



Financial Result 2002-2003

Auditors Report

We have audited the accompanying balance sheet of Dashen Bank Share Company at 30 June 2003, 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 2003, 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 2003	Notes	2002
Assets		
Cash and balances with other banks		
Cash on hand	102,797,325	57,653,937
Deposits with local commercial banks	34,175,425	27,652,760
Deposits with foreign banks	245,141,844	191,928,832
Reserve account with National Bank of Ethiopia	<u>138,292,965</u>	<u>101,233,307</u>
	520,407,559	378,468,836

Treasury Bills		129,445,600	129,954,200
Government bonds			10,000,000
Investments	3	22,801,795	21,347,398
Items in course of collection from other banks	4	46,130,214	62,284,675
Loans and advances to customers	5	1,217,873,555	845,024,455
other assets	6	28,898,556	16,854,554
Fixed assets	7	<u>25,914,557</u>	<u>22,413,247</u>
Total Assets		<u>1,991,471,836</u>	<u>1,486,347,365</u>
LIABILITIES			
Customers' deposits			
Demand deposits		466,326,634	393,335,151
Saving deposits		1,056,330,662	737,269,441
Fixed deposits		<u>98,727,688</u>	60,557,797
		1,621,384,984	1,191,162,389
Margin held on letters of credit		94,101,523	60,124,576
Other liabilities	8	116,766,380	83,000,838
provision for proposed dividends	14	20,000,000	15,000,000
provision for taxation	12	<u>10,331,984</u>	<u>14,699,117</u>
TOTAL LIABILITIES		<u>1,862,584,871</u>	<u>1,363,986,920</u>
SHAREHOLDERS' FUNDS			
Share capital	9	75,000,000	75,000,000
Legal reserve		24,721,741	18,090,112
Retained earnings	14	<u>29,165,224</u>	<u>29,270,333</u>
		<u>128,886,965</u>	<u>122,360,445</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>1,991,471,836</u>	<u>1,486,347,365</u>

Income Statement

Income	Notes	2002
Interest Income		
Loans and advances	79,526,979	74,205,236
Surplus fund	2,483,265	<u>2,816,669</u>
Total interest income	82,010,244	77,021,905

Interest expense

Interest paid on deposits		<u>(30,057,945)</u>	<u>(35,596,992)</u>
		51,952,299	41,424,913
Less: provision for doubtful loans and advances		<u>(23,111,000)</u>	<u>(4,126,798)</u>
Bad debts written off		28,841,299	<u>(2,229,239)</u>
			<u>35,068,876</u>
Other income			
Service income		8,753,826	6,503,144
Letters of credit opening charges		4,699,494	2,902,412
commissions		11,386,429	7,420,933
Gains on foreign exchange		21,907,050	17,499,704
Sundry income	10	4,763,800	3,711,736
Investment income from Tana Building		<u>295,312</u>	
		51,805,911	<u>38,037,929</u>
EXPENSES			
Salaries and benefits		18,662,328	14,122,872
Rent		6,748,203	5,817,311
General and administrative	11	11,823,090	9,840,929
Depreciation		6,130,966	4,648,835
Directors' remuneration		302,222	168,000
Audit fee and expenses		<u>121,898</u>	<u>80,000</u>
		<u>(43,788,707)</u>	<u>(34,677,947)</u>
PROFIT BEFORE PROVISION FOR TAXATION		36,858,503	38,428,858
Provision for taxation		<u>(10,331,984)</u>	<u>(14,645,941)</u>
NET PROFIT AFTER PROVISION FOR TAXATION		26,526,519	23,782,917
Transfer to legal reserve (25%)		(6,631,630)	(5,945,729)
Transfer to retained earnings		<u>(19,894,889)</u>	<u>(17,837,188)</u>
		<u>NIL</u>	<u>NIL</u>
Earnings per share	13	<u>354</u>	<u>476</u>

Cash Flow Statement

For The Year Ended 30 June 2003	Notes	2002	
Cash flows from operating activities			
Operating profit before provision for taxation		36,858,503	38,428,858
Adjustments for:			
Depreciation		6,130,966	4,648,835

Interest income received on surplus funds	(1,353,328)	(1,019,779)
Income from Tana building investment	<u>(295,312)</u>	
	41,340,829	42,057,914
(Increase) in items in course of collection from other banks	16,154,461	(62,284,675)
(Increase) in other assets	(12,044,002)	(7,988,081)
(Increase) in loans and advances to customers	(372,849,100)	(154,445,983)
Increase in demand deposits	72,991,483	157,177,115
Increase in saving deposits	319,061,221	204,364,769
Increase in fixed deposits	38,169,891	(31,611,547)
increase in margin held on letters of credit	33,976,948	(9,743,804)
increase in other liabilities	<u>33,765,542</u>	<u>24,670,638</u>
	170,567,273	162,196,346
Income taxes paid	<u>(14,699,117)</u>	<u>(14,704,620)</u>
Net cash inflow from operating activities	<u>155,868,156</u>	<u>147,491,726</u>
Cash flows from investing activities		
Purchase of fixed assets	(9,632,276)	(8,886,049)
Investment of Tana building	(1,454,397)	(21,347,398)
Disposal proceeds of treasury bills	508,600	(129,954,200)
	10,000,000	
Disposal proceeds of government bonds		
Return from:		
interest received on treasury bills and govt bonds	<u>1,353,328</u>	<u>1,019,779</u>
Income from Tana building investment	<u>295,312</u>	
Net cash (used in) received from investing activities	<u>1,070,567</u>	<u>(159,167,868)</u>
Cash flows from financing activities		
proceeds from issuance of share capital		25,000,000
Dividends paid	(15,000,000)	(5,000,000)
Net cash received from (used in) financing activities	<u>(15,000,000)</u>	<u>(20,000,000)</u>
Net increase in cash and cash equivalents	141,938,723	8,323,858
Cash and cash equivalents, 1 July 2002	<u>378,468,836</u>	<u>370,144,978</u>
Cash and cash equivalents, 30 June 2003	<u>520,407,559</u>	<u>378,468,836</u>

Notes to the Financial Statements

ESTABLISHMENT

Un-cleared local cheques	38,012,179	49,444,958
Outward bills purchased	1,365,841	4,219,969
Outward documentary bills purchased	5,866,856	8,609,875
Foreign demand draft paid	<u>885,338</u>	<u>9,873</u>
	<u>46,130,214</u>	<u>62,284,675</u>

LOANS AND ADVANCES TO CUSTOMERS

Agriculture	35,481,866	5,241,978
Manufacturing	339,141,799	239,682,581
Domestic trade and services	357,286,526	227,668,219
Export	77,156,297	46,988,326
Import	153,538,372	81,178,076
Building and construction	86,302,866	62,330,473
Transport	77,158,529	87,233,082
Advances on letters of credits	59,666,332	41,741,990
Personal	793,994	687,522
Loans in litigation	70,122,376	62,212,498
Loans under re-activation	10,042,427	17,137,595
Less: Provision for doubtful debts & advances	<u>(48,817,829)</u>	<u>(27,077,895)</u>
	<u>1,217,873,555</u>	<u>845,024,445</u>

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.

OTHER ASSETS

		2002
National Trading Enterprise Outstanding deposit for rent	2,363,522	2,500,000
Stocks of		
- Stationery and supplies	627,542	574,615
- Passbooks, drafts and CPOs	711,403	408,667
- Cheque books	201,567	159,640
- Advertising materials	42,551	121,435
- Fixed assets	1,216,408	
- Prepayments	7,179,825	5,975,548
- Staff advances	2,384,965	<u>1,925,581</u>
Western union	3,883,810	2,650,184
Suspense account (Natoinal Bank of Ethiopia)	683,387	683,387
Sundry debtors (see below)	<u>9,603,576</u>	<u>1,855,497</u>
	<u>28,898,556</u>	<u>16,854,554</u>

Sundry debtors

Credit cards	1,843,414	
Cash notes holding (National Bank of Ethiopia)	1,344,446	
Stolen money and related court fees	645,454	
Tana Building current account	1,012,463	
Interest on Government Bonds and Treasury bills	366,000	
Advance paid for construction	122,459	
Travelers cheques on hand	84,027	
Duplicate payments and overdrawn accounts	24,013	
Deposit for signboards and logo	14,000	
2% with holding tax	16,160	
Sundry materials stock	8,985	
Uniform Stock	7,366	
Miscellaneous	<u>4,114,789</u>	
	<u>9,603,576</u>	<u>1,855,497</u>

FIXED ASSETS

Cost	30/06/03	Additions	Reclassifications	30/06/04
Furniture and fixtures	8,607,632	1,265,461	68,472	9,941,565
Office and other equipment	6,561,536	2,122,054	(68,472)	8,615,118
Computers and software	13,403,332	3,391,833		16,795,165
Motor vehicles	14,859,159	2,660,822		17,519,981
Furniture and equipment in store	<u>923,381</u>		(923,381)	
Acquired property	<u>2,556,548</u>	<u>1,115,487</u>		<u>3,672,035</u>
	<u>46,911,588</u>	<u>10,555,657</u>	<u>(923,381)</u>	<u>56,543,864</u>

Accumulated depreciation

Furniture and fixtures	3,693,745	1,248,313	6,255	4,948,313
Office and other equipment	2,289,392	1,266,396	(6,255)	3,549,533
Computers and software	7,669,806	2,281,340		9,951,146
Motor vehicles	<u>10,845,398</u>	<u>1,334,917</u>		<u>12,180,315</u>
	<u>24,498,341</u>	<u>6,130,966</u>		<u>30,629,307</u>

Net Book values

				2002
Furniture and fixtures		4,993,252		4,913,887
Office and other equipment		5,065,585		4,272,144
Computers and software		6,844,019		5,733,526
Motor vehicles		5,339,666		4,013,761
Furniture and equipment in store				<u>923,381</u>
Acquired property		<u>3,672,035</u>		<u>2,556,548</u>
		<u>25,914,557</u>		<u>22,413,247</u>

OTHER LIABILITIES

Outstanding transfers	31,428,214	26,977,980
CPOs ad certified cheques issued	43,897,038	25,486,475
Blocking inword		2,353,068
Exchange payable to National Bank of Ethiopia	8,243,138	5,658,165
MTs/TTs payable	16,696,327	8,100,618
Blocked current and saving accounts	2,060,216	1,408,970
Demand drafts payable	980,272	420,416
Accrued interest payable on fixed deposits	2,284,824	1,824,430
Accrued leave pay	1,458,074	973,418
Bonus payable	1,034,000	800,000
Accruals	1,803,512	2,279,085
Taxes	116,600	602,189
Stamp duty	739,851	541,968
Special reserve, Article 28 of proclamation 84/1994	2,557,551	1,800,000
Project cost of Tana Department Store building	1,553,269	2,561,712
Sundries (See below)	<u>1,913,494</u>	<u>1,212,344</u>
	<u>116,766,380</u>	<u>83,000,838</u>

Sundries

Midroc Ethiopia	550,314	
National Motors Corporation	301,500	
Office rent payable	283,182	
5% income tax on interest paid	135,705	
Neon Addis	92,843	
Outstanding dividends	86,400	
Payable to correspondent banks	60,456	
Income tax payable	14,485	
Sundries	<u>388,609</u>	
	<u>1,913,494</u>	<u>1,212,344</u>

SHARE CAPITAL

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

SUNDRY INCOME

Telecommunications	3,615,010	2,621,519
Postage	174,693	128,325

Estimation fees	199,286	144,317
Legal fees	5,608	33,661
Miscellaneous	<u>769,203</u>	<u>783,914</u>
	<u>4,763,800</u>	<u>3,711,736</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Stationery and printing	1,527,737	1,243,719
Telecommunications	2,319,867	1,913,476
Postage	142,320	117,680
Advertisements	1,329,189	1,233,318
Correspondent and bank charges	732,556	690,546
Entertainment	104,130	209,239
Insurance	585,064	484,571
Fuel and lubricants	442,831	373,770
Perdiems	405,909	464,965
Representation allowance	534,240	417,471
Transport	322,877	300,037
Water and light	190,341	148,278
Special reserve, Article 28 of proclamation 84/1994	1,000,000	200,000
Maintenance and repairs	810,604	792,758
Donations and contributions	157,115	5,300
Professional fees	217,117	222,918
SWIFT charges	200,622	225,068
Computer supplies	318,330	254,766
Sundries	<u>482,241</u>	<u>543,049</u>
	<u>11,823,090</u>	<u>9,840,929</u>

PROVISION FOR TAXATION

Profit before provision for taxation		36,858,503
Add: Representation allowance in excess of 10% of salary	195,609	
Donations and contributions	157,115	
Entertainment	<u>104,130</u>	
		<u>456,854</u>
Less: Interest on treasury bills	1,067,911	
Interest on government bonds	285,417	
Bad debts written off against		
Provision held before June 2002	1,371,066	
iTax allowable donations and contributions	<u>151,015</u>	
		<u>(2,875,409)</u>
Taxable profit		<u>34,439,948</u>
Taxation 30%		<u>10,331,984</u>

EARNINGS PER SHARE

Earnings per share for the year are calculated on the basis of the average number of shares outstanding

during the year.

RETAINED EARNINGS

		2002
Balance,1 July 2002	29,270,333	26,433,145
Add: Transfer from profit and loss Account	19,894,889	17,837,188
Less: proposed dividend	<u>(20,000,000)</u>	<u>(15,000,000)</u>
	<u>29,165,222</u>	<u>29,270,333</u>

MEMORANDUM ITEMS

a) Contingent liabilities Guarantees issued to customers **60,945,952** **12,863,885**

b) contingent assets

There was interest in memorandum accounts accumulated on loans and advances under litigation amounting to Birr 27,034,071,(2003, Birr 22,739,387)

c) Commitments

Letters of credit	268,231,303	126,276,928
Margin held on L/C	(94,101,523)	(60,124,576)
	174,129,780	66,152,352
Outward bills for collection	8,097,135	49,479,229
Inward bills for collection	11,214,007	<u>8,093,171</u>
	<u>193,440,922</u>	<u>123,724,752</u>

d) The un-utilized balances of overdraft facilities granted to customers at 30 June 2006 amounted to Birr 165,121,000 It was Birr 81,556,000 in 2003.

EMPLOYEE'S BENEFITS SCHEMES

Regarding the provident fund scheme, the Bank contributes 10% of basic salary while employees contribute 5%. These contributions are held for each individual in saving accounts of the Bank. All other employee benefits are in accordance with the labor proclamation No.42/1993. Eligible staff also benefit from Housing Loans.