance	(5,272,563,286)	(5,619,718,118)
Comprehensive income of the period	672,168,631	343,017,183
Transfer to legal reserve	(33,608,432)	(17,150,859)
Subsidiary Company Restatement of Prior Period	-	21,288,508
Difference between Derecognition of Long Term Loan and financing effect	2,527,711,566	
Ending Balance	<u>(2,106,291,520)</u>	<u>(5,272,563,286)</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

2023 2022

20 Bank Loan

Balance as at 08 July	16,949,821,315	14,747,571,596
Interest capitalized	1,864,910,526	2,202,249,719
Transfer To (LAMC)	(18,814,731,841)	-
Balance as at 07 July	<u>NIL</u>	<u>16,949,821,315</u>

The Company entered a long term contract with Commercial Bank of Ethiopia (CBE) on December 14, 2016 (E.C) to obtain a long term loan of Birr 9,620,791,954 at an interest rate of 9.5 % per annum. The loan is repayable on a quarterly instalment of Birr 375,232,035. It was mutually agreed that the Commercial Bank of Ethiopia (CBE) would charge 3% additional interest on the payments made after the due dates on outstanding arrears. The grace period is three years, and the total loan term period is 13 years.

In addition, the Company entered into long term contract with Commercial Bank of Ethiopia (CBE) on October 22, 2019 to obtain a long term loan of Birr 6,000,000,000 at an interest rate of 11.5 % per annum. The grace period is three years, and the total loan term period is 10 years.

The old approved loan is allocated as listed below

Project name	Amount (ETB)	Percentage
1. Kuraz Sugar Project	6,620,842,220	69%
2. Welikayit Sugar Project	1,013,886,674	11%
3. Arijo Dedesa Sugar Projects	1,820,063,060	19%
4. Project management expenditure	104,000,000	1%
5. Regular expenditure overhead cost	12,000,000	0%
6. Vehicle purchase	50,000,000	1%
Total	<u>9,620,791,954</u>	<u>100%</u>

The new approved loan is allocated as listed below

Kuraz wayer project	575,000,000	10%
Kuraz main canal	960,470,000	16%
Arijo Dedesa Sugar project	335,790,000	6%
Wolkait Sugar project	350,000,000	6%
LC for raw materials	270,000,000	5%
For construction machineries	1,480,000,000	25%
For compensations of individuals and enterprises	180,000,000	3%
Dam maintenance	287,000,000	5%
Project administration expenditure	67,000,000	1%
Administration of dams	60,770,000	1%
Overhead costs	12,000,000	0%
For grace period interest payment	1,421,970,000	24%
	<u>6,000,000,000</u>	<u>100%</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
21 Deferred Tax Liability		
Balance at the beginning of the Year	85,153,370	302,796,551
Charge for the year	(3,474,543)	(217,643,181)
Balance at the End of the Year	81,678,827	85,153,370

21.1 Movements of deferred tax liability:

The component of the deferred tax liability is presented below:

	2023	2022
Deferred tax as at 7 July 2022		293,660,940
	Tax base	Carrying amount
Property, Plant, and Equipment	1,104,906,525	1,464,237,740.54
Annual leave payable	-	(92,225,971.54)
Severance Pay	-	(12,668,906.78)
	<u>1,104,906,525</u>	<u>1,359,342,862</u>
Temporary difference		254,436,337
Deferred tax as at 7 July 2022 - Corporation		<u>76,330,901</u>
Deferred tax as at 7 July 2022 - Subsidiary		<u>8,822,469</u>
Total		85,153,370
Deferred tax as at 7 July 2023		
	Tax base	Carrying amount
Property, Plant, and Equipment	1,067,113,124	1,438,490,441
Annual leave payable	-	115,580,785
Severance Pay	-	11,902,626
	<u>1,067,113,124</u>	<u>1,311,007,029</u>
Temporary difference		243,893,905
Deferred tax as at 7 July 2023 - Corporation		73,168,172
Deferred tax as at 7 July 2023 - Subsidiary		<u>8,510,656</u>
Total		81,678,828
Increased/ (decrease) in deferred taxations of the Corporation		(3,162,730)
Increased/ (decrease) in deferred taxations of the Subsidiary		<u>(311,813)</u>
Total increase/(decrease) in deferred tax liability		(3,474,543)



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

22 Provisions and Contingent Liabilities

2023

2022

22.1 Provisions for Onerous Contracts

The Group has Nine onerous contracts. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. Contracts which become onerous are presented as follows:

Construction Contract Liability

Projects

Balance at the beginning of the Year	252,483,878	290,978,124
Charge for the year:		
Dulecha - Awash Arba Road Project	66,555,228	49,223,189
Jinka - Mender Road Project	100,498,011	39,149,859
Mile Galafi Road Project	(31,660,738)	(17,525,584)
RIB Dam Project	4,733,166	1,903,940
Welkite Town	1,705,730	(1,705,730)
Yabelo by Passe	34,056,418	(7,065,757)
LEGEGURE	2,891,489	(2,291,267)
Butajira	17,428,152	(18,212,724)
4 Bridge	4,981,681	(4,981,681)
Gishen	(23,663,997)	
Nigele Air	(39,654,594)	
Yabelo Air	(34,885,650)	
Total Charge for the year	102,984,897	38,494,245
Balance at the End of the Year	149,498,981	252,483,878

22.1.2 Dulecha Awash Arba

Total Contract Price	566,766,861	566,766,861
Revenue to date	551,994,316	472,292,380
Remaining benefit	14,772,545	94,474,481
Remaining cost to complete the project	30,125,182	203,158,779
Expected loss before PA	(15,352,637)	(108,684,298)
Price Adjustment	26,886,977	42,129,070
Expected loss After PA	11,534,340	(66,555,228)

22.1.3 Jinka Mender

Total Contract Price	1,194,146,323	1,194,146,323
Revenue to date	1,006,986,255	907,992,839
Remaining benefit	187,160,068	286,153,484
Remaining cost to complete the project	271,972,652	420,141,994
Expected loss before PA	(84,812,584)	(133,988,510)
Price Adjustment	173,337,424	33,490,499
Expected loss After PA	88,524,840	(100,498,011)



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
22 Provisions and Contingent Liabilities (Continued)		
22.1 Provisions for Onerous Contracts (Continued)		
22.1.4 Mile Galafi Road Project		
Total Contract Price	721,587,707	721,587,707
Revenue to date	242,760,074	162,329,262
Remaining benefit	478,827,634	559,258,445
Remaining cost to complete the project	544,739,866	588,639,873
Expected loss before PA	(65,912,233)	(29,381,428)
Price Adjustment	16,725,911	11,855,844
Expected loss After PA	<u>(49,186,322)</u>	<u>(17,525,584)</u>
22.1.5 RIB Dam		
Total Contract Price	3,142,154,293	3,142,154,293
Revenue to date	2,958,491,190	2,888,191,254
Remaining benefit	183,663,103	253,963,039
Remaining cost to complete the project	184,401,300	259,434,402
Expected loss before PA	(738,197)	(5,471,363)
Expected loss After PA	<u>(738,197)</u>	<u>(5,471,363)</u>
22.1.6 Welkite Town		
Total Contract Price	357,653,399	357,653,399
Revenue to date	134,102,147	116,840,807
Remaining benefit	223,551,251	240,812,591
Remaining cost to complete the project	204,117,738	242,518,322
Expected loss before PA	19,433,513	(1,705,730)
Expected loss After PA	<u>19,433,513</u>	<u>(1,705,730)</u>
22.1.7 Yabelo by Passe		
Total Contract Price	234,835,968	234,835,968
Revenue to date	234,835,968	148,889,313
Remaining benefit	-	85,946,655
Remaining cost to complete the project	-	120,003,073
Expected loss before PA	-	(34,056,418)
Expected loss After PA	<u>-</u>	<u>(34,056,418)</u>
22.1.8 LELEGURE		
Total Contract Price	57,573,804	57,573,804
Revenue to date	30,920,343	15,557,417
Remaining benefit	26,653,461	42,016,388
Remaining cost to complete the project	27,239,111	45,493,526
Expected loss before PA	(585,649)	(3,477,139)
Expected loss After PA	<u>(585,649)</u>	<u>(3,477,139)</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
22 Provisions and Contingent Liabilities (Continued)		
22.1 Provisions for Onerous Contracts (Continued)		
22.1.9 Butajira		
Total Contract Price	130,314,632	130,314,632
Revenue to date	94,708,188	64,973,861
Remaining benefit	35,606,444	65,340,771
Remaining cost to complete the project	46,655,656	83,553,495
Expected loss before PA	(11,049,212)	(18,212,724)
Price Adjustment	10,264,640	-
Expected loss After PA	<u>(784,572)</u>	<u>(18,212,724)</u>
22.1.10 4 Bridge		
Total Contract Price	146,863,199	146,863,199
Revenue to date	146,863,199	104,955,912
Remaining benefit	-	41,907,286
Remaining cost to complete the project	-	46,888,967
Expected loss before PA	-	(4,981,681)
Expected loss After PA	<u>-</u>	<u>(4,981,681)</u>
22.1.11 GESHEN		
Total Contract Price	1,144,956,522	
Revenue to date	198,948,263	
Remaining benefit	946,008,259	
Remaining cost to complete the project	1,013,480,676	
Expected loss before PA	(67,472,417)	
Price Adjustment	43,808,420	
Expected loss After PA	<u>(23,663,997)</u>	
22.1.12 Nigele Air		
Total Contract Price	349,097,946	
Revenue to date	31,712,949	
Remaining benefit	317,384,996	
Remaining cost to complete the project	366,618,897	
Expected loss before PA	(49,233,900)	
Price Adjustment	9,579,307	
Expected loss After PA	<u>(39,654,594)</u>	
22.1.13 Yabelo Air		
Total Contract Price	441,622,970	
Revenue to date	74,426,002	
Remaining benefit	367,196,968	
Remaining cost to complete the project	449,028,409	
Expected loss before PA	(81,831,441)	
Price Adjustment	46,945,791	
Expected loss After PA	<u>(34,885,650)</u>	



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

22 Provisions and Contingent Liabilities (Continued)

22.1 Provisions for Onerous Contracts (Continued)

The Group has present contractual obligation to execute road and other projects which turns out to be onerous as indicated here above.

These onerous contracts result from unfavorable long term road construction contract agreements where price escalations following signing the contract are not compensated by the client except for four items of construction materials (i.e., rebars, cement, fuel and asphalt). Based on management's best estimate, at the reporting date, the expected costs of fulfilling these contracts were estimated to be lower than penalties arising from failure to fulfil these three road contracts. Hence the lower of these two, i.e., the estimated unavoidable cost of fulfilling these contracts is recognized and disclosed in this report.

The execution of these projects will take long years. This is so because such onerous contracts, in practice, will go through a number of negotiations to relax their project execution time so to finance them from executions of profit-making projects. Thus, significant parts of these liabilities arising from recognition of provisions are better classified as long-term in nature. On the other hand, due to the continued volatility of construction input prices in the market, there could be changes in estimated cost of fulfilling the contract. As a result, this provision is not discounted to its present value due to uncertainties as to the amount of future outflow and the duration it takes for such costs are to be paid in the form of executing the onerous contracts. It is also difficult to reasonably estimate what the negotiations with the client will lead as to potential intervention by way of covering part of the cost resulting from the price escalation of construction inputs. Hence provision to the extent of estimated unavoidable cost of fulfilling the contract is recognized and reported as construction contracts liability in the statement of financial position.

23 Trade Payables

Trade Payables	4,029,071,714	2,902,193,384
Retention Payable to sub- contractors	474,623,966	433,169,088
Accrued Payables (Note 23.1)	554,696,960	513,236,213
Other Payables (Note 23.2)	340,590,546	405,899,302
Accrued Rental Payments	(274,539,357)	90,545,864
Total	5,124,443,829	4,345,043,852

23.1 Accrued Payables

Accrued Employee Benefits	16,301,253	38,728,694
Accrued Perdiem and salaries	3,200,023	4,758,440
Annual Leave Payable	119,470,143	95,152,667
	97,528,938	45,234,146
Other Accruals	272,869,563	263,786,917
Insurance Payable	45,327,041	65,575,349
Total	554,696,960	513,236,213



Though insurance premiums are normally paid in advance of receiving the related service, because of our relationship with Ethiopian Insurance Corporation, a public enterprise, they provide us with various insurance coverage on credit basis. This insurance coverage includes annually renewable workmanship insurances, performance guarantees, etc. Thus, this balance of insurance payable above emanated from our longstanding working relationship with the insurer and the resulting provision of insurance coverage by the insurer to the group.

ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
23 Trade Payables (Continued)		
23.2 Other Payables		
Unclaimed salary and other benefits	13,227,571	13,017,432
Voluntary payroll deductions	22,780,887	25,357,682
Pension fund payable	10,068,049	8,205,980
Sundry creditors	39,546,784	38,219,698
Others	254,967,255	321,098,510
Total	340,590,546	405,899,302
24 Income Tax Payable		
Balance at the beginning of the Year	66,545,206	914,147,203
Current Income Tax Expense (Note 9.2)	314,303,479	188,208,036
Payment during the Year	(165,257,041)	(1,011,330,119)
Withholding tax receivables	(68,098,622)	(24,479,914)
Balance at the End of the Year	147,493,022	66,545,206
25 Other Tax Payables		
Employment Income Tax	40,907,745	(6,457,372)
Withholding Tax Payables	57,652,803	15,422,738
Other taxes payable	3,337,228	2,173,571
Total	101,897,777	11,138,938

26 Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme seeks to minimize potential adverse effects of these risks on the Group's financial performance. Risk management is carried out under policies approved by the Group's management board.

a) Capital Management

The Group's objectives in the managing the liquidity and capital structure are to safeguard the Group's ability to continue as a going concern and provide financial capacity to meet its strategic objectives. The legal requirements imposed on the Group puts restriction on the management to freely manage the capital structure of the Group. It follows a conservative approach to its statement of financial position assuming manageable levels of debt and maintaining cash balances. The capital structure of the Group mainly consists of the paid up capital contributed by the federal government and legal reserve.

b) Foreign exchange risk

The Group's operations are located in Ethiopia only and it is not as such exposed to significant foreign exchange risk. However, it imports construction equipment and other materials from abroad purchasing foreign currency from domestic banks mainly through letter of credit arrangement. The letter of credit is settled at the exchange rate that prevails on the settlement (clearance) date than on the date the letter of credit is opened. The Group is not legally allowed to enter into any foreign currency contracts or other derivatives to establish a foreign currency protection program.



Currency: Ethiopian Birr

2023

2022

26 Financial Risk Management (Continued)

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's long-term receivables, trade and other receivables and cash and cash equivalents maintained with financial institutions. The Group places its cash and cash equivalents with Commercial Bank of Ethiopia, the biggest bank in the country.

The maximum exposure of the Group to credit risk at the reporting date is the carrying value of cash and cash equivalents and other receivables as presented below.

Cash and bank balances	1,600,593,492	3,023,431,053
Trade receivables	7,024,967,874	4,639,957,585
Other receivables	9,438,124,348	6,929,375,962
Total	18,063,685,714	14,592,764,600

As the Group's main trade receivables are related to long-term construction contracts and the clients are mainly budgetary government bodies, it is common that there may be delay in collection of such receivables. But, the failure to collect construction receivables on the due date is not considered to have high credit risk as clients will pay what they owe as their budget is released from the government treasury. Adequate credit loss is provided for long overdue receivables.

d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Group manages liquidity by maintaining adequate cash balances and tracking the due dates of its operating and financing obligations. In addition, the Group regularly monitors and reviews both actual and forecasted cash flows. It also closely manages certain discretionary expenditures and measures to reduce operating costs in order to preserve working capital.

The balances of current assets and current liabilities are analyzed as follows:

Current Assets		
Cash and Bank Balances	1,600,593,492	3,023,431,053
Trade and Other receivables	7,024,967,874	4,639,957,585
Tax Recoverable	671,630,490	561,015,155
Contract Asset	8,766,493,858	6,368,360,807
Inventories	1,312,920,993	1,121,045,389
Total	19,376,606,707	15,713,809,989
Current Liabilities		
Trade and Other payables	5,124,443,829	4,345,043,852
Income Tax Payables	147,493,022	66,545,206
Other Tax Payables	101,897,777	11,138,938
Contract advance	7,890,926,688	6,456,856,338
Total	13,264,761,316	10,879,584,333



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

27 Subsidiary

The Corporation has a subsidiary Company, Geosynthetics Industrial Works Pvt. Ltd. Company (GIW), where it holds a 70% equity interest. The detail is presented hereunder.

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Place of Operation</u>	<u>Proportion of ownership interests</u>	<u>Wholly or non-wholly owned subsidiary</u>
Geosynthetics Industrial Works Private Limited Company	Manufacturer and supplier of Geosynthetics	Ethiopia	70%	Non-wholly owned

Details of non-controlling interests in the non-wholly owned subsidiary:

<u>Items</u>	<u>7 July 2023</u>	<u>7 July 2022</u>
Proportion of ownership interests held by non-controlling interests	30%	30%
Profit or loss allocated to non-controlling interests	9,075,019	11,608,184
Accumulated non-controlling interests	26,587,696	29,120,861
Dividends paid to non-controlling interests	11,608,184	6,198,411

Summary of financial information about the subsidiary:

<u>Items</u>	<u>7 July 2023</u>	<u>7 July 2022</u>
Current assets	171,587,974	137,953,902
Non-current assets	56,456,624	59,136,259
Current liabilities	124,678,995	85,652,039
Non-current liabilities	14,739,952	14,368,584
Revenue	479,241,492	445,942,123
Profit or loss	30,250,063	38,693,946
Other comprehensive income	-	-
Total comprehensive income	30,250,063	38,693,946

28 Segment

The Corporation operates in three reportable segments (sectors) from which it derive revenue. They reflect the internal organizational and management structure according to the nature of the products and services provided. These sectors are regularly reviewed by the Corporation's senior management in order to allocate resources and assess their performance. The activities associated with each segment are noted below:

<u>Sector</u>	<u>Operation</u>
Water Infrastructure Construction	This sector involves in surface and subsurface water supply development, sewerage and effluent treatment, dam construction , hydropower development , irrigation infrastructure, river diversions, management of dam and irrigation infrastructure , management of bulk water production on, reclamation s, and other civil works; and runways and ports construction.
Transport Infrastructure Construction	This sector undertakes the construction and maintenance of highways, bridges, tunnels, railways, runways and ports, and other civil engineering works.
Building Technology and Construction	This sector is engaged in deep excavation and foundation for specialized electro mechanical works, cave digging, tunneling ready mix concrete production and pouring, render a concrete and metal structured base building technology, building, planting, dismantling, demolishing and construction solution related to prefabricated building and conventional system. It also manufactures different sized sandstones and PVC frames.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

28 Segment (Continued)

The following table presents information with respect to the Corporation's business segments. Inter-segment sales predominantly take place between Construction Machinery and Equipment Sector and other sectors. The cost of running the general administration function and other head office activities are not allocable to the reportable segments and are disclosed in the column "Head office". The Corporation uses profit before interest and income tax (EBIT) as a key indicator of economic performance of segments.

Business segment information for the year ended 7 July 2023 is as follows:

Business segment information for the year ended 7 July 2023 is as follows:

Item	Transport	Water	Building	Head Office	Total
Operating Revenue	2,311,688,319	2,314,422,721	2,536,852,269	13,783,977	7,176,747,286
Operating Cost	1,951,634,392	1,745,227,935	1,654,301,587	(21,283,523)	5,329,880,391
Gross Operating Profit	360,053,926	569,194,786	882,550,682	35,067,501	1,846,866,896
Administrative Expense	398,582,170	400,198,720.44	409,129,377.87	(318,331,279.73)	889,578,988
Net Profit /Loss/ Before Tax	(38,528,243)	168,996,065	473,421,305	353,398,780	957,287,907

Business segment information for the year ended 7 July 2022 is as follows:

Item	Transport	Water	Building	Head Office	Total
Operating Revenue	2,204,554,861	1,107,780,059	1,783,210,700	1,432,650	5,096,978,270
Operating Cost	1,691,234,207	837,486,436	1,144,951,759	(69,177,235)	3,604,495,167
Gross Operating Profit	513,320,654	270,293,623	638,258,941	70,609,886	1,492,483,103
Administrative Expense	472,387,871	237,373,028	390,384,501	97,746,430	1,197,891,831
Net Profit /Loss/ Before Tax	40,932,783	32,920,595	247,874,440	(27,136,545)	294,591,272

Business segment assets information for the year ended 7 July 2023 is as follows:

Item	Transport	Water	Building	Total
Property, Plant and Equipmer	664,236,096	1,663,150,356	67,433,623	2,394,820,075
Other non-specific asset net of liabilities				5,891,737,912
Net Assets (Equity)				8,286,557,987

Business segment assets information for the year ended 7 July 2022 is as follows:

Item	Transport	Water	Building	Total
Property, Plant and Equipmer	630,347,808	16,838,719,001	68,128,162	17,537,194,972
Other non-specific asset net of liabilities				(12,453,686,600)
Net Assets (Equity)				5,083,508,372



SEPARATE FINANCIAL STATEMENTS



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 07 JULY 2023

Currency: Ethiopian Birr

	Notes	2023	2022
Operating revenues	29	7,176,747,286	5,096,978,270
Costs of sales	30	<u>5,329,880,391</u>	<u>3,604,495,167</u>
Gross profit (Loss)		1,846,866,896	1,492,483,103
Other income	31	<u>365,789,484</u>	<u>57,328,899</u>
		2,212,656,379	1,549,812,002
Operating costs			
General and administrative expenses	32	1,230,201,037	1,223,097,747
Expected credit losses		14,977,457	31,523,729
		1,245,178,494	1,254,621,477
Profit (loss) before interest and tax		967,477,886	295,190,525
Profit (loss) before tax		967,477,886	295,190,525
Tax expense (Credit)	33.1	<u>302,329,815</u>	<u>(39,700,929)</u>
Profit (loss) after tax		665,148,070	334,891,454
Other comprehensive income (OCI) net			
Remeasurement gain/(loss) on retirement benefits obligations		10,189,978	(599,254)
Total comprehensive income (loss) for the year		<u>675,338,049</u>	<u>334,292,201</u>

The accompanying notes form an integral part of these financial statements.

Yonas Ayalew (Engineer)
 Chief Executive
 Officer

Alemayehu Terefu
 Chief Financial Officer

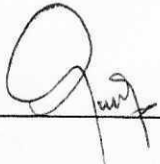


ETHIOPIAN CONSTRUCTION WORKS CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 07 JULY 2023


Currency: Ethiopian Birr

	Notes	2023	2022
Assets			
Non-current assets			
Property, Plant and Equipment	34	2,394,363,433	17,536,730,303
Right of Use Assets	35	456,642	464,669
Investment in subsidiary	36	51,613,813	57,524,532
Investment in Other Securities	37	27,250,835	8,642,885
		<u>2,473,684,723</u>	<u>17,603,362,388</u>
Current assets			
Inventories	38	1,238,262,828	1,097,703,211
Contract Asset	39	8,766,493,858	6,368,360,807
Tax Recoverable		672,125,798	558,457,459
Trade and Other Receivables	40	6,965,011,816	4,551,850,294
Cash and Cash Equivalents	41	1,563,124,433	2,999,484,316
		<u>19,205,018,733</u>	<u>15,575,856,087</u>
Total Assets		<u>21,678,703,456</u>	<u>33,179,218,475</u>
Equity and Liabilities			
Equity			
Paid up Capital	16	7,752,049,271	7,752,049,271
Legal Reserve	17	87,800,495	54,543,091
Revaluation Surplus	18	2,579,820,130	2,579,820,130
Retained Earnings	19	(2,133,107,295)	(5,292,709,529)
Other Comprehensive Income		(4,613)	(10,194,591)
		<u>8,286,557,987</u>	<u>5,083,508,372</u>
Liabilities			
Non-Current Liabilities			
Long Term Loans	20		16,949,821,315
Deferred Tax Liability	33.3	73,168,171	76,330,901
Construction Contract Liability	22	149,498,981	252,483,878
Employee Benefit		11,902,626	12,668,907
		<u>234,569,779</u>	<u>17,291,305,002</u>
Current Liabilities			
Trade and Other payables	43	5,004,658,107	4,263,621,460
Contract Advance		7,890,926,688	6,456,856,338
Income Tax Payables	44	165,132,144	76,022,042
Other Tax Payables	45	96,858,749	7,905,261
		<u>13,157,575,688</u>	<u>10,804,405,100</u>
Total Liabilities		<u>13,392,145,469</u>	<u>28,095,710,103</u>
Total Equity and Liabilities		<u>21,678,703,456</u>	<u>33,179,218,475</u>

The accompanying notes form an integral part of these financial statements.


Yonas Ayaiew (Engineer)
Chief Executive

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Alemayehu Terefe
Chief Financial Officer



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 07 JULY 2023

Currency: Ethiopian Birr

	Notes	2023	2022
Cash flows from operating activities			
Profit (loss) before tax		967,477,886	295,190,525
Adjustments For:			
Depreciation and amortization	33&34	200,610,128	222,874,287
		1,168,088,014	518,064,812
Movements in working capital			
(Increase)Decrease in inventories	38	(140,559,617)	275,397,829
Increase in trade and other receivables	40	(2,413,161,522)	(1,075,379,384)
(Increase)Decrease in tax receivables		(113,668,339)	1,106,060,967
Increase in contract assets	39	(2,398,133,051)	(1,627,087,197)
Increase in trade and other payables	43	1,214,929,050	947,272,990
Increase in contract advance	0	1,434,070,350	2,364,075,775
Increase (Decrease) in other tax payables	45	88,953,488	(34,044,140)
Increase in employee benefits		9,423,698	159,159
Decrease in Construction Contract Liability	22	(102,984,897)	(38,494,245)
Cash generated from operations		(1,253,042,826)	2,436,026,565
Income tax paid	44	(216,382,443)	(1,022,481,360)
Net Cash inflows from (outflow for) operating activities		(1,469,425,269)	1,413,545,205
Cash flows from investing activities			
Collection from matured financial securities	37	(12,697,231)	(13,030,754)
Payments for property, plant and equipment	34	45,762,618	(2,690,417,758)
Net cash out flows for investing activities		33,065,386	(2,703,448,512)
Cash flows from financing activities			
Proceeds from borrowings			2,202,249,719
Net cash generated from financing activities		-	2,202,249,719
Net (decrease)increase in cash and cash		(1,436,359,882)	912,346,412
Cash and cash equivalent, opening		2,999,484,317	2,087,137,904
Cash and cash equivalent, ending		1,563,124,434	2,999,484,317
Cash and cash equivalent represented by:			
Cash and bank balances		1,563,124,433	2,999,484,316
		1,563,124,433	2,999,484,316

The accompanying notes form an integral part of these financial statements.

Increases and decreases in the balance sheet items without actual movement of cash are not considered in the cash flows. These are as follows:

Decrease in payments for property, plant and equipment by way of derecognition of construction in progress, increase in trade and other payables, increase in retained earnings and decrease in long term loan of Birr 16,760,884,099, Birr 473,892,402, Birr 2,527,711,566 and Birr 18,814,703,263 respectively following transfer of long-term loan to Liability and Asset Management Corporation (LAMC) were not considered in the cash flows.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 Operating revenue

Revenues are mainly comprised of construction revenue and those sources that are associated with sales of goods and services. The group is mainly engaged in the provision of construction services to customers. As such its performance obligations related to construction revenue is satisfied when it finalizes the construction of buildings, roads and dams and when it handed them over to clients. Payment for construction service-related performance obligations is made based on progress on construction works. Such progress towards satisfying performance obligations is measured and payment certificates are approved by the consultant and client of each project so to make payments.

Likewise, performance obligations on goods sold, mainly of construction materials are satisfied when goods are delivered to customers. Payment for such sale of goods is made either at the time of receiving purchase orders or upon delivery of goods to customers. For further information please refer to note 3.6 (g) and 3.11.

		Currency: Ethiopian Birr	
		2023	2022
29.1	Operating Revenues by type		
	The operating revenues are the following:		
	Construction Revenue	7,169,849,573	5,095,871,458
	Maintenance Revenue	6,897,713	1,106,812
	Total	<u>7,176,747,286</u>	<u>5,096,978,270</u>
29.2	Operating Revenues by Recognition Timing		
	The operating revenues by timing of recognition are analyzed as follows:		
	Recognition at single point in time	6,897,713	1,106,812
	Recognition over a period of time	7,169,849,573	5,095,871,458
	Total	<u>7,176,747,286</u>	<u>5,096,978,270</u>
30	Costs of sales		
	Construction Materials	1,558,700,903	953,278,743
	Loss from onerous contract	(102,984,897)	(38,494,245)
	Spare parts	51,285,992	62,360,515
	Tires and Tubes	26,500,683	34,291,573
	Salaries and wages	1,057,373,186	1,028,138,044
	Travelling	224,730,705	136,626,690
	Fuel and lubricants	517,704,663	309,659,099
	Sub-Contractor	1,472,869,646	697,564,499
	Rent	317,160,507	245,659,315
	Depreciation	89,493,050	80,259,782
	Insurance	2,488,130	7,092,989
	Entertainment	21,681,249	13,238,299
	Other Expense	92,876,576	74,819,864
	Total	<u>5,329,880,391</u>	<u>3,604,495,167</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

2023 2022

31 Other income

Sales of Construction Materials	312,306,923	24,293,624
Rental Income	31,899,567	5,541,562
Investment Income	21,175,044	27,085,762
Interest Income	407,951	407,951
Total	365,789,484	57,328,899

32 General and Administrative Expenses

Salaries and benefits	454,594,688	509,247,924
Fuel and lubricants	194,280,847	49,529,793
Spare parts	4,085,654	25,857,182
Tires and Tubes	17,237,649	12,414,707
Travelling and per-diem	25,488,940	16,919,703
Insurance	34,555,990	15,494,416
Communications	33,248,265	4,389,781
Printing and stationery	218,143	5,092,420
Professional fee	6,716,769	7,198,573
Entertainment	27,546,005	11,701,787
Rent	14,514,673	59,913,773
Depreciation	115,476,244	130,446,917
Sport	1,872,142	6,673,158
Other Expense	204,778,878	118,266,632
Severance expense		159,159
Board members allowance	165,000	317,000
Donation	93,173,532	86,592,402
Penalty	2,247,617	8,713,329
Provision for Letter of Credit		154,169,090
Bad Debt Expenses	14,977,457	31,523,729
	1,245,178,494	1,254,621,477

33 Taxation

33.1 Tax expenses

Current tax expense	Note 33.2	305,492,545	177,629,110
Deferred tax	Note 33.3.1	(3,162,730)	(217,330,039)
Tax expense (Credit)		302,329,815	(39,700,929)



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr
2023 **2022**

33 Taxation (Continued)		
33.2 Income tax expense		
Profit before tax	967,477,886	295,190,525
Add :		
Sport Expense	1,872,142	6,673,158
Entertainment	49,227,254	24,940,086
Penalty	2,247,617	8,713,329
Donation	93,173,532	86,592,402
Loss from onerous contract	(102,984,897)	(38,494,245)
Depreciation expense - per financial record	204,969,294	210,714,726
Provision for Later of Credit		154,169,090
Expected credit losses	14,977,457	31,523,729
	<u>1,230,960,285</u>	<u>780,022,802</u>
Less:		
Depreciation Expense - per tax	212,651,802	187,925,769
	<u>212,651,802</u>	<u>187,925,769</u>
Taxable Income	<u>1,018,308,483</u>	<u>592,097,033</u>
Current Tax Expense	<u>305,492,545</u>	<u>177,629,110</u>
33.3 Deferred Tax Liability		
Balance at the beginning of the Year	76,330,901	293,660,940
Charge for the year:	(3,162,730)	(217,330,039)
Balance at the End of the Year	<u>73,168,171</u>	<u>76,330,901</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr
2023 2022

33	Taxation (Continued)		
33.3	Deferred Tax Liability (Continued)		
33.3.1	Movements of deferred tax liability:		
33.3.1.1	Deferred tax as at 7 July 2021		<u>293,660,940</u>
			Tax base
		Tax base	Carrying amount
	Property, Plant, and Equipment	1,104,906,525	1,464,237,741
	Annual leave payable	-	(92,225,972)
	Severance Pay	-	(12,668,907)
		<u>1,104,906,525</u>	<u>1,359,342,862</u>
	Temporary difference		<u>254,436,337</u>
	Deferred tax as at 7 July 2022		<u>76,330,901</u>
	Total decrease/(increase) in deferred tax liability		(217,330,039)
33.3.1.2	Deferred tax as at 7 July 2022		<u>76,330,901</u>
		Tax base	Carrying amount
	Property, Plant, and Equipment	1,067,113,124	1,438,490,441
	Annual leave payable	-	(115,580,785)
	Severance Pay	-	(11,902,626)
		<u>1,067,113,124</u>	<u>1,311,007,029</u>
	Temporary difference		<u>243,893,905</u>
	Deferred tax as at 7 July 2023		<u>73,168,172</u>
	Total decrease/(increase) in deferred tax liability		(3,162,730)



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

34 Property, plant and equipment

Cost	Land	Building and infrastructure	Construction and Machinery and Equipment	Motor Vehicles and Other Transport Vehicles	Other Property, Plant and Equipment in Transit	Property, Plant and Equipment in Transit	Construction in progress	Total
At 8 July 2021	778,292,190	1,040,016,197	1,695,406,214	1,561,660,096	183,157,881	24,492,215	13,733,168,362	19,016,193,155
Additions	-	-	52,585,363	100,984,940	45,843,773.02	-	2,493,122,529	2,692,536,605
Disposals	(3,315,000.00)	(702,965,063.04)	-	(2,796,033)	(145,394)	0	(953,267,734.57)	(1,662,489,225.41)
Balance at 7 July 2022	<u>774,977,190</u>	<u>337,051,134</u>	<u>1,747,991,577</u>	<u>1,659,849,003</u>	<u>228,856,260</u>	<u>24,492,215</u>	<u>15,273,023,157</u>	<u>20,046,240,535</u>
At 8 July 2022	774,977,190	337,051,134	1,747,991,577	1,659,849,003	228,856,260	24,492,215	15,273,023,157	20,046,240,535
Additions	-	-	65,186,119	-	109,668,683	-	-	174,854,801
Disposals	-	-	-	-	-	-	(15,116,619,570)	(15,116,619,570)
Balance at 7 July 2023	<u>774,977,190</u>	<u>337,051,134</u>	<u>1,813,177,695</u>	<u>1,659,849,003</u>	<u>338,524,943</u>	<u>24,492,215</u>	<u>156,403,587</u>	<u>5,104,475,766</u>
Accumulated								
At 8 July 2021	-	(111,171,914)	(1,197,856,783)	(891,244,292)	(126,946,033)	-	-	(2,327,219,022)
Additions	-	(12,392,256)	(79,702,322)	(119,844,687)	(10,926,995)	-	-	(222,866,260)
Disposals	-	39,752,470	-	741,230	81,350	-	-	40,575,050
Balance at 7 July 2022	-	<u>(83,811,700)</u>	<u>(1,277,559,105)</u>	<u>(1,010,347,749)</u>	<u>(137,791,678)</u>	-	-	<u>(2,509,510,232)</u>
At 8 July 2022	-	(83,811,700)	(1,277,559,105)	(1,010,347,749)	(137,791,678)	-	-	(2,509,510,232)
Additions	-	(12,392,256)	(82,331,206)	(88,850,540)	(17,028,098)	-	-	(200,602,101)
Disposals	-	-	-	-	-	-	-	-
Balance at 7 July 2023	-	<u>(96,203,957)</u>	<u>(1,359,890,311)</u>	<u>(1,099,198,289)</u>	<u>(154,819,776)</u>	-	-	<u>(2,710,112,333)</u>

NET BOOK VALUE

At 7 July 2023	774,977,190	240,847,177	453,287,384	560,650,714	183,705,166	24,492,215	156,403,587	2,394,363,433
At 7 July 2022	774,977,190	253,239,433	470,432,472	649,501,254	91,064,582	24,492,215	15,273,023,157	17,536,730,303



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

35 Right of Use Assets: Leasehold land

The Group leased a 47,927 m2 plot of land, located at Lemi-kura sub city of Addis Ababa City administration, from various private holders (7 Private holders) for a lease term of 80 years which started from June 1999. The lease value was fully paid at the beginning of the lease term and the leasehold land cost is being amortized over the period of the lease using a straight- line method.

Cost

At 8 July 2021	642,153
Additions	-
Disposals	-
Balance at 7 July 2022	<u>642,153</u>

At 8 July 2022	642,153
Additions	-
Disposals	-
Balance at 7 July 2023	<u>642,153</u>

Accumulated Amortization

At 8 July 2021	(169,457)
Additions	(8,027)
Disposals	-
Balance at 7 July 2022	<u>(177,484)</u>

At 8 July 2022	(177,484)
Additions	(8,027)
Disposals	-
Balance at 7 July 2023	<u>(185,511)</u>

At 7 July 2023	<u>456,642</u>
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At 7 July 2022	<u>464,669</u>
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36 Investment in Subsidiary

The Equity Investment in GIW PLC is treated in the book of the Corporation using the equity method. The movement of the investment account is presented hereunder.

As at 8 July 2021	44,901,728
Net income for the year 2021/22	27,085,762
Dividend for the year 2021/22	(14,462,958)
As at 7 July 2022	<u>57,524,532</u>

As at 8 July 2022	57,524,532
Net income for the year 2022/23	21,175,044
Dividend for the year 2022/23	(27,085,763)
As at 7 July 2023	<u>51,613,813</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
37 Investment in Other Securities		
Investments in Government saving Bond	9,050,835	8,642,885
Equity Investment	3,675,000	3,675,000
Provision for Equity Investment	(3,675,000)	(3,675,000)
	<u>18,200,000</u>	
	<u>27,250,835</u>	<u>8,642,885</u>
Investments in Government saving Bond, bearing interest at the rate of 6% per annum and maturing in December 2023	9,050,835	8,642,885
Equity Investment in Addis Abeba Building Materials Production PLC	3,675,000	3,675,000
Provision for Equity Investment	(3,675,000)	(3,675,000)
	<u>18,200,000</u>	<u>-</u>
Total	<u>27,250,835</u>	<u>8,642,885</u>

Investment in Government Bonds represents investment on securities issued to finance the Great Ethiopian Renaissance Dam. Since it is assumed that the effective interest rate for such government bond is equal to its coupon rate, the investment has a carrying value equal to its face value.

Investment of Birr 3.6 million was also made in Addis Ababa Building Materials Production PLC (investee). This investment represented 35% of the ownership and voting rights in the investee. However, this company ceased operation since 2016 fiscal year and the contract of its management as well as its staffs were terminated. The machineries of the investee were uninstalled and are stored waiting for a final decision on its fate by the court of law. It is the judgement of the management that, the only available assets of the investee, factory machineries, are technologically obsolete. The group's liability in relation to this investment is limited to the amount of its investment. Due to these facts, the management estimated that the total investment value on this company was impaired. Hence impairment loss and provision for the same was recognized and reported.

38 Inventories

Goods in Transit	447,867,989	447,867,989
Provision for Goods in Transit	(447,867,989)	(447,867,989)
Construction Materials	774,199,635	713,862,112
Finished goods	19,859,904	33,888,563
Spare parts	444,203,289	349,952,536
Total	<u>1,238,262,828</u>	<u>1,097,703,211</u>

39 Contract Asset

Retention receivable	1,377,483,673	1,180,898,131
Cost of estimated earnings in excess of billing	7,389,010,185	5,187,462,676
Total	<u>8,766,493,858</u>	<u>6,368,360,807</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
40 Trade and Other Receivables		
Trade receivable	4,693,338,493	3,583,399,001
Advance to suppliers	2,321,449,305	1,275,300,126
Staff receivable	228,530,228	355,468,017
Insurance Prepayment	24,448,543	35,944,237
Other receivables	543,805,375	133,321,587
Allowance for expected credit losses (Note 16.1)	(846,560,129)	(831,582,672)
Total	<u>6,965,011,816</u>	<u>4,551,850,294</u>

40.1 Exposure to credit risk

Trade receivables inherently expose the Corporation to credit risk, being the risk that the Corporation will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the corporations deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analyzed individually for creditworthiness before terms and conditions are offered. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

Trade receivables arise from provision of construction services to customers on credit and sales of goods and Expected credit loss allowance is recognized for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The corporation measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
40 Trade and Other Receivables (Continued)		
40.1 Exposure to credit risk (Continued)		
The corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:		
	2022	2022
	Estimated gross carrying amount at default	Provision rate Loss allowance (Lifetime expected credit loss)
Current (or not yet overdue):	220,339,060	0%
One year over due	261,911,934	5%
Two year over due	97,104,167	15%
Three year over due	445,921,406	20%
Four year over due	434,998,313	25%
Five year over due	2,019,958,636	30%
	3,480,233,516	831,582,672
	2023	2023
	Estimated gross carrying amount at default	Provision rate Loss allowance (Lifetime expected credit loss)
Current (or not yet overdue):	1,400,283,996	0%
One year over due	348,933,686	5%
Two year over due	244,250,559	15%
Three year over due	188,811,738	20%
Four year over due	312,547,791	25%
Five year over due	2,255,255,218	30%
	4,750,082,987	846,560,129
40.2 Movement in expected credit loss	2023	2022
Opening balance	831,582,672	800,558,943
Current period charges	14,977,457	31,023,729
Closing balance	846,560,129	831,582,672
41 Cash and Cash Equivalents		
Cash at Bank	1,556,391,505	2,993,159,930
Cash on Hand	6,732,928	6,324,386
	1,563,124,433	2,999,484,316



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
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42 Retained Earning

This element of equity represents the amount of profit waiting for distribution in the form of dividend unless the Council of Ministers approved its otherwise use based on a proposal presented to use. As per the Council of Ministers Regulation No. 107/2003, 60% and 40% of the net profits of the Group, after deduction of legal reserve, should be transferred, respectively, to the Federal Government as state dividend and as contribution to the Industrial Development Fund.

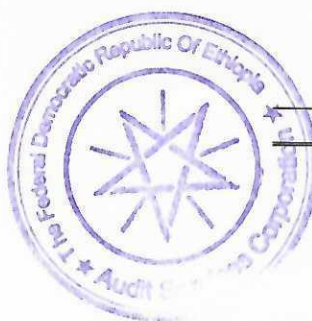
Opening Balance	(5,292,709,529)	(5,632,144,919)
Comprehensive income of the period	699,843,788	334,891,454
Error in recognizing receivables and related provision (22.2)	-	21,288,508
Transfer to legal reserve	(34,992,189)	(16,744,573)
Difference between Derecognition of Long Term Loan and financing effect	2,527,711,566	-
Ending Balance	<u>(2,100,146,364)</u>	<u>(5,292,709,529)</u>

43 Trade Payables

Trade Payables	3,948,988,088	2,844,900,806
Retention Payable to sub- contractors	474,623,966	433,169,088
Accrued Payables (Note 43.1)	515,498,375	489,560,882
Other Payables (Note 43.2)	340,087,035	405,444,819
Accrued Rental Payments	(274,539,357)	90,545,864
Total	<u>5,004,658,107</u>	<u>4,263,621,460</u>

43.1 Accrued Payables

Accrued Employee Benefits	16,301,253	38,728,694
Accrued Per diem and salaries	3,200,023	4,758,440
Annual Leave Payable	115,580,785	92,225,972
Net salary Payable	97,528,938	45,234,146
Other Accruals	237,560,336	243,038,281
Insurance Payable	45,327,041	65,575,349
Total	<u>515,498,375</u>	<u>489,560,882</u>



ETHIOPIAN CONSTRUCTION WORKS CORPORATION
SEPARATE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Currency: Ethiopian Birr

	2023	2022
43 Trade Payables (Continued)		
43.2 Other Payables		
Unclaimed salary and other benefits	13,227,571	13,017,432
Voluntary payroll deductions	22,780,887	25,357,682
Pension fund payable	9,564,538	7,751,497
Sundry creditors	39,546,784	38,219,698
Others	254,967,255	321,098,510
Total	340,087,035	405,444,819
44 Income Tax Payable		
Balance at the beginning of the Year	76,022,042	920,874,293
Current Income Tax E Note 33.2	305,492,545	177,629,110
Payment during the Year	(152,271,430)	(998,001,446)
Withholding tax receivables	(64,111,013)	(24,479,914)
Balance at the End of the Year	165,132,144	76,022,042
45 Other Tax Payables		
Employment Income Tax	40,016,131	(7,034,936)
Withholding Tax Payables	56,735,183	14,832,762
Other taxes payable	107,434	107,434
Total	96,858,749	7,905,261

46 Events after reporting period

There are no significant event after the reporting period which should be reported in these financial statements.

47 Date of Authorization

The Chief Executive Officer of the Corporation authorized the issue of these financial statements on November,06, 2024

