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PUBLIC ACCOUNTABILITY | SHARED GROWTH

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AUDIT SERVICE CORPORATION

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2014

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
FOR THE YEAR ENDED 30 SENE 2014

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Industrial Parks Development Corporation (the Corporation), which comprise the statement of financial position as at 30 Sene 2014, 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 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the Ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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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)

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.

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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)

- 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.

Audit Services Corporation

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SENE 2014

	Notes	2014 ETB	2013 ETB
REVENUE	5	1,257,337,080	857,240,733
OPERATING EXPENSES	6	<u>(974,989,100)</u>	<u>(783,620,595)</u>
GROSS PROFIT		282,347,980	73,620,138
OTHER INCOME	7	<u>127,694,029</u>	<u>76,231,011</u>
		<u>410,042,009</u>	<u>149,851,149</u>
EXPENSES	8		
ADMINISTRATIVE EXPENSES		<u>(306,702,257)</u>	<u>(351,021,851)</u>
		<u>(306,702,257)</u>	<u>(351,021,851)</u>
PROFIT BEFORE TAX		103,339,752	(201,170,702)
INCOME TAX EXPENSE		<u>-</u>	<u>-</u>
PROFIT (LOSS) FOR THE YEAR		103,339,752	(201,170,702)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>103,339,752</u></u>	<u><u>(201,170,702)</u></u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 30 SENE 2014

	Notes	2014	2013
	¶	ETB	ETB
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	6,246,375,066	6,235,653,846
Investment property	10	18,583,271,628	18,616,127,010
Investment	12	42,166,968	42,166,968
Time deposit	13	133,861,130	32,422,219
Right of use asset	11	1,125,000	-
		<u>25,006,799,791</u>	<u>24,926,370,043</u>
CURRENT ASSETS			
Inventories	14	42,861,688	17,482,604
Trade and other receivables	15	1,231,239,230	1,646,292,816
Cash and bank balances		3,441,561,420	1,663,222,784
		<u>4,715,662,338</u>	<u>3,326,998,204</u>
TOTAL ASSETS		<u>29,722,462,129</u>	<u>28,253,368,247</u>
PROPRIETER'S CAPITAL AND LIABILITIES			
CAPITAL AND RESERVES			
Paid-up capital	16	27,476,577,745	25,900,265,678
Legal reserve		1,593,261	-
Accumulated Loss		(877,402,142)	(990,442,316)
		<u>26,600,768,865</u>	<u>24,909,823,362</u>
NON-CURRENT LIABILITIES			
Deferred revenue	22	21,124,957	29,604,909
Deferred tax liability		14,766,012	-
Industrial Development Fund		16,811,591	-
Severance payable	23	9,689,667	7,790,337
		<u>62,392,227</u>	<u>37,395,246</u>
CURRENT LIABILITIES			
Payables	17	3,056,494,116	3,303,342,716
Profit tax payable		2,806,923	2,806,923
		<u>3,059,301,037</u>	<u>3,306,149,639</u>
TOTAL EQUITY AND LIABILITIES		<u>29,722,462,129</u>	<u>28,253,368,247</u>

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SENE 2014

	Paid up Capital ETB	Legal reserve	Accumulated loss ETB	Total Equity ETB
At 30 Sene 2012	25,900,265,678	-	(789,020,521)	25,111,245,157
Prior year adjustment	-		(251,093)	(251,093)
Profit for the year	-		(201,170,702)	(201,170,702)
At 30 Sene 2013	25,900,265,678	-	(990,442,316)	24,909,823,362
At 30 Sene 2013	25,900,265,678		(990,442,316)	24,909,823,362
Increase in capital	1,592,671,341	-	-	1,592,671,341
Reclassification	(16,359,274)	1,593,261		(14,766,013)
Prior year adjustment	-		9,700,423	9,700,422.69
Profit for the year	-		103,339,752	103,339,752
At 30 Sene 2014	27,476,577,745	1,593,261	(877,402,142)	26,600,768,865

INDUSTRIAL PARKS DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SENE 2014

	2014 ETB	2013 ETB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	103,339,752	(201,170,702)
Adjustments for:		
Depreciation of property, plant and equipment	660,872,111	669,262,396
Gain on disposal of PPE	(2,261,970)	-
Property and equipment	-	17,092,766
Grant income	-	(8,615,862)
Bad debt	127,312,002	99,869,114
Decrease in deferred revenue	(8,479,952)	-
Severance	1,899,330	2,038,333
Foreign exchange loss	-	111,040,021
	<u>882,681,273</u>	<u>689,516,067</u>
Movements in working capital		
Movement in inventory	(25,379,084)	-
Movement in trade and other receivables	287,742,580	617,465,469
Movement in trade and other payables	(246,848,600)	(1,486,821,081)
Cash generated from /(used by) operating activities	898,196,169	(179,839,545)
Interest paid	-	-
Profit tax paid	-	-
Net cash generated from (used in) operating activities	898,196,169	(179,839,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(644,035,478)	(409,074,026)
Adjustment to property, plant and equipment	6,433,504	-
Investment	(101,438,911)	(1,438,912)
Net cash used in investing activities	(739,040,885)	(410,512,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Prior year adjustment	9,700,423	-
Industrial development fund	16,811,591	-
Increase in capital	1,592,671,341	-
Net cash generated from (used in) financing activities	1,619,183,354	-
Net increase in cash and cash equivalents	1,778,338,638	(590,352,483)
Cash and cash equivalents at beginning	1,663,222,784	2,253,575,267
Cash and cash equivalents at the end of the year	3,441,561,421	1,663,222,784

**INDUSTRIAL PARKS DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SENE 2014**

1 CORPORATION INFORMATION

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

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

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

- Development of industrial parks throughout the country and leasing them to interested investors.
- Provision of multi-disciplinary consultancy and training services.
- Development and operation of Information Technology parks as well as rendering related services. This is operated by its other Business unit, Information Technology Park.

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) Change in accounting policies and disclosures

New standards, amendments, interpretations issued but not yet effective

There have been several new standards, amendments and interpretations to standards that were issued but have not been effective until after the date of the statement of financial position 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.

The relevant new standards amendments are disclosed as follows:

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

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

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

2 ACCOUNTING POLICIES (Continued)

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

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

Property, plant and equipment: Proceeds before intended use (Amendment to IAS 16)

The amendment to IAS 16 Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of Property, Plant and Equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. This amendment is effective starting from January 1 2022.

The corporation is compliant to this amendment.

Reference to conceptual framework - Amendment to classification of Liabilities as

The amendment is made to IFRS 3 Business combinations to update the reference to the conceptual framework for financial reporting and an exception to the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, contingent liabilities and contingent assets and interpretation 21 Levies. The amendment also confirmed that contingent assets should not be recognized at the acquisition date. This amendment is effective from January 1 2022. The company is compliant to the relevant provisions of the amendment.

Onerous Contracts- Cost of fulfilling a contract (Amendment to IAS 37)

Amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract.

Before recognising separate provision for onerous contracts, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. This amendment is effective from January 1. 2022. The corporation is compliant to this amendment.

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

2 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

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

Subsequent events

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

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.

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

2 ACCOUNTING POLICIES (Continued)

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.

f) Investment properties

Investment properties of the corporation includes 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.

Initial measurement

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

Subsequent costs

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

Depreciation

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

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

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

2 ACCOUNTING POLICIES (Continued)

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

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

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

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

Gains and losses on 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. The corporation, as a lessee, leases the head office building for a period of time as an operating lease terms.

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

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

2 ACCOUNTING POLICIES (Continued)

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 initially as 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

Recognition and classification of financial assets

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

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

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

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

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 life time 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.

Impairment of financial assets (continued)

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 measurable decrease in the estimated future cash flows.

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

2 ACCOUNTING POLICIES (Continued)
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.

j) Offsetting of Financial assets and financial liabilities

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

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.

m) Impairment of non-monetary assets

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

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

2 ACCOUNTING POLICIES (Continued)

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

The corporation in all its business units has been compliant to the core principles of the standard as described below:

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 all industrial parks.

Sales of services at the parks 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.

Income from the consultancy service by the consultancy business unit (IPS) is recognized when the performance obligation to render the service is met. Although some performance obligations for consultancy services are met at a point in time, there are also some performance obligations that are met through time as determined in the related contract agreements.

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

2 ACCOUNTING POLICIES (Continued)

In such cases the enterprise recognizes revenues based on the milestones clearly put forward in the contract agreements that provide enforceable rights to payment for performance completed to date and in accordance to additional guidelines outlined in IFRS 15.

In the cases where the business unit has made progress towards complete satisfaction of a performance obligation but has not reached a milestone that provides it the right to claim payment, it recognizes revenue on the basis of its efforts or inputs (expenses incurred) to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation.

Based on the provisions of the contract agreements for consultancy services, the business unit receives a certain percentage of the contract price as an advance payment before commencing the service provisions. Such payments are treated as a liability in the books until such time that the enterprise's performance reaches mile stones that entitle it to claim payment that can cover the advance.

ICT Park's source of revenue is renting offices and developed land. Rental of buildings and land are recognized on a monthly basis following the principles set in IFRS 15. Once the buildings and land are handed over to the customer, the customer has complete discretion over the use of the premises, and there is no unfulfilled obligation that could affect the customer using the land and buildings.

p) Employee benefits

Defined benefits scheme

The corporation has recognized its accrued severance benefits based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the corporation for 5 years 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 pay-out is determined by reference to final monthly salary and number of years in service computed as one-month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

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

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

2 ACCOUNTING POLICIES (Continued)

The benefit is discounted to determine its present value. The discount rate taken is the assumed rate of return of assets in future. It is assumed that the rate is to fetch the inflation and gain two points. The rates are denominated in the same currency in which the benefits are expected to be paid. Accordingly, the corporation has recognized the severance pay at the end of the reporting period which is Birr 9,689,667

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 2014, the Corporation contributed Birr 11,655,216.80 to the scheme (30 Sene 2013 - Birr 9,893,299) which has been charged directly to profit or loss.

Annual leave

Employees annual leave accruals are calculated and recognized in the books on the basis of the unutilised annual leave balance that each employee has at the end of the reposing period. Accordingly the balance in the annual leave accrued payables account is shown as Birr 5,033,448 as at the end of the reporting period (Sene 30. 2013 Birr 4,628,462).

Staff loan

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

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.

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

3 ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Critical accounting estimates and judgements

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

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

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

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

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT

Over view

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

i) Credit risk

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

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

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

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

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

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

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

ii) Liquidity risk

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

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

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

iii) Market risk

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

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

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

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

On the other hand, the Corporation takes security deposits from the lessees in USD which normally is kept in the securities deposit liability account and will be repayable in USD at the end of the lease term. Hence, the nature of this financial liability poses an exchange rate risk to the Corporation. The impact of this risk during 2014 and 2013 is shown in the following table:

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

4 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

iii) Market risk (continued)

	2014	2013
	ETB	ETB
Security deposit at the year end before conversion at the closing rate	119,698,083	101,613,172
Foreign exchange losses	21,828,379	25,164,631
	<u>141,526,462</u>	<u>126,777,803</u>

Similarly the Corporation retains retention monies in USD from contractors that undertake construction of sheds and structures at the parks. This retention is reported as a payable in the books of the Corporation. This financial liability poses an exchange risk to the Corporation as the repayment is to be effected in USD at the end of the respective warranty periods. The impact of this risk during 2014 and 2013 is shown below:

	2014	2013
	ETB	ETB
Retention at the year-end before Conversion at the closing rate	1,615,529,720	1,388,228,553
Foreign exchange losses	187,442,749	162,548,068
	<u>1,802,972,469</u>	<u>1,550,776,621</u>

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

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

IV) Capital Management

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

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

Fair value

As at 30 Sene 2014, the Corporation has a USD payables measured at fair value on the exchange rate prevailing at the end of the reporting period (Security deposits and Retention payables Refer the balance under Note 4(iii).

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

5 REVENUE	2014 ETB	2013 ETB
Revenue from contracts with customers		
Rent	1,164,532,160	777,960,817
Management service	42,519,725	54,867,462
Park service	50,285,196	24,412,454
	<u>1,257,337,080</u>	<u>857,240,733</u>
6 OPERATING EXPENSES	2014 ETB	2013 ETB
Depreciation	553,234,283	475,605,504
Salaries and related benefits	117,371,154	99,204,067
Chemical material	48,874,739	-
Utilities	44,404,360	47,738,446
Repair and maintenance	26,085,965	5,482,902
Greenery service	24,457,418	-
Security fees	24,305,104	21,863,297
Janitorial and cleaning supplies	19,139,860	8,973,234
Insurance	16,638,057	12,941,143
Vehicle and machinery rent	17,113,830	10,469,634
Vehicle running	12,090,004	7,423,958
Stationery and Office supplies	18,822,323	3,370,884
Uniforms	12,400,242	3,400,334
Pension	9,414,619	8,551,843
Entertainment & Accommodation	12,211,109	3,315,944
Travel and Perdiem	4,931,295	3,624,151
Operation and management	4,134,540	65,263,450
Communication	3,297,253	2,785,620
Miscellaneous	2,460,701	1,944,913
Advertisement	1,860,499	-
Training	1,428,554	1,661,271
Building rent	313,190	-
	<u>974,989,100</u>	<u>783,620,595</u>
7 OTHER INCOME	2014 ETB	2013 ETB
Gain on foreign exchange	93,901,562	53,154,889
Grant income	9,369,565	15,068,052
Gain on Diposal of Fixed Asset	2,261,970	-
Bank interest	11,587,972	1,438,912
Other income	10,572,960	6,569,158
	<u>127,694,029</u>	<u>76,231,011</u>

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

8 ADMINISTRATIVE EXPENSES	2014	2013
	ETB	ETB
Bad debt	127,312,002	99,869,114
Depreciation	107,954,049	193,656,892
Salary and benefits	25,564,865	22,807,435
Corporate social responsibility	9,638,304	-
Bank charge	7,395,279	291,653
Office rent	5,324,847	5,318,590
Insurance	3,568,769	3,144,823
Pension Fund	2,242,519	1,341,456
Advertisement	2,339,135	10,237,924
Cleaning and sanitation	2,234,782	-
Vehicle Rent	2,233,187	688,579
Vehicle running	2,173,793	1,908,361
Entertainment and accomodation	2,019,105	1,343,254
Repair and mainrenanve	2,006,507	1,740,183
Travel and perdiem	1,531,708	1,681,243
Communication	1,034,965	731,390
Miscellaneous	917,158	3,027,901
Stationery and office supplies	430,433	1,673,961
Audit fee	350,300	1,559,092
Training	269,676	-
Utilities	129,889	-
Loss on foreign exchange	30,985	-
	<u>306,702,257</u>	<u>351,021,851</u>

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

9 PROPERTY, PLANT AND EQUIPMENT

	Building	telephone and water infrastructure	Motor vehicles	Other furniture and equipment	Computers	Construction in Progress	TOTAL
Cost							
At 1 hamle 2012	3,366,805,994	101,918,391	131,885,765	30,682,106	12,052,435	2,871,685,869	6,515,030,560
Additions	723,486,317	-	5,016,509	10,502,112	2,626,715	164,810,863	906,442,516
Transfer/Disposals	-	-	-	-	(6,000)	(738,320,150)	(738,326,150)
At 30 sene 2013	4,090,292,311	101,918,391	136,902,274	41,184,218	14,673,150	2,298,176,582	6,683,146,926
At 1 hamle 2013	4,090,292,311	101,918,391	136,902,274	41,184,218	14,673,150	2,298,176,582	6,683,146,926
Additions	100,087	-	8,212,775	5,456,931	4,293,863	185,125,655	203,189,311
Transfer/Disposals	(295,727)	-	(1,413,899)	(55,065)	-	-	(1,764,691)
At 30 sene 2014	4,090,096,671	101,918,391	143,701,150	46,586,084	18,967,013	2,483,302,237	6,884,571,546
Depreciation							
At 1 hamle 2012	151,613,864	20,580,769	55,801,928	17,870,430	7,979,387	-	253,846,378
Charge for the year	158,625,537	2,634,916	24,354,084	5,752,969	2,288,687	-	193,656,193
Transfer/Disposals	-	-	-	-	(9,491)	-	(9,491)
At 30 sene 2013	310,239,401	23,215,685	80,156,012	23,623,399	10,258,583	-	447,493,080
At 1 hamle 2013	310,239,401	23,215,685	80,156,012	23,623,399	10,258,583	-	447,493,080
Charge for the year	159,503,519	2,642,642	21,574,071	6,452,170	1,715,162	-	191,887,564
Transfer/Disposals	-	-	(1,129,099)	(55,065)	-	-	(1,184,164)
At 30 sene 2014	469,742,920	25,858,327	100,600,984	30,020,504	11,973,745	-	638,196,480
Net book values							
At 30 sene 2013	3,780,052,910	78,702,706	56,746,262	17,560,819	4,414,567	2,298,176,582	6,235,653,846
At 30 sene 2014	3,620,353,751	76,060,064	43,100,166	16,565,580	6,993,268	2,483,302,237	6,246,375,066

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

10 INVESTMENT PROPERTY

	Sheds and Buildings	Roads	Construction in Progress	TOTAL
Cost				
At 1 hamle 2012	11,331,184,832	3,351,721,653	2,982,315,072	17,665,221,557
Additions	-	-	2,458,377,681	2,458,377,681
Transfer/Disposals	1,294,682,471	849,777,428	(2,146,722,323)	(2,262,424)
At 30 sene 2013	12,625,867,303	4,201,499,081	3,293,970,430	20,121,336,814
At 1 hamle 2013	12,625,867,303	4,201,499,081	3,293,970,430	20,121,336,814
Additions	-	-	440,846,167	440,846,167
Disposals/Transfer	(5,148,972)	-	-	(5,148,972)
At 30 sene 2014	12,620,718,331	4,201,499,081	3,734,816,597	20,557,034,009
Depreciation				
At 1 hamle 2012	677,828,079	351,775,521	-	1,029,603,600
Charge for the year	267,880,152	207,726,052	-	475,606,204
Disposals	-	-	-	-
At 30 sene 2013	945,708,231	559,501,573	-	1,505,209,804
At 1 hamle 2013	945,708,231	559,501,573	-	1,505,209,804
Charge for the year	273,003,005	195,981,542	-	468,984,547
Disposals	(431,970)	-	-	(431,970)
At 30 sene 2014	1,218,279,266	755,483,115	-	1,973,762,381
Net book values				
At 30 sene 2013	11,680,159,072	3,641,997,508	3,293,970,430	18,616,127,010
At 30 sene 2014	11,402,439,065	3,446,015,966	3,734,816,597	18,583,271,628

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

CONSTRUCTION IN PROGRESS

The breakdown of construction in progress is as follows:

	2014	2013
	ETB	ETB
Summera Industrial Park	1,455,194,833	1,100,740,334
Debre Birhan Industrial Park	1,255,351,629	1,255,037,079
IT Park	744,113,099	744,113,099
Adama Industrial Park	653,415,698	574,076,145
Bahir Dar Industrial Park	634,765,049	633,849,580
Dire Dawa Industrial Park	653,488,096	608,391,652
Bole Lemi Industrial Park	340,323,957	288,581,268
Combolcha Industrial Park	221,798,477	181,630,584
Hawassa Industrial Park	164,484,352	138,815,411
Mekele Industrial Park	23,164,485	23,164,485
Jimma Industrial Park	19,394,033	19,394,033
IPS	25,535,617	10,084,233
Head office	15,732,275	4,114,232
Kilinto Industrial Park	9,824,738	8,657,355
Arrerti Industrial Park	1,046,527	1,046,527
Ayesha Industrial Park	391,250	391,250
Adama Hunan	59,744	59,744
	<u>6,218,083,860</u>	<u>5,592,147,011</u>

COMMITMENTS

The Corporation's commitments arise mainly from the construction of Industrial parks throughout the country as described below. The payments would be done by dollar or birr based on the agreement. The Corporation has commitments. not provided for in these financial statements. of Birr 2,827.441.622

in respect of the estimated costs to complete construction works. The details are as follows:

Commitments	Contractor	Committed amount
Construction of Hawassa IP	CCECC	747,245,113
Construction of Bahir dar IP	CCECC	279,273,981
Construction of Kombolcha IP	CCCCC	22,646,123
Construction of Debre birhan IP	CCCCC	94,056,122
Construction of Adama IP	CCECC	352,643,623
Construction of Dire dawa IP	CCECC	120,283,656
Construction of Jimma IP	CCCCC	77,826,264
Construction of Mekele IP	CCCCC	47,311,199
Construction of Semera IP		1,086,155,542
Total		<u>2,827,441,622</u>

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

11	RIGHT OF USE ASSET	2014	2013
		ETB	ETB
	COST		
	At 1 hamle 2013	1,125,000	-
	Addition	-	-
		<u>1,125,000</u>	<u>-</u>
	AMORTIZATION		
	At 1 hamle 2013	-	-
	Adjustment	-	-
	For the year	-	-
	At 30 sene 2014	<u>1,125,000</u>	<u>-</u>
12	INVESTMENT	2,014	2,013
		ETB	ETB
	Investment in GAIZO Garment	4,250,000	4,250,000
	Initial investment - Ethiopia Hunan	40,000,000	40,000,000
		<u>44,250,000</u>	<u>44,250,000</u>
	Less: impairment loss	(2,083,032)	(2,083,032)
		<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 Parts Development Corporation. The corporation paid Birr 4,250,000 as a paid up capital to the company.

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

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

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

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

12 INVESTMENT (Continued)

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

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

13 TIME DEPOSIT

	2014	2013
	ETB	ETB
Sidama Micro finance S.Co.	33,861,130	32,422,219
COOP HO-Time deposit	100,000,000	
	<u>133,861,130</u>	<u>32,422,219</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.

14 INVENTORY

	2014	2013
	ETB	ETB
Inventories	42,893,035	17,513,950
	<u>42,893,035</u>	<u>17,513,950</u>
Allowance for stock obsolescence	(31,346)	(31,346)
	<u>42,861,688</u>	<u>17,482,604</u>

15 TRADE AND OTHER RECEIVABLES

	2014	2013
	ETB	ETB
Trade receivables	957,344,799	635,470,888
Ministry of Finance	-	564,514,960
Sundry receivables	491,591,588	489,069,839
Advance to contractors	78,528,362	86,407,426
Prepayments	8,306,694	18,992,761
Purchase and other advance	2,925,549	-
Staff	2,200,702	3,162,284
Withholding tax receivables	2,206,384	1,452,517
Value added tax recoverable	-	31,775,983
	<u>1,543,104,078</u>	<u>1,830,846,658</u>
Allowance for doubtful accounts	(311,864,848)	(184,553,842)
	<u>1,231,239,230</u>	<u>1,646,292,816</u>

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

16 CAPITAL

The Corporation is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. There are no shares and no par value. The authorized capital of the Corporation was proclaimed at Birr 40,000,000,000, and Birr 27,476,577,745 was paid up through 30 Sene 2014.

17 TRADE AND OTHER PAYABLES

2014
ETB

2013
ETB

Financial instruments:

Retention Payable	1,802,972,469	1,550,776,621
Contractors payable	626,438,285	1,301,666,523
Advance collection	264,601,928	248,535,696
Sundry Payable (Note 17.1)	33,249,378	14,777,612
Accrued payable (Note 17.2)	26,994,816	31,475,179
Trade payables	1,218,172	-
State dividened payable	20,925,880	20,925,880
Security deposits	141,526,462	126,777,803
Taxes payable (Note 17.3)	138,566,726	8,407,402
	<u>3,056,494,116</u>	<u>3,303,342,716</u>

17.1 Sundry Payables are composed of:

2014
ETB

2013
ETB

Operation and Mangment outsouce	12,682,107	12,682,107
Pension payable	1,887,025	2,630
Others	18,680,246	2,092,875
	<u>33,249,379</u>	<u>14,777,612</u>

17.2 ACCRUED PAYABLE

2014
ETB

2013
ETB

Accrued audit fee	3,035,000	3,035,000.00
Annual leave	5,033,448	4,628,462
Consultant fee	1,111,537	1,851,188
Accrued others	17,814,831	21,960,529
	<u>26,994,816</u>	<u>31,475,179</u>

17.3 TAXES PAYABLE

2014
ETB

2013
ETB

Value added tax	132,305,151	
Payroll income tax	4,195,124	2,299,375
Withholding Vat payable	613,350	3,438,081
Withholding tax	1,453,100	5,476,869
	<u>138,566,727</u>	<u>11,214,325</u>

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

18 KEY MANAGEMENT COMPENSATION

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

	2014	2013
	ETB	ETB
Salary	10,712,714	10,526,544
Other benefits	1,390,338	1,613,492
Board fees	71,375	-
Loan	166,896	417,240
	<u>12,341,323</u>	<u>12,557,276</u>

19 NON-CASH TRANSACTIONS

The aggregate balance of Birr 59,302,694 being capital expenditures financed on credit was excluded from the statement of cash flows as they do not involve cash transactions.

Capital expenditures on credit	59,302,694
	<u>59,302,694</u>

20 STAFF COST

	2014	2013
	ETB	ETB
Salary and benefits	142,936,019	122,011,502
Pension	11,657,137	9,893,299
	<u>154,593,157</u>	<u>131,904,801</u>

Staff costs for the year amounted to Birr 154,593,157 as of Sene 30 2014 (30 Sene 2013 - Birr 131,904,802) as indicated above.

21 EMPLOYEES

The Corporation employed 1,023 staff at 30 Sene 2014 (30 Sene 2013 — 877).

22 DEFERRED REVENUE

COST	2014	2013
	ETB	ETB
Balance at 1	64,362,634	59,814,153
Addition		4,548,481
Balance at 30	<u>64,362,634</u>	<u>64,362,634</u>
AMORTIZATION		
Balance at 1	34,757,725	26,141,863
Addition	8,479,952	8,615,862
Balance at 30	<u>43,237,677</u>	<u>34,757,725</u>
Net balance at 30 Sene	<u>29,604,909</u>	<u>33,672,290</u>
Net balance at 30 Sene	<u>21,124,957</u>	<u>29,604,909</u>

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

23 SEVERANCE	2014 ETB	2013 ETB
Severance payable	9,689,667	7,790,337

24 CONTINGENT LIABILITY

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

The corporation has contingent liabilities not provided for in these financial statements, of Birr 352,615 in respect of legal actions brought by third parties which are being contested by the Corporation.

25 EVENTS AFTER THE REPORTING PERIOD

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

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

Adjusting events

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

Non adjusting events:

(i).The conflict that went on for two years between the government of Ethiopia and TPLF has been resolved peacefully in November 2022. During the preceding two years of conflict. the corporation lost a total revenue of Birr 257,000,620 as the park was not operational.

(ii). Information Technology Park is withdrawn from the corporation on Hidar 5,2015 by the decision of the prime minister office and it's right and obligaton transferred to Ministry of Innovation.

26 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.

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

26 OPERATING SEGMENTS (Continued)

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 2011 fiscal period. All the mentioned segments earn revenue and incur expenses as well as their operating performance had been evaluated based on the distribution of the budget.

Out of the total revenue earned by the Corporation amounting to Birr 1,249,934,804 Hawass, Adama and Bole Lemi Industrial parks hold 74% which is Birr 928,143,148 as shown below:

	Hawassa	Bole Lemi	Adama	Total
Sheds	461,828,854	162,880,747	158,703,997	783,413,598
Residential building	49,619,049	-	-	49,619,049
Commercial buildings	8,924,526	7,821,730	3,244,673	19,990,928
ETP service fee	19,359,311	879,681	359,325	20,598,317
Water service fee	5,545,411	4,649,528	68,864	10,263,802
Management service fee	25,553,664	-	7,747,579	33,301,243
Developed land lease	-	10,956,211	-	10,956,211
	570,830,814	187,187,896	170,124,438	928,143,148

27 FREE HOLD LAND HELD BY THE CORPORATION

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

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

28 DATE OF AUTHORIZATION

The Chief Executive Officer of the Corporation authorized the issue of these financial statements on 30 Megabit 2017.