



Financial Result 2004-2005

Auditors Report

We have audited the accompanying balance sheet of Dashen Bank Share Company at 30 June 2005, 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 2005, 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 2005	Notes	2004
Assets		
Cash and balances with other banks		
Cash on hand		77,215,256
Deposits with local commercial banks		80,540,449
Deposits with foreign banks		190,113,126
Deposit with National Bank of Ethiopia	3	<u>224,472,042</u>
		572,340,873
		1,020,251,117

Investments	4	27,801,795	25,551,795
Items in course of collection from other banks	5	122,774,202	80,177,858
Loans and advances to customers	6	2,160,632,436	1,627,369,234
other assets	7	42,557,514	32,868,517
Fixed assets		<u>45,791,652</u>	<u>39,296,772</u>
Total Assets		<u>3,419,808,716</u>	<u>2,676,644,049</u>
LIABILITIES			
Customers' deposits			
Demand deposits		793,030,926	623,230,151
Saving deposits		1,897,045,435	1,447,755,549
Fixed deposits		<u>142,930,754</u>	160,748,362
		2,833,007,115	2,177,734,062
Margin held on letters of credit		103,601,739	100,681,544
Other liabilities	9	213,869,232	165,789,128
provision for taxation	13	<u>26,447,616</u>	22,289,956
TOTAL LIABILITIES		<u>3,176,925,702</u>	<u>2,504,494,690</u>
SHAREHOLDERS' FUNDS			
Share capital	10	100,000,000	100,000,000
Legal reserve		56,576,329	38,787,340
Retained earnings	15	<u>86,306,685</u>	<u>33,362,019</u>
		<u>242,883,014</u>	<u>172,149,359</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>3,419,808,716</u>	<u>2,676,644,049</u>

Income Statement

Income	Notes	2004
Interest Income		
Loans and advances	155,139,327	113,061,340
Surplus fund	6,746,819	3,576,212
Total interest income		116,637,552
Interest expense		
Interest paid on deposits		<u>(40,763,454)</u>
		190,355,831

Less: provision for doubtful loans and advances		<u>(11,758,000)</u>	<u>(15,738,231)</u>
		97,597,831	60,135,867
Other income			
Service income		13,822,754	11,284,629
Letters of credit opening charges		5,862,085	6,888,014
commissions		18,643,834	17,869,865
Gains on foreign exchange		25,750,656	32,557,563
Sundry income	11	7,542,653	5,569,224
Investment income from Tana Building		<u>1,031,074</u>	1,216,485
		72,653,056	75,385,780
EXPENSES			
Salaries and benefits		28,998,584	23,020,100
Rent		9,763,501	8,195,599
General and administrative	12	22,346,662	18,272,877
Depreciation		10,818,338	6,912,815
Directors' remuneration		600,308	457,904
Audit fee and expenses		<u>119,922</u>	<u>110,000</u>
		<u>(72,647,315)</u>	<u>(56,969,295)</u>
PROFIT BEFORE PROVISION FOR TAXATION		97,603,572	78,552,352
Provision for taxation	13	<u>(26,447,616)</u>	<u>(22,289,956)</u>
NET PROFIT AFTER PROVISION FOR TAXATION		71,155,956	56,262,396
Transfer to legal reserve (25%)		(17,788,989)	(14,065,599)
Transfer to retained earnings		<u>(53,366,967)</u>	<u>(42,196,797)</u>
Earnings per share		<u>712</u>	<u>608</u>

Cash Flow Statement

For The Year Ended 30 June 2005	Notes	2004
Cash flows from operating activities		
Operating profit before provision for taxation		97,603,572
Adjustments for:		78,552,352
Depreciation		10,818,339
Interest income received on surplus funds		6,912,815
Income from Tana building investment		(6,746,820)
prior year adjustment		(1,031,074)
		<u>(62,303)</u>
		100,581,714
(Increase) in items in course of collection		(42,596,344)
(Increase) in other assets		(9,688,997)
(Increase) in loans and advances to customers		(533,263,202)
Increase in demand deposits		169,800,775
		80,672,470
		(34,047,644)
		(3,969,961)
		(409,495,679)
		156,903,517

Increase in saving deposits	449,289,886	391,424,887
Increase in fixed deposits	36,182,392	8,020,674
increase in margin held on letters of credit	2,920,195	6,580,021
increase in other liabilities	<u>48,080,104</u>	<u>49,022,748</u>
	221,306,523	245,111,033
Income taxes paid	<u>(22,289,956)</u>	<u>(10,331,984)</u>
Net cash inflow from operating activities	<u>199,016,567</u>	<u>234,779,049</u>
Cash flows from investing activities		
Purchase of fixed assets	(22,900,829)	(20,295,030)
Disposal of fixed assets	5,487,611	
Investment	(2,250,000)	(2,750,000)
Disposal proceeds of treasury bills	299,039,000	(169,593,400)
Returns from:		
Interest income received on surplus funds	6,746,820	3,576,212
Income from Tana building investment	<u>1,031,074</u>	<u>1,216,485</u>
Net cash (used in) received from investing activities	<u>287,253,676</u>	<u>187,845,733</u>
Cash flows from financing activities		
proceeds from issuance of share capital		25,000,000
Dividends paid	(38,000,000)	(20,000,000)
Directors bonus	16	<u>(360,000)</u>
Net cash received from (used in) financing activities	<u>(38,360,000)</u>	<u>(5,000,000)</u>
Net increase in cash and cash equivalents	447,910,243	51,933,316
Cash and cash equivalents, opening balance	<u>572,340,875</u>	<u>520,407,559</u>
Cash and cash equivalents, closing balance	<u>1,020,251,118</u>	<u>572,340,875</u>

Notes to the Financial Statements

ESTABLISHMENT

- (i) Foreign currencies denominated transactions are converted into Birr at the prevailing rates of exchange and realized foreign exchange gains or losses are reflected in the profit and loss account.
(ii) Year-end balances of foreign currencies on hand and with correspondent banks are converted into Birr at the mean of the buying and selling rates ruling at the balance sheet date.

(e) Provision for doubtful debts

The provision is maintained at a level adequate to cover possible losses. Management determines the 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	20%
Office and other equipment	20%
Motor vehicles	20%
Computer hardware and software	25%

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.

DEPOSIT WITH NATIONAL BANK OF ETHIOPIA

		2004
Reserve account	138,378,993	224,472,042
Payment and settlement account	277,269,801	
	<u>415,648,794</u>	<u>244,472,042</u>

INVESTMENTS

Investment in Tana Building (i)	22,801,795	22,801,795
Investment in Nyala Insurance S.Co.(ii)	5,000,000	2,750,000
	<u>27,801,795</u>	<u>25,551,795</u>

(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:

			2004
Midroc Ethiopia PLC	60%	34,202,693	34,202,693
Investment in Nyala Insurance S.Co.(ii)	40%	22,801,795	22,801,795
		<u>57,004,488</u>	<u>57,004,488</u>

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 5,000 shares at par value of Birr 1,000 each in Nyala Insurance Share company.

ITEMS IN COURSE OF COLLECTION FROM OTHER BANKS

Un-cleared local cheques	101,598,073	62,904,136
Outward bills purchased	3,322,700	3,772,140
Outward documentary bills purchased	17,784,445	13,417,499
MT/TT received-foreign	1,727	

Foreign demand draft paid	67,257	84,083
	<u>122,774,202</u>	<u>80,177,858</u>

LOANS AND ADVANCES TO CUSTOMERS

Agriculture	106,874,400	67,539,945
Manufacturing	521,587,701	383,892,154
Domestic trade and services	466,349,023	419,726,408
Export	147,290,224	82,774,141
Import	306,190,977	238,224,373
Building and construction	299,923,068	149,431,967
Transport	211,747,887	188,304,889
Advances on letters of credits	64,551,629	62,096,481
Personal	1,958,358	1,104,844
Loans in litigation	89,938,764	71,104,367
Loans under re-activation	9,914,506	24,803,841
Staff housing loans	6,501,861	2,230,412
Less: Provision for doubtful debts	(71,500,887)	(63,469,000)
&advances Suspended interest account	<u>(695,075)</u>	<u>(395,588)</u>
	<u>2,160,632,436</u>	<u>1,627,369,234</u>

6.1 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.

6.2 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 2006 advances against import bills and accrued interest thereon in respect of goods stranded in Eritrean ports in 1998.

OTHER ASSETS

		2004
National Trading Enterprise Outstanding deposit for rent	2,257,578	2,363,522
Stocks of		
- Stationery and supplies	1,005,004	758,070
- Passbooks, drafts and CPOs	1,009,018	215,748
- Cheque books	426,035	238,126
- Advertising materials	174,099	39,565
- Fixed assets	1,945,746	1,667,404
- Cleaning and sanitation	8,939	10,432
- Entertainment supplies	2,600	800
- Uniforms	10,978	201
- Sundry materials	10,931	12,288
	4,593,350	2,942,634
Prepayments	4,778,515	7,991,934
Staff advances	4,353,734	7,856,427
Western Union	5,892,508	3,370,266
Suspense account (National Bank of Ethiopia)	683,387	683,387
Sundry debtors (see below 2)	22,256,020	10,023,869

	44,815,092	35,232,039
Less: provision for doubtful receivable (National Trading Enterprise)	(2,257,578)	(2,363,522)
	<u>42,557,514</u>	<u>32,868,517</u>

Sundry debtors

		2004
Credit cards	4,765,154	2,379,819
Cash notes holding (National Bank of Ethiopia)	350,828	19,730
Stolen money and related court fees	703,430	666,225
Tana Building current account	2,209,328	1,191,248
Interest on Treasury bills		311,670
Interest on fixed deposit	1,258,425	702,740
Advance paid for construction	9,904,638	1,000
Travelers cheques on hand	1,347,748	1,419,231
Duplicate payments and overdrawn accounts	24,659	44,042
Deposit for multimedia broad band	146,300	
Deposit for signboards and logo	14,000	14,000
2% withholding tax (Tana)	31,244	25,237
Other payments by correspondent banks	333,958	3,004,485
Miscellaneous	<u>1,166,308</u>	<u>244,442</u>
	<u>22,256,020</u>	<u>10,023,869</u>

FIXED ASSETS

Cost	30/06/04	Additions	Adjustments/ Disposals	30/06/05
Premises	3,590,839		(112,709)	3,478,130
Furniture and fixtures	11,061,713	2,014,392		13,076,105
Office and other equipment	9,804,628	2,429,951		12,234,579
Computers and software	21,798,985	15,617,950		37,416,935
Motor vehicles	18,730,749	2,344,609		21,075,358
Acquired property	<u>11,016,633</u>	493,927	<u>(5,474,902)</u>	6,035,658
	<u>76,003,547</u>	<u>22,900,829</u>	<u>(5,587,611)</u>	<u>93,316,765</u>
Accumulated depreciation				
Premises		173,905		173,906
Furniture and fixtures	6,170,993	1,381,022		7,552,015
Office and other equipment	4,800,552	1,486,806		6,287,358
Computers and software	12,913,106	6,125,957		19,039,063
Motor vehicles	12,822,124	1,650,647	-	<u>14,472,771</u>
	<u>36,706,775</u>	<u>10,818,338</u>		<u>47,525,113</u>
Net Book values				
Premises	3,590,839			3,304,224
Furniture and fixtures	4,890,721			5,524,090
Office and other equipment	5,004,075			5,947,221

Computers and software	8,885,879	18,377,872
Motor vehicles	5,908,625	6,602,587
Acquired property	<u>11,016,633</u>	<u>6,035,658</u>
	<u>39,296,772</u>	<u>5,791,652</u>

OTHER LIABILITIES

		2004
Outstanding transfers	46,751,995	63,565,254
CPOs ad certified cheques issued	55,843,901	57,249,220
Exchange payable to National Bank of Ethiopia	10,250,678	8,245,503
MTs/TTs payable	14,519,379	12,127,883
Blocked current and saving accounts	4,276,124	2,770,593
Demand drafts payable	358,973	582,568
Accrued interest payable on fixed deposits	2,853,699	2,276,363
Accrued leave pay	2,278,795	1,652,175
Bonus payable	1,481,525	1,215,096
Accruals	6,674,821	3,402,081
Taxes	59,933	23,773
Stamp duty	889,776	961,823
Special reserve, Article 28 of proclamation 84/1994	5,284,097	4,427,463
Tana Department store building	4,484,821	2,484,821
Other collections by correspondent banks	316,964	3,390,453
Special clearance	50,577,093	
Sundries (See below)	<u>6,966,658</u>	1,414,059
	<u>213,869,232</u>	<u>165,789,128</u>

Sundries

National Motors Corporation	126,500	126,500
Office rent payable	393,732	343,182
5% income tax on interest paid	221,044	193,816
Neon Addis	92,843	92,843
Outstanding dividends	291,000	192,000
Payable to correspondent banks	4,504,367	191,961
Income tax payable	236,695	230,944
Agent commission on credit cards	52,289	17,388
Deposit for guarantees	1,043,650	25,000
Adjustment and refund account	4,538	425
	<u>6,966,658</u>	<u>1,414,059</u>

SHARE CAPITAL

		2005
Authorized capital 300,000 ordinary Shares of Birr 1,000 each	<u>300,000,000</u>	<u>3000,000,000</u>
Paid-up capital 156,190 Ordinary shares of Birr 1,000 each	<u>156,190,000</u>	<u>100,000,000</u>

The bank has collected Birr 13,810,000 after the balance sheet date out of the subscribed capital of Birr 50,000,000 approved at the 9th extraordinary shareholders' meeting on June 6,2006.

SUNDRY INCOME

Telecommunications	5,504,031	4,640,336
Postage	235,963	185,172
Estimation fees	269,248	256,385
Legal fees	<u>7,202</u>	<u>2,899</u>
Miscellaneous	<u>1,526,209</u>	<u>484,432</u>
	<u>7,542,653</u>	<u>5,569,224</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Stationery and printing	2,672,284	1,894,118
Telecommunications	7,000,092	3,314,172
Postage	217,560	163,960
Advertisements	1,684,529	1,481,017
Correspondent and bank charges	1,303,017	964,370
Entertainment	235,583	124,789
Insurance	741,676	663,887
Fuel and lubricants	679,896	476,236
Perdiems	463,849	638,332
Representation allowance	736,481	547,229
Transport	407,905	517,155
Water and light	425,246	270,922
Special reserve, Article 28 of proclamation 84/19994	1,000,000	2,000,000
Provison for doubtful accounts receivable		2,363,522
Maintenance and repairs	1,228,551	1,022,565
Donations and contributions	60,000	62,615
Professional fees	309,256	428,749
SWIFT charges	350,462	372,290
Computer supplies	532,282	373,496
Sundries	<u>2,297,993</u>	<u>593,453</u>
	<u>22,346,662</u>	<u>18,272,877</u>

PROVISION FOR TAXATION

		2004
Profit before prevision for taxation	97,603,572	73,552,352
Add: Representation allowance in excess of 10% of salary	268,327	155,036
Tax on farewell benefit	268,327	2,700
Tax on board fees		111,904
Donations and contributions		62,615
Entertainment	<u>235,436</u>	<u>124,789</u>
	<u>503,910</u>	<u>457,044</u>
Less: Interest on treasury bills	685,430	2,370,570
Interest on local deposit	1,432,808	702,740
Interest on foreign deposit	4,004,257	502,902

Dividend earned on shares	624,324	
Bad debts written off against		
Provision held before June 2002	<u>3,869,319</u>	<u>1,217,148</u>
	<u>(10,616,138)</u>	<u>(,793,360)</u>
Taxable profit	<u>87,491,344</u>	<u>74,216,036</u>
Taxation		
(a) @30%(170,571,771)	26,247,403	22,264,811
(b) @ 5% (12,121,645)*	200,213	25,145
	<u>26,447,616</u>	<u>22,289,956</u>

Profit tax is computed at the rate of 5% on interest earned on deposit with foreign banks as per Income Tax proclamation no 286/2002, Article 36 sub Article 1.

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

		2004
Balance,1 July 2004	33,362,021	29,165,222
Add: Transfer from profit and loss Account	<u>53,366,967</u>	<u>42,196,797</u>
Less : proposed dividend		(38,000,000)
Less: Prior year adjustment	<u>(62,303)</u>	
Directors' bonus paid (2005)	<u>(370,000)</u>	<u>(360,000)</u>
	<u>86,306,685</u>	<u>33,362,019</u>

MEMORANDUM ITEMS

a) Contingent liabilities Guarantees issued to customers	<u>116,866,573</u>	<u>90,188,501</u>
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b) contingent assets

There was interest in memorandum accounts accumulated on loans and advances under litigation amounting to Birr 26,195,178 (Birr 27,034,071 in 2004)

c) Commitments

Letters of credit	323,760,256	285,846,522
Margin held on L/C	<u>(103,601,739)</u>	<u>(100,681,544)</u>
	220,158,517	220,158,517
Outward bills for collection	4,045,131	27,555,198
Inward bills for collection	<u>20,734,317</u>	<u>16,870,484</u>
	<u>244,937,965</u>	<u>229,590,660</u>

d) The un-utilized balances of overdraft facilities granted to customers at 30 June 2005 amounted to Birr 219,594,000. It was Birr 165,121,000 in 2004.

EMPLOYEE'S BENEFITS SCHEMES

Regarding the provident fund scheme, the Bank contributes 12% of basic salary while employees contribute 6%. 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.377/2003. Eligible staff also benefit from Housing Loans.

