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**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 March 2002

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## **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**

We conducted our audit in accordance with International Standards on Auditing. An audit 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 2002 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**

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED****INCOME STATEMENT**

for the year ended 31 March 2002

**Kwacha '000**

	NOTES	2002	2001
<b>INTEREST INCOME</b>			
Interest income	3	4,495,742	3,292,402
Interest expense	4	<u>(2,582,415)</u>	<u>(1,454,956)</u>
Net interest income		1,913,327	1,837,446
Other operating income		<u>7,367,320</u>	<u>2,938,754</u>
Net interest and other income		<u>9,280,647</u>	<u>4,776,200</u>
<b>Operating expenses</b>			
Staff expenses		(2,818,741)	(2,183,560)
Depreciation	13	(363,708)	(308,519)
Other operating expenses	5	<u>(2,472,843)</u>	<u>(1,616,682)</u>
Net operating expenses		<u>(5,655,292)</u>	<u>(4,108,761)</u>
<b>OPERATING INCOME BEFORE PROVISIONS</b>			
		3,625,355	667,439
Bad and doubtful debts	6	<u>(1,165,834)</u>	<u>(174,135)</u>
<b>PROFIT BEFORE TAXATION</b>			
		2,459,521	493,304
Taxation	7	<u>(788,362)</u>	<u>(26,571)</u>
<b>PROFIT FOR THE YEAR</b>			
		<u>1,671,159</u>	<u>466,733</u>

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 March 2002

**Kwacha '000**

	Share capital	Share allotment	Share premium	Statutory reserve	Revaluation reserve	Revenue reserve
<b>Balance at 1 April 2000</b>	<b>2,000,000</b>	-	-	<b>133,325</b>	<b>812,546</b>	<b>(1,267,262)</b>
Profit for year	-	-	-	-	-	466,733
Revaluation surplus	-	-	-	-	1,849,984	-
Issue of shares	223,000	-	407,000	-	-	-
Transfer from revaluation reserve	-	-	-	-	(34,095)	34,095
Transfer from revenue reserve	-	-	-	233,366	-	(233,366)
<b>Balance at 31 March 2001</b>	<b>2,223,000</b>	-	<b>407,000</b>	<b>366,691</b>	<b>2,628,435</b>	<b>(999,800)</b>
Profit for the year	-	-	-	-	-	1,671,159
Issue of shares	-	974,922	-	-	-	-
Transfer from revaluation reserve	-	-	-	-	(66,603)	66,603
Transfer from revenue reserves	-	-	-	835,680	-	(835,680)
Balance at 31 March 2002	<b>2,223,000</b>	<b>974,922</b>	<b>407,000</b>	<b>1,202,371</b>	<b>2,561,832</b>	<b>(97,718)</b>

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**Total**

**1,678,609**

466,733

1,849,984

630,000

-

-

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**4,625,326**

1,671,159

974,922

-

-

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**7,271,407**

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**INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**

**BALANCE SHEET**

at 31 March 2002

**Kwacha '000**

	NOTES	2002	2001
<b>ASSETS</b>			
Cash and balances at Bank of Zambia	8	<b>4,354,084</b>	5,531,516
Balances with other banks		<b>4,037,448</b>	1,858,985
Treasury bills and government bonds		<b>4,800,000</b>	1,750,000
Government bonds		<b>2,000,000</b>	-
Loans and advances to customers	9	<b>7,197,820</b>	6,063,531
Sundry debtors including tax assets	11	<b>3,664,307</b>	1,931,508
Investment	12	<b>1,184,138</b>	87,398
Tangible fixed assets	13	<b>5,079,554</b>	4,498,575
<b>Total assets</b>		<b><u>32,317,351</u></b>	<b><u>21,721,513</u></b>
<b>LIABILITIES</b>			
Balances with other banks		<b>2,444</b>	56,110
Amounts due to depositors	15	<b>17,010,628</b>	13,583,147
Other liabilities including taxes	17	<b>8,032,872</b>	3,456,930
		<b><u>25,045,944</u></b>	<b><u>17,096,187</u></b>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	18	<b>2,223,000</b>	2,223,000
Share premium		<b>407,000</b>	407,000
Reserves		<b>3,666,485</b>	1,995,326
Share allotment	19	<b>974,922</b>	-
<b>Total shareholders' funds</b>		<b><u>7,271,407</u></b>	<b><u>4,625,326</u></b>
<b>Total shareholders' funds and liabilities</b>		<b><u>32,317,351</u></b>	<b><u>21,721,513</u></b>

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**

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

for the year ended 31 March 2002

**Kwacha '000**

	NOTES	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from (absorbed by) operations	21	2,797,930	738,524
Taxation paid and suffered during year	7	<u>(172,448)</u>	<u>(99,503)</u>
Net cash inflow before changes in operating funds		2,797,930	639,021
Increase in loans and advances to customers		(1,134,289)	(2,381,154)
Increase in sundry debtors excluding taxation recoverable		(1,961,399)	(778,388)
Increase in depositors	16	3,427,481	4,266,467
Increase in sundry creditors and accruals		<u>4,188,628</u>	<u>1,134,281</u>
Net cash inflows (outflows) from operating activities		<u>7,145,903</u>	<u>2,880,227</u>
<b>RETURN ON INVESTMENT AND SERVICING OF FINANCE</b>			
Proceeds from issue of shares at a premium		-	630,000
Net cash flows from financing activities		<u>-</u>	<u>630,000</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets	13	(948,808)	(129,996)
Proceeds on disposal of tangible fixed assets		29,420	19,050
(Increase)/decrease in investments in treasury bills		(3,050,000)	50,000
Investment in government bonds		(2,000,000)	-
Investment in Baobab debentures		(1,096,740)	-
Investment by Kingdom Investments		<u>974,922</u>	<u>-</u>
Net cash (outflows) inflows from investing activities		<u>(6,091,206)</u>	<u>(60,946)</u>
Net increase (decrease) in cash and cash equivalents		1,054,697	3,449,281
Cash and cash equivalents at beginning of the year		<u>7,334,391</u>	<u>3,885,110</u>
<b>Cash and cash equivalents at end of the year</b>		<u><b>8,389,088</b></u>	<u><b>7,334,391</b></u>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash on hand		1,238,248	903,170
Balances at Bank of Zambia		3,115,836	4,628,346
Balances due from other banks		4,037,448	1,858,985
Balances due to other banks		<u>(2,444)</u>	<u>(56,110)</u>
		<u><b>8,389,088</b></u>	<u><b>7,334,391</b></u>

## **INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

### **ACCOUNTING POLICIES**

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#### **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 operative International Accounting Standards.

#### **INCOME**

Interest income and commissions receivable are accounted for in the period in which they arise. Interest income is suspended when non-performing loans meet certain criteria and is excluded from interest income until required.

#### **TANGIBLE FIXED ASSETS**

Tangible fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation. Revaluations of leasehold properties 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.

## **INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

### **ACCOUNTING POLICIES (CONT'D)**

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#### **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**

Non-trading 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. Trading investments are stated at cost as adjusted for the amortisation of premiums or discounts on purchase over the period to maturity. A reduction in market value is not taken into account until it is considered to be permanent.

#### **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.

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**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2002

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**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	<b>312,397</b>	292,401
Rental income	<b>49,350</b>	79,500
Profit on disposal of tangible fixed assets	<b>25,299</b>	17,459

And after charging:

Directors emoluments:

- salaries	<b>751,541</b>	788,244
- fees and expenses	<b>43,383</b>	48,046
Interest payable to other banks	<b>24,064</b>	70,215
Auditors' remuneration	<b>42,396</b>	52,314

**3 INTEREST INCOME**

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

**4 INTEREST EXPENSE**

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

**INVESTTRUST MERCHANT BANK ZAMBIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2002

<b>5</b>	<b>OTHER OPERATING EXPENSES</b>	<b>2002</b>	<b>2001</b>
	Net operating expenses and bad debt provision	<b>6,821,126</b>	4,282,896
	Less: amounts disclosed separately		
	Staff expenses	<b>(2,818,741)</b>	(2,183,560)
	Depreciation	<b>(363,708)</b>	(308,519)
	Bad and doubtful debts provision	<b>(1,165,834)</b>	(174,135)
		<b><u>2,472,843</u></b>	<u>1,616,682</u>
<b>6</b>	<b>BAD AND DOUBTFUL DEBTS</b>		
	At beginning of year	<b>376,261</b>	624,648
	Charge for year	<b>1,165,834</b>	174,135
	Amounts written off in the year	<b>(1,094,925)</b>	(573,968)
	Interest suspended during the year	<b>1,277,518</b>	249,648
	Recoveries in year	<b>-</b>	(98,202)
		<b><u>1,724,688</u></b>	<u>376,261</u>
	At end of year (note 9)		
	Included in the provision is interest suspended of 889,133 (2001 - 179,065).		
<b>7</b>	<b>TAXATION</b>		
	<b>Income tax</b>		
	Based on banking profits for year	<b>772,702</b>	-
	Based on non banking profits for year	<b>15,660</b>	26,571
		<b><u>788,362</u></b>	<u>26,571</u>
	Income tax is charged at 35% on the first K250 million profit (2001 : K100 million profit) and at 45% on profits in excess of K250 million (2001 : K100 million). All non banking profits are taxed at 35%.		
	Payable in respect of year	<b>788,362</b>	26,571
	Recoverable in respect of previous years	<b>(228,600)</b>	(155,668)
	Withholding tax suffered during year	<b>(172,448)</b>	(99,503)
	Tax paid in year	<b>-</b>	-
		<b><u>387,314</u></b>	<u>(228,600)</u>
	Taxation payable (recoverable) (note 17)		

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2002

**7 TAXATION (CONT'D)**

Subject to agreement with the Zambia Revenue Authority, the Bank has tax losses estimated to amount to 577,848 (2001 : 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.

	<b>2002</b>	2001
Year of expiry		
March 31, 2004		-
March 31, 2005		577,848
	<u>                    </u>	<u>577,848</u>
	<u>                    </u>	<u>577,848</u>
<b>Reconciliation of the tax charge:</b>		
Profit (loss) before tax	<u>                    </u>	493,304
Taxation at current rates on accounting profit (loss)		172,656
Permanent differences:		
Disallowable expenses		60,460
(Profit) loss on disposal of tangible fixed assets		(6,110)
Interest on government bonds		-
Timing differences:		
Capital allowances and depreciation		(2,467)
Taxation loss adjustment	<u>                    </u>	(197,968)
Actual tax	<u>                    </u>	<u>26,571</u>
<b>Deferred taxation</b>	<u>                    </u>	
Tax effect of timing differences due to:	<u>                    </u>	
Excess of depreciation over capital allowances (2001 : capital allowances over depreciation)		(1,550)
Tax losses carried forward		<u>(202,247)</u>
<b>Potential deferred tax asset</b>		<u>(203,797)</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

<b>8</b>	<b>CASH ON HAND AND BALANCES AT BANK OF ZAMBIA AND OTHER BANKS</b>	<b>2002</b>	<b>2001</b>
	Current account	440,681	3,767,690
	Statutory deposit	<u>2,675,155</u>	<u>860,656</u>
	Balances at Bank of Zambia	3,115,836	4,628,346
	Cash on hand	<u>1,238,248</u>	<u>903,170</u>
	Cash on hand and balances at Bank of Zambia	<u><u>4,354,084</u></u>	<u><u>5,531,516</u></u>
<b>9</b>	<b>LOANS AND ADVANCES TO CUSTOMERS</b>		
	Loans and advances to customers	8,922,508	6,439,792
	Less: Bad and doubtful debts (note 6)	<u>(1,724,688)</u>	<u>(376,261)</u>
		<u><u>7,197,820</u></u>	<u><u>6,063,531</u></u>
	Included in loans and advances is an amount relating to advances made to staff of 77,835 (2001 - 65,146).		
	<b>Sector analysis</b>		
	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
	Real estate	143,390	-
	Other sectors	1,118,935	2,651,464
	Community and social services	<u>363,957</u>	<u>-</u>
		8,922,508	6,439,792
	Less Bad and doubtful debts (note 6)	<u>(1,724,688)</u>	<u>(376,261)</u>
		<u><u>7,197,820</u></u>	<u><u>6,063,531</u></u>
	<b>Organisation analysis</b>		
	Private corporations	8,536,101	6,226,604
	Individuals	138,260	42,146
	Affiliated companies	<u>248,147</u>	<u>171,042</u>
		8,922,508	6,439,792
	Less Bad and doubtful debts (note 6)	<u>(1,724,688)</u>	<u>(376,261)</u>
		<u><u>7,197,820</u></u>	<u><u>6,063,531</u></u>

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
for the year ended 31 March 2002

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

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

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.

<b>11</b>	<b>SUNDRY DEBTORS INCLUDING TAXATION ASSETS</b>	<b>2002</b>	2001
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Items in course of collection	<b>894,898</b>	899,835
Taxation recoverable (note 7)	-	228,600
Other debtors and prepayments	<b>2,769,409</b>	803,073
	<b><u>3,664,307</u></b>	<u>1,931,508</u>

<b>12</b>	<b>INVESTMENT</b>		
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Baobab School - Debenture	<b>1,096,740</b>	-
Zambia Electronic House Limited	<b>87,398</b>	87,398
	<b><u>1,184,138</u></b>	<u>87,398</u>

The investment relates to payments made to the Bank of Zambia for the establishment of Zambia Electronic House Limited. Shares have been issued to the value of K213 in the name of the Bank. This represents 2% of the share capital. The balance represents the share premium.

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

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

for the year ended 31 March 2002

**13 TANGIBLE FIXED ASSETS**

	<b>Leasehold land, buildings and improvements</b>	<b>Furniture and Fixtures</b>	<b>Motor vehicles and equipment</b>	<b>Total</b>
<b>COST OR VALUATION</b>				
At beginning of year	4,003,802	352,467	1,200,954	5,557,223
Additions	316,789	49,476	582,543	948,808
Disposals	(300)	-	(139,912)	(140,212)
	<b>4,320,291</b>	<b>401,943</b>	<b>1,643,585</b>	<b>6,365,819</b>

**COST OR VALUATION**

At 31 March 2002 is

Represented by:

Valuation 2001	1,770,049	-	-	1,770,049
Valuation 1999	1,296,346	-	-	1,296,346
Cost	1,253,896	401,943	1,643,585	3,299,424
	<b>4,320,291</b>	<b>401,943</b>	<b>1,643,585</b>	<b>6,365,819</b>

**DEPRECIATION**

At beginning of year	21,666	171,548	865,434	1,058,648
Charge for year	86,406	54,794	222,508	363,708
Eliminated on revaluation	-	-	-	-
Eliminated on disposals	(28)	-	(136,063)	(136,091)
At end of year	<b>108,044</b>	<b>226,342</b>	<b>951,879</b>	<b>1,286,265</b>

**NET BOOK VALUE**

At end of year	<b>4,212,247</b>	<b>175,601</b>	<b>691,706</b>	<b>5,079,554</b>
At beginning of year	3,982,136	180,919	335,520	4,498,575

Leasehold buildings were revalued on the basis of open market for existing use at 31 December 2001 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.

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

for the year ended 31 March 2002

<b>14 CAPITAL COMMITMENTS</b>	<b>2002</b>	<b>2001</b>
Authorised by the directors but not contracted for	<u><b>1,238,400</b></u>	<u><b>135,000</b></u>
The funds required to meet the capital commitments will be generated from the operations of the Bank.		
<b>15 AMOUNTS DUE TO DEPOSITORS</b>		
Cheques savers' accounts	<b>6,638,988</b>	6,796,050
Deposit accounts	<b>3,531,365</b>	4,501,282
Current accounts	<u><b>6,840,276</b></u>	<u><b>2,285,815</b></u>
	<u><b>17,010,629</b></u>	<u><b>13,583,147</b></u>
<b>16 INCREASE IN CUSTOMERS' DEPOSITS AND CURRENT ACCOUNTS</b>		
Cheque savers	<b>(157,062)</b>	3,594,543
Time and call deposits	<b>(969,917)</b>	700,606
Current accounts	<u><b>4,554,461</b></u>	<u><b>(28,682)</b></u>
	<u><b>3,427,482</b></u>	<u><b>4,266,467</b></u>
<b>17 OTHER LIABILITIES INCLUDING TAXES</b>		
Sundry creditors and accruals	<b>3,117,714</b>	2,050,500
Zambia Agricultural Marketing and Processing Infrastructure Project (ZAMPIP)	-	488,886
Interest payable - ZAMPIP	<b>578</b>	370,107
Interest payable on term deposits	<b>210,863</b>	134,649
Zambia Enterprise Development Project (ZEDP)	<b>2,193,915</b>	130,639
Interest payable - ZEDP	<b>261,371</b>	104,870
Unearned interest	<b>576,930</b>	120,767
Bills payable	<b>1,110,043</b>	56,512
Lease liability	<b>174,144</b>	-
Taxation payable	<u><b>387,314</b></u>	<u><b>-</b></u>
	<u><b>8,032,872</b></u>	<u><b>3,456,930</b></u>

**Zambia Agricultural Marketing and Processing Infrastructure Project (ZAMPIP)**

The ZAMPIP 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 commercial banks. The facility is intended to finance agricultural related activities of qualifying sub-borrowers. The amount represents the principal amount due to Bank of Zambia.

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the year ended 31 March 2002

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**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.

<b>18 SHARE CAPITAL</b>	<b>2002</b>	<b>2001</b>
<b>Authorised</b>		
3,000,000,000 ordinary shares of K1 each	<u>3,000,000</u>	<u>3,000,000</u>
<b>Issued and fully paid up</b>		
2,223,000,000 ordinary shares of K1 each	<u>2,223,000</u>	<u>2,223,000</u>

**19 SHARE ALLOTMENT**

The share allotment represents the first instalment of US\$250,000 in respect of the purchase of 25% shares for a consideration of US\$728,714 by Kingdom Financial Holdings Limited of Zimbabwe. The share will be allotted once the consideration has been received in full in July 2002

**20 CONTINGENT LIABILITIES**

Guarantees and assets pledged as collateral	<u>508,393</u>	<u>307,091</u>
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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.

<b>21 CASH GENERATED FROM (ABSORBED BY) OPERATIONS</b>	<b>2002</b>	<b>2001</b>
Profit before taxation	2,459,521	493,304
Adjusted for:		
Depreciation	363,708	308,519
Profit on disposal of tangible fixed assets	<u>(25,299)</u>	<u>(17,459)</u>
	<u>2,797,930</u>	<u>784,364</u>

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

for the year ended 31 March 2002

**Kwacha '000**

	2002	2001
<b>INTEREST</b>		
Income	4,495,742	3,292,402
Expense	<u>2,582,415</u>	<u>1,454,956</u>
Net interest income	<u>1,913,327</u>	<u>1,837,446</u>
<b>OTHER OPERATING INCOME</b>		
Profit on foreign exchange trading	4,324,253	1,442,723
Fees and commissions receivable	1,067,462	601,883
Interest on treasury bills and government bonds	1,508,368	512,348
Ledger fees	392,588	284,841
Rental income	49,350	79,500
Profit on disposal of tangible fixed assets	<u>25,299</u>	<u>17,459</u>
Other operating income	<u>7,367,320</u>	<u>2,938,754</u>
Net interest and other income	<u>9,280,647</u>	<u>4,776,200</u>
<b>OPERATING EXPENSES AND BAD DEBTS</b>		
Staff costs	2,818,741	2,183,560
Depreciation	363,708	308,519
Motor vehicle expenses	230,616	187,537
Postage and telephone	184,467	177,749
Bad and doubtful debts provision	1,165,834	174,135
Travel expenses	373,539	157,628
Other expenses	127,337	140,990
Office and security expenses	183,322	128,729
Bank charges	118,847	117,287
Rent and rates	155,298	91,366
Printing and stationery	120,775	73,529
Bad debts	249,346	70,234
Repairs and maintenance	110,525	65,079
Insurance	87,740	63,221
Computer expenses	63,131	54,648
Audit fees	42,396	52,314
Advertising	66,540	52,063
Medical expenses	77,887	49,067
Directors' fees and expenses	43,383	48,046
Water and electricity	34,836	26,927
Professional and legal fees	140,750	30,629
Entertainment	40,752	18,531
Subscriptions	15,508	9,690
Donations	<u>5,848</u>	<u>1,418</u>
Net operating expenses and bad debts	<u>6,821,126</u>	<u>4,282,896</u>
<b>PROFIT BEFORE TAXATION</b>	<u>2,459,521</u>	<u>493,304</u>

**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 2002;
- the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 March 2002; and
- 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:

_____	)	<b>DR. J.B. ZULU</b>	-	<b>CHAIRMAN</b>
	)			
	)			
	)			
_____	)	<b>R.L. BVULANI</b>	-	<b>DIRECTOR</b>
	)			
	)			
_____	)	<b>A.E.V. JAYETILEKE</b>	-	<b>COMPANY SECRETARY</b>

**INVESTRUST MERCHANT BANK ZAMBIA LIMITED**

(Incorporated in Zambia)

**REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 March 2002

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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 2002.

#### **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 **K1,671,159,000** (2001 – K466,733,000).

The directors do not recommend the payment of a dividend.

#### **DIRECTORS**

The directors who held office during the year were:

Dr. J.B. Zulu	- Chairman
Mr. F.C. Ndhlovu	- Managing Director
Mr. R.L. Bvulani	
Mr. M.M. McNie	
Mr. J.M. Mwanakatwe, S.C.	

#### **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.	

#### **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 **K948,808,000** and disposed of tangible fixed assets with a net book value of K4,121,000 at a profit of K25,299,000.

## **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 **K2,818,741,000**.

## **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