



## Financial Result 2001-2002

### Auditors Report

We have audited the accompanying balance sheet of Dashen Bank Share Company at 30 June 2002, the related profit and loss account and the statement of cash flows for the year then ended. These financial statements which have been prepared under the historical cost convention are the responsibility of the Directors of the bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statement presentation.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, irregularity or error. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet at 30 June 2002, the related profit and loss account and the statement of cash flows for the year then ended read in conjunction with the notes forming part thereof, exhibit a true and fair statement of the affairs of Dashen Banks S.C., the results of its operations and its cash flows in conformity with generally accepted accounting principles consistently applied.

We have no comment to make on the report of your directors so far as it relates to these financial statements and pursuant to Article 375 of the 1960 Commercial code of Ethiopia, recommend approval of the above-mentioned financial statements.

### Balance Sheet

As At 30 June 2002	Notes	2001
<b>Assets</b>		
Cash and banks		
Cash on hand	57,653,937	45,958,173
Deposits with local banks	27,652,760	27,241,431
Deposits with foreign banks	204,768,549	208,743,481
Reserve account with National Bank of Ethiopia	<u>101,233,307</u>	<u>88,201,893</u>
	391,308,553	370,144,978

Treasury Bills		129,954,200	
Government bonds		10,000,000	10,000,000
Investments	3	21,347,398	
Loans and advances	4,5,6	845,024,455	690,578,472
Customers liability for L/Cs and acceptance- per contra		126,276,928	137,690,879
other debit balance	7	16,854,554	8,866,536
Provision for taxation and contingencies fixed asset	8	<u>22,413,247</u>	<u>18,175,970</u>
Establishment expenses	9		
<b>Total Assets</b>		<b><u>1,563,179,335</u></b>	<b><u>1,235,456,835</u></b>
<b>LIABILITIES</b>			
Deposits: Demand deposits		343,890,193	236,158,036
Saving deposits		737,269,441	532,904,672
Fixed deposits		<u>60,557,797</u>	<u>92,169,344</u>
<b>Total deposits</b>		<b><u>1,141,717,431</u></b>	<b><u>861,232,052</u></b>
Margin held on letters of credit		60,124,576	68,076,623
Advance payments on letters of credit			1,791,757
Banks liability for L/Cs and acceptance- per contra		126,276,928	137,690,879
Other credit balances	10	83,000,838	58,330,200
Proposed dividends	11	15,000,000	5,000,000
Provision for taxation		<u>14,699,117</u>	<u>14,757,796</u>
<b>TOTAL LIABILITIES</b>		<b><u>1,440,818,890</u></b>	<b><u>1,146,879,307</u></b>
<b>SHAREHOLDERS' Equity</b>			
Share capital	12	75,000,000	50,000,000
Legal reserve		18,090,112	12,144,383
Retained earnings		<u>29,270,333</u>	<u>26,433,145</u>
Total capital and reserves		<u>122,360,445</u>	<u>88,577,528</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' equity</b>		<b><u>1,563,179,335</u></b>	<b><u>1,235,456,835</u></b>
<b>Memorandum Account</b>	13	<b><u>89,087,931</u></b>	<b><u>47,646,299</u></b>

## Income Statement

Income	Notes	2002	2001
<b>Interest Income</b>			

Loans and advances		74,205,236	61,521,339
on deposit with foreign banks		1,796,890	7,398,416
on Government Bonds/ Treasury bills		<u>1,019,779</u>	<u>926,208</u>
Total interest income		77,021,905	69,845,963
<b>Interest expense</b>			
Interest on deposits		<u>35,596,992</u>	<u>30,520,855</u>
		41,424,913	39,325,108
Less: provision for doubtful debts		4,126,798	5,351,073
Bad debts written off		2,229,239	4,044,516
Net interest income		<u>35,068,876</u>	<u>29,929,519</u>
<b>Other income</b>			
Service charges		6,503,144	6,574,861
Letters of credit opening charges		2,902,412	3,134,839
commissions		7,420,933	6,295,446
Gains on foreign exchange		17,499,704	17,253,858
Sundry income	14	<u>3,711,736</u>	<u>3,287,775</u>
		38,037,929	36,546,779
<b>EXPENSES</b>			
Salaries and employment benefits		14,122,872	11,241,655
Rent		5,817,311	4,561,666
General expanses	15	9,840,929	8,680,763
Directors' remuneration		168,000	168,000
Audit fee		<u>80,000</u>	<u>78,000</u>
		(30,029,112)	(24,730,084)
<b>Depreciation and Amortization</b>			
Depreciation fixed assets		(4,648,835)	(5,001,131)
income before tax		38,428,858	36,745,083
Provision for taxation - current year		14,645,941	14,704,620
-previous year			<u>554,582</u>
<b>Net income after tax</b>		23,782,917	21,485,881
<b>less : 25% legal reserve</b>		5,945,729	5,371,470
proposed dividend		<u>15,000,000</u>	<u>5,000,000</u>
Retained earnings		<u>2,837,188</u>	<u>11,114,411</u>
<b>Earnings per share</b> (paid up)	16	<b>476</b>	<b>430</b>

## Cash Flow Statement

For The Year Ended 30 June 2002

Notes

2001

<b>Net Cash flows from operating activities</b>		
note 17		176,055,842
cash flow from investment activities:		73,238,730
Purchases of fixed assets	(8,886,049)	(5,990,356)
Proceeds from sales of fixed assets		138,656
investment I- Tana Dept. Stores building	<u>(21,347,398)</u>	
		(30,233,447)
Taxation		(5,851,700)
Income taxes paid - previous year	<u>(14,704,620)</u>	<u>(7,367,386)</u>
- prior year		(501,406)
		(14,704,620)
Dividends paid		(7,868,792))
cash flow from financing activities:		(5,000,000)
Treasury bills	(129,954,200)	19,961,000
Government bonds		(10,000,000)
paid- up capital	<u>25,000,000</u>	
		(104,954,200)
Net increase in cash and banks		9,961,000
		21,163,575
<b>Cash and Banks:</b>		64,479,238
At beginning of year		<u>370,144,978</u>
At end of year		<u>305,665,740</u>
		<u>391,308,553</u>
		<u>370,144,978</u>

## Notes to the Financial Statements

### STATUS

adequacy of the provision based upon reviews of individual credits and other related factors, and pursuant to the Directives of the National Bank of Ethiopia.

(f) Fixed assets

Fixed assets are stated at cost, net of depreciation calculated on the following basis at their respective rates per annum.

(i) Building is depreciated based on the straight-line method at a rate of 5% per annum.

(ii) The following categories of business assets are depreciated based on the declining balance method:

Furniture and fixtures	10%
Office and other equipment	10%
Motor vehicles	20%
Computer hardware and software	20%

The depreciation base is the book value as recorded in the opening balance sheet of the tax period including assets acquired during the tax period and excluding sales price of assets.

## INVESTMENTS

(i) The Bank and Midroc Ethiopia PLC following their agreements on 5 October 2001 acquired jointly the Tana Department Store Building in Addis Ababa, as a result of a tender procedure instituted by the commercial Bank of Ethiopia.

According to the terms of the agreement between the two joint venture parties:

a) The contributions for the acquisition are:

		BIRR
Midroc Ethiopia PLC	60%	32,021,096
IDashen Bank	40%	21,347,398
		<b><u>53,368,494</u></b>

b) Dashen Bank S.C is appointed to manage and administer the affairs of the building.

c) The results of operations are to be shared pro-rata to the respective contributions.

(ii) The bank owns 2,750 shares at par value of Birr 1,000 each in Nyala Insurance Share company.

## LOANS AND ADVANCES TO CUSTOMERS

	2002	2001
Agriculture	5,241,978	3,096,718
Manufacturing	239,682,581	174,078,806
Domestic trade and services	227,668,219	189,262,863
Export	46,988,326	53,738,548
Import	81,178,076	73,633,689
Building and construction	62,330,473	42,846,047
Transport term loan	87,233,082	77,660,123
Personal loans	687,522	556,157
Loans in litigation	62,212,498	45,252,215
Loans under re-activation	17,137,595	8,118,095
Advances on letters of credits	41,741,990	45,286,308
Less: Provision for doubtful debts	(27,077,895)	(22,951,097)
	<b>845,024,445</b>	<b>690,578,472</b>

5 The Bank is a party to various legal proceedings in relation to loans and advances, the ultimate resolution of which is not expected to have a materially adverse effect on the financial position of the bank or the results of its operations.

6 The Bank is able to report that under the guarantee issued by the Federal Government of Ethiopia it has recovered in the year to 30 June 2005 advances against import bills and accrued interest thereon in respect of goods stranded in Eritrean ports in 1998.

## OTHER DEBIT BALANCES

	2002	2001
National Trading Co -Deposit	2,500,000	2,500,000
- Stationery and supplies	574,615	406,626
- Passbooks, drafts and CPOs	408,667	106,964
- Cheque books stock	159,640	271,190
- Advertising materials stock	121,435	1,276,068
- Prepaid expenses	5,975,548	1,258,027
-Staff advances	1,,925,581	1,177,425
- Western Union	2,650,184	<u>476,430</u>
Suspense account (National Bank of Ethiopia)	683,387	683,387
Sundry account	<u>1,855,497</u>	<u>710,419</u>
	<b>16,854,554</b>	<b>8,866,536</b>

## FIXED ASSETS

Cost	30/06/01	Additions	Adjustments/ Disposals	30/06/02
Furniture and fittings	7,567,025	1,040,607		8,607,632
Office and other equipment	5,114,120	1,447,416		6,561,536
Computers and software	10,199,152	3,204,180		13,403,332
Motor vehicles	12,859,402	1,999,757		14,859,159
Furniture & equipment- in stores	<u>716,162</u>	<u>207,219</u>		<u>923,381</u>
Acquired property	<u>1,569,678</u>	<u>986,870</u>		<u>2,556,548</u>
	<b><u>38,025,539</u></b>	<b><u>8,886,049</u></b>		<b><u>24,498,341</u></b>
<b>Accumulated depreciation</b>				
Furniture and fixtures	2,890,005	803,740		3,693,745
Office and other equipment	1,721,845	567,547		2,289,392
Computers and software	6,222,451	1,447,355		7,669,806
Motor vehicles	9,015,205	1,830,193		<u>10,845,398</u>
	<b>19,849,506</b>	<b>4,648,835</b>		<b>24,498,341</b>

## Net Book values

	2003
Furniture and fittings	4,677,020
Office and other equipment	3,392,274
Computers and software	3,976,637
Motor vehicles	<u>3,844,197</u>
	15,890,129
Furniture & equipment - in store	716,163
Acquired property	<u>1,569,678</u>
	<b><u>18,175,970</u></b>
	<b><u>22,413,247</u></b>

## ESTABLISHMENT EXPENSE

	2002	2001
Cost	5,438,719	<u>5,438,719</u>
Less: Amorization	<u>5,438,719</u>	<u>5,438,719</u>

## OTHER CREDIT BALANCES

	2002	2001
Client outstanding transfers	26,977,980	7,304,584
CPOs ad certified cheques issued	25,486,475	20,382,890
Blocking inwards	2,353,068	3,414,979
Exchange payable to National Bank of Ethiopia	5,658,165	5,650,477
MTs/TTs payable	8,100,618	4,664,748
Blocked current and saving accounts	1,408,970	4,244,569
Demand drafts payable	420,416	137,900
Accrued interest payable	1,824,430	5,623,743
Accrued leave pay	973,418	959,077
Bonus payable	800,000	610,000
Accrued expenses	2,279,085	1,635,859
Government Taxes	602,189	1,002,360
Stamp duty tax	541,968	416,861
Special provision, Article 28 of proclamation 84/1994	1,800,000	1,600,000
Project cost of Tana Department Store building	2,561,712	
Sundries accounts	1,212,344	689,153
	<b><u>83,000,838</u></b>	<b><u>58,330,200</u></b>

## PROPOSED DIVIDENDS

Dividends are subject to 10% with holding tax upon payment.

## SHARE CAPITAL

Authorized capital 300,000 ordinary Shares of Birr 1,000 each	<b><u>300,000,000</u></b>	<b><u>50,000,000</u></b>
Paid-up capital 75,000,000 Ordinary shares of Birr 1,000 each	<b><u>75,000,000</u></b>	<b><u>50,000,000</u></b>

## MEMORANDUM ACCOUNTS

interest on loans in litigation	18,469,346	11,370,917
outward bill for collection	49,479,229	7,307,385
inward bills in collation	8,093,171	15,668,520
Guarantees issued	<u>12,863,885</u>	<u>11,061,446</u>
Travelers cheques	182,200	<u>2,238,031</u>
	<b><u>89,087,831</u></b>	<b><u>47,646,299</u></b>

#### SUNDRY INCOME

Tel/Telex /Telegram/Fax	2,621,519	2,339,722
Postage	128,325	137,117
Estimation fee	144,317	115,589
Legal	33,661	257,597
Profit on sale of fixed assets		<u>112,187</u>
Sundry income	783,914	<u>325,563</u>
	<b><u>3,711,736</u></b>	<b><u>3,287,775</u></b>

#### GENERAL EXPENSES

Stationery and printing	1,243,719	1,085,858
Tel/Telex/Telegram/Fax	1,913,476	1,096,646
Advertisements	1,233,318	1,283,910
Correspondent and bank charges	690,546	627,685
Entertainment	209,239	236,143
Insurance	484,571	516,314
Petrol and Oil	373,770	316,588
Per diem	464,965	360,754
Representation allowance	417,471	323,166
Transport	300,037	307,947
Postage	117,680	114,964
Water and Light	148,278	85,848
Special Provision	200,000	600,000
Maintenance and repairs	792,758	613,459
Donations and contributions	5,300	106,600
Professional fees	222,918	164,304
SWIFT charges	225,068	361,449
Computer supplies	254,766	143,324
Sundry expanses	<u>543,049</u>	<u>335,804</u>
	<b><u>9,840,929</u></b>	<b><u>8,680,763</u></b>

#### EARNINGS PER SHARE

The Earnings per share for the year were calculated on the basis of the average number of shares during the year weighted on a monthly basis. Accordingly, the capital increases having taken place on June 27,2002, the calculations were based on the paid up capital as of that date i.e. 50,000 shares.

#### CASH FLOW STATEMENTS

Reconciliation of operating income before tax to net cash inflow from operating activities:

	2002	2001
operating income before tax	38,428,858	36,745,083



Adjustments to reconcile net income to cash flow  
provided by operating activities:

Depreciation fixed asset	4,648,835	5,001,131
(increase) in loans and advances	(154,445,983)	<u>(175,539,683)</u>
(increase ) in other debit advances	(7,988,081)	(1,851,924)
increase in demand deposits	107,732,157	52,673,022
increase in saving deposit	204,364,769	162,322,125
increase in time deposit	(31,611,547)	40,972,696
increase in margin held on L/Cs	(1791,757)	280,524
in advance payment on L/Cs	(7,952,047)	(47,324,158)
increase other credit balances	24,670,638	67,103
Gain on disposals of fixed assets		<u>(107,189)</u>
	<b><u>137,626,984</u></b>	<b><u>36,493,647</u></b>
Net cash inflow from operating Activities	<b>176,055,842</b>	<b>73,238,730</b>