

**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 2011, 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 2011 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.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

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.

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.

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)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the 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.

DATE

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SENE 2011**

	Notes	Birr	Birr	30 SENE 2010 (as restated) Birr
ASSETS				
NON CURRENT ASSETS				
Property plant and equipment	2(e) 5	9,678,574,128		8,967,800,968
Investment Property	2(f) 6	12,806,490,933		9,609,188,486
Investment	7	42,166,968		42,166,968
Time deposit	8	<u>29,540,454</u>		<u>28,101,543</u>
			22,556,772,483	18,647,257,965
CURRENT ASSETS				
Receivables	2(i) 9	2,317,921,272		2,413,777,921
Cash and bank balances		<u>3,824,435,794</u>		<u>2,697,790,645</u>
			6,142,357,066	5,111,568,566
TOTAL ASSETS			28,699,129,549	23,758,826,531
EQUITY AND LIABILITIES				
CAPITAL				
Authorized paid up	10	40,000,000,000	25,900,265,678	20,077,341,654
Accumulated loss			<u>(425,778,560)</u>	<u>(311,058,776)</u>
TOTAL EQUITY			25,474,487,118	19,766,282,878
LONG TERM LIABILITY				
Deferred revenue	19	28,030,567		15,433,867
Severance payable	20	<u>2,856,209</u>		<u>15,433,867</u>
			30,886,776	15,433,867
CURRENT LIABILITIES				
Payables	11		3,193,755,655	3,977,109,786
TOTAL EQUITY AND LIABILITIES			28,699,129,549	23,758,826,531

Refer the disclosure given on the restated amount under Note 25

The notes on pages 8 to 34 form an integral part of these financial statements

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SENE 2011**

	NOTES	Birr	30 Sene 2010 Birr
REVENUE	12	345,209,400	155,801,882
OPERATING EXPENSES	13	417,054,149	310,030,785
GROSS OPERATING PROFIT (LOSS)		<u>(71,844,749)</u>	(154,228,903)
OTHER INCOME	14	35,649,149	112,050,627
EXPENSES		<u>(36,195,600)</u>	(42,178,276)
ADMINISTRATIVE	15	78,524,184	35,776,355
NET LOSS FOR THE YEAR		78,524,184	35,776,355
NET PROFIT (LOSS) BEFORE INCOME TAX		<u>(114,719,784)</u>	(77,954,631)
		(114,719,784)	(77,954,631)
TOTAL COMPREHENSIVE LOSS		<u>(114,719,784)</u>	(77,954,631)

The notes on pages 8 to 34 form an integral part of these financial statements

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 30 SENE 2011**

	Capital Birr	Accumulated loss Birr	Total Equity Birr
Balance at 30 Sene 2009	11,220,154,411	(233,104,144)	10,987,050,266
Adjustment of paid up capital	2,029,772,816		2,029,772,816
Increase in owner capital	6,827,414,427		6,827,414,427
Net loss for the period	_____	<u>(77,954,631)</u>	<u>(77,954,631)</u>
Balance at 30 Sene 2010 (as restated)	20,077,341,654	(311,058,775)	19,766,282,879
Increase in owner capital	4,922,658,347		4,922,658,347
Net assets taken over from IPS and ICT	900,265,676		900,265,676
Net loss for the period	_____	<u>(114,719,784)</u>	<u>(114,719,784)</u>
Balance at 30 Sene 2011	<u>25,900,265,677</u>	<u>(425,778,559)</u>	<u>25,474,487,119</u>

Refer the disclosure given on the restated amount under Note 25

The notes on pages 8 to 34 form an integral part of these financial statements

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SENE 2011**

	Birr	Birr	30 Sene 2010 Birr
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss for the year		(114,719,784)	(77,954,631)
Adjustments for			
Depreciation	262,572,770		197,000,834
Foreign exchange Loss	14,481,443		-
Interest Income	(1,438,911)		(1,459,917)
Grant Income	(6,744,710)		(4,129,605)
Severance & Bad debt expense	<u>6,526,409</u>		<u>113,456,681</u>
		160,677,217	
Movements in working capital			
Decrease (Increase) in Receivables	229,678,883		1,494,020,298
Increase (decrease) in Payables	<u>(885,555,212)</u>		<u>186,231,612</u>
		(655,876,329)	<u>1,680,251,910</u>
Net cash (used by) / generated from operating activities		(495,199,112)	1,801,967,801
CASH FLOW FROM INVESTING ACTIVITIES			
Equity Investment (Adama Hunan)	-		(40,000,000)
Payment for acquisition of property and equipment	<u>(3,327,544,075)</u>		<u>(6,965,834,016)</u>
		(3,327,544,075)	(7,005,834,016)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital Contribution in cash	<u>4,922,658,348</u>		<u>6,827,414,427</u>
		4,922,658,348	<u>6,827,414,427</u>
Add opening Cash balance of IPS &IT park		26,729,988	
INCREASE IN CASH AND CASH EQUIVALENTS		1,126,645,149	1,615,289,002
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,697,790,645	1,082,501,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>3,824,435,794</u>	<u>2,697,790,646</u>

The notes on pages 8 to 34 form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
30 SENE 2011**

1. CORPORATON 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. 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 is engaged in the development of industrial parks throughout the country and leasing them to interested investors.

Merging of Information Technology Park Corporation

During the reporting period Information Technology Park Corporation has been dissolved and its rights and obligations have been transferred to Industrial Parks Development Corporation pursuant to the decision of Office of the Prime Minister on Ginbot 27/2010 with letter reference No. **ጠ/50-851/1**.

Total assets taken-over from the Corporation amounts to Birr **876,655,043** and total obligation of Birr **35,156,451**.

Information Technology Park Corporation is engaged in the rental of buildings and leasing developed land to investors who carried out the production of IT software and conducting maintenance services.

Merging of Industrial Project Service

During the reporting period Industrial Project Service has been dissolved and its rights and obligations have been transferred to Industrial Parks Development Corporation by the proclamation No.1097/2018 article 36 sub article 19.

Total assets taken-over from the enterprise amounts to Birr **112,931,197** and total obligation of Birr **68,930,621**.

The enterprise is engaged in multi-disciplinary consultancy and training services. Its principal activities are consultancy, feasibility analysis, training and valuation services.

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 Sene 2011

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 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 judgement 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) Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective

There have been several new standards amendments and interpretations that were issued but have not been effective until after the balance sheet date of the corporation. The corporation intends to adopt these new standards, amendments and interpretations, where relevant to the corporation's business, when they become effective.

Only some of the new standards, amendments and interpretations are expected to have impact on the Corporation's financial statements. These are disclosed as follows:

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)'. The objective is to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The corporation has not assessed the impact of the amendment on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 Sene 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures (continued)

IFRS 16 – Leases

IFRS 16 'Leases' was issued by the IASB on 13 January 2016 and is effective for periods beginning **on or after 1 January 2019**, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use of asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

This standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet.

The corporation has not assessed the impact of the standard on its financial statements.

IAS 19 – Employee Benefits

On 7 February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The corporation has not assessed the impact of the amendment on its financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The corporation has not assessed the impact of the amendment on its financial statements.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 Sene 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 at 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 in to Birr at spot exchange rates at reporting dates. Foreign exchange differences arising on these translations are recognised in the statement of profit or loss in the same period.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Subsequently, PPE will be measured at cost excluding the costs of day today services, less accumulated depreciation and accumulated impairment in value. The cost of the property plant and equipment at the balance sheet date is a close estimate of the respective fair values as the assets are new and substantially under construction.

Depreciation is charged 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
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.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties

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

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

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 unavailability of reliable market data.

The nature and types of the investment properties of the corporation is Sheds, Residential buildings and commercial buildings, which are constructed by the corporation and rented to interested investors/tenants who then settle the rental on monthly bases.

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.

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

(g) 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 an operating lease terms and at modest lease terms in view of the fulfilment of its objectives. The minimum lease payment under the significant lease agreements is USD 1. Per square meter of shed area per month.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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 received to date is vehicles, office furniture, computers and different office equipment's. Accordingly grants in the form of property, plant and Equipment are treated as initially deferred revenue and converted to grant income over the life of the respective asset. Grants in the form of Inventory is recognized as direct grant income of the period. There is no any conditions attached to the granted assets in which the corporation would fulfil.

(i) Financial assets and financial liabilities

Trade receivables are amounts due from customers for sheds rented or services performed in the ordinary course of business. If collection is expected within twelve months, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at fair value less provision for impairment. 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 contact. The amount of the provision is recognised in profit or loss.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within twelve months. If not, they are presented as non-current liabilities. Payables are recognised initially at cost. For USD transactions we measure it at fair value subsequently.

(j) Offsetting of financial assets and 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.

(k) 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.

(l) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of non-monetary items

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.

(n) 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.

(o) 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.

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 (The corporation has identified and notable customers who has rented the industrial sheds in the industrial parks).
- Identify the performance obligations in the contract (The performance obligation is clear which has been described in the main contract agreement in which the corporation needs to provide the constructed sheds and other services like water, management service ETP and STP on time
- Determine the transaction price (The transaction price has clearly stated on the main contract agreement)
- Allocate the transaction price to the performance obligations in the contract (The transaction price has been allocated to the delivered obligation to customers)
- Recognize revenue when (or as) the entity satisfies a performance obligation. (The corporation recognize the revenue on monthly bases when it assures that the performance obligation satisfied for the period.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (IFRS 15 Revenue from contracts with customers) (continued)

- a. Rental of sheds and other auxiliary premises are recognised on a monthly basis following the principles set in IFRS 15. Once the sheds are handed over to the customer, the customer has full discretion over the use of the premises, and there is no unfulfilled obligation that could affect the customers using the premises. Income from the rented sheds is recognized after the grace period of six months has lapsed. This is applied to industrial parks of Adama, Adis industry village, Bahrdar, Bole lemi, Debrebirhan, Diredawa, Hawassa, Jimma, Kombolcha, Kilinto, Mekelle & Semera.

IPS has engaged and its revenue source is from consultancy, feasibility analysis, training and valuation services. ICT Park's source of revenue is renting offices and developed land. The recognition procedure of the revenue is on monthly bases as per the contract agreement of each tenant.

- b. Sales of services are recognised in the period in which the services are rendered following the principles set in IFRS 15, by reference to completion of the specific transaction. Such services include park operation and management service fees and waste water treatment fees.

Therefore the corporation has been compliant to the core principles of the standard

(p) Employee benefits

(i) 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 and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final payout 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.

Severance payment would be taken for employees who are being an employee of the corporation for more than 5 years which is described in the financial manual of the corporation. We have recognized as per the actual employees who are entitled to receive the severance pay at the end of the reporting period which is Birr 2,856,209.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) 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 2011, the Corporation contributed Birr 5,079,185 to the scheme (30 Sene 2010 - Birr 3,206,380) which has been charged directly to profit or loss.

(iii) 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 4,393,237 as at the end of the reporting period (Sene 30, 2010 Birr 2,486,115).

(iv) Staff loans

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.

(q) 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.

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) *Property, plant and equipment*

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment and investment properties. The rates used are set out in Note 2(e) above.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continuation)

Critical accounting estimates and judgements (continued)

(ii) Provision for bad and doubtful debts

Provisions for bad and doubtful debts is determined as per the financial manual of the corporation.

4. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

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.

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.

4. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

ii. Liquidity risk (continued)

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 2011 and 2010 is shown in the following table:

	2011	2010
Security deposit at the year-end before conversion at the closing rate	66,107,559	47,518,808
Foreign exchange losses	<u>2,889,486</u>	<u>6,776,854</u>
	<u>68,997,045</u>	<u>54,295,662</u>

4. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(iii) Market risk (continued)

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 2011 and 2010 is shown below:

	2011	2010
Retention at the year-end before conversion at the closing rate	1,149,006,387	780,505,202
Foreign exchange losses	<u>16,825,875</u>	<u>36,867,415</u>
	<u>1,165,832,262</u>	<u>817,372,617</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.

(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 estimation

As at 30 Sene 2011, 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)
30 SENE 2011

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

5.1 PPE

	Balance at 30 Sene 2010	Opening Balance IPS & ICT	Additions	Transfers/ Adjustments	Balance at 30 Sene 2011
<div style="border: 1px solid black; padding: 2px;">Year ended 30 Sene 2011</div>	Birr	Birr	Birr	Birr	Birr
COST					
Buildings	86,427,148	41,581,042	113,304	2,912,159,260	3,040,280,755
Power, Telephone & Water Infrastructure		101,918,391			101,918,391
Office furniture and equip	36,323,142	8,159,959	2,044,083	(19,472,900)	27,054,284
Computers	4,870,296	4,188,743	489,387	-	9,548,426
Motor vehicles	40,262,031	14,309,488	17,657,469	48,870,841	121,099,830
Construction in progress	8,833,131,294	458,969,352	86,048,808	(2,910,188,336)	6,467,961,119
	9,001,013,910	629,126,975	106,353,052	31,368,865	9,767,862,805
DEPRECIATION					
Buildings	2,050,018	4,012,695	806,653	14,556,314	21,425,681
Power, Telephone & Water Infrastructure		15,287,757	2,642,642		17,930,399
Furniture and equipment	10,950,818	1,894,738	5,050,732	(5,258,200)	12,638,087
Computers	2,480,215	1,284,397	1,969,348	1,027	5,734,987
Motor vehicles	17,731,892	2,438,099	11,389,532		31,559,523
	33,212,944	24,917,686	21,858,906	9,299,140	89,288,677
NET BOOK VALUE	8,967,800,968				9,678,574,128

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 SENE 2011

5.2 PPE As of 30 sene 2010

	Balance at 30 Sene 2009	Additions	Transfers/ Adjustments	Balance at 30 Sene 2010 (as restated)
Year ended 30 Sene 2010				
COST				
Buildinas	9,962,648		76,464,501	86,427,149
Furniture and equipment	12,404,280	2,888,198	21,030,664	36,323,142
Computers	4,750,395	122,240	(2,340)	4,870,296
Motor vehicles	40,241,731	20,300	-	40,262,031
Construction in proaress	<u>1,527,501,734</u>	<u>7,409,407,846</u>	<u>(103,778,286)</u>	<u>8,833,131,294</u>
	1.594.860.788	7.412.438.584	(6.285.462)	9.001.013.910
 DEPRECIATION				2.050.018
Buildinas		963,183	1,086,835	10,950,818
Furniture and equipment	2,450,708	6,426,684	2,073,426	2,480,215
Computers	1,821,116	1,530,108	-871,009	17,731,892
Motor vehicles	<u>9,155,469</u>	<u>8,576,423</u>		<u>33,212,943</u>
	<u>13,427,293</u>	<u>17,496,398</u>	<u>2,289,252</u>	<u>33,212,943</u>
 NET BOOK VALUE	<u>1,581,433,495</u>			<u>8,967,800,968</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 SENE 2011

6. INVESTMENT PROPERTY (IP)

6.1 IP as of 30 Sene 2011

	Balance at 30 Sene 2010	Opening Balance IPS & ICT	Additions	Transfers/ Adjustments	Balance at 30 Sene 2011
Year ended 30 Sene 2011	Birr	Birr	Birr	Birr	Birr
COST					
Sheds and buildings	4,695,821,034	231,981,759	1,202,989	4,789,708,686	9,718,714,469
Roads	1,317,584,757			1,551,611,656	2,869,196,413
Construction in progress	3,992,864,666	14,781,929	3,258,988,375	(6,394,116,552)	872,518,418
	10,006,270,457	246,763,688	3,260,191,364	(52,796,209)	13,460,429,299
DEPRECIATION					
Sheds and buildings	251,711,348	27,210,086	174,834,625	(11,067,554)	442,688,505
Roads	145,370,623		65,879,238		211,249,861
	397,081,971	27,210,086	240,713,863	(11,067,554)	653,938,366
NET BOOK VALUE	9,609,188,486				12,806,490,933

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 SENE 2011

6.2 IP as of 30 sene 2010

Year ended 30 Sene 2010	Balance at 30 Sene 2009 Birr	Additions Birr	Transfers/ Adjustments Birr	Balance at 30 SENE 2010 (as restated) Birr
COST				
Sheds and buildings	4,129,963,255	214,524,665	351,333,114	4,695,821,034
Roads	584,641,700	27,583,119	705,359,938	1,317,584,757
Construction in progress	<u>2,455,775,994</u>	<u>2,587,616,509</u>	<u>(1,050,527,837)</u>	<u>3,992,864,666</u>
	<u>7,170,380,949</u>	<u>2,829,724,293</u>	<u>6,165,215</u>	<u>10,006,270,457</u>
DEPRECIATION				
Sheds and buildings	138,138,617	114,659,566	(1,086,835)	251,711,348
Roads	<u>80,525,753</u>	<u>64,844,870</u>	_____	<u>145,370,623</u>
	<u>218,664,370</u>	<u>179,504,436</u>	<u>(1,086,835)</u>	<u>397,081,971</u>
NET BOOK VALUE	<u>6,951,716,579</u>			<u>9,609,188,486</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 SENE 2011

6.3 The breakdown of construction in progress is as follows:

CONSTRUCTION IN PROGRESS	Birr	30 Sene 2010 Birr
Hawassa Industrial park	2,449,156	2,765,408,984
Mekelle Industrial park	-	1,741,824,518
Adama Industrial park	1,501,241,596	1,612,214,962
Bahir Dar Industrial park	1,151,275,501	400,925,156
Combolcha Industrial park	-	1,765,171,083
Jimma Industrial park	-	1,221,767,185
Dire Dawa Industrial park	2,986,083,811	2,566,241,940
Bole Lemi One Industry park	233,383,496	178,963,273
Kilinto Industrial park	8,590,523	8,586,755
Arrerti Industrial park	260,850	156,510
D/Birhane Industrial park	951,688,094	564,500,845
Ayesha Industrial park	391,250	234,750
Adama hunan IT park	59,744	-
	<u>36,516,896</u>	
	7,340,479,536	12,825,995,961

6.4 COMMITMENTS

The Corporation's commitments are 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 main agreement

The Corporation has commitments, not provided for in these financial statements, of Birr 3,055,306,554 in respect of the estimated costs to complete construction works. The details are as follows:

Commitments	Contractor	Committed amount
Construction of Hawassa 1 IP	CCECC	339,418,699
Construction of Hawassa 2 IP	CCECC	381,433,381
Construction of Bahrdar IP	CCECC	301,663,631
Construction of Kombolcha IP	CCCC	140,054,760
Construction of Debrebirhan IP	CCCC	1,033,680,778
Construction of Adama IP	CCECC	333,439,491
Construction of Diredwa IP	CCECC	434,430,318
Construction of Jimma IP	CCCC	56,862,540
Construction of Mekelle IP	CCCC	34,322,954
Total		<u>3,055,306,554</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 Sene 2011

7. INVESTMENTS IN ASSOCIATES

	Birr	30 Sene 2010 Birr
Investment in GAIZO GARMENT	4,250,000	4,250,000
Initial investment- Ethiopia Hunan	40,000,000	40,000,000
Less: impairment loss	<u>(2,083,032)</u>	<u>(2,083,032)</u>
	<u>42,166,968</u>	<u>42,166,968</u>

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 Parks 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.

30 Sene 2011

8. TIME DEPOSIT

	Birr	30 Sene 2010 Birr
Sidama Micro Finance SCo.	<u>29,540,454</u>	<u>28,101,543</u>

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.

9. RECEIVABLES

	Birr	30 Sene 2010 (as restated) Birr
Trade receivables	124,562,176	54,719,989
Ministry of Finance	2,031,756,203	2,031,756,203
Advance to contractors	142,092,606	310,378,761
Prepayments	8,716,868	6,133,659
Staff debtors	2,563,176	1,088,526
Sundry	18,068,313	12,181,866
Value Added Tax recoverable	8,717,859	
Inventory	<u>5,441,027</u>	<u>1,364,863</u>
	2,341,918,227	2,417,623,866
Allowance for doubtful accounts	<u>(23,996,955)</u>	(3,845,945)
	<u>2,317,921,272</u>	2,413,777,921

10. 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 **25,900,265,678** was paid up through 30 Sene 2011.

30 SENE 2011**11. PAYABLES**

	Birr	30 Sene 2010 Birr
Advance collection	77,035,786	96,362,603
Retention	1,165,832,262	817,372,617
Taxes payable	24,911,272	17,032,631
Accruals	34,541,859	74,509,953
Security deposits	68,997,045	54,295,662
Contractors payable	1,799,201,676	2,917,169,100
Sundry creditors	2,309,874	367,220
State dividend payable	20,925,880	
	3,193,755,655	3,977,109,786
	-	

12. REVENUE

	Birr	30 Sene 2010 Birr
Rent income	334,409,082	146,118,603
Park services revenue	10,800,318	9,683,279
	345,209,400	155,801,882

30 SENE 2011

13. OPERATING EXPENSE

	Birr	30 Sene 2010 Birr
Salaries and related benefits	54,223,842	26,889,970
Utilities	15,194,945	1,863,606
Vehicle rent	3,675,231	875,843
Security fees	8,371,461	1,580,374
Travel and perdiem	2,833,633	1,248,020
Stationery and Office supplies	530,875	213,288
Office rent	137,545	-
Communication	785,533	334,957
Repair and maintenance	1,749,610	250,652
Car running	2,049,274	823,052
Insurance	8,881,140	7,079,190
Uniforms	1,771,232	1,281,924
Depreciation	240,713,863	183,956,380
Operation and management outsourcing cost	72,800,502	78,215,136
Training	87,754	2,080,657
Miscellaneous	<u>3,385,256</u>	<u>3,337,736</u>
	<u>417,054,149</u>	<u>310,030,786</u>

14. OTHER INCOME

	Birr	30 Sene 2010 Birr
Grant income	6,744,710	4,129,605
Interest income	1,438,911	1,459,917
Other income	27,465,528	1,756,038
Foreign exchange gain	<u> </u>	<u>104,705,067</u>
	<u>35,649,149</u>	<u>112,050,627</u>

30 SENE 2011

15. ADMINISTRATIVE EXPENSES

	Birr	30 Sene 2010 Birr
Salaries and related benefits	11,198,029	9,146,031
Vehicle rent	58,200	144,254
Bank charges	387,077	306,571
Audit fees	167,180	369,877
Travel and per diem	1,255,868	680,991
Advertisement	39,118	187,267
Stationery and Office supplies	349,433	257,497
Office rent	5,198,978	3,726,889
Communication	410,037	1,191,648
Repair and maintenance	556,189	788,929
Car running	372,536	965,110
Insurance	1,311,074	606,459
Depreciation	21,858,907	13,044,455
Bad debts expense	18,336,052	3,845,945
Miscellaneous	2,456,989	514,429
Foreign Exchange loss	<u>14,481,443</u>	<u> </u>
	<u>78,437,109</u>	<u>35,776,354</u>

15.1 KEY MANAGEMENT COMPENSATION

	Birr	30 Sene 2010 Birr
Salary	1,033,296	1,033,296
Retirement Benefits	113,663	113,663
Other benefits	192,923	192,923
Board Fees	<u> </u>	<u>16,425</u>
	<u>1,339,882</u>	<u>1,356,307</u>

30 SENE 2011

16. NON-CASH TRANSACTIONS

The following are major non-cash transactions that have been excluded from the statement of cash flows:-

- i. Aggregate opening balances of Birr 962,856,254 and Birr 89,320,564 representing the total assets and liabilities of IT park and ICT park.
- ii. Birr 6,744,710 and Birr 19,341,409 representing grant income and deferred revenue.

17. STAFF COST

Staff costs for the year amounted to Birr 58,624,005 (30 Sene 2010 - Birr 39,797,802.87) and are included in the various major expense categories.

18. EMPLOYEES

The Corporation employed 767 staff at 30 Sene 2011 (30 Sene 2010 – 652).

19. DEFERRED REVENUE

Cost

Balance at 30 sene 2010....	27,210,430
Additions	<u>19,341,409</u>
Balance at 30 sene 2011	<u>46,551,839</u>

Amortization

Balance at 30 sene 2010....	11,776,562
Additions	<u>6,744,710</u>
Balance at 30 sene 2011	<u>18,521,272</u>
Net Balance at 30 sene 2010	<u>15,433,867</u>
Net Balance at 30 sene 2011	<u>28,030,567</u>

20. SEVERANCE PAYABLE

		Balance at 30 sene 2010
Severance payable	<u>2,856,209</u>	-

21. CONTINGENT LIABILITIES

Contingent liability is 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 entity.

The corporation has contingent liabilities not provided for in these financial statements, of Birr 27,552,607 in respect of legal actions brought by third parties which are being contested by the Corporation.

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 ENE 2011

22. 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 reporting 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:

- The spread of COVID 19 virus around the world since December 2019 has been a negative phenomenon in the economic sphere in the country. Business disruptions and movement restrictions have been happening at large since then. Because of this; most of the corporation's investors (lessees) have been unable to settle their due balance of USD on time. Hence, we have maintained provision for unsettled trade debtors balances

Foreign investors could not come into the country as the movement restrictions were in place Due to these challenges the corporation could not get additional lessees for its vacant sheds. The corporation has not assessed the financial impact of it on its business activities.

- The conflict between the government of Ethiopia and forces in the Northern Tigray region, TPLF has thrown the country into big challenges. Fighting has been going on since November 2020. Starting from this month the Corporation's assets at Mekelle Industrial Park, including Industrial sheds and buildings generally have been conquered by the rebellion TPLF. Because of this the Corporation loses total revenue of Birr 162,120,647 since the park was not operational.

However, the problem is resolved and reconciliation created between the government and TPLF before the authorization of this financial statement. There was a committee who observed the status of the park. Based on this the park's investment property and property plant and equipment have not been damaged.

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 SENE 2011

23. EVENTS AFTER THE REPORTING PERIOD (continued)

Non adjusting events (continued)

- Information Technology Park Corporation has been withdrawn from Industrial Parks Development Corporation and its rights and obligations were transferred to Innovation and Technology Minister by the decision of the Office of the Prime Minister of the Federal Democratic Republic of Ethiopia on Hidar 5, 2015 with letter reference No. **፱/130-813/1**.

An aggregate total assets amounting to Birr 1,011,222,964 and liabilities with collective amount Birr 6,540,238 were transferred to the Ministry.

24. 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, Diredawa, Mekelle, Debrebirhan, Bahrdar, Adis Industry Village, Bole lemi, Kilinto which are constructed by the corporation) and IPS and ICT Park merged with the corporation in the current fiscal period. All the mentioned segments earns 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 345,209,400, Hawassa and Bole Lemi Industrial parks hold 83% which is Birr 285,378,303 as shown below:

	Hawassa	Bole Lemi	Total
Sheds	200,096,367	54,932,913	255,029,279
Residential Building	23,331,984	-	23,331,984
Commercial Building	2,096,032	1,242,005	3,338,038
ETP service fee	-	448,747	448,747
Water service fee	3,230,254		3,230,254
	228,754,637	56,623,666	285,378,303

25. CORRECTION OF ERRORS

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period

An entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: As per the standard

If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. Based on this the 2010 error/adjustment has been found and made in the 2011 financial report (There were some reclassification of Property, Plant & Equipment and Investment properties which should be adjusted on the 2010 period) and the 2010 Audit report is completed. So we restated the comparative amounts for the prior period presented in which the error occurred." The restated amount is Birr **5,215,676,736** shown on the property, plant and equipment and Investment Property of the financial Statements. The error is only reclassification.

Description	Balance at 30 sene 2010	Restated Amount	Restated Balance as of 30 sene 2010
Property, Plant & Equipment	3,752,124,232	5,215,676,736	8,967,800,968
Investment Property	14,824,865,222	(5,215,676,736)	9,609,188,486

In addition, capital of 2010 was restated by the proclaimed amount of Birr **2,029,772,816** which is shown on the owners' equity statement and statement of financial position as per the Federal Negarit Gazette published on 9 May, 2017. This balance is to be receivable from Ministry of Finance.

Description	Balance at 30 sene 2010	Restated Amount	Restated Balance as of 30 sene 2010
Paid Up Capital	18,047,568,838	2,029,772,816	20,077,341,654
Receivables	384,005,105	2,029,772,816	2,413,777,921

26. 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 (ha)	Remarks
Bole lemi 2	79.8	Manufacturing and commercial
Kilinto Industrial park	138.7	Manufacturing and commercial
Mekelle Industrial park	19.2	Manufacturing and commercial
Kombolcha Industrial park	11.1	Manufacturing and commercial
Diredawa Industrial park	46	Manufacturing and commercial
Jimma Industrial park	4.8	Manufacturing and commercial
Bahirdar Industrial park	23	Manufacturing and commercial
Debrebirhan Industrial park	35	Manufacturing and commercial
Information Communication Technology (ICT)	105.8	Manufacturing and commercial
Total	463.4 <u>acres</u>	

26. DATE OF AUTHORIZATION

The Chief Executive Officer of the Corporation authorized the issue of these financial statements on