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AUDIT SERVICE CORPORATION

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2016



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PUBLIC ACCOUNTABILITY SHARED GROWTH

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Audit Service Corporation

**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 2016, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

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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)

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.

Audit 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 2016

	Notes	2016 ETB	2015 ETB
INCOME FROM OPERATING LEASE	5	1,730,039,033	1,482,555,280
REVENUE FROM CONTRACTS WITH CUSTOMERS	6	162,911,264	141,993,131
OPERATING EXPENSES	7	<u>(1,572,360,575)</u>	<u>(1,195,864,261)</u>
GROSS PROFIT		320,589,722	428,684,150
OTHER INCOME	8	<u>127,929,940</u>	<u>119,841,823</u>
		448,519,662	548,525,974
EXPENSES			
ADMINISTRATIVE EXPENSES	9	<u>(882,709,232)</u>	<u>(592,442,649)</u>
		(882,709,232)	(592,442,649)
PROFIT (LOSS) BEFORE TAX		(434,189,570)	(43,916,676)
TAX EXPENSE	25	<u>(274,352,781)</u>	-
NET PROFIT (LOSS) FOR THE YEAR		(708,542,352)	(43,916,676)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(708,542,352)</u>	<u>(43,916,676)</u>



INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 30 SENE 2016

	Notes	2016 ETB	2015 ETB
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,347,900,190	5,325,802,226
Investment property	11	26,056,215,332	18,573,841,185
Investment	12	42,166,968	42,166,968
Time deposit	13	220,300,041	235,300,041
		<u>31,666,582,530</u>	<u>24,177,110,420</u>
CURRENT ASSETS			
Inventories	14	816,722,676	263,597,314
Trade and other receivables	15	1,489,489,591	827,868,141
Cash and bank balances	16	3,320,002,232	3,674,688,883
		<u>5,626,214,499</u>	<u>4,766,154,338</u>
TOTAL ASSETS		<u>37,292,797,029</u>	<u>28,943,264,757</u>
CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Paid-up capital	17	35,894,495,839	27,143,543,041
Accumulated Loss		(1,710,763,220)	(1,002,220,868)
		<u>34,183,732,619</u>	<u>26,141,322,173</u>
NON-CURRENT LIABILITIES			
Deferred revenue	23	7,988,664	13,447,622
Severance payable	24	27,339,096	14,413,416
Deferred Tax Liability	25	266,827,658	-
		<u>302,155,418</u>	<u>27,861,038</u>
CURRENT LIABILITIES			
Trade and other payables	18	2,796,576,946	2,771,274,623
Profit tax payable	25.5	10,332,046	2,806,923
		<u>2,806,908,992</u>	<u>2,774,081,546</u>
TOTAL EQUITY AND LIABILITIES		<u>37,292,797,029</u>	<u>28,943,264,758</u>



INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SENE 2016

	Paid up Capital ETB	Accumulated loss ETB	Total Equity ETB
At 30 Sene 2014(As Restated)	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
At 30 Sene 2015	27,143,543,041	(1,002,220,868)	26,141,322,173
Increase in capital	663,181,801	-	663,181,801
Bole lemi 2 & Kilinto Projects cost transferred from Competitiveness & Job Creation Project (CJC)	8,087,770,996	-	8,087,770,996
Profit for the year	-	(708,542,352)	(708,542,352)
At 30 Sene 2016	35,894,495,839	(1,710,763,220)	34,183,732,619



INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SENE 2016

	2016 ETB	2015 ETB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	(434,189,570)	(43,916,676)
Adjustments for:		
Depreciation of property, plant and equipment	949,601,126	703,479,038
Interest Income	(98,746,350)	-
Bad debt	319,101,401	256,753,353
Decrease in deferred revenue	(5,458,958)	(7,677,335)
Severance	12,925,680	4,723,749
Foreign exchange loss on security and retention	59,647,938	-
	<u>802,881,266</u>	<u>91336212914%</u>
Movements in working capital		
Movement in inventory	(553,125,362)	(220,735,625)
Movement in trade and other receivables	(954,761,082)	104,800,481
Movement in trade and other payables	(74,461,882)	(254,011,342)
Cash generated from /(used by) operationing activities	(779,467,060)	543,415,644
Interest paid	-	-
Profit tax paid	-	-
Net cash generated from (used in) operating activities	(779,467,060)	543,415,644
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(527,313,222)	(748,958,995)
Interest Income	98,746,350	-
Investment on Fixed Time Deposit	15,000,000	(101,438,911)
Net cash used in investing activities	(413,566,872)	(850,397,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in capital	663,181,801	552,660,280
Net cash generated from (used in) financing activities	663,181,801	552,660,280
Capital transfer from Competitiveness & Job Creation Project	175,165,480	-
Cash Transffred to ICT Park	-	(12,550,554)
Net increase in cash and cash equivalents	(354,686,652)	233,127,464
Cash and cash equivalents at beginning	3,674,688,883	3,441,561,419
Cash and cash equivalents at the end of the year	<u>3,320,002,232</u>	<u>3,674,688,883</u>



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SENE 2016**

1 CORPORATION INFORMATION

Industrial Parks Development Corporation was established on 27 Hidār 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.

Addition of Bole Lemi 2 and Kilinto Industrial Parks to the Statement of Financial Position

During the reporting period, Bole Lemi II & Kilinto Industrial Parks, which were previously accounted for under separate project-specific accounts during their development phase, were completed and became operational. Accordingly, the Industrial Parks Development Corporation (the "Corporation") transferred the related assets to its statement of financial position under **Investment Property (IP) and Property, Plant and Equipment (PPE)** in line with IAS 40- Investment Property and IAS 16 – Property, Plant and Equipment.

Before the transfer, an independent valuation of the parks' IP & PPE assets was conducted to determine their fair value. This valuation was performed by a qualified professional valuer in accordance with international valuation standards. The valued amounts were used as the basis for the initial recognition of the assets on the Corporation's statement of financial position.

This valuation approach ensures that the recognized asset values fairly represent the economic benefits expected to be derived from the industrial parks and complies with the recognition and measurement principles of IAS 40 and IAS 16.

In addition to the transfer of IP and PPE, a number of receivable and payable balances associated with the Bole Lemi II and Kilinto project operations were also assumed by the Corporation. These balances primarily relate to residual project-related transactions, such as minor contractor retentions, utilities, or supplier advances. The net value of these receivables and payables is immaterial in comparison to the overall value of the IP & PPE transferred. Nevertheless, they have been incorporated into the Corporation's statement of financial position as part of the overall project integration, in accordance with the requirements of IAS 1 – Presentation of Financial Statements, ensuring completeness of asset and liability reporting.

The impact of the reclassification and valuation is summarized as follows:

Description	Valued Amount ETB
Bole Lemi Industrial Park II	4,984,465,088.35
Kilinto Industrial Park	2,942,294,925.83
Total Transferred to IP & PPE	7,926,760,014.18



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SENE 2016**

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 have 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

Statement of Cash Flows and Financial Instruments: Disclosures (IAS 7 & IFRS 7 Amendments)	1-Jul-24
Lack of Exchangeability (IAS 21 The Effects of Changes in Foreign Exchange Rates Amendments)	1-Jul-24
Classification and Measurement of Financial Instruments (IFRS 9 and 7 Amendments)	1-Jul-26
Presentation and Disclosure in Financial Statements (IFRS 18)	1-Jul-26
Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1-Jul-26

IFRS 19. Subsidiaries without Public Accountability is 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:



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

2 ACCOUNTING POLICIES (Continued)

c) (Change in accounting policies and disclosures Continued)

***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:
Disclosures – Supplier Finance Arrangements***

The amendments to IAS 7 and IFRS 7 enhance transparency in supplier finance arrangements. They require entities to disclose information that helps users understand the effects of supplier finance arrangements on the entity's financial position and cash flows. This includes the nature of the arrangements, the amounts outstanding, and the impact on liquidity risk. The Corporation will make an assessment of the impact of this amendment.

Lack of Exchangeability – Amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates)

These amendments address situations where a currency cannot be exchanged into another currency due to restrictions or other barriers. The guidance clarifies how to determine the exchange rate to use in such cases, ensuring that the financial statements reflect the economic reality of the situation.

The Amendments to IAS 21 ("Lack of Exchangeability") have an effective date of January 1, 2025. Early application is permitted, allowing entities to adopt the amendments before the mandatory date if they choose. These amendments aim to provide clearer guidance on how to address situations where exchangeability between currencies is limited or unavailable.

The Corporation will assess the impact of this amendment.

c) (Change in accounting policies and disclosures Continued)

Amendments to the Classification and Measurement of Financial Instruments – (IFRS 9 and IFRS 7)

These amendments refine the classification and measurement requirements for financial instruments under IFRS 9. They also enhance the disclosure requirements in IFRS 7 to provide more information on the nature and extent of risks arising from financial instruments, improving transparency and consistency in financial reporting.

The amendments are effective for annual periods beginning on or after January 1, 2024. Early application is permitted. These changes are intended to enhance comparability and consistency in financial instrument reporting across entities.

The Corporation will assess the impact of the amendments and apply the standards as required.



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

2 ACCOUNTING POLICIES (Continued)
Presentations and Disclosure in Financial Statements (IFRS 18)

IFRS 18 is a new standard that focuses on the presentation and disclosure requirements in financial statements. It aims to streamline and standardize the presentation of financial information, ensuring that financial statements are clear, concise, and provide relevant information to users.

IFRS 18: Presentation and Disclosure in Financial Statements is effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The Corporation will assess the impact of the amendments and apply the standards as required.

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.



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

2 ACCOUNTING POLICIES (Continued)

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 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

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:

	%
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.

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

2 ACCOUNTING POLICIES (Continued)

f) (Investment properties Continued)

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:

	%
Buildings structural and architectural components	2
Buildings electrical systems components.	5
Buildings sanitary and water systems components	3.33

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.

On November 2022 the corporation revalued its Investment property and Property, Plant & Equipment by engaging its consulting business wing (IPS) which is disclosed on Note no 31.

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.



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

2 ACCOUNTING POLICIES (Continued)

g) (Fixed Time Deposit Continued)

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.

h) Accounting for leases

The Corporation applies the short-term lease exemption under IFRS 16. Accordingly, leases with a lease term of 12 months or less are not recognized as right-of-use assets and lease liabilities. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor, the Corporation leases industrial sheds to investors for a period of time at modest lease terms in view of the fulfillment of its objectives and lease income is recognized on a straight-line basis over the lease term. The minimum lease payment under the significant lease agreements is USD 1. Per square meter of shed area per month.

As a lessee, the Corporation leases its head office building under short-term lease arrangements, with lease payments recognized as an expense on a straight-line basis.

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 grants 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:



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

2 ACCOUNTING POLICIES (Continued)

(Recognition and classification of financial assets Continued)

- 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.

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.

