



## Financial Result 2006-2007

# Auditors Report

We have audited the accompanying balance sheet of Dashen Bank Share Company at 30 June 2007, 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 2007, 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 Bank 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.

A.W. Thomas & Co.  
Chartered Certified Accountants  
(Auditors of the Dashen Bank S.C.)

Addis Ababa  
31 August 2007

**DASHEN BANK S.C.  
BALANCE SHEET  
AS AT 30 JUNE 2007**

	<u>Notes</u>	<u>Currency: Ethiopian Birr</u> <u>2006</u>	
<b>ASSETS</b>			
Cash and balances with other banks			
Cash on hand	3	150,166,259	120,447,048
Deposits with local commercial banks		13,080,857	1,374,628
Deposits with foreign banks		646,460,130	546,014,884
Deposit with National Bank of Ethiopia	4	<u>861,184,640</u>	<u>482,049,266</u>
		1,670,891,886	1,149,885,826
Investments	5	28,385,795	27,801,795
Items in course of collection from other banks	6	234,986,600	153,864,230
Loans and advances to customers	7	3,889,003,611	3,080,263,248
Other assets	8	120,366,856	74,185,344
Fixed assets	9	<u>97,279,472</u>	<u>60,012,535</u>
<b>TOTAL ASSETS</b>		<u>6,040,914,220</u>	<u>4,546,012,978</u>
<b>LIABILITIES</b>			
Customers' deposits			
Demand deposits		1,360,926,459	1,039,091,412
Saving deposits		2,842,853,597	2,343,244,480
Fixed deposits		<u>656,767,450</u>	<u>309,267,163</u>
		4,860,547,506	3,691,603,055
Margin held on letters of credit		145,500,202	136,392,485
Other liabilities	10	419,230,188	280,367,023
Provision for taxation	14	<u>71,164,202</u>	<u>51,777,613</u>
<b>TOTAL LIABILITIES</b>		<u>5,496,442,098</u>	<u>4,160,140,176</u>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	11	282,210,000	156,190,000
Legal reserve		136,973,606	89,973,776
General reserve	16	64,717,354	64,709,026
Retained earnings	17	<u>60,571,162</u>	<u>75,000,000</u>
		544,472,122	385,872,802
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>6,040,914,220</u>	<u>4,546,012,978</u>

**DASHEN BANK S.C.  
PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 30 JUNE 2007**

	<u>Notes</u>	<u>Currency: Ethiopian Birr</u> <u>2006</u>	
<b>INCOME</b>			
<b>Interest income</b>			
Loans and advances		299,345,467	227,942,449
Surplus fund		<u>20,582,225</u>	<u>13,950,849</u>
Total interest income		319,927,692	241,893,298
<b>Interest expense</b>			
Interest paid on deposits		<u>(92,511,233)</u>	<u>(66,887,818)</u>
		227,416,459	175,005,480
Less: Provision for doubtful loans and advances		<u>(7,849,833)</u>	<u>(13,560,113)</u>
		219,566,626	<u>161,445,367</u>
<b>Other income</b>			
Service income		24,988,268	24,221,209
Letters of credit opening charges		9,848,581	10,507,419
Commissions		32,804,602	26,038,498
Gains on foreign exchange		85,363,666	54,376,042
Sundry income	12	10,280,175	8,252,709
Investment income from Tana Building		<u>1,540,686</u>	<u>1,334,477</u>
		164,825,978	<u>124,730,354</u>
<b>EXPENSES</b>			
Salaries and benefits		51,802,159	39,917,551
Rent		17,525,028	12,452,314
General and administrative	13	39,267,852	32,841,576
Depreciation		15,841,137	14,775,353
Directors' remuneration		698,769	698,769
Audit fee and expenses		<u>110,000</u>	<u>122,757</u>
		(125,244,945)	<u>(100,808,320)</u>
<b>PROFIT BEFORE PROVISION FOR TAXATION</b>			
Provision for taxation	14	259,147,659	185,367,401
		<u>(71,159,443)</u>	<u>(51,777,613)</u>
<b>NET PROFIT AFTER PROVISION FOR TAXATION</b>			
Transfer to legal reserve (25%)		187,988,216	133,589,788
		<u>(46,997,054)</u>	<u>(33,397,447)</u>
Transfer to retained earnings		<u>140,991,162</u>	<u>(100,192,341)</u>
<b>Earnings per share</b>	15	<u>1,001</u>	<u>956</u>

**DASHEN BANK S.C.**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Currency: Ethiopian Birr	
		2006	
<b>Cash flows from operating activities</b>			
Operating profit before provision for taxation		259,147,659	185,367,401
Adjustments for:			
Depreciation		15,841,137	14,775,353
Interest income received on surplus funds		(20,582,225)	(13,950,849)
Income from Tana Building investment		(1,540,686)	(1,334,477)
Prior year adjustment		<u>15,863</u>	<u>-</u>
		252,881,748	184,857,428
(Increase) in items in course of collection		(81,122,370)	(31,090,028)
(Increase) in other assets		(46,181,512)	(31,627,830)
(Increase) in loans and advances to customers		(808,740,363)	(919,630,812)
Increase in demand deposits		321,835,047	246,060,486
Increase in saving deposits		499,609,117	446,199,045
Increase in fixed deposits		347,500,287	166,336,409
Increase in margin held on letters of credit		9,107,717	32,790,746
Increase in other liabilities		<u>138,863,165</u>	<u>66,497,791</u>
		633,752,836	160,393,235
Income taxes paid		<u>(51,777,613)</u>	<u>(26,447,616)</u>
<b>Net cash inflow from operating activities</b>		<u>581,975,223</u>	<u>133,945,619</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(57,383,444)	(29,972,560)
Disposal of fixed assets		4,275,370	976,324
Investment		(584,000)	-
Returns from:			
Interest income received on surplus funds		20,582,225	13,950,849
Income from Tana Building investment		<u>1,540,686</u>	<u>1,334,477</u>
<b>Net cash (used in) received from investing activities</b>		<u>(31,569,163)</u>	<u>(13,710,910)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of share capital		46,020,000	56,190,000
Dividends paid		(75,000,000)	(46,000,000)
Directors bonus	17	<u>(420,000)</u>	<u>(790,000)</u>
<b>Net cash received from (used in) financing activities</b>		<u>(29,400,000)</u>	<u>9,400,000</u>
<b>Net increase in cash and cash equivalents</b>		521,006,060	129,634,709
<b>Cash and cash equivalents, opening balance</b>		<u>1,149,885,826</u>	<u>1,020,251,117</u>
<b>Cash and cash equivalents, closing balance</b>		<u>1,670,891,886</u>	<u>1,149,885,826</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. ESTABLISHMENT**

The Bank is a privately owned company established in 1995 in accordance with the “Licensing and Supervision of Banking Business Proclamation No. 84/1994” of Ethiopia to undertake commercial banking activities.

The Bank obtained its license from the National Bank of Ethiopia on 20 September 1995 and started normal business activities on the first of January 1996. It operates through its head office in Addis Ababa and forty two area banks established within and outside Addis Ababa, four Foreign Exchange Bureaux and ten Automatic Teller Machines (ATMs) installed at different places within and outside Addis Ababa.

**2. ACCOUNTING POLICIES**

The significant accounting policies adopted by the bank are summarized hereunder:

(a) **Accounting convention**

These financial statements are prepared under the historical cost convention.

(b) **Interest income and expenses**

Interest income and interest expenses are accounted for on the accrual basis. However, no interest is accounted for unpaid past due loans and advances.

(c) **Other income**

All other income is accounted for at the time of completion of related banking transactions.

(d) **Conversion of foreign currencies**

(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.

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

(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 net book value of assets disposed of.

**3. CASH ON HAND**

		<u>2006</u>
Local currency	139,308,450	109,787,166
Foreign currency	9,682,736	9,747,892
Travelers' cheques	<u>1,175,073</u>	<u>911,990</u>
	<u>150,166,259</u>	<u>120,447,048</u>

**4. DEPOSIT WITH NATIONAL BANK OF ETHIOPIA**

Statutory reserve balance	250,078,993	183,078,993
Payment and settlement account	<u>611,105,647</u>	<u>298,970,273</u>
	<u>861,184,640</u>	<u>482,049,266</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

**5. INVESTMENTS**

		<u>2006</u>
Investment in Tana Building (i)	22,801,795	22,801,795
Investment in Nyala Insurance S.Co. (ii)	<u>5,584,000</u>	<u>5,000,000</u>
	<u>28,385,795</u>	<u>27,801,795</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:

			<u>2006</u>
Midroc Ethiopia PLC	60%	34,202,693	34,202,693
Dashen Bank S.C.	40%	<u>22,801,795</u>	<u>22,801,795</u>
		<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 purchased 5,000 shares and gained 584 share dividends at par value of Birr 1,000 each in Nyala Insurance Share Company.

**6. ITEMS IN COURSE OF COLLECTION FROM OTHER BANKS**

		<u>2006</u>
Un-cleared local cheques	206,155,142	127,249,026
Outward bills purchased	3,137,448	5,406,320
Outward documentary bills purchased	25,690,632	21,085,353
MT/TT received-foreign	3,378	5,823
Foreign demand draft paid	-	<u>117,708</u>
	<u>234,986,600</u>	<u>153,864,230</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

**7. LOANS AND ADVANCES TO CUSTOMERS**

		<u>2006</u>
Agriculture	147,260,219	133,086,147
Manufacturing	802,573,013	673,584,057
Domestic trade and services	713,141,465	580,083,280
Export	297,906,024	211,898,183
Import	457,598,660	366,577,386
Building and construction	872,891,344	534,158,054
Transport	462,268,977	430,592,471
Advances on letters of credits	93,546,501	110,813,038
Personal	820,997	604,204
Loans in litigation	92,258,145	97,814,465
Loans under re-activation	10,581,636	7,767,994
Staff housing loans	36,911,192	20,033,870
Less: Provision for doubtful debts and advances	(88,498,270)	(83,877,287)
Suspended interest account	<u>(10,256,292)</u>	<u>(2,872,614)</u>
	<u>3,889,003,611</u>	<u>3,080,263,248</u>

- 7.1 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.

**8. OTHER ASSETS**

National Trading Enterprise, outstanding deposit for rent	2,257,578	<u>2,257,578</u>
Stocks of		
- stationery and supplies	1,030,690	2,026,993
- passbooks, drafts and CPOs	987,616	190,563
- cheque books	1,373,883	737,958
- advertising materials	926	23,141
- fixed assets	4,012,359	3,442,139
- cleaning and sanitation	21,327	25,910
- entertainment supplies	869	1,000
- uniforms	93,528	6,522
- sundry materials	<u>20,719</u>	<u>7,022</u>
	7,541,917	6,461,248
Debit card	898,171	-
Pin mailer	24,968	-
Prepayments	14,185,265	7,425,513
Staff advances	10,233,466	9,566,223
Western Union	13,286,958	6,223,698
Suspense account (National Bank of Ethiopia)	707,400	707,400
Other non-current assets (see below 1)	7,621,178	15,142,912
Sundry debtors (see below 2)	<u>65,867,533</u>	<u>28,658,350</u>
	122,624,434	76,442,922
Less: provision for doubtful receivable (National Trading Enterprise)	<u>(2,257,578)</u>	<u>(2,257,578)</u>
	<u>120,366,856</u>	<u>74,185,344</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

	<u>2006</u>	
<b>Other non-current assets - above 1</b>		
Constructions in progress *	6,512,348	14,043,009
Cash collateral to VISA	899,923	899,923
Deposit for Multimedia Broad-band	194,907	185,980
Deposit for signboards and logo	<u>14,000</u>	<u>14,000</u>
	<u>7,621,178</u>	<u>15,142,912</u>

\* Unpaid capital commitments for constructions in progress at Nazareth site amounted to approximately Birr 13,695,990.

**Sundry debtors - above 2**

Credit cards	31,002	19,149,741
Cash notes holding (National Bank of Ethiopia)	80,600	73,680
Stolen money and related court fees	702,250	703,430
Tana Building current account	1,505,241	1,303,017
Duplicate payments and overdrawn accounts	124,763	24,659
Charge back	261,017	-
2% withholding tax	3,483	3,085
2% withholding tax (Tana)	88,612	78,651
Advance paid for construction	1,278,384	1,628,189
Payment card	596,942	-
Payments by correspondent banks	-	761,574
Blocked balance for land lease of Head Office	4,000,000	4,000,000
Correspondent bank account	5,390,555	-
Merchant control accounts	283	-
Area bank encashment	2,710	-
Local Commercial Banks	49,704,988	-
Miscellaneous	<u>2,096,703</u>	<u>932,324</u>
	<u>65,867,533</u>	<u>28,658,350</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

**9. FIXED ASSETS**

<b>Cost</b>	<u>30/06/06</u>	<u>Additions</u>	Adjustments/ <u>Disposals</u>	<u>30/06/07</u>
Premises	3,478,130	31,657,815	-	35,135,945
Furniture and fixtures	15,011,824	4,111,103	(203,652)	18,919,275
Office and other equipment	14,655,959	2,884,448	(501,001)	17,039,406
Computers hard and software	56,146,807	9,199,122	(1,189,057)	64,156,872
Motor vehicles	25,276,195	5,189,871	(495,100)	29,970,966
Acquired property	<u>7,744,086</u>	<u>4,341,085</u>	<u>(3,954,485)</u>	<u>8,130,686</u>
	<u>122,313,001</u>	<u>57,383,444</u>	<u>(6,343,295)</u>	<u>173,353,150</u>
<b>Accumulated depreciation</b>				
Premises	347,811	424,579	-	772,390
Furniture and fixtures	9,043,017	1,974,097	(135,633)	10,881,481
Office and other equipment	7,960,710	1,815,320	(388,128)	9,387,902
Computers hard and software	28,315,494	8,959,661	(1,077,047)	36,198,108
Motor vehicles	<u>16,633,434</u>	<u>2,667,480</u>	<u>(467,117)</u>	<u>18,833,797</u>
	<u>62,300,466</u>	<u>15,841,137</u>	<u>(2,067,925)</u>	<u>76,073,678</u>
<b>Net Book values</b>				
Premises	3,130,319			34,363,555
Furniture and fixtures	5,968,807			8,037,794
Office and other equipment	6,695,249			7,651,504
Computers and software	27,831,313			27,958,764
Motor vehicles	8,642,761			11,137,169
Acquired property	<u>7,744,086</u>			<u>8,130,686</u>
	<u>60,012,535</u>			<u>97,279,472</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

		<u>2006</u>
<b>10. OTHER LIABILITIES</b>		
Outstanding transfers	99,231,119	44,245,292
CPOs and certified cheques issued	82,565,888	71,505,613
Exchange payable to National Bank of Ethiopia	13,508,830	16,553,118
MTs/TTs payable	15,890,551	18,713,571
Blocked current and saving accounts	7,344,212	14,959,314
Demand drafts payable	213,110	344,384
Accrued interest payable on fixed deposits	12,261,394	3,396,786
Accrued leave pay	4,433,551	3,267,448
Bonus payable	5,673,740	2,488,207
Accruals	8,478,896	10,450,065
Taxes	196,482	26,774
Unearned revenue	1,753,198	1,371,512
Stamp duty	463,568	1,171,456
Merchant control account	-	1,555
Special reserve, Article 28 of Proclamation 84/1994	15,532,101	11,494,984
Tana Department Store building	5,623,279	4,942,159
Payment and settlement account	69,520,661	-
Special clearance	68,373,685	61,787,824
Loan accounts	1,417,372	-
ATM rejected note control	1,295	-
Sundries (see below)	<u>6,747,256</u>	<u>13,646,961</u>
	<u>419,230,188</u>	<u>280,367,023</u>

**Sundries**

National Motors Corporation	126,500	126,500
Office rent payable	303,382	303,383
5% income tax on interest paid	437,007	304,689
Neon Addis	-	92,843
Outstanding dividends	-	498,000
Payable to correspondent banks	4,295,699	11,695,739
Income tax payable	393,220	304,145
Retention on construction work	1,112,016	-
Agent commission on credit cards	18,084	93,208
Payable to Midroc Ethiopia PLC	53,167	47,191
Federal Inland Revenue Authority cost sharing	4,629	-
Deposit for guarantees	-	178,450
Adjustment and refund account	3,552	2,435
Franco valuta payable to National Bank of Ethiopia	-	378
	<u>6,747,256</u>	<u>13,646,961</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr  
2006

**11. SHARE CAPITAL**

Authorized capital 1,000,000 Ordinary Shares of Birr 1,000 each	<u>1,000,000,000</u>	<u>300,000,000</u>
Paid-up capital 282,210 Ordinary shares of Birr 1,000 each	<u>282,210,000</u>	<u>156,190,000</u>

The bank declared a share dividend of Birr 80,000,000 and increased its authorized capital to Birr 1,000,000,000 at the 10<sup>th</sup> extraordinary shareholders' meeting on 14 June 2007.

**12. SUNDRY INCOME**

Telecommunications	6,654,958	6,614,296
Postage	259,361	306,894
Estimation fees	271,184	299,393
Correspondent bank charges	587	3,500
Legal fees	5,071	2,798
Miscellaneous	<u>3,089,014</u>	<u>1,025,828</u>
	<u>10,280,175</u>	<u>8,252,709</u>

**13. GENERAL AND ADMINISTRATIVE EXPENSES**

Stationery and printing	2,824,452	2,880,178
Telecommunications	5,018,504	8,068,751
Postage	230,897	276,685
Advertisements	4,997,349	4,015,652
Correspondent and bank charges	493,329	211,469
Entertainment	315,822	235,436
Insurance	891,701	871,120
Fuel and lubricants	1,210,354	778,549
Perdiems	880,322	641,699
Representation allowance	875,051	788,971
Transport	673,459	722,768
Water and light	837,142	513,560
Special reserve, Article 28 of Proclamation 84/1994	5,400,000	6,244,068
Maintenance and repairs	1,781,632	2,614,142
Donations and contributions	1,279,000	15,300
Professional fees	360,079	1,109,306
SWIFT and bank charges	869,071	682,633
Computer supplies	590,032	545,986
VISA charge	138,050	-
POS reimbursement charge	491,260	-
Fixed assets	46,252	-
Annual hardware and software service fee	2,014,216	-
Cost of debit card	121,957	-
Tele. DDN services	3,641,888	-
Sundries	<u>3,286,033</u>	<u>1,625,303</u>
	<u>39,267,852</u>	<u>32,841,576</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr

2006

**14. PROVISION FOR TAXATION**

Profit before provision for taxation		259,147,659	<u>185,367,401</u>
Add: Depreciation as per bank's policy	15,841,137		-
Representation allowance in excess of 10% of salary	87,720		136,376
Donations and contributions	47,000		300
Loss on disposal of fixed asset	247,687		-
Entertainment	315,822		235,436
Prior period adjustment	<u>15,863</u>		-
		<u>16,555,229</u>	<u>372,112</u>
Less: Interest on treasury bills	4,692		15,000
Interest on local deposit	-		933,082
Gain on disposal of fixed asset	221,482		-
Depreciation for tax purpose pursuant to Proc. No. 286/2002	16,321,943		-
Interest on foreign deposit	18,699,199		12,121,645
Dividend earned on shares	1,878,334		881,121
Bad debts written off against provision held before June 2002	<u>4,479,766</u>		<u>1,216,894</u>
		<u>(41,605,416)</u>	<u>(15,167,742)</u>
Taxable profit		<u>234,097,472</u>	<u>170,571,771</u>
Taxation			
(a)@ 30%(234,097,472)		70,229,242	51,171,531
(b)@ 5% (18,699,199) *		934,960	606,082
Provision for taxation		<u>71,164,202</u>	<u>51,777,613</u>
Prior year adjustment (Note 17)		<u>(4,759)</u>	-
Charge to profit and loss account		<u>71,159,443</u>	<u>51,777,613</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.

**15. EARNINGS PER SHARE**

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

**16. GENERAL RESERVE**

Balance, 1 July 2006		64,709,026	39,936,685
Add: transfer from retained earning		<u>8,328</u>	<u>24,772,341</u>
		<u>64,717,354</u>	<u>64,709,026</u>

**DASHEN BANK S.C.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

Currency: Ethiopian Birr  
2006

**17. RETAINED EARNINGS**

Balance, 1 July 2006	75,000,000	86,306,685
Add: Transfer from profit and loss account	140,991,162	100,192,341
Prior year adjustment (Net tax of Br. 4,759)	<u>11,104</u>	<u>-</u>
	216,002,266	<u>186,499,026</u>
Less: Dividend paid (2006)	(75,000,000)	(46,000,000)
Directors Bonus paid (2007)	(420,000)	(790,000)
Transfer to Legal Reserve (2006)	(2,776)	-
Transfer to General Reserve (2006)	(8,328)	(64,709,026)
Transfer to paid up capital (2007)	<u>(80,000,000)</u>	<u>-</u>
	<u>(155,431,104)</u>	<u>(111,499,026)</u>
	<u>60,571,162</u>	<u>75,000,000</u>

**18. MEMORANDUM ITEMS**

(a) Contingent liabilities

Guarantees issued to customers	<u>251,979,088</u>	<u>178,150,131</u>
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(b) Contingent assets

There was interest in memorandum accounts accumulated on loans and advances under litigation amounting to Birr 33,338,618. It was Birr 32,537,017 in 2006.

(c) Commitments

Letters of credit	420,275,867	471,373,725
Margin held on L/C	<u>(145,500,202)</u>	<u>(136,392,485)</u>
	274,775,665	334,981,240
Outward bills for collection	2,603,703	25,879,359
Inward bills for collection	<u>24,292,887</u>	<u>33,477,131</u>
	<u>301,672,255</u>	<u>394,337,730</u>

(d) The un-utilized balances of overdraft facilities granted to customers at 30 June 2007 amounted to Birr 260,588,000. It was Birr 259,868,000 in 2006.

**19. EMPLOYEES' BENEFITS SCHEMES**

Regarding the provident fund scheme, the Bank contributes 14% of basic salary while employees contribute 7%. These contributions are held for each individual in saving accounts of the Bank. All other employees' benefits are in accordance with the Labour Proclamation No. 377/2003 and Labor Amendment Proclamation No. 494/2006. Eligible staff also benefit from Housing Loan.

**20. COMPARATIVE FIGURES**

Travelers' cheques' comparative figure has been reclassified to cash on hand.