

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2015

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
FOR THE YEAR ENDED 30 SENE 2015

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
INDUSTRIAL PARKS DEVELOPMENT CORPORATION**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Industrial Parks Development Corporation (the Corporation), which comprise the statement of financial position as at 30 Sene 2015, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 Sene 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Accountant's 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue

There are risks that revenue may not be properly and fully recognized. In our response to these risks, we assessed the reasonableness of the design of the system of internal control by enquiring and reviewing the system. We selected sample contract agreements to understand the terms and conditions and their impact on revenue recognition. We have also selected a sample of recorded revenues and examined supporting documentation to verify that they were properly and fully recorded. We also test checked cut-off procedures. Overall we found no concerns in the recognition of revenue and cut-off procedures.

ASC

+251-011-5515222
+251-011-5535012
+251-011-5535015
+251-011-5535016

Fax 251-011-5513083

E-mail: asc@ascethiopia.com
Website: www.ascethiopia.com

5720

**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
INDUSTRIAL PARKS DEVELOPMENT CORPORATION (continued)**

Report on the Audit of the Financial Statements (continued)

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 International Financial Reporting Standards 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.

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, misrepresentation, 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.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
INDUSTRIAL PARKS DEVELOPMENT CORPORATION (continued)**

Report on the Audit of the Financial Statements (continued)

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

- 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 disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Azeb Tekleselassie.

Audita Services Corporation

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INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SENE 2015

	Notes	2015 ETB	<u>*As Restated</u> 2014 ETB
INCOME FROM OEPRATING LEASE	5	1,482,555,280	1,172,845,091
REVENUE FROM CONTRACTS WITH CUSTOME	6	141,993,131	114,541,621
OPERATING EXPENSES	7	<u>(1,195,864,261)</u>	<u>(974,989,100)</u>
GROSS PROFIT		428,684,150	312,397,611
OTHER INCOME	8	<u>119,841,823</u>	<u>127,694,029</u>
		548,525,974	440,091,640
EXPENSES			
ADMINISTRATIVE EXPENSES	9	<u>(592,442,649)</u>	<u>(306,702,257)</u>
		(592,442,649)	(306,702,257)
PROFIT BEFORE TAX		(43,916,676)	133,389,383
PROFIT TAX EXPENSE		<u>-</u>	<u>-</u>
PROFIT (LOSS) FOR THE YEAR		(43,916,676)	133,389,383
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(43,916,676)</u>	<u>133,389,383</u>

**The comparative figures have been restated to correct errors identified in the prior year.
Details of the restatement are disclosed in Note 30 of the notes to the financial statements.*

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 30 SENE 2015

	Notes	2015 ETB	<u>As Restated</u> 2014 ETB
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,325,802,226	6,246,375,066
Investment property	11	18,573,841,185	18,583,271,628
Investment	12	42,166,968	42,166,968
Time deposit	13	235,300,041	133,861,130
Right of use asset	14	-	1,125,000
		<u>24,177,110,419</u>	<u>25,006,799,792</u>
CURRENT ASSETS			
Inventories	15	263,597,314	42,861,689
Trade and other receivables	16	827,868,141	1,261,288,861
Cash and bank balances	17	3,674,688,883	3,441,561,420
		<u>4,766,154,337</u>	<u>4,745,711,970</u>
TOTAL ASSETS		<u>28,943,264,756</u>	<u>29,752,511,762</u>
PROPRIETER'S CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Paid-up capital	18	27,143,543,041	27,492,937,019
Accumulated Loss	-	(1,002,220,868)	(847,352,510)
		<u>26,141,322,173</u>	<u>26,645,584,509</u>
NON-CURRENT LIABILITIES			
Deferred revenue	24	13,447,622	21,124,957
Severance payable	25	14,413,416	9,689,667
		<u>27,861,038</u>	<u>30,814,624</u>
CURRENT LIABILITIES			
Trade and other payables	19	2,774,081,546	3,076,112,629
		<u>2,774,081,545</u>	<u>3,076,112,629</u>
TOTAL EQUITY AND LIABILITIES		<u>28,943,264,756</u>	<u>29,752,511,762</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SENE 2015

	Paid up Capital ETB		Accumulated loss ETB	Total Equity ETB
At 30 Sene 2013	25,900,265,678	-	(990,442,316)	24,909,823,362
Increase in capital	1,592,671,341			1,592,671,341
Prior year adjustment	-		9,700,423	9,700,423
Profit for the year	-		133,389,383	133,389,383
At 30 Sene 2014 (As Restated)	27,492,937,019		(847,352,510)	26,645,584,509
At 30 Sene 2014	27,492,937,019		(847,352,510)	26,645,584,509
Increase in capital	552,660,280	-	-	552,660,280
Withdraw of ICT park	(902,054,258)	-	(110,951,682)	(1,013,005,940)
Profit for the year	-		(43,916,676)	(43,916,676)
At 30 Sene 2015	27,143,543,041		(1,002,220,868)	26,141,322,173

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SENE 2015

	2015 ETB	As Restated 2014 ETB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	(43,916,676)	133,389,383
Adjustments for:		
Depreciation of property, plant and equipment	703,479,038	660,872,111
Gain on disposal of PPE	-	(2,261,970)
Bad debt	256,753,353	127,312,002
Amortization of deferred revenue	(7,677,335)	(8,479,952)
Severance	4,723,749	1,899,330
	<u>913,362,129</u>	<u>912,730,904</u>
Movements in working capital		
Movement in inventory	(220,735,625)	(25,379,084)
Movement in trade and other receivables	104,800,481	257,692,946
Movement in trade and other payables	(254,011,342)	(246,848,600)
Cash generated from /(used by) operationing activities	543,415,644	898,196,166
Interest paid	-	-
Profit tax paid	-	-
Net cash generated from (used in) operating activities	543,415,644	898,196,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(748,958,995)	(644,035,478)
Adjustment to property, plant and equipment	-	6,433,504
Investment	(101,438,911)	(101,438,911)
Net cash used in investing activities	(850,397,906)	(739,040,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Adjustment	-	9,700,423
Industrial development fund	-	16,811,591
Increase in capital	552,660,280	1,592,671,341
Net cash generated from (used in) financing activities	552,660,280	1,619,183,354
Cash Transffred to ICT Park	(12,550,554)	-
Net increase in cash and cash equivalents	233,127,464	1,778,338,635
Cash and cash equivalents at beginning	3,441,561,419	1,663,222,784
Cash and cash equivalents at the end of the year	3,674,688,883	3,441,561,419

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 CORPORATION INFORMATION

Industrial Parks Development Corporation was established on 27 Hidar 2007 as a Federal Government Public Enterprise as per Council of Ministers Regulation No. 326/2014. It was established by taking over all the rights and obligations of the former Industrial Development Zones Corporation. Its principal place of business is in Addis Ababa, and its registered office is:

Industrial Parks Development Corporation, BishanGari Building, Comoros Road, Addis Ababa, Ethiopia

The Corporation has two business units that are engaged in the following two areas:

- Development of industrial parks throughout the country and leasing them to interested investors
- Provision of multi-disciplinary consultancy and training services.

During the reporting period, the Information Technology Park was formally separated from the Corporation, with all associated rights and obligations transferred to the Ministry of Innovation and Technology, pursuant to the directive issued by the Office of the Prime Minister on Hidar 05, 2015 (Ref. No. 00/30-813/1). The total assets transferred amounted to Birr 1,061,025,682, while the corresponding obligations totaled Birr 48,019,742.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies. The areas involving a high degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b) Going concern

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

c) Change in accounting policies and disclosures

New standards, amendments, interpretations issued but not yet effective

Onerous Contracts: Cost of Fulfilling a Contract (IAS 37 amendment)	1-Jul-22
Annual Improvements to IFRS Standards (2018 – 2020) (IFRS 1, IFRS 9, and IFRS 15 amendments)	1-Jul-22
Property, Plant and Equipment: Proceeds before Intended Use (IAS 16 amendment)	1-Jul-22
Reference to the Conceptual Framework (IFRS 3 amendment)	1-Jul-22
Insurance Contracts (IFRS 17)	1-Jul-23
Insurance Contracts (IFRS 17 amendments)	1-Jul-23
Classification of liabilities as current or non-current (IAS 1 amendment)	1-Jul-23
Definition of Accounting Estimates (IAS 8 amendment)	1-Jul-23
Disclosure Initiative: Accounting Policies (IAS 1 & IFRS Practice Statement 2 amendment)	1-Jul-23
Deferred Tax Related to Assets & Liabilities Arising from a Single Transaction (IAS 12 amendment)	1-Jul-23
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28 amendment)	1-Jul-23

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015

2 ACCOUNTING POLICIES (Continued)

c) Change in accounting policies and disclosures

IFRS 17, as well as Amendments to IFRS 10 and IAS 28, are not applicable to the business of the IPDC and will therefore have no impact on future financial statements. The Management is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprises both:

- The incremental costs – e.g. direct labour and materials; and
- An allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 July 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted. Since the Corporation does not have significant balances related to provisions, contingent liabilities, or contingent assets, the impact of the new amendment is assessed to be minimal.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1. D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IFRS 16 Lease	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2016

2 ACCOUNTING POLICIES (Continued)

e) Change in accounting policies and disclosures (Continued)

IAS 2 Inventories should be applied in identifying and measuring these production costs

Companies will therefore need to distinguish between

- Costs associated with making the item of property, plant and equipment available for its intended use

Making this allocation of costs may require significant estimation and judgement. The amendments apply for annual reporting periods beginning on or after 1 July 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The standards are not expected to have a material impact on the Corporation's current or future reporting periods and on foreseeable future transactions.

Classification of liabilities as current or non-current (Amendment to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The existing requirement to ignore managements intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date. The effective date of this amendment is January 1, 2022.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Corporation.

Definition of Accounting Estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes 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 clarified 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.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015

2 ACCOUNTING POLICIES (Continued)

c) Change in accounting policies and disclosures (Continued)

• 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 effects of changes in inputs and/or measurement techniques are changes in accounting estimates.

The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 July 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The standards are not expected to have a material impact on the corporation's current or future reporting.

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- Accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 July 2023 but may be applied earlier.

The Corporation will make an assessment of the impact of this adoption.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015

2 ACCOUNTING POLICIES (Continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences, such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Corporation will make an assessment of the impact of this adoption.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date. The effective date of this amendment is January 1, 2022.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Corporation.

d) Foreign currency translation

I. Functional and presentation currency

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

II. Transactions and balances

Foreign currency transactions are translated into birr using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss. Foreign currency monetary items are translated into birr at spot exchange rates at reporting dates. Foreign exchange differences arising from these translations are recognised in the statement of profit or loss in the same period.

e) Property, plant and equipment

Items of property, plant, and equipment are measured at cost, which includes capitalized borrowing costs less accumulated depreciation and cumulative impairment losses.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on the disposal of an item of property, plant, and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant, and equipment, and is recognized net within operating and administrative expenses in profit or loss.

Subsequent events

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the corporation. Minor ongoing repairs and maintenance are expensed as incurred.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015

2 ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment (Continued)

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

Depreciation is charged on the straight-line basis at the following rates per annum:

	<u>%</u>
Buildings structural and architectural	2
Buildings electrical systems components	5
Buildings sanitary and water systems	3.33
Roads	5
Motor vehicles	20
Information system equipment and software	25
Furniture and equipment	20

The commencement date of depreciation is when the asset is available for use as per the standard.

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

f) Investment properties

Investment properties of the corporation include Sheds, Residential buildings, and commercial buildings, which are constructed by the corporation and rented to interested investors/tenants who then settle the rental on a monthly basis.

Initial measurement

The Investment properties are initially measured at cost, including transaction costs.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Corporation. Minor ongoing repairs and maintenance are expensed as incurred.

Depreciation

Investment properties are depreciated on the straight line basis at the following rates per annum:

	<u>%</u>
Buildings structural and architectural components	2
Buildings electrical systems components	5
Buildings sanitary and water systems components	3.33

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015

2 ACCOUNTING POLICIES (Continued)

f) (Investment properties Continued)

The commencement date of depreciation of investment properties is when the asset is available for use as per the standard.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The fair value estimate of the investment properties could not be measured reliably and on a continuous basis, as the market price of the properties that would be used by knowledgeable market participants in an orderly transaction could not be determined. Alternative measurement based on reliable discounted cash flow is also not available due to the unavailability of reliable market data.

Currently, the Corporation has kicked off a project to determine the fair values of its investment properties by engaging its consulting business wing (IPS). IPS is currently revaluing each and every item of investment property at all industrial parks, which is a work in progress at the end of the financial year.

Gains and losses on the disposal of investment properties are determined by reference to their carrying amounts and are taken into account in determining operating profit.

g) Fixed Time Deposit

Time deposits are classified as financial assets at amortized cost in accordance with IFRS 9 – Financial Instruments, as they meet both of the following conditions:

The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and

The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Time deposits are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate (EIR) method. Interest income is recognized in the statement of profit or loss as finance income, on a time-proportion basis using the EIR.

Time deposits with original maturities of more than three months but less than or equal to one year are classified as current financial assets. Those with maturities exceeding one year from the reporting date are presented as non-current assets.

The Corporation applies the expected credit loss (ECL) model under IFRS 9 to assess impairment on time deposits. Given the credit quality of the financial institutions and the short-term nature of most deposits, the expected credit loss is typically immaterial.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015

2 ACCOUNTING POLICIES (Continued)

h) Accounting for leases

Leases of property, plant, and equipment where the corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The corporation, as a lessor, leases the industrial sheds to investors for a period of time on operating lease terms and at modest lease terms in view of the fulfillment of its objectives. The minimum lease payment under the significant lease agreements is USD 1. Per square meter of shed area per month. The corporation, as a lessee, leases the head office building for a period of time under operating lease terms.

i) Grants

Grants, including those related to assets and non-monetary grants at fair value, are presented in the statement of financial position as per IAS 20. The nature and extent of the grant the corporation has received to date include vehicles, office furniture, computers, and various office equipment. Accordingly, grants in the form of property, plant, and equipment are treated initially as deferred revenue and converted to grant income over the life of the respective asset. Grants in the form of inventory are recognized as direct grant income of the period. There are no conditions attached to the granted assets that the corporation would fulfill.

j) Financial assets and financial liabilities

Recognition and classification of financial assets

Financial assets are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition.

Financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

2 ACCOUNTING POLICIES (Continued)

Impairment of financial assets

A provision for impairment of receivables is established when there is objective evidence that the corporation will not be able to collect all the amounts due according to the original terms of the contract. The corporation measures these loss allowances at an amount equal to lifetime expected credit losses. The expected credit losses are calculated as the difference between the cash flows due to the corporation as per the contract agreement and the cash flows that the corporation expects to receive. The amount of the provision is recognised in the statement of profit or loss.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows.

De-recognition of financial assets

The Corporation derecognizes financial assets when and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the contractual rights to receive the cash flows of the financial asset.

Financial liabilities

Financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The corporation recognizes a financial liability in its statement of financial position when it becomes party to the contractual provision of a financial instrument.

Financial liabilities are classified as current liabilities if payment is due within twelve months. If not, they are presented as non-current liabilities. Financial liabilities are recognised initially at fair value. The Corporation's financial liabilities include trade and sundry payables. After initial measurement, they are measured at amortized cost using the effective interest rate.

k) Offsetting of Financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

l) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015

2 ACCOUNTING POLICIES (Continued)

m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less following the date of the financial statements.

n) Impairment of non-monetary assets

The carrying amounts of the Corporation's non-monetary assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated and an impairment loss is recognized immediately through the statement of profit or loss account.

o) Income tax

The Corporation obtained tax holiday of ten years starting from 8 Ginbot 2006 as per article 2 of the Council of Ministers regulation No. 312/2006.

p) Operating Lease

The significant majority of the Corporation's income is derived from operating leases, which are accounted for in accordance with IFRS 16. The operating income recognized reflects lease payments received from lessees, excluding non-lease components, and is presented separately from interest income and other revenue streams in the statement of profit or loss. This income represents the Corporation's core revenue-generating activity and is recognized on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit is derived.

The Corporation leases out Sheds and other auxiliary premises under operating leases. The leases typically run for a period of 10-15 Years, with an option to renew the lease after that date. Lease payments are usually fixed and may include escalation clauses. All Operating Lease Contracts do not have variable lease payments which are based on indexes or rates.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the Contract Amount and recognized as an expense over the lease term on the same basis as the lease income.

Non-refundable upfront fees charged at or near the inception of the contract are recognized as income over the lease term, as they do not represent separate and identifiable performance obligations.

q) Revenue recognition (IFRS 15 Revenue from contracts with customers)

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer (IFRS 15.1). Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015

2 ACCOUNTING POLICIES (Continued)

q) (Revenue recognition -IFRS 15 Revenue from contracts with customers Continued)

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: [IFRS 15:IN7]

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The Corporation has the following revenue streams, which are governed by IFRS 15 – Revenue from Contracts with Customers. Further details are provided below

Management Service

The Corporation provides ancillary services, including Sanitation, security, Landscaping, and Facility Maintenance Services to tenants within its industrial parks. These services are considered distinct from the lease component in accordance with IFRS 16 – Leases, and revenue from such services is recognized separately under IFRS 15 – Revenue from Contracts with Customers.

Revenue from cleaning and security services is recognized over time as the services are rendered, reflecting the Corporation's continuous obligation to provide access to these services during the lease term. The Corporation satisfies its performance obligations evenly over the service period, and therefore, revenue is recognized on a straight-line basis. The fees for these services are billed on a Yearly basis.

Consultancy Service

The Corporation, through its specialized unit Industrial Parks Service (IPS), provides consultancy services to tenants and third parties, including advice on industrial park setup, infrastructure planning, investment facilitation, and regulatory compliance.

These services are accounted for in accordance with IFRS 15 – Revenue from Contracts with Customers. Revenue is recognized when control of the promised services is transferred to the customer, either over time or at a point in time, depending on the nature of the engagement.

For consultancy contracts where services are delivered over a defined period and the customer simultaneously receives and consumes the benefits (e.g., ongoing advisory or support), revenue is recognized over time based on the progress towards completion, typically using the output method.

For contracts involving the delivery of a specific output (e.g., Valuation and training service, feasibility study, or infrastructure report), revenue is recognized at the point in time when the final deliverable is provided and accepted by the customer.

Where performance obligations are satisfied but not yet invoiced, a contract asset is recognized. Conversely, advance payments received from customers before the performance of services create contract liabilities until the services are rendered.

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

2 ACCOUNTING POLICIES (Continued)

q) (Revenue recognition -IFRS 15 Revenue from contracts with customers Continued)

Effluent Treatment Plants (ETPs) Service

The Corporation operates centralized Effluent Treatment Plants (ETPs) to manage and treat industrial liquid waste generated by tenants. Revenue from ETP services is recognized over time, as tenants simultaneously receive and consume the benefits of the treatment service. Revenue is typically calculated based on actual discharge volumes measured in cubic meters. Billing is performed monthly based on usage, at rates contractually agreed with each tenant. The Corporation applies the output method to measure progress toward complete satisfaction of the performance obligation.

Sewage Treatment Plant (STP) Services

Sewage generated within the industrial parks is treated through STPs operated by the Corporation. As with ETP, revenue from STP services is recognized over time based on monthly consumption. Charges are determined based on volumetric usage or a fixed monthly fee per agreement. STP service is considered a continuous service obligation, with performance obligations fulfilled evenly over the billing period.

Potable Water Revenue

Potable water is supplied to tenants for industrial and administrative use. This service is provided on a metered basis, and revenue is recognized over time as the water is delivered.

- Revenue is based on metered water consumption at agreed tariff rates.
- Control of the service transfers progressively to the customer as the water is consumed.

r) Employee benefits

Defined benefits scheme

The corporation has recognized its accrued severance benefits based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the corporation for 5 years or above and are below the retirement age (i.e., have not met the requirement to access the pension fund) are entitled to the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service, computed as one-month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months' salary.

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015**

2 ACCOUNTING POLICIES (Continued)

r) (Employee benefits Continued)

In addition to considering the parameters set out in the law, the corporation has also added actuarial assumptions to arrive at the amount of provision that should be taken for the fiscal year. The calculations include estimates of the amount of future benefits that employees have earned in return for their service in the current and prior periods. It considers assumptions related to demographics, discount rate, and salary escalation, service increase factor, maximum benefit period, probability of leaving at age 54, and inflation rates.

The benefit is discounted to determine its present value. The discount rate taken is the assumed rate of return of assets in the future. It is assumed that the rate is to fetch the inflation and gain two points. The rates are denominated in the same currency in which the benefits are expected to be paid. Accordingly, The corporation has recognized the severance pay at the end of the reporting period, which is Birr 14,413,416.

Defined contribution plan

The Corporation operates a single post-employment pension scheme in line with the provisions of Ethiopian Public Servants Pension Proclamation No 714/2011. The corporation and employees make contributions of 11% and 7% of the employee's basic salary, respectively, to the defined benefit scheme, as determined by the proclamation. For the year ended 30 Sene 2015, the Corporation contributed Birr 19,396,049 to the scheme (30 Sene 2014 - Birr 11,655,216.80), which has been charged directly to profit or loss.

Annual leave

Employees' annual leave accruals are calculated and recognized in the books on the basis of the unutilised annual leave balance that each employee has at the end of the reporting period. Accordingly, the balance in the annual leave accrued payables account is shown as Birr 4,648,901 as at the end of the reporting period (Sene 30, 2014 Birr 5,033,448).

Staff loan

Interest free staff loans are treated as per IFRS 9 (Financial instruments) and IAS 19 Employee benefits). Market interest rate of 10.38% is used for computing interest income.

s) Finance income and expenses

Finance income comprises interest income and is recognised in profit or loss on a time proportion basis using the effective interest method.

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015**

3 ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Critical accounting estimates and judgements

The Corporation makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are addressed below:

- i. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.
- ii. Management's estimate of severance pay obligation is based on several critical underlying assumptions, such as standard rates of inflation, mortality, discount rate, and anticipation of future salary increases.
- iii. Provisions for bad and doubtful debts are determined by assessing the expected credit losses relating to each debtor balance as a possible result of failure to collect the balances.
- iv. The Corporation makes estimates and assumptions concerning the future based on the fundamental assumption that it will continue in business in the future.

Variation in these assumptions may significantly impact the obligation amount and the annual benefit expenses.

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015**

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT

Over view

The Corporation's activities may expose it to a variety of financial risks including credit risk, liquidity risk, foreign currency exchange rates and interest rate risks.

i) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Corporation establishes an allowance for impairment, when deemed necessary that represents its estimate of losses in respect of trade and other receivables.

Generally the corporation has low credit risk as its major revenue source, shed rental is collected in most cases on advance basis and customers are required to submit security deposits before taking over the sheds.

Where there are rentals in arrears the security deposits serve as a guarantee for any failure of payment by customers. As the Corporation's customers are mainly big investors and industrialists and the related rental fees are relatively nominal in amount, the risks of default on payments is remote.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2015

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Corporation's reputation.

The capital projects of the corporation are funded by government budget allocation as part of the process for paying up the authorized capital of the Corporation. Accordingly the risk of failing to pay for projects due to liquidity issues is remote.

The working capital requirements of the corporation are satisfied with the current collections coming from rental of industrial park sheds and auxiliary services. However, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Corporation has no credit facilities with any bank.

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's income or the value of its holdings of financial instruments.

The corporation enters into rental agreements with most of its customers using United States Dollar (USD) as the transaction currency. This fact poses a risk of sustaining exchange losses in the event when the transaction currency weakens.

However, based on the trend in the past decades USD has never been weakened against the Ethiopian Birr. The trend has rather shown that the Birr is consistently getting weaker against the Dollar.

Accordingly, the impact of Dollar exchange rate changes is expected to be in the form of foreign exchange gains. Hence, the Corporation has no recognizable risk in respect of exchange rate changes.

On the other hand, the Corporation takes security deposits from the lessees in USD which normally is kept in the securities deposit liability account and will be repayable in USD at the end of the lease term. Hence, the nature of this financial liability poses an exchange rate risk to the Corporation. The impact of this risk during 2015 and 2014 is shown in the following table:

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 SENE 2014

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

iii) Market risk (continued)

	2015 ETB	2014 ETB
Security deposit at the year end before conversion at the closing rate	151,249,884	119,698,083
Foreign exchange losses	6,990,158	21,828,379
	<u>158,240,042</u>	<u>141,526,462</u>

Similarly the Corporation retains retention monies in USD from contractors that undertake construction of sheds and structures at the parks. This retention is reported as a payable in the books of the Corporation. This financial liability poses an exchange risk to the Corporation as the repayment is to be effected in USD at the end of the respective warranty periods. The impact of this risk during 2015 and 2014 is shown below:

	2015 ETB	2014 ETB
Retention at the year-end before Conversion at the closing rate	1,823,192,244	1,615,529,720
Foreign exchange losses	48,254,177	187,442,749
	<u>1,871,446,421</u>	<u>1,802,972,469</u>

The corporation has no debt with any financial institution at present that requires payment of interest. Hence there is no identified interest rate risk.

For contractors payables the exchange rate risk is not highlighted as the foreign currency for payment of the liabilities will be obtained from the ministry of finance at the time of payment and hence will not cause any loss to the corporation. Any difference in local currency terms at the time of payment will be charged to the construction cost as the cause is not operational matter.

IV) Capital Management

The Corporation's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

There were no changes in the Corporation's approach to capital management during the year. The Corporation is not subject to externally imposed capital requirements.

Fair value

As at 30 Sene 2015, the Corporation has a USD payables measured at fair value on the exchange rate prevailing at the end of the reporting period (Security deposits and Retention payables Refer the balance under Note 4(iii)).

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

	2015	As Restated
	ETB	ETB
5 INCOME FROM OPERATING LEASE		
Shed Rent	1,251,894,601	1,037,574,149
Residential Building Rent	45,452,135	51,780,439
Commercial Building Rent	63,961,813	54,282,953
Developed Land Lease	121,246,731	29,207,550
	<u>1,482,555,280</u>	<u>1,172,845,091</u>
6 REVENUE FROM CONTRACTS WITH CUSTOMERS		As Restated
<i>Goods or services transferred Over time</i>		
Management Service Revenue	42,042,253	42,519,725
Effluent Treatment Plants (ETPs) Service	47,573,297	18,482,421
Sewage Treatment Plant (STP) Services	11,508,933	24,418,489
	<u>101,124,483</u>	<u>85,400,635</u>
<i>Goods or services transferred at a point in time</i>		
Potable Water Revenue	9,277,755	10,987,978
consultancy service revenue	31,572,726	18,128,636
Traning Service	18,167	26,372
	<u>40,868,648</u>	<u>29,140,986</u>
Total Revenue from Contracts with Customers	<u>141,993,131</u>	<u>114,541,621</u>
	2015	2014
	ETB	ETB
7 OPERATING EXPENSES		
Depreciation	599,895,087	553,234,283
Salaries and related benefits	195,183,320	117,371,154
Chemical material	75,262,799	48,874,739
Utilities	55,856,848	44,404,360
Greenery service	31,596,503	24,457,418
Janitorial and cleaning supplies	30,429,551	19,139,860
Security fees	30,377,288	24,305,104
Vehicle and machinery rent	27,838,167	17,113,830
Vehicle running	24,115,953	12,090,004
Insurance	23,903,902	16,638,057
Stationery and Office supplies	22,398,131	18,822,323
Entertainment & Accommodation	15,495,937	12,211,109
Pension	15,176,761	9,414,619
Repair and maintenance	14,648,289	26,085,965
outsourcing	9,505,551	4,134,540
Travel and Perdiem	9,181,991	4,931,295
Uniforms	5,512,278	12,400,242
Communication	4,374,175	3,297,253
Miscellaneous	2,621,499	2,460,701
Training	1,198,856	1,428,554
Advertisement	1,014,624	1,860,499
Building rent	239,498	313,190
Penalty	37,253	
	<u>1,195,864,261</u>	<u>974,989,100</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

8	OTHER INCOME	2015 ETB	2014 ETB
	Gain on foreign exchange	55,523,836	93,901,562
	Grant income	8,172,995	9,369,565
	Gain on Diposal of Fixed Asset	-	2,261,970
	Bank interest	38,043,788	11,587,972
	Other income	18,101,204	10,572,960
		<u>119,841,823</u>	<u>127,694,029</u>
9	ADMINISTRATIVE EXPENSES	2015 ETB	2014 ETB
	Bad debt	256,753,353	127,312,002
	Depreciation	103,669,229	107,954,049
	Salary and benefits	63,817,874	25,564,865
	Corporate social responsibility	35,969,834	9,638,304
	Bank charge	7,454,115	7,395,279
	Office rent	5,483,084	5,324,847
	Insurance	1,827,250	3,568,769
	Pension	4,219,288	2,242,519
	Advertisement	10,807,154	2,339,135
	Cleaning and sanitation	1,700,860	2,234,782
	Vehicle Rent	6,049,192	2,233,187
	Vehicle running	11,729,156	2,173,793
	Entertainment and accomodation	8,958,312	2,019,105
	Penalty	44,910,466	
	Repair and maintenace	6,592,211	2,006,507
	Travel and perdiem	7,617,032	1,531,708
	Communication	3,501,215	1,034,965
	Miscellaneous	2,868,672	917,158
	Stationery and office supplies	3,708,990	430,433
	Audit fee	1,500,000	350,300
	Training	1,330,280	269,676
	Utilities	1,961,677	129,889
	Loss on foreign exchange	13,403	30,985
		<u>592,442,649</u>	<u>306,702,257</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

10 PROPERTY, PLANT AND EQUIPMENT

	Building	telephone and water infrastructure	Motor vehicles	Other furniture and equipment	Computers	Construction in Progress	TOTAL
Cost							
At 1 Hamle 2013	4,090,292,311	101,918,391	136,902,274	41,184,218	14,673,150	2,298,176,582	6,683,146,926
Additions	100,087	-	8,212,775	5,456,931	4,293,863	185,125,655	203,189,311
Transfer/Disposals	(295,727)	-	(1,413,899)	(55,065)	-	-	(1,764,691)
At 30 sene 2014	4,090,096,671	101,918,391	143,701,150	46,586,084	18,967,013	2,483,302,237	6,884,571,546
At 1 Hamle 2014	4,090,096,671	101,918,391	143,701,150	46,586,084	18,967,013	2,483,302,237	6,884,571,546
Additions	1,494,552	-	616,436	12,912,558	13,248,523	71,654,575	99,926,644
Transfer/Disposals	(1,398,207)	(101,918,391)	(5,390,224)	(5,045,347)	(1,338,095)	(762,225,943)	(877,316,207)
At 30 sene 2015	4,090,193,016	-	138,927,362	54,453,295	30,877,441	1,792,730,869	6,107,181,982
Depreciation							
At 1 Hamle 2013	310,239,401	23,215,685	80,156,012	23,623,399	10,258,583	-	447,493,080
Charge for the year	159,503,519	2,642,642	21,574,071	6,452,170	1,715,162	-	191,887,564
Transfer/Disposals	-	-	(1,129,099)	(55,065,04)	-	-	(1,184,164)
At 30 sene 2014	469,742,920	25,858,327	100,600,984	30,020,504	11,973,745	-	638,196,480
At 1 Hamle 2014	469,742,920	25,858,327	100,600,984	30,020,504	11,973,745	-	638,196,480
Charge for the year	159,400,934	1,101,101	19,016,672	5,745,316	2,900,235	-	188,164,258
Transfer/Disposals	(6,539,513)	(26,959,427)	(5,390,174)	(4,755,803)	(1,336,064)	-	(44,980,981)
At 30 sene 2015	622,604,341	(26,959,427)	114,227,482	31,010,017	13,537,916	-	781,379,756
Net book values							
At 30 sene 2014	3,620,353,751	76,060,064	43,100,166	16,565,580	6,993,268	2,483,302,237	6,246,375,066
At 30 sene 2015	3,467,588,675	-	24,699,880	23,443,278	17,339,525	1,792,730,869	5,325,802,226

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

11 INVESTMENT PROPERTY

	Sheds and Buildings	Roads	Construction in Progress	TOTAL
Cost				
At 1 Hamle 2013	12,625,867,303	4,201,499,081	3,293,970,430	20,121,336,814
Additions	-	-	440,846,167	440,846,167
Transfer/Disposals	(5,148,972)	-	-	(5,148,972)
At 30 sene 2014	12,620,718,331	4,201,499,081	3,734,816,597	20,557,034,009
At 1 Hamle 2014	12,620,718,331	4,201,499,081	3,734,816,597	20,557,034,009
Additions	-	-	649,026,405	649,026,405
Disposals/Transfer	(173,705,883)	-	(15,174,929)	(188,880,812)
At 30 sene 2015	12,447,012,448	4,201,499,081	4,368,668,073	21,017,179,603
Depreciation				
At 1 Hamle 2013	945,708,231	559,501,573	-	1,505,209,804
Charge for the year	273,003,005	195,981,542	-	468,984,547
Disposals	(431,970)	-	-	(431,970)
At 30 sene 2014	1,218,279,266	755,483,115	-	1,973,762,381
At 1 Hamle 2014	1,218,279,266	755,483,115	-	1,973,762,381
Charge for the year	305,239,826	210,074,954	-	515,314,780
Disposals	(45,738,743)	-	-	(45,738,743)
At 30 sene 2015	1,477,780,349	965,558,069	-	2,443,338,418
Net book values				
At 30 sene 2014	11,402,439,065	3,446,015,966	3,734,816,597	18,583,271,628
At 30 sene 2015	10,969,232,099	3,235,941,012	4,368,668,073	18,573,841,185

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

CONSTRUCTION IN PROGRESS

The breakdown of construction in progress is as follows.

	2015 ETB	2014 ETB
Summera Industrial Park	1,831,413,537	1,483,100,227
Debre Birhan Industrial Park	1,256,672,819	1,262,663,247
IT Park	0	744,113,099
Adama Industrial Park	857,945,101	678,071,603
Bahir Dar Industrial Park	636,357,807	642,586,043
Dire Dawa Industrial Park	746,300,856	688,257,789
Bole Lemi Industrial Park	370,903,419	340,323,957
Combolcha Industrial Park	226,552,012	233,664,032
Hawassa Industrial Park	165,640,339	216,855,845
Mekele Industrial Park	23,164,485	35,206,799
Jimma Industrial Park	19,394,033	28,093,816
IPS		25,535,617
Head office	15,732,275	15,732,275
Kilinto Industrial Park	9,824,738	9,824,738
Arrerti Industrial Park	1,046,527	1,046,527
Ayesha Industrial Park	391,250	391,250
Adama Hunan	59,744	59,744
	6,161,398,942	6,405,526,609

COMMITMENTS

The Corporation's commitments arise mainly from the construction of Industrial parks throughout the country as described below. The payments would be done by dollar or birr based on the agreement. The Corporation has commitments not provided for in these financial statements. of Birr 1,424,554,421 in respect of the estimated costs to complete construction works. The details are as follows:

Commitments	Contractor	Committed amount
Construction of Hawassa IP	CCECC	469,346,162
Construction of Bahir dar IP	CCECC	68,100,557
Construction of Kombolcha IP	CCCCC	22,558,835
Construction of Debre birhan IP	CCCCC	98,651,467
Construction of Adama IP	CCECC	353,229,502
Construction of Dire dawa IP	CCECC	42,735,587
Construction of Jimma IP	CCCCC	77,531,931
Construction of Mekele IP	CCCCC	47,128,843
Construction of Semera IP		245,271,537
Total		1,424,554,421

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

12 INVESTMENT

	2015	2014
	ETB	ETB
Investment in GAIZO Garment	4,250,000	4,250,000
Initial investment - Ethiopia Hunan	40,000,000	40,000,000
	44,250,000	44,250,000
Less: impairment loss	(2,083,032)	(2,083,032)
	42,166,968	42,166,968

The investment is made up of equity investments in two companies:

i. GAIZO Garment Industries S.C. was formed with subscribed capital of Birr 17,000,000, of which Birr 12,000,000 representing 70% ownership is the share of Industrial Parts Development Corporation. The corporation paid Birr 4,250,000 as a paid up capital to the company.

The business purpose of GAIZO Garment Industries s.c was to develop industry zones and carry out all other activities permitted by investment law of the country. The purpose of the share company was supposed to support the fulfilment of the overall objectives of the corporation. However, before the company became operational, the shareholders decided to dissolve it in June 2016. The dissolution process, however, has not been completed at the reporting date.

Following the dissolution of the company the corporation assessed the remaining value in the share company and impaired its investment by Birr 2,083,032. No unrecognized commitments exist at the reporting date that would require contributions or funding by the corporation.

ii. Ethiopia-Hunan (Adama) Industrial Park Operation and Management Plc was formed with the corporation's capital contribution of Birr 40,000,000, and 40% ownership and voting rights. The remaining shares are owned by Changsha Economic and Technology Development Group (51%) and CGCOC Group (9%).

The business purpose of the company is to provide a comprehensive business management services in the Adama (Ethiopia-Hunan) Machinery and Equipment Manufacturing industrial park which will be owned by the corporation. The services include property management and maintenance services, Catering and shipping services, low rent employee housing service and others. These services are strategic to the activities of Industry Parks Development Corporation. No unrecognized commitments exist at the reporting date that would require contributions or funding by the corporation.

These investments are treated in the books on the basis of Equity method

13 TIME DEPOSIT

	2015	2014
	ETB	ETB
Sidama Micro finance S.Co.	35,300,041	33,861,130
COOP HO-Time deposit	100,000,000	100,000,000
Awash HO-Time deposit	100,000,000	
	235,300,041	133,861,130

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

(Time Deposit Continued)

This represents fixed time deposit made at Sidama Micro Financing Institution on the basis of contract signed on 25 Ginbot 2008. The deposit yields interest at the rate of 6% per annum and maturing on Sene 2018. The balances are calculated on Amortized cost basis using the contract interest rate. The corporation could not use the market interest rate for effective interest rate calculations due to the unavailability of such rates applicable for the deposit period.

14 RIGHT OF USE ASSET

	2015 ETB	2014 ETB
COST		
2014	-	1,125,000
Addition	-	-
At 30 sene 2015	<u>-</u>	<u>1,125,000</u>

15 INVENTORY

	2015 ETB	2014 ETB
Inventories	49,917,423	42,893,035
	<u>49,917,423</u>	<u>42,893,035</u>
Goods in transit	213,711,237	
	<u>263,628,660</u>	
Allowance for stock obsolescence	(31,346)	(31,346)
	<u>263,597,314</u>	<u>42,861,689</u>

16 TRADE AND OTHER RECEIVABLES

	2015 ETB	As Restated 2014 ETB
Trade receivables	1,245,270,647	987,394,431
Sundry receivables	42,792,581	491,591,588
Advance to contractors	82,318,869	78,528,362
Prepayments	6,623,750	8,306,694
Purchase and other advance	5,132,866	2,925,549.49
Staff receivables	12,064,898	2,200,702
Withholding tax receivables	2,279,548	2,206,384
Value added tax recoverable	-	-
	<u>1,396,483,160</u>	<u>1,573,153,710</u>
Allowance for doubtful accounts	(568,615,019)	(311,864,848)
	<u>827,868,141</u>	<u>1,261,288,861</u>

17 CASH AND BANK BALANCES

	2015 ETB	2014 ETB
Cash At Bank	3,674,688,883	3,441,561,420
Cash On Hand	-	-
	<u>3,674,688,883</u>	<u>3,441,561,420</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

18 CAPITAL

The Corporation is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. There are no shares and no par value. The authorized capital of the Corporation was proclaimed at Birr 40,000,000,000, and Birr 27,143,543,041 was paid up through 30 Sene 2015.

19 TRADE AND OTHER PAYABLES

2015
ETB

2014
ETB

Financial instruments:

Retention Payable	1,871,446,421	1,802,972,469
Contractors payable	345,806,833	626,438,285
Advance collection	261,796,031	264,601,928
Sundry Payable (Note 19.1)	28,799,173	33,249,378
Accrued payable (Note 19.2)	48,971,577	43,806,406
Trade payables	1,127,428	1,218,172
State dividened payable	20,925,880	20,925,880
Security deposits	158,240,042	141,526,462
Taxes payable (Note 19.3)	36,968,160	141,373,649
	2,774,081,546	3,076,112,629

19.1 Sundry Payables are composed of:

2015
ETB

2014
ETB

Operation and Mangment payable	12,708,107	12,682,107
	2,477,294	1,887,025
Others	13,613,772	18,680,246
	28,799,173	33,249,378

19.2 ACCRUED PAYABLE

2015
ETB

2014
ETB

Accrued audit fee	3,600,000	3,035,000
Annual leave	4,648,901	5,033,448
Consultant fee payable	1,851,188	1,111,537
Industrial Development Fund	16,811,591	16,811,591
Accrued others	22,059,898	17,814,831
	48,971,577	43,806,406

19.3 TAXES PAYABLE

2015
ETB

2014
ETB

Value added tax	17,056,045	132,305,151
Payroll income tax	8,014,103	4,195,124
Withholding Vat payable	2,352,253	613,350
Profit Tax Payable	2,806,923	2,806,923
Withholding tax	6,738,837	1,453,100
	36,968,160	141,373,649

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

20 KEY MANAGEMENT COMPENSATION

The compensation paid to key management staff includes salaries, bonuses, loans, termination payments and other benefits paid to the company, Directors, CEO, DCEOs and Board of Directors during the financial year. This is shown in the following table:

	2015	2014
	ETB	ETB
Salary	12,960,103	10,712,714
Other benefits	1,321,308	1,390,338
Board fees	465,621	71,375
Loan		166,896
	<u>14,747,032</u>	<u>12,341,323</u>

21 NON-CASH TRANSACTIONS

In accordance with IAS 7.43, the following significant non-cash investing and financing activities occurred during the year and are excluded from the statement of cash flows, as they do not involve actual cash movements:

Description	Amount	Explanation
Net Trade and Other Debtors Balance of ICT Park	71,870,069	The transfer of receivable balances to the separately incorporated ICT Park was excluded from the statement of cash flows as it did not result in an actual cash movement.
Net Carrying Amount of ICT Park's Property, Plant and Equipment (PPE)	976,605,059	The net PPE balance transferred to ICT Park did not involve any cash movement and was therefore excluded from the statement of cash flows.
Net Trade and Other Payables Balance of ICT Park	48,019,742	Payable balances assumed by ICT Park without any cash transfer were also excluded from the statement of cash flows.

22 STAFF COST

	2015	2014
	ETB	ETB
Salary and benefits	259,001,194	142,936,019
Pension	19,396,049	11,657,137
	<u>278,397,243</u>	<u>154,593,157</u>

Staff costs for the year amounted to Birr 278,397,243 as of Sene 30 2015 (30 Sene 2014 - Birr 154,593,157) as indicated above.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

23 EMPLOYEES

The Corporation employed 1,083 staff at 30 Sene 2015 (30 Sene 2014 — 1,023)

24 DEFERRED REVENUE

	2015	2014
	ETB	ETB
COST		
Balance at 1 Hamile	64,362,634	64,362,634
Addition	77,349	-
Balance at 30 Sene	64,439,983	64,362,634
AMORTIZATION		
Balance at 1 Hamile	43,315,026	34,757,725
Addition	7,677,335	8,479,952
Balance at 30 Sene	50,992,361	43,237,677
Net balance at 30 Sene	21,124,957	29,604,909
Net balance at 30 Sene	13,447,622	21,124,957

25 SEVERANCE PAYABLE

	2014	2013
	ETB	ETB
Severance payable	14,413,416	9,689,667

26 CONTINGENT LIABILITY

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

The corporation has contingent liabilities not provided for in these financial statements, of Birr 119,782.18 in respect of legal actions brought by third parties which are being contested by the Corporation.

27 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (i) those that provide evidence of conditions that existed at the end of the period - adjusting events and
- (ii) those that are indicative of conditions that arose after the reporting period non-adjusting events.

Adjusting
events

There were no adjusting events that occurred after the reporting period.

Non adjusting events:

There were no non-adjusting events that occurred after the reporting period.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

28 OPERATING SEGMENTS

An operating segment is a component of an entity.

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) For which discrete financial information is available.

Based on this definition the corporation has 12 segments (Industrial parks of Hawassa, Adama, Kombolcha, Direedawa, Mekelle, Debrebirhan, Bahrdar, Adis Industry Village, Bole lemi Kilinto which are constructed by the corporation) and IPS merged with the corporation in the 2011 fiscal period. All the mentioned segments earn revenue and incur expenses as well as their operating performance had been evaluated based on the distribution of the budget.

Out of the total revenue earned by the Corporation amounting to Birr 1,624,548,411 Hawassa, Adama and Bole Lemi Industrial parks hold 64% which is Birr 1,038,553,702 as shown below:

	Hawassa	Bole Lemi	Adama	Total
Sheds	497,652,077	183,991,813	156,490,830	838,134,720
Residential building	45,995,310	-		45,995,310
Commercial buildings	8,065,048	16,299,142	4,193,029	28,557,218
ETP service fee	49,298,238	1,057,769	6,436,220	56,792,228
Water service fee	3,998,976	5,113,950		9,112,926
Management service fee	25,459,833		7,371,131	32,830,964
Developed land lease	6,169,728	20,960,607	-	27,130,335
	636,639,210	227,423,281	174,491,210	1,038,553,702

29 FREE HOLD LAND HELD BY THE CORPORATION

The corporation has a free hold land (leasable land) at different industrial parks totalling 463.4 acres. According to the Federal Democratic Republic of Ethiopia's constitution, all urban and rural land is the property of the state, therefore no value is allocated to the land and is not recorded in the statement of financial position. The details are presented below:

Name of industrial park	Freehold land (acre)	Remarks
Bole Lemi 2	79.8	Manufacturing and commercial
Kilinto Industrial park	138.7	Manufacturing and commercial
Mekele Industrial park	19.2	Manufacturing and commercial
Kombolcha Industrial park	11.1	Manufacturing and commercial
Direedawa Industrial park	46	Manufacturing and commercial
Jimma industrial park	4.8	Manufacturing and commercial
Bahirdar Industrial park	23	Manufacturing and commercial
Debrebiran industrial park	35	Manufacturing and commercial
Information communication	105.8	Manufacturing and commercial
Total	463	

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

30 Restatement of Prior Period Financial Statements- Income and recivabale

1. Description of the Prior Period Error

During the financial reporting process for the year ended 30 sene 2015, the Corporation identified an error relating to Income from Operating lease, revenue from services provided through its Effluent Treatment Plants (ETPs) and Sewerage Treatment Plants (STPs) in various industrial parks.

Income from Operating lease and Revenue generated from these services between 2013 and 2014 was not accrued and therefore not recognized in the corresponding reporting periods, despite the services having been rendered and performance obligations satisfied. This omission resulted in the understatement of both revenue and receivables in the affected years.

The error arose due to a failure to properly accrue amounts earned but not yet invoiced, contrary to the requirements of IFRS 16 (Operating Lease) and IFRS 15 (revenue recognition) and the accrual basis of accounting.

2. Correction and Impact of the Restatement

The financial statements have been restated retrospectively to reflect the correction of this error. The restatement has been applied to all comparative periods presented, in accordance with IAS 8.

A. Statement of Financial Position (Extract)

As at 30 sene 2014	2014 (Previously Reported)	Adjustment	2014 (Restated)
Trade and Other Receivables	1,231,239,230	30,049,632	1,261,288,861
Retained Earnings	(877,402,142)	30,049,632	(847,352,510)

B. Statement of Profit or Loss and Other Comprehensive Income

(For the year ended 30 sene 2014)

Line Item	Previously	Adjustment	Restated
Shed Rent	1,030,458,892	7,115,257	1,037,574,149
Commercial Building Rent	50,582,764	1,197,674	51,780,439
Effluent Treatment Plants	9,243,490	9,218,931	18,462,421
Sewage Treatment Plant	11,900,719	12,517,770	24,418,489

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SENE 2015

31 Reclassification of Prior Period Statament of FinanacialPosition Items

During the preparation of the financial statements for the year ended 30 sene, 2015, the Corporation reviewed the presentation of its statement of financial position (balance sheet) and identified the need for certain reclassifications — specifically relating to the Legal Reserve, Deferred Tax Liability, Industrial Development Fund, and Profit Tax Payable — to maintain consistency with the presentation adopted in the previous year. These items were removed from the face of the balance sheet and reclassified under the respective categories where they were presented in the prior period.

These reclassifications were made to enhance comparability and presentation clarity. The reclassifications have no impact on the Company's total assets, liabilities, equity, or net profit for the comparative period.

32 DATE OF AUTHORIZATION

The Chief Executive Officer of the Corporation authorized the issue of these financial statements on Ginbot 05, 2017.