
INVESTRUST MERCHANT BANK ZAMBIA LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2001

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2001

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INVESTRUST MERCHANT BANK ZAMBIA LIMITED

REPORT OF THE DIRECTORS

Kwacha

The directors present their report and the financial statements for the year ended 31 March 2001.

ACTIVITIES

The Bank's activities continued to be the provision of commercial and merchant banking services.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to **K501,775,000** (2000 – loss K1,217,812,000).

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who held office during the year were:

Dr. J.B. Zulu	- Appointed 30 November 2000	Chairman
Mr. F.C. Ndhlovu	-	Managing Director
Mr. R.L. Bvulani		
Mr. M.M. McNie		
Mr. J.M. Mwanakatwe, S.C.		
Mr. S.R. Khan	- Resigned 30 November 2000	

AUDIT COMMITTEE

The audit committee is made up of the following:

Mr. F.C. Ndhlovu	-	Managing Director
Mr. R.L. Bvulani		
Mr. J.M. Mwanakatwe, S.C.		
Mr. R.W. Taylor	- Resigned May 2000	

MANAGEMENT CREDIT COMMITTEE

The management credit committee is made up of the following:

Mr. F.C. Ndhlovu	- Managing Director
Mr. A.E.V. Jayetileke	- Director, Finance
Mr. T.N. Daka	- Director, Operations
Mr. P. Msoni	- Director, Marketing and Administration
Mr. O.S. Malungisa	- Credit Manager

TANGIBLE FIXED ASSETS

The Bank purchased tangible fixed assets during the year amounting to **K129,996,000** and disposed of tangible fixed assets with a net book value of K1,591,000 at a profit of K17,459,000.

SHARE CAPITAL

The Bank's authorised share capital was increased from **K2,000,000,000** to **K3,000,000,000** during the year, and the issued and fully paid up share capital was increased from K2,000,000,000 to K2,223,000,000 during the year by the issue of 223,000,000 shares at a premium of K407,000,000.

EMPLOYEES

The average number of employees during each month of the year was less than 100.

The total remuneration paid to the employees during the year was **K2,183,560,000**.

AUDITORS

A resolution proposing the re-appointment of Deloitte & Touche as auditors to the Bank will be put to the Annual General Meeting.

By order of the board

A.E.V. Jayetileke

SECRETARY

Lusaka, Zambia

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view.

The board of directors confirm that the following is in accordance with a resolution of the directors:

In the opinion of the directors

- the income statement is drawn up so as to give a true and fair view of the profit of the Bank for the financial year ended 31 March 2001;
- the balance sheet is drawn up so as to give a true and fair view of the state of and affairs of the Bank as at 31 March 2001;
- there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

- .

Signed on behalf of the board by:

_____) **DR. J.B. ZULU** - **CHAIRMAN**
)
)
)
) **R.L. BVULANI** - **DIRECTOR**
)
)
)
) **A.E.V. JAYETILEKE** - **COMPANY SECRETARY**

REPORT OF THE AUDITORS

To the Members of
Investrust Merchant Bank Zambia Limited

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the Bank's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed. We consider that our audit procedures were appropriate in the circumstances to support our opinion presented below.

OPINION

We have examined the financial statements on pages 5 to 18 which have been prepared in accordance with International Accounting Standards, and report in terms of Section 64 (2) of the Banking and Financial Services Act, 1994 that:

- We have obtained all the information and explanations that we considered necessary for the purpose of our audit;
- The balance sheet and income statement of the Bank are in agreement with the books of account and returns; and
- In our opinion, according to the information and explanations given to us, the financial statements present a true and fair view of the state of affairs of the Bank at 31 March 2001 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act, 1994 and the accounting and other records and registers have been properly kept in accordance with the Companies Act.

DELOITTE & TOUCHE

G.R. WHITE
PARTNER

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED

INCOME STATEMENT

for the year ended 31 March 2001

Kwacha '000

	NOTES	2,001	2,000
INTEREST INCOME			
Interest income	3	3,292,402	2,376,409
Interest expense	4	(1,454,956)	(1,139,808)
Net interest income		1,837,446	1,236,601
Other operating income		2,938,754	2,124,761
Net interest and other income		4,776,200	3,361,362
Operating expenditure			
Staff expenses		(2,183,560)	(2,607,837)
Depreciation	13	(308,519)	(376,531)
Other operating expenses	5	(1,615,735)	(1,378,731)
Net operating expenses		(4,107,814)	(4,363,099)
OPERATING PROFIT (LOSS) BEFORE BAD AND DOUBTFUL DEBTS			
		668,386	(1,001,737)
Bad and doubtful debts	6	(174,135)	(190,830)
PROFIT (LOSS) BEFORE TAXATION			
		494,251	(1,192,567)
Taxation	7	-	25,245
PROFIT (LOSS) FOR THE YEAR			
		494,251	(1,167,322)

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 March 2001

Kwacha '000

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Revenue reserve	Total
Balance at 1 April 1999	2,000,000	-	133,325	838,473	(75,377)	2,896,421
Loss for year	-	-	-	-	(1,167,322)	(1,167,322)
Transfer from revaluation reserve	-	-	-	(25,927)	25,927	-
Balance at 31 March 2000	2,000,000	-	133,325	812,546	(1,216,772)	1,729,099
Profit for year	-	-	-	-	494,251	494,251
Revaluation surplus	-	-	-	1,849,984	-	1,849,984
Issue of shares	223,000	407,000	-	-	-	630,000
Transfer from revaluation reserve	-	-	-	(17,047)	17,047	-
Transfer from revenue reserve	-	-	233,840	-	(233,840)	-
Balance at 31 March 2001	2,223,000	407,000	367,165	2,645,483	(939,314)	4,703,334

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

BALANCE SHEET

at 31 March 2001

Kwacha '000

	NOTES	2001	2000
ASSETS			
Cash and balances at Bank of Zambia	8	4,086,731	1,015,385
Balances due from other banks	8	4,037,448	2,870,072
Treasury bills		1,750,000	1,800,000
Loans and other advances to customers	9	7,197,820	3,682,377
Sundry debtors	11	3,690,355	1,034,348
Investment	12	87,398	87,398
Tangible fixed assets	13	4,499,522	2,828,705
Total assets		<u>25,349,274</u>	<u>13,318,285</u>
LIABILITIES			
Balances due to other banks		56,110	347
Customers' deposits and current accounts	15	17,010,628	9,316,680
Sundry creditors and accruals	17	7,645,558	2,322,649
		<u>24,712,296</u>	<u>11,639,676</u>
SHAREHOLDERS' FUNDS			
Share capital	18	2,223,000	2,000,000
Share premium		407,000	-
Reserves		2,073,334	(270,901)
Total shareholders' funds		<u>4,703,334</u>	<u>1,729,099</u>
Total shareholders' funds and liabilities		<u>29,415,630</u>	<u>13,368,775</u>

The responsibilities of the Bank's directors with regard to the preparation of the financial statements are set out on page 3. The financial statements on pages 5 to 18 were approved by the board of directors on _____ and were signed on its behalf by:

_____) **DR J.B. ZULU** - **CHAIRMAN**
)
)
) **R.L.BVULANI** - **DIRECTOR**
)
)
) **A.E.V. JAYETILEKE** - **COMPANY SECRETARY**
)

INVESTRUST MERCHANT BANK ZAMBIA LIMITED**STATEMENT OF CASH FLOWS**

for the year ended 31 March 2001

Kwacha '000

	NOTES	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from (absorbed by) operations	20	738,524	(812,034)
Taxation paid and suffered during year	7	<u>(99,503)</u>	<u>(115,523)</u>
Operating profit (loss) before working capital changes		639,021	(927,557)
Increase in loans and advances to customers		(2,381,154)	(142,495)
(Increase) decrease in sundry debtors excluding taxation recoverable		(778,388)	409,268
Increase in customers' deposits and current accounts	16	4,266,467	1,021,598
Increase (decrease) in sundry creditors and accruals		<u>1,134,281</u>	<u>(1,860,108)</u>
Net cash inflows (outflows) from operating activities		<u>2,880,227</u>	<u>(1,499,294)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares at a premium		<u>630,000</u>	<u>-</u>
Net cash flows from financing activities		<u>630,000</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	13	(129,996)	(355,567)
Proceeds on disposal of tangible fixed assets		19,050	550
Decrease in investments in treasury bills		<u>50,000</u>	<u>1,730,000</u>
Net cash (outflows) inflows from investing activities		<u>(60,946)</u>	<u>1,374,983</u>
Net increase (decrease) in cash and cash equivalents		3,449,281	(124,311)
Cash and cash equivalents at beginning of the year		<u>3,885,110</u>	<u>4,009,421</u>
Cash and cash equivalents at end of the year		<u><u>7,334,391</u></u>	<u><u>3,885,110</u></u>
CASH AND CASH EQUIVALENTS			
Cash on hand		903,170	452,766
Balances at Bank of Zambia		4,628,346	562,619
Balances due from other banks		1,858,985	2,870,072
Balances due to other banks		<u>(56,110)</u>	<u>(347)</u>
		<u><u>7,334,391</u></u>	<u><u>3,885,110</u></u>

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Bank's financial statements are prepared on the historical cost convention of accounting subject to the revaluation of certain fixed assets and comply with International Accounting Standards.

INCOME

Interest and commissions receivable are accounted for in the period in which they arise.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation. Revaluations are carried out periodically.

DEPRECIATION

Depreciation is charged to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis, at the following annual rates:

Motor vehicles	25%
Office equipment	25%
Furniture and fixtures	10%
Leasehold land, buildings and improvements	2%

Leasehold improvements are written off over the shorter of the period of the lease and the economic life of the asset.

A transfer is made from revaluation reserves to revenue reserves representing the difference between depreciation based on the revalued amount and depreciation based on cost.

PROVISIONS AGAINST ADVANCES

Provisions are made against advances when, in the opinion of the directors, recovery is doubtful. The aggregate provisions which are made during the year, less amounts released and recoveries of bad debts previously written off, are charged to the profit and loss account.

Accrual of interest on an advance is suspended when, in the opinion of the directors, the amount recoverable from the security pledged equates the balance on the advance. Irrecoverable advances are written off when the extent of the loss incurred has been confirmed.

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

ACCOUNTING POLICIES (CONT'D)

DEFERRED TAXATION

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Temporary differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of temporary differences computed by applying enacted statutory tax rates to differences between the financial statements carrying amounts and the tax bases of existing assets and liabilities are recognised as a deferred tax asset or liability in the financial statements. A deferred tax asset is only recognised when it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Zambian Kwacha at the rates of exchange ruling at the transaction date.

Assets and liabilities denominated in foreign currencies are translated into Kwacha at the exchange rates ruling at the balance sheet date. Gains and losses arising on translation are included in the profit and loss account in the year in which they arise.

INVESTMENTS

Investments are stated at cost, but are written down to their estimated realisable value if there has been a permanent diminution in their value. Income from investments is included in the financial statements when amounts are receivable.

RETIREMENT BENEFITS

Certain of the Bank's employees are entitled to retirement benefits. Provision is made for past service on the basis of present conditions and earnings.

STATUTORY RESERVES

The Banking and Financial Services Act, 1994 prescribes that an amount should be transferred annually from retained earnings to statutory reserves before the declaration of dividends until the statutory reserves equate to the share capital.

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

Kwacha'000

1 PRINCIPAL ACTIVITY

The principal activity of the Bank is the provision of commercial and merchant banking services.

2 PROFIT BEFORE TAXATION **2002** 2001

Profit before taxation is stated after crediting:

Interest receivable from other banks	312,397	292,401
Rental income	49,350	79,500
Profit on disposal of tangible fixed assets	25,299	17,459

And after charging:

Directors emoluments:		
- salaries	751,541	788,244
- fees and expenses	31,940	48,046
Interest payable to other banks	24,064	70,215
Auditors' remuneration	42,396	52,314

3 INTEREST INCOME

Loans and other advances to customers	4,092,338	2,968,772
Balances with other banks	312,397	292,401
Merchant banking	91,007	31,229
	<u>4,495,742</u>	<u>3,292,402</u>

4 INTEREST EXPENSE

Deposit accounts	2,093,105	1,178,639
Savings accounts	399,646	194,853
Balances with other banks	24,064	70,125
Other	65,600	11,339
	<u>2,582,415</u>	<u>1,454,956</u>

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 March 2001

5	OTHER OPERATING EXPENSES	2002	2001
	Net operating expenses and bad debt provision	6,821,128	4,282,896
	Less: amounts disclosed separately		
	Staff expenses	(2,818,741)	(2,183,560)
	Depreciation	(363,708)	(308,519)
	Bad and doubtful debts provision	(1,165,834)	(174,135)
		<u>2,472,845</u>	<u>1,616,682</u>
6	BAD AND DOUBTFUL DEBTS		
	At beginning of year	376,261	624,648
	Charge for year	1,165,833	174,135
	Interest suspended during the year	1,277,519	
	Amounts written off in the year	(1,094,925)	(324,320)
	Recoveries in year	-	(98,202)
		<u>1,724,688</u>	<u>376,261</u>
	At end of year (note 9)		
	Included in the provision is interest suspended of (2000 -).		
7	TAXATION		
	Income tax		
	Based on non banking profits for year		<u>26,571</u>
	Income tax is charged at 35% on the first K250 million profit (2000 : K100 million profit) and at 45% on profits in excess of K250 million (2000 : K100 million). All non banking profits are taxed at 35%.		
	Payable in respect of year		26,571
	Recoverable in respect of previous years		(155,668)
	Withholding tax suffered during year		(99,503)
	Tax paid in year		-
			<u>(228,600)</u>
	Taxation recoverable (note 11)		

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 March 2002

7	TAXATION (CONT'D)	2002	2001
	Subject to agreement with the Zambia Revenue Authority, the Bank has tax losses estimated to amount to (2000 : 1,039,094) available to carry forward for a period of not more than 5 years from the year in which they were incurred for set off against future taxable profits.		
	Year of expiry		
	March 31, 2004		103,094
	March 31, 2005	<u> </u>	<u>936,000</u>
		<u> </u>	<u>1,039,094</u>
	Reconciliation of the tax charge:		
	Profit (loss) before tax	<u> </u>	<u>(1,192,567)</u>
	Taxation at current rate on accounting profit (loss)		(417,398)
	Permanent differences:		
	Disallowable expenses		46,212
	(Profit) loss on disposal of tangible fixed assets		1,401
	Interest on government bonds		(17,270)
	Timing differences:		
	Capital allowances and depreciation		48,618
	Taxation loss adjustment	<u> </u>	<u>363,682</u>
	Actual tax	<u> </u>	<u>25,245</u>
	Deferred taxation		
	Tax effect of timing differences due to:		
	Excess of depreciation over capital allowances (2000 : capital allowances over depreciation)		45,000
	Tax losses carried forward	<u> </u>	<u>(327,600)</u>
	Potential deferred tax asset	<u> </u>	<u>(282,600)</u>

The potential deferred tax asset has not been recognised in financial statements as in the opinion of the directors, because of the practise of the Zambia Revenue Authority to lapse tax losses, recovery of tax against tax losses is not assured beyond reasonable doubt.

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2002

8	CASH AND BALANCES AT BANK OF ZAMBIA AND OTHER BANKS	2002	2001
	Current account	440,681	3,767,690
	Statutory reserves	2,675,155	860,656
	Balances at Bank of Zambia	3,115,836	4,628,346
	Cash on hand	970,895	903,170
	Cash and balances at Bank of Zambia	4,086,731	5,531,516
	Balances due from other banks	4,037,448	1,858,985
		8,124,179	7,390,501
9	LOANS AND ADVANCES TO CUSTOMERS		
	Loans and advances to customers	8,922,508	6,439,792
	Less: Bad and doubtful debts (note 6)	(1,724,688)	(376,261)
		7,197,820	6,063,531
	Included in loans and advances is an amount relating to advances made to staff of		
	Sector analysis		
	Agriculture	1,377,493	1,575,408
	Mining and Quarrying	31,305	-
	Manufacturing	270,396	246,342
	Construction	1,298,741	580,348
	Wholesale and retail trade	3,126,021	623,114
	Restaurants and hotels	458,769	667,116
	Transport and communications	733,501	96,000
	Commercial social services	363,957	-
	Real Estates	143,390	-
	Other sectors	1,118,935	2,651,464
		8,922,508	6,439,792
	Less:Bad and doubtful debts (note 6)	(1,724,688)	(376,261)
		7,197,820	6,063,531
	Organisation analysis		
	Private corporations	8,536,101	6,226,604
	Individuals	138,260	42,146
	Affiliated companies	248,147	171,042
		8,922,508	6,439,792
	Less: Bad and doubtful debts (note 6)	(1,724,688)	(376,261)
		7,197,820	6,063,531

INVESTRUST MERCHANT BANK ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 March 2002

10	CONTRACTS WITH DIRECTORS AND RELATED PARTIES	2002	2001
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The aggregate amount outstanding with persons who are directors of the Bank and related companies as at 31 March

Revays Farm Company Limited	248,147	171,042
Due from related companies	161,580	123,610
	409,727	294,652

The amount due from the related companies represents the rent of Bank premises. The amount due from Revays Farm Company Limited represents advances extended by the Bank to the company.

The companies are related to the Bank through the interest certain directors hold in the companies.

11 SUNDRY DEBTORS

Items in course of collection	894,898	899,835
Taxation recoverable	26,048	228,600
Other debtors and prepayments	2,769,409	803,073
	3,690,355	1,931,508

12 INVESTMENT

Baobab School -debenture	1,096,740	-
Electronic Clearing House Project	87,398	87,398
	1,184,138	87,398

The investment relates to payments made to the Bank of Zambia for the proposed Clearing House. Shares have been issued to this value by the Zambia Electronic Clearing House in the name of the Bank.

The Bank has invested in different classes of Baobab debentures denominated in US Dollars .The debentures bear 5% coupon rate of interest per annum.

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2001

13 TANGIBLE FIXED ASSETS

	Leasehold land, buildings and improvements	Furniture and Fixtures	Motor vehicles and equipment	Total
COST OR VALUATION				
At beginning of year	2,233,753	352,467	1,101,538	3,687,758
Additions	-	-	129,996	129,996
Revaluation surplus	1,770,049	-	-	1,770,049
Disposals	-	-	(30,580)	(30,580)
	4,003,802	352,467	1,200,954	5,557,223
COST OR VALUATION				
At 31 March 2001 is				
Represented by:				
Valuation 2000	1,770,049	-	-	1,770,049
Valuation 1999	1,296,346	-	-	1,296,346
Cost	937,407	352,467	1,200,954	2,490,828
	4,003,802	352,467	1,200,954	5,557,223
DEPRECIATION				
At beginning of year	48,072	119,822	691,159	859,053
Charge for year	53,529	51,726	203,264	308,519
Eliminated on revaluation	(80,882)	-	-	(80,882)
Eliminated on disposals	-	-	(28,989)	(28,989)
At end of year	20,719	171,548	865,434	1,057,701
NET BOOK VALUE				
At end of year	3,983,083	180,919	335,520	4,499,522
At beginning of year	2,185,681	232,645	410,379	2,828,705

Leasehold buildings were revalued on the basis of open market for existing use at 31 December 2000 and 31 March 1999 by registered valuation surveyors. Included in leasehold land and buildings is a property with a net book value of 21,326 for which no title deeds are available. This property is on land owned by the Agricultural and Commercial Show Society.

In accordance with section 193 of the Companies Act, 1994 the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered records office of the company.

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2002

14	CAPITAL COMMITMENTS	2002	2001
	Authorised by the directors but not contracted for	<u>1,238,400</u>	<u>135,000</u>
	The funds required to meet the capital commitments will be generated from the operations of the Bank.		
15	CUSTOMERS' DEPOSITS AND CURRENT ACCOUNTS		
	Cheques savers' accounts	6,647,481	6,796,050
	Deposit accounts	6,757,066	4,501,282
	Current accounts	<u>3,606,081</u>	<u>2,285,815</u>
		<u>17,010,628</u>	<u>13,583,147</u>
16	INCREASE IN CUSTOMERS' DEPOSITS AND CURRENT ACCOUNTS		
	Cheque savers	(148,569)	3,594,543
	Time and call deposits	2,255,784	700,606
	Current accounts	<u>1,320,266</u>	<u>(28,682)</u>
		<u>3,427,481</u>	<u>4,266,467</u>
17	SUNDRY CREDITORS AND ACCRUALS		
	Sundry creditors and accruals	3,117,714	2,050,500
	Zambia Agricultural Marketing and Processing Infrastructure Project (ZAMPIP)	-	488,886
	Interest payable - ZAMPIP	578	370,107
	Interest payable on term deposits	210,863	134,649
	Zambia Enterprise Development Project (ZEDP)	2,193,915	130,639
	Interest payable - ZEDP	261,371	104,870
	Unearned interest	576,930	120,767
	Lease liability	174,144	-
	Bills payable	<u>1,110,043</u>	<u>56,512</u>
		<u>7,645,558</u>	<u>3,456,930</u>

INVESTTRUST MERCHANT BANK ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 March 2001

17 SUNDRY CREDITORS AND ACCRUALS (CONT'D)

The Zambia Enterprise Development Project (ZEDP)

The ZEDP facility is part of the International Development Association Support Programme to the Government of the Republic of Zambia and is managed through the Bank of Zambia and participating financial intermediaries. The amount represents the principal amount due to Bank of Zambia.

18 SHARE CAPITAL **2002** 2002

Authorised

3,000,000,000 ordinary shares of K1 each (2000 - 2,000,000,000) **3,000,000** **3,000,000**

Issued and fully paid up

2,223,000,000 ordinary shares of K1 each (2000 - 2,000,000,000) **2,223,000** 2,000,000

19 CONTINGENT LIABILITIES

Guarantees and assets pledged as collateral **508,393** **307,091**

In common with other banks, the Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

In the opinion of the directors no liability is likely to arise in respect of the contingent liabilities.

20 CASH GENERATED FROM (ABSORBED BY) OPERATIONS

Profit (loss) before taxation **528,346** (1,192,567)

Adjusted for:

Depreciation **308,519** 376,531

(Profit) loss on disposal of tangible fixed assets **(17,459)** 4,002

Depreciation eliminated on revaluation **(80,882)** -

738,524 **(812,034)**

INVESTRUST MERCHANT BANK ZAMBIA LIMITED**DETAILED OPERATING STATEMENT**

for the year ended 31 March 2001

Kwacha '000	2001	2000
INTEREST		
Income	3,292,402	2,376,409
Expense	<u>1,454,956</u>	<u>1,139,808</u>
Net interest income	<u>1,837,446</u>	<u>1,236,601</u>
OTHER OPERATING INCOME		
Profit on foreign exchange trading	1,442,723	892,816
Fees and commissions receivable	601,883	533,512
Interest on treasury bills and government bonds	512,348	446,576
Ledger fees	284,841	173,857
Rental income	79,500	78,000
Profit on disposal of tangible fixed assets	<u>17,459</u>	<u>-</u>
Other operating income	<u>2,938,754</u>	<u>2,124,761</u>
Net interest and other income	<u>4,776,200</u>	<u>3,361,362</u>
OPERATING EXPENSES AND BAD DEBTS		
Staff costs	2,183,560	2,607,837
Depreciation	308,519	376,531
Motor vehicle expenses	187,537	170,421
Postage and telephone	177,749	128,076
Bad and doubtful debts provision	174,135	190,830
Travel expenses	157,628	191,342
Office and security expenses	128,729	119,265
Bank charges	117,287	117,289
Other expenses	140,043	65,044
Rent and rates	91,366	45,208
Printing and stationery	73,529	61,807
Bad debts	70,234	30,534
Repairs and maintenance	65,079	96,505
Insurance	63,221	22,804
Computer expenses	54,648	108,470
Audit fees	52,314	43,483
Advertising	52,063	32,979
Medical expenses	49,067	37,330
Directors' fees and expenses	48,046	28,520
Water and electricity	26,927	22,126
Professional and legal fees	30,629	20,297
Entertainment	18,531	21,626
Subscriptions	9,690	9,657
Donations	1,418	1,946
Loss on disposal of tangible fixed assets	<u>-</u>	<u>4,002</u>
Net operating expenses and bad debts	<u>4,281,949</u>	<u>4,553,929</u>
PROFIT (LOSS) BEFORE TAXATION	<u>494,251</u>	<u>(1,192,567)</u>