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AUDIT SERVICE CORPORATION

INDUSTRIAL PARKS DEVELOPMENT CORPORATION

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 SENE 2017



**ASC.**

ACCOUNTABILITY • SHARED GROWTH

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**Audit Service Corporation**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Industrial Parks Development Corporation (the Corporation), which comprise the statement of financial position as at 30 Sene 2017, 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 Sene 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Basis for Opinion***

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

***Key Audit Matters***

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

***Revenue***

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

ASC



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

Fax 251-011-5513097

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

☎ 5720

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

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

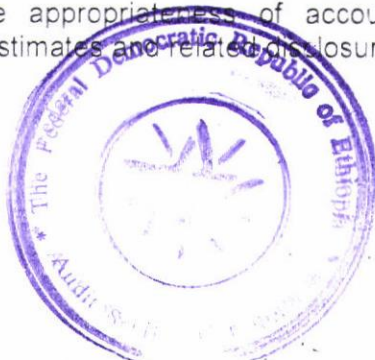
*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Report on the Audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Audit Services Corporation

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**INDUSTRIAL PARKS DEVELOPMENT CORPORATION**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SENE 2017**

	Notes	2017 ETB	2016 ETB
INCOME FROM OPERATING LEASE	5	3,406,564,665	1,730,039,033
REVENUE FROM CONTRACTS WITH CUSTOMERS	6	367,912,533	162,911,264
OPERATING EXPENSES	7	<u>(1,847,712,419)</u>	<u>(1,572,360,575)</u>
<b>GROSS PROFIT</b>		<b>1,926,764,779</b>	<b>320,589,722</b>
OTHER INCOME	8	<u>1,409,085,238</u>	<u>127,929,940</u>
		<b>3,335,850,016</b>	<b>448,519,662</b>
EXPENSES			
ADMINISTRATIVE EXPENSES	9	<u>(2,489,091,666)</u>	<u>(882,709,232)</u>
		<b>(2,489,091,667)</b>	<b>(882,709,232)</b>
NET PROFIT (LOSS) BEFORE TAX		846,758,350	(434,189,571)
INCOME TAX INCOME (EXPESNE)	25	<u>(200,087,334)</u>	<u>(274,352,781)</u>
NET PROFIT (LOSS) FOR THE YEAR		646,671,016	(708,542,352)
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>646,671,016</u></b>	<b><u>(708,542,352)</u></b>



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
AT 30 SENE 2017

	Notes	2017 ETB	2016 ETB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	5,627,279,105	5,347,900,190
Investment property	11	27,369,687,953	26,056,215,332
Investment	12	42,166,968	42,166,968
Time deposit	13	815,300,041	220,300,041
		<u>33,854,434,067</u>	<u>31,666,582,530</u>
<b>CURRENT ASSETS</b>			
Inventories	14	721,339,393	816,722,676
Trade and other receivables	15	2,097,874,598	1,489,489,591
Cash and bank balances	16	7,290,354,043	3,320,002,232
		<u>10,109,568,034</u>	<u>5,626,214,499</u>
<b>TOTAL ASSETS</b>		<u><b>43,964,002,101</b></u>	<u><b>37,292,797,029</b></u>
<b>CAPITAL AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Paid-up capital	17	40,513,666,718	35,894,495,839
Accumulated Loss		(1,064,092,204)	(1,710,763,220)
		<u>39,449,574,514</u>	<u>34,183,732,619</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue	23	5,322,641	7,988,664
Severance payable	24	27,339,096	27,339,096
Deffered Tax Liability	25	464,885,535	266,827,658
		<u>497,547,272</u>	<u>302,155,418</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	4,012,043,935	2,796,576,946
Profit tax Payable	25.5	4,836,380	10,332,046
		<u>4,016,880,315</u>	<u>2,806,908,993</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>43,964,002,101</b></u>	<u><b>37,292,797,030</b></u>



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SENE 2017**

	Paid up Capital ETB	Accumulated loss ETB	Total Equity ETB
At 30 Sene 2015	27,143,543,041	(1,002,220,868)	26,141,322,173
Increase in capital	663,181,801	-	663,181,801
Bole lemi 2 & Kilinto Projects cost transferred from Competitiveness & Job Creation Project (CJC)	8,087,770,996	-	8,087,770,996
Profit for the year	-	(708,542,352)	(708,542,352)
<b>At 30 Sene 2016</b>	<b>35,894,495,839</b>	<b>(1,710,763,220)</b>	<b>34,183,732,619</b>
At 30 Sene 2016	35,894,495,839	(1,710,763,220)	34,183,732,619
Increase in capital	4,619,170,879	-	4,619,170,879
Profit for the year	-	646,671,016	646,671,016
<b>At 30 Sene 2017</b>	<b>40,513,666,718</b>	<b>(1,064,092,204)</b>	<b>39,449,574,514</b>



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SENE 2017

	2017 ETB	2016 ETB
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	846,758,349.63	(434,189,571)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	994,321,615	949,601,126
Interest Income	(142,468,199)	(98,746,350)
Bad debt	1,648,450,857	319,101,401
Decrease in deferred revenue	(2,666,023)	(5,458,958)
Severance	0.00	12,925,680
Foreign exchange loss on security and retention	1,316,176,090	59,647,938
	<u>4,660,572,690</u>	<u>802,881,266</u>
<b>Movements in working capital</b>		
Movement in inventory	95,383,283	(553,125,362)
Movement in trade and other receivables	(2,256,835,864)	(954,761,082)
Movement in trade and other payables	(100,709,101)	(74,461,882)
<b>Cash generated from /(used by) operating activities</b>	<u>2,398,411,008</u>	<u>(779,467,060)</u>
Interest paid	-	-
Profit tax paid	-	-
<b>Net cash generated from (used by) operating activities</b>	<u>2,398,411,008</u>	<u>(779,467,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,587,173,152)	(527,313,222)
Interest Income	142,468,199	98,746,350
Investment on Fixed Time Deposit	(595,000,000)	15,000,000
<b>Net cash used in investing activities</b>	<u>(3,039,704,954)</u>	<u>(413,566,872)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in capital	4,619,170,879	663,181,801
<b>Net cash generated from (used by) financing activities</b>	<u>4,619,170,879</u>	<u>663,181,801</u>
Capital transfer from Competitiveness & Job Creation Project		175,165,480
Net increase in cash and cash equivalents	3,977,876,933	(354,686,652)
Cash and cash equivalents at beginning	3,320,002,232	3,674,688,882
<b>Cash and cash equivalents at the end of the year</b>	<u>7,297,879,166</u>	<u>3,320,002,232</u>



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SENE 2017**

**1 CORPORATION INFORMATION**

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

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

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

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



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SENE 2017**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

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

**b) Going concern**

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

**c) Change in accounting policies and disclosures**

**New standards, amendments, interpretations issued but not yet effective**

IFRS 18 Presentation and Disclosures in Financial Statements	1-Jan-27
Lack of Exchangeability (Amendments to IAS 21)	1-Jan-25
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments	1-Jul-26
Presentation and Disclosure in Financial Statements (IFRS 18)	1-Jul-26
Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1-Jul-26

IFRS 19, Subsidiaries without Public Accountability is not applicable to the business of the IPDC and will therefore have no impact on future financial statements. The Management is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

***Presentations and Disclosure in Financial Statements (IFRS 18)***

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

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

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



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SENE 2017

2 ACCOUNTING POLICIES (Continued)

c) (Change in accounting policies and disclosures Continued)

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

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

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

The Corporation will assess the impact of this amendment.



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017

2 ACCOUNTING POLICIES (Continued)

c) (Change in accounting policies and disclosures Continued)

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

The amendments to the application guidance of IFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application of either all the amendments at the same time or only the amendments to the classification of financial assets is permitted.

An entity is required to apply the amendments retrospectively. An entity is not required to restate prior periods to reflect the application of the amendments, but may do so if, and only if, it is possible to do so without the use of hindsight.

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

***Presentations and Disclosure in Financial Statements (IFRS 18)***

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

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

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

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

**d) Foreign currency translation**

I. Functional and presentation currency

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

II. Transactions and balances

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



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SENE 2017

2 ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment

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

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

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

**Subsequent Costs**

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

**Depreciation**

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

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

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

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

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

f) Investment properties

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



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SENE 2017

2 ACCOUNTING POLICIES (Continued)

f) (Investment properties Continued)

**Initial measurement**

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

**Subsequent costs**

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

**Depreciation**

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

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

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

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

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

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

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

g) **Fixed Time Deposit**

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

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

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



INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017

**2 ACCOUNTING POLICIES (Continued)**

**g) (Fixed Time Deposit Continued)**

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

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

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

**h) Accounting for leases**

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

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

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

**i) Grants**

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

**j) Financial assets and financial liabilities**

**Recognition and classification of financial assets**

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

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



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SENE 2017**

**2 ACCOUNTING POLICIES (Continued)**

**(Recognition and classification of financial assets Continued)**

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

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

**Impairment of financial assets**

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

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

**De-recognition of financial assets**

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

**Financial liabilities**

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

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



**INDUSTRIAL PARKS DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**2 ACCOUNTING POLICIES (Continued)**

**k) Offsetting of Financial assets and financial liabilities**

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

**l) Provisions**

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

**m) Cash and cash equivalents**

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

**n) Impairment of non-monetary assets**

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

**o) Income tax**

The Corporation's income tax holiday granted under the investment incentive framework has been extended. Though the earlier exemption period was till Ginbot 15, 2016, Ministry of Revenue has granted an additional tax holiday period from August 3, 2015 G.C to May 24, 2016 G.C commencing from being operational of each industrial park.

Industry Project Service, unlike the remaining industrial parks hasn't obtained a tax holiday. Therefore, it is subject to pay profit tax expense every year. The disclosure for the profit tax of the industrial project service presented under Note Number 25.5

**p) Operating Lease**

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

