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Evaluation of Financial and operating performance of floriculture firms in Ethiopia

A research project submitted to school of Graduate studies of Addis Ababa University in partial fulfillment for the requirement of M.Sc. degree in Accounting and Finance

BY:

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Abstract

This project tries to look at the financial and operating performance of floriculture firms in Ethiopia. Further, it assesses the current export performance of the industry. In order to address the above broad objective, secondary data in the form of business reports, and financial statements were collected. Moreover, primary data using unstructured interviews were collected from the floriculture firms and Ethiopian horticulture producers and exporters association to support the secondary data analysis. With the aforesaid data, different types of ratios such as profitability, capital structure, and liquidity ratios had developed to evaluate the performance of the firms under consideration.

According to the findings presented in chapter four, floriculture industry is showing a remarkable export performance for the last five years. However, the unit prices of stem show a decline from period to period. In the same token, selected flower firms had more ability of paying their debt in the year 2007 and 2008 than previous years.

Finally, searching new market, creating awareness in domestic market, training for grower, exporters and retailers are among the recommendations given.

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Date: _____

Declaration

I here by declare that the project entitled “**Evaluation of Financial and operating performance of floriculture firms in Ethiopia**” is my original work and has not been presented (submitted) by any body; for any degree or diploma in any university and all the materials used for the project work have been duly acknowledge.

Signature: _____

Girum Arefaynie

This is to certify that Mr. Girum Arefaynie has completed his project work entitled “**Evaluation of Financial and operating performance of floriculture firms in Ethiopia**” under my supervision. In my opinion, this work is suitable for submission in partial fulfillment of the requirement for the award of degree of Master of Science in Accounting and Finance.

Signature: _____

Dr Wollela Abehodie

List of Figures

Figure 4.1: Export volume of flower stems for the year 2004-2008	35
Figure 4. 2: Export value of flower in USD for the year 2004-2008	37
Figure 4.3:Ratio of value to volume of stem for the year 2004-2008	38
Figure 4.4: Cultivated area in hectares for the year 2004-2008	40
Figure 4. 5: Exported volume of flower per hectare for the year 2004-2008	41
Figure 4.6: Trends of current ratio of selected flower firms	43
Figure 4.7: Trends of quick ratio of selected flower firms	45
Figure 4.8: Trends of debt to asset ratio of selected flower firms	47
Figure 4.9: Trends of long term debt to equity ratio of selected flower firms	48
Figure 4.10: Trends of total debt to Equity ratio of selected flower firms	49
Figure 4.11: Trends of net profit margin ratio of selected flower firms	51
Figure 4.12: Trends of operating expense ratio of selected flower firms	52
Figure 4.13: Trends of ROI of selected flower firms	53
Figure 4.14: Trends of return on equity of selected flower firms	54

List of Table

Table 4.1: Summary of unstructured interview Result

36

List of Abbreviations

CA: -----Current asset

CL: -----Current liability

CR: -----Current ratio

DR: -----Debt ratio

EARO: -----Ethiopian Agricultural Research Organization

EHPEA: -----Ethiopian horticulture producers-exporters association

ETB: -----Ethiopian birr

GDP: -----Growth domestic product

MoFED: ----- Ministry of Finance and Economic Development

PLC: -----Private limited company

QR: -----Quick ratio

ROE: -----Return on equity

ROI: -----Return on investment

TD: -----Total debt

TE: -----Total equity

USD: -----United States dollar

Table of contents

Abstract	i
Acknowledgement	ii
Declaration	iii
List of figures	iv
List of table	v
List of abbreviations	vi

Table of contents

Chapter One: Introduction

1.1. Background of the study.	1
1.2. Statments of the problem	3
1.3. Objective of the study	4
1.4. Methodology	5
1.5. Significance of the study	6
1.6.Scope and limitation of the study	7
1.7.Structure of the paper	8

Chapter Two: Litrature review

2.1.Growth of floriculture industry in the world	11
2.2.Growth of floriculture industry in developing countries	12
2.3.Growth of floriculture industry in Ethiopia	13
2.4.Expansion, export trends and employment opportunities of the industry	16
2.5.Basic tools of financial analysis	19
2.5.1. Liquidity ratio	20
2.5.2. Profitability ratio	22
2.5.3. Leverage ratio	25

Chapter Three: Research design

3.1. Research objectives	28
3.2. Methodology	29
3.2.1. Methods of data collection	30

3.2.2. Methods of Sampling	30
3.2.3. Methods of data analysis and presenting the outcomes	31
Chapter Four: Data analysis and presentation	
4.1. Export Performance	34
4.2. Expansion of flower industry	39
4.3. Productivity of flower industry	40
4.4 Employment opportunities in the industry	42
4.5. Liquidity position of selected flower firms	42
4.5.1. Trends of Current ratio of selected flower firms	43
4.5.2. Quick ratio of selected flower firms	44
4.6. Leverage ratio of selected flower firms	46
4.6.1. Debt ratio or debt-asset ratio	46
4.6.2. Long term debt to equity ratio	48
4.6.3. Debt-equity ratio of selected flower firms	49
4.7. Profitability of selected flower firms	50
4.7.1. Net profit margin ratio	50
4.7.2. Operating expense ratio	51
4.7.3. Return on investment (ROI)	53
4.7.4. Return on Equity (ROE)	54
Chapter Five: Conclusions, and recommendations	
5.1. Conclusions	56
5.2. Recommendations	59
References	61
Appendices	
Appendix A: Summary of financial ratios	63
Appendix B: Income Statement	64
Appendix C: Balance Sheet	69

Chapter One : Introduction

1.1. Background of the study

Floriculture is a young and fast growing industry in Ethiopia. It is also export oriented industry and generate more foreign exchange to Ethiopia. The history of the Ethiopian floriculture industry dates back to 1980, 27 years ago, when state farms started to export flowers to Europe. The Derge regime had established horticulture Development Corporation, however, ambitious outlook of the regime, absence of private sector green house, problem of disease and management stands high (Ethiopian horticulture exporters and producers associations(EHPEA), 2005)).

Regarding cut flower, before year 1999, there were only two private producers and two state owned enterprises operating in the floriculture industry in Ethiopia. All the companies' production has been dominated by open field flowers of Allium and Statice with very small plots under green house in Meskel flower private limited company (PLC) (Amin, 2007)

In the fiscal year 2005/06 flower export earned about USD 21.7 million in foreign exchange and flower industry is estimated to have employed above 30000 people. However, there are concerns that many chemicals and pesticides used not only harm the environment, but could also be potentially dangerous for the employees (Amin, 2007).

The major factors that have contributed to the development of horticulture industry in Ethiopia include suitable climate, the altitude, the availability of land, low labor costs and favorable conditions (EHPEA, 2008). Ethiopia produce a broad range of Flowers, vegetables, fruits, and herbs. A product of floriculture includes Roses, Gypsophilla, Carnation, Hypericum, and Eryngium.

As per EHPEA (2008), Ethiopian private sectors started growing and exporting flowers for the first time in the year 1992. Two domestic companies called “ Ethio Flora and Meskel Flower” have been exporting for sometime. In the year 1997 Meskel flower exported roses to the European market for the first time. Most of the Ethiopian floriculture products are exported to different countries including Holland, Germany, Russia, Japan, France, and United Arab Emirates (EHEPA, 2008). This project tries to assess the financial and operating performance of floriculture firms in Ethiopia.

The remaining discussions in this chapter are arranged as follows: part 1.2 presents the statement of problems while part 1.3 discusses objectives of the study. In section 1.4 of this chapter, methodology is discussed followed by significance of the study in section 1.5. Finally, scope and limitations as well as structure of the project are presented in section 1.6 and 1.7 respectively

1.2. Statment of the problems

The core objectives of this project is to evaluate the financial and operating performance of floriculture firms in Ethiopia. Now a day, floriculture industry is generating foreign exchange and creates employment opportunities in the country. Besides, many foreign and domestic investors are emerging in to the sector. In general, this title is selected due to the following basic points.

- The firms have the problems of supplying their products in the international market due to transportation problem.
- The industry is new in Ethiopia; hence the firms have difficulty in creating awareness in the domestic market.
- The product is perishable so that the firms have problem in selling the products in the planned selling price.

The above points have direct effects on the performance of the industry so, studying the financial and operating performance and assessing the major problems in the industry are important for these emerging sector in the country.

1.3. Objectives of the study

The main objective of this study is to evaluate the financial and operating performance of floriculture firms in Ethiopia. Further, this project intends to assess the current export performance, expansion and productivity of the industry. In order to help achieving the above broad objectives of the study, the following specific research objectives are developed.

- Evaluate export performance, expansion and productivity of the floriculture firms.
- Evaluate the profitability of floriculture firms.
- Evaluate the firms ability to meet their short-term and long-term financial obligations.
- Identify the factors that affect the profitability and liquidity of the firms.
- Identify weakness and strength

1.4. Methodology

Different methods and techniques were used in order to address the objectives mentioned above in section 1.3. Most of this study was conducted using quantitative methods of research. In other words, the study mostly used secondary sources of data to evaluate the financial and operating performance of the floriculture firms. The time period chosen to conduct this study was between year 2004 and 2008.

Currently there are about 90(ninety) floriculture firms in Ethiopia. The study include only 40 (forty) firms as a sample frame because the rest firms were established very recently after the year 2004/05. Further, the study used the purposive or judgmental sampling technique and the sample selection was based on the firm's willingness to give financial statements and their location (desired to be in Addis Ababa or near to Addis Ababa). Twelve (12) firms were included in the sample which were drawn from the sample frame.

The study used different types of ratios, such as profitability, capital structure and liquidity ratios of the firms, to evaluate their performance. After the necessary data have been collected, the findings are summarized using narratives, tables and graphs in reaching into conclusions.

1.5. Significance of the study

This project has a varied area of contribution to the different bodies in evaluating the performance of the firms. It provides base information concerning operating and financial performance to employees, management, and owners of the firms to evaluate their strength and weakness. It also provides the base information for potential investors to take corrective actions regarding the investments in the industry. The study can serve as important source of reference for future researchers in financial and operating performance and related studies in floriculture firms.

1.6. Scope and limitation of the study

This study focuses on “The Financial and operating performance of floriculture firms in Ethiopia”. As floriculture industry is a wide industry in Ethiopia, the project did not cover all the issues. Therefore, the study selected some issues that better measures the performance of the industry. Unavailability of enough written documents and related research made in the industry was the other barrier for the completion of this project.

To undertake this study, the researcher had restricted to include the firms only those which have been established before the year 2004. Moreover, the firms taken as sample are located in Addis Ababa and near Addis Ababa due to time and money constraint. The time period covered to conduct this study also limit the study from gathering more information. The limitations related to financial ratios include unavailability of industry benchmarks with which the ratios calculated can be compared and the ratios can't consider the effect of inflation in to account.

1.7. Structure of the project

This paper has been organized in five chapters. Chapter one is an introductory chapter that includes statement of the problem, objective of the study, methods, significance, scope and limitations of the study. Chapter two deals with literature review about flower industry such as its development in the world, developing country, and in Ethiopia. The industry export trend, expansion as well as theoretical aspects financial ratios are considered in this chapter

Chapter three consisted of the research design. This chapter provides all detail techniques used to collect, analyze, and interpret data

Chapter four consisted of the results and outcomes part. This chapter includes current export performance, productivity, and expansion as well as financial performance of the flower industry.

Finally, conclusions and recommendations are presented in chapter five.

Chapter Two: Literature review

Wijnands (2005) defines horticulture as the industry and science of plant cultivation. It includes flowers, fruits, vegetable, and trees. Floriculture is a discipline of horticulture concerned with the cultivations of flower. Flowering plants are largely sold on pots for indoor use. In general, floral industry is one of the major industries in many developing and underdeveloped countries. Floriculture as an industry begun in the late of 1800s in England, when flowers grown on a large scale on the vast estates. In the present day flora industry is a dynamic, global, fast growing industry, which has achieved significant growth rates during the past few decades.

Fresh flowers are highly perishable because they maintain only limited life-supporting processes by taking water up through their stems. Fresh flowers are used for decorative purposes such as vase arrangements and bouquets at formal events; designs for weddings and funerals; gifts on occasions such as Mother's Day, Valentine's Day, in times of illness, and at holidays such as Christmas and Easter; corsages and boutonnieres; and informal displays to beautify homes and public places (Amin, 2007).

In order to assess this fast growing industry various techniques could be used. Among others, operating and financial performance assessment tools may be used. Operating and financial performance is the process of identifying the financial strength and weakness of the firm by properly establishing relationships between the items of the balance sheets and profit and loss account. This strength and weakness are measured by financial ratios.

Foster (1986) concludes that financial ratios are measures that show a proportional relationship between two factors, such as sales compared to working capital or liabilities compared to net worth. Often they are used to judge the investment suitability of a particular company; a firm's ratios can be compared to its own past performance and/or to the performance of the industry as a whole. Financial ratios are calculated from the figures given in the firm's annual financial statement. Financial ratios can be designed to measure any aspects of the performance of the company. In general financial analysts use the ratios as tools identify the areas of strength and weakness in the firm.

This chapter presents a review the related literature on the development of horticulture in general and floriculture in particular. The balance of this chapter is divided in to five sections. The first section presented the growth of horticulture industry in the world and this is followed by growth of horticulture industry in developing countries. Section three discusses the growth of horticulture industry in Ethiopia. Section four reviews expansion, export performance, the cultivated area and employment opportunities of the sector. Finally, section five presents basic tools of financial analysis.

2.1. Growth of floriculture industry in the world

All over the world, the floricultural sector can nowadays be characterized as a sector experiencing rapid changes. Due to globalization and its effect on income development in the different regions of the world, per capita consumption in most countries is growing. Besides, the traditional centers of production (USA, Japan, Italy, The Netherlands, Columbia), new production centers are developing (Groot, 1998). In Latin America and Africa, production is increasing very quickly. Also in Asia, countries like India, China, and Vietnam seem to be moving in the direction of more intensive horticulture. In the traditional centers, the total area under production remains stable or increase slightly. Productivity will go up in these centers (Groot, 1998)

In many countries flowers are grown for commercial purposes for domestic markets, although the size of individual markets or its development are difficult to assess given the lack of consumption and production data. The main consuming countries (Germany is the exception) are largely self-sufficient in flowers. Japan and United States are the largest markets. In 1994, China had close to an estimated 60,000 hectares under cultivation for flowers, while India had 34,000 hectares (compared to United States at 15,000 hectares, and Japan and the Netherlands 8,000 hectares.

World cut-flower markets are growing at a current rate of 6-9 percent per year. The total consumption in year 1985 was about 12.5 billion USD. In year 1990, the consumption rose to about 25 billion USD. In year 1995, the total world market was about 31 billion USD. Taking developments in production, imports and economic variables into account,

consumption of cut flowers is to be expected to rise to 35 billion USD. In international terms, the consumption of cut flowers is concentrated in three regions: Western Europe, North America and Japan. The highest growth is expected in Japan and the USA. The West European market is becoming saturated. As a result, its cut flower consumption share is declining. New markets are emerging in the Eastern European countries

2.2. Growth of floriculture industry in developing countries

In past decades, a number of developing countries experienced a rapid growth in their exports of highly perishable horticultural products to developed high-income countries (Batt, 2000). In general, this growth can be explained by comparative advantage. Batt (2000) concludes that labor-intensive cut flowers are grown in low cost countries. Especially African countries have become very competitive for specific labor-intensive rose varieties and partly pushed European growers out of the market (Wijnands, 2005). In most developing countries a well-developed domestic flower market is absent, making production fully export oriented. Most African flower industries maintain a close link with the markets in Europe and South America.

The supporting and supplying firms fully rely on imports from developed countries. The Netherlands and Israel are the main suppliers of flower varieties and advanced technologies. In addition, the Dutch flower auctions are the leading marketplace for African flowers (Wijnands, 2005). However, the development of the flower industry is unbalanced; in the same region one finds countries experiencing a prosperous export growth as well as countries that show a poor growth or even a decline. For example, in

the period 1997/98 to 2003/04 Ecuador showed a strong growth of its share on the world flower market, whereas neighboring Colombia showed a decline of its share (Wijnands,2005).

Flower production in Africa is highly competitive to any professional grower in the world. Especially with regard to the European growers the competition is becoming fierce. The first cut-flower nurseries were established in Kenya in year 1969, which originally is a tea and coffee producing country. Nowadays Kenya is the largest African cut-flower grower, followed by Zimbabwe, Morocco and South Africa. Other promising countries on the market are Zambia, Malawi, Tanzania and Uganda (Wijnands, 2005).

Bulk flower production is intended primarily for export to the European market, although there is increasing export to the Asian market as well. The quality of the flowers is very good at the time of harvesting but the products lose quality due to poor transport conditions. Africa used to produce primarily carnations, roses and summer flowers. Nowadays the growing of roses is increasing, because higher prices can be obtained on the export markets. The assortment is focused on the European market because high transportation costs oblige growers to strive for a high value per kilogram (Wijnands, 2005).

2.3. Growth of floriculture industry in Ethiopia

The history of the Ethiopian floriculture industry dates back to 1980, 27 years ago, when state farms started to export flowers to Europe. The first private farm that started trading

flowers was the Ethio flora. It cultivated summer flowers but not roses and exported only to the Netherlands. Recently it has been producing mainly roses and exporting them to several countries. Another company which entered the industry in the early phase is Golden Rose Agro farms, which started growing roses in the year 2000. Although a few companies started their businesses about 10 years ago, it has only been during the last 4 years that the floriculture industry in Ethiopia has started to prosper (Japan Embassy in Ethiopia, 2008).

The Ethiopian climate, the altitude, the availability of land, low labor costs and favorable conditions are the major factors for the development of floriculture industries in Ethiopia. Even though state farms in the rift valley were engaged in the production of flowers on open plots. Besides, commercial horticulture was started in the early 1980's and currently Ethiopia is producing a broad range of flowers, vegetables, fruits, and herbs (EHPEA, 2007).

As EHPEA (2007) showed, though the development of floriculture industry requires modern production techniques and infrastructure , the benefits derived from the sectors exceeds their costs and this is enough reason for attracting foreign investors in a big ways. Products of floriculture includes Roses,Gypsophilla,Carnation,Hypericum, and Eryngium.Since, year 1992 Ethiopia private sector started to involve in growing and export flowers for the first time in the country. In the year 1997 Meskel flower exported roses to the Eroupean market for the first time. Most of the Ethiopian floriculture products are exported to Holland, Germany, Russia, Japan, France, and United Arab.

Floriculture is a relatively new sub-sector to Ethiopia and the production of flowers had been limited to few varieties of flowers. However, this situation has changed very rapidly over the past years and nowadays producers in other countries eagerly look at the developments in Ethiopia, either to be prepared for future competition or to invest in the country (Joosten, 2007). In the year 2006 Ethiopia was the second largest exporter of large roses to the Dutch auctions (after Kenya) and the third largest supplier for small roses (after Kenya and Uganda). The majority of flower growers with an estimated 80 percent of the production area cultivate roses. The first rose producer started around 1997, the second in the year 1999. From the year 2001 onwards, other growers started to emerge in the industry. Some 20 percent of the production area is under cultivation of cuttings and bouquet fillers, primarily Hypericum, Carnation, Gypsophila, Allium and Carthamus (Joosten, 2007).

The horticulture industry, while more established than the floriculture industry, is still in an early stage of development. The potential in the sub-sector is very immense. For the year 2004, the targeted volume of exports was about 4,000 tons provided that there is no adverse weather condition. To date, exported volumes to Europe have been around 2,000 to 2,500 tons (Euro 4 million), mainly of fresh green beans, melon, passion fruit, and runner beans. As noted above, to date, Ethiopia's exports to Europe have mainly been of fresh vegetables, with less comparative advantage in fruits due to the higher weight to value ratio. Thus, among sub-Saharan Africa exporters to Europe, Ethiopia ranks 6th, with roughly 7 percent of exported volumes to Europe in 2001. The other top-ranking competitors are (Kenya 45 percent, South Africa 11 percent, Senegal 7 percent,

Zimbabwe 7 percent, and Ghana 7 percent). There is also a significant level of exports to Djibouti through less formal channels, of tomato, onion, orange, banana, and leafy vegetables (World Bank, 2004)

World Bank (2004) concludes that the horticulture sub-sector is characterized by a few major factors. First, unlike the case of flowers, fruits and vegetables have a large domestic market, that is significantly higher than the exported volumes. Second, large state farms play an important role in this industry and there have been recent initiatives to forge partnership and collaboration between the public and private enterprises, evidenced by the presence of both in the association. Third, there is an important parasitical enterprise that is dominating the domestic distribution channels, Et-fruit. Finally, the market outlet is not only dichotomized between domestic and exports to Europe, but also distinguished by significant exports of fruits to the region, namely through the Djibouti corridor. Thus, while the number of informal or less formal exporters to the region may be high, those with formalized export roles to the European market are few in number.

2.4. Expansion, export performance and employment opportunities of the industry in Ethiopia

Agriculture is the main driver of the economy and is a source of income for the majority of the population. The sector contributes about 50 percent to total GDP, generates about 90 percent of export earnings and supplies about 70 percent of the country's raw material requirement for large and medium sized industries that are agro-based. Ethiopia's total land area is about 1.1 million square kilometers; of which about 73.6 million hectares (66

percent) is estimated to be potentially suitable for agricultural production. Out of the total land suitable for agriculture, the cultivated land is estimated to be 16.5 million hectares (22 percent). About 96 percent of the cultivated land area is under smallholder farming while the remaining is used for commercial farming (both state and privately owned). In fiscal year 2005/06, 709.21 million USD was obtained from exporting 624.74 thousand tons of different agricultural products. The achievement was 102 percent and 91 percent of the plan respectively. When compared to the year 2004/05 performance, it exceeds by 23 percent in volume and 30 percent in value (MoFED, 2005/06).

In the case of Ethiopia, given the declining export earnings from traditional exports of coffee in particular, floriculture and other non-traditional, high-value, agricultural export expansion represents an important area of potential income growth. The agriculture-development-led-industrialization strategy of the country envisages significant scope for achieving greater commercialization of smallholder agriculture. Ethiopia is considered to have the potential to achieve trade gains in these sub-sectors because of agro-climatic advantages and, in the case of livestock, a large indigenous stock. This study takes a more holistic view to achieving competitive advantage, as a function of physical, institutional, infrastructural, and policy factors. Despite the potential, the contribution of high-value agricultural exports to the Ethiopian economy is still weak (World Bank, 2004).

The number of farms producing other cut-flowers than roses is still limited, but growing at altitudes of around 2,400 to 2,600 meters, the Ethiopian Highlands around Addis

Ababa are characterized by high daily temperatures and cool nights, high solar radiation and annual rainfall of about 1,200 mm. These climatic conditions make the highlands very suitable for the production of medium- to large-sized rose varieties. Other regions that are located at lower altitudes of 1,100 to 1,800 meters (Rift Valley, Upper Awash and Ziway) are suitable for the production of small- to medium-sized rose varieties (sweethearts and intermediates) and other flowers like summer flowers and cuttings (Joosten, 2007)

The acreage of flora-farm in Ethiopia is assumed to reach 900 hectares, though the accurate figure is not available. The export value earned by the flora-farms was 22 million USD in 2006. As the industry grows, the unit cost of a rose has been decreasing. The unit cost of the Ethiopian rose was more expensive than the Kenyan rose by more than 35 percent in the year 2002, while it dropped by 15 percent in the year 2004, which is almost the same price as the Indian rose and even cheaper than the South African, the Ugandan and the Zambian rose. Floriculture is a labor-intensive industry. Therefore, it creates many job opportunities in the country, especially for the non-educated/skilled workers. Several different figures are available, but one shows that permanent employment for 38,000 people and temporary employment for 46,000 people were created in the year 2007(Japan Embassy in Ethiopia, 2008).

The discussions so far tried to review the literature on floriculture industry. The following section focuses on the basic tools of financial analysis.

2.5. Basic tools of financial analysis

Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationships between the items of the balance sheets and profit and loss account. Foster (1986) concludes that financial ratios are measures that show a proportional relationship between two factors, such as sales compared to working capital or liabilities compared to net worth. Often they are used to judge the investment suitability of a particular company; a firm's ratios can be compared to its own past performance and/or to the performance of the industry as a whole. Financial ratios are calculated from the figures given in the firm's annual financial statement. Financial ratios can be designed to measure any aspects of the performance of the company. In general financial analysts use the ratios as one tool in identifying the areas of strength and weakness in the firms.

Financial analysis can be time series analysis, cross-section analysis industry analysis and pro forma analysis. Cross-section analysis is a kind of comparison of one firm with some selected firms in an industry at the same point in time. This kind of comparison indicates the relative financial position and performance of the firm (Anthony, 1975).

To determine the financial condition and performance of the firm, its ratio may be compared with the average ratio of the industry of which the firm is a member. This sort of analysis is known as industry analysis. Besides, future ratios are used as the standard of comparison. Future ratios are developed from pro forma or projected financial statements. The comparison of current or past ratio with the future ratio shows the firms relative

weakness and strength in the past and the future. If the future ratios indicate weak financial position, corrective actions should be initiated (Anthony, 1975).

To evaluate the performance of floriculture firms, time series analysis had been used in this project. Anthony (1975) defines time series analysis or trend analysis as the process of comparing the company's present ratio with the past ratios. It gives an indication of the direction of changes and reflects whether the firm's financial performance has improved, deteriorated or remain constant over time. The analyst should not simply determine the changes, but, more importantly, he/she should understand why ratios have changed.

There are several types of ratios: liquidity ratios which measure a firm's ability to meet its short-term financial obligations; leverage ratios which measure ability to meet long-term obligations; profitability or operating ratios which measure the success of a company's operating performance; activity or efficiency ratios which indicate how effectively a company uses and controls its assets (Foster, 1986). The following discussions briefly presents the salient features of liquidity, profitability, leverage, and activity ratios.

2.5.1 Liquidity ratio

A liquidity ratio measures the ability of a business firm to pay its current liabilities as they become due. It assumes that the current assets are the principal source of cash for meeting current liabilities. The failure of a company to meet its obligation due to lack of sufficient liquidity will result in poor credit worthiness, loss of creditors' confidence or even a legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad; idle assets earn nothing. Therefore, it is necessary to strike a proper

balance between high liquidity and poor liquidity. The most common ratios which indicate the extent of liquidity or lack of it are current ratio and quick ratios (Neveu, 1985).

2.5.1.1. Current Ratio

It is computed by dividing current assets and current liability.

$$CR = \frac{CA}{CL}$$

Where, CR= Current ratio

CA= Current Assets

CL= Current Liability

The current ratio is a measure of the firm's short term liquidity. It measures the availability of the Birr for every one rupee of current liability. The larger are the current ratios, the less the difficulty that the company faces in paying its obligations at the right time. In many cases lenders frequently requires current ratios of the borrowing company to remain at or above 2.0 times as a condition for grading or continuing the commercial and industrial loans (Horn, 1989).

2.5.1.2. Quick Ratio

According to Neveu (1985) quick ratio establishes a relationship between quick or liquid assets and current liability. It serves the same general purposes as of current ratios; but it

excludes less liquid assets like inventory and prepaid assets. Thus, the quick ratio measures the ability of the company to pay its current liability by converting the most liquid assets to cash. The company with high value of quick ratio can suffer from the shortage of funds when it has slow paying, doubtful and long duration outstanding debtors. On the other hand, a company with a low value of quick ratio may really be prospering and paying its current obligation in time when it has been turning over its inventories efficiently.

$$QR = \frac{\text{Quick Assets}}{\text{Current Liability}}$$

Where, QR =quick ratio

Quick asset= current assets-(prepaid insurance + Inventory)

2.5.2. Profitability ratio

A company should earn profits to survive and grow over a long period of time. Profit is essential, but it would be wrong to assume that every action initiated by the management of the company should be aimed at maximizing profits, irrespectives of social consequences. Profit is the difference between revenue and expense over a period of time. It is the net result of a numbers of policies and decisions. The profitability ratio provides useful clues as to the effectiveness of a firm's operations, but the profitability ratio shows the combined effects of liquidity, assets managements and debt on operating results. In general the profitability ratio measures the operating efficiency of the company. Two major types of profitability ratios are calculated as profitability in relation to sales and profitability in relation to investment (Durker' 1968). The discussion below

shows the theoretical aspects of the profitability ratios.

2.5.2.1.Net profit margin

Net profit is obtained when operating expenses, interests and taxes are subtracted from the gross profit. The net profit margin ratio is measured by dividing profit after tax by sales

$$PM \text{ ratio} = \frac{\text{Income after tax}}{\text{Net Sale}}$$

Where, PM=profit margin

Net profit margin ratio establishes a relationship between net profit and sales and indicates management's efficiency in manufacturing, administering and selling the products. This ratio measures the overall firm's ability to turn each rupee sales in to net profit. This ratio also indicates the firm's capacity to withstand adverse economic conditions. A firm with a high net profit margin ratio would be in advantageous position to survive in the face of falling selling prices, rising costs of production or declining demand for the products. It also can make better use of favorable conditions such as rising selling prices, falling costs of production or increasing demands for the product. Such a firm will be able to accelerate its profits at a faster rate than a firm with low net profit margin.

2.5.2.2. Operating Expense ratio

The operating expense ratio explains the changes in profit margin ratio. This ratio is computed by dividing operating expense to cost of goods sold plus selling expense and general and administrative expense (excluding interest):

$$OE \text{ ratio} = \frac{OE}{sales}$$

Where, OE = Operating expense ratio

A higher operating expense ratio is unfavorable since it leaves a small amount of operating income to meet interest, and dividends.

2.5.2.3. Return on Investment (ROI)

The term investment may refer to total assets or net assets. The funds employed in net assets known as capital employed. Net assets equal net fixed assets plus current assets minus current liability excluding bank loan. This ratio measures the company's profitability per dollar of investment in the total assets. The ROI/ROA is calculated by dividing earnings after taxes by total assets.

$$ROI = \frac{Net \text{ income}}{Total \text{ Assets}}$$

2.5.2.4. Return on Equity (ROE)

According to Benton (1987), common or ordinary shareholders are entitled to the residual profit

$$ROE = \frac{Net\ income}{Equity}$$

A return on shareholders' equity is calculated to see the profitability of the owners' investment. ROE indicates how well the firm has used the resources of the owners.

2.5.3. Leverage Ratio

The short term creditors, like bankers and suppliers of raw material are more concerned with the firm's current debt-paying ability. On the other hand, long term creditors, like debenture holders, financial institutions are more concerned with the firm's long-term financial strength. In fact a firm should have a strong short as well as long term financial position. To judge the long term financial position of the firm, financial leverage or capital structure ratios are calculated. The capital structure measures the extent to which companies finance itself with debt as opposed to equity financing. The long-term financial position is measured commonly by two financial variables (Horn, 1989). As shown in the following discussions.

2.5.3.1 Debt-Equity ratio

This ratio expresses the relationships between the amount of the total assets of the company financed by creditors (debt) and owners (equity). These reflect the relative claims of creditors and owners against the total asset of the firms.

$$DR = \frac{TD}{TE} \quad \text{Where, DR= Debt ratio}$$

TD= Total debt

TE= Total equity

2.5.3.2 Debt Ratio

Debt ratio may be used to analyze the long term solvency of the firm. The firm may be interested in knowing the proportion of the interest bearing debt in the capital structure. In general debt ratio measures the extent to which the total assets of the company have been financed using borrowing funds.

$$\text{Debt Ratio} = \frac{\text{Total Liability}}{\text{Total Assets}}$$

In general the review so far revealed that floriculture industry is a relatively new sub-sector to Ethiopia and the production of flowers had been limited to few varieties of flowers. However, this situation has changed very rapidly over the past years.

Floriculture is a labor-intensive industry and creates many job opportunities in the country. The sector provided permanent employment for 38,000 people and temporary employment for 46,000 people in the year 2007.

The acreage of flora-farm in Ethiopia is assumed to reach 900 hectare. The export value earned by the flora-farms was 22 million USD in 2006. These show that only the export performance, expansion, employment opportunities and the coverage of the cultivated area have been studied. There appears to be no evidence on the financial and operating performance of the industry. Hence, in this study the financial and operating performance of flower industry had analyzed in addition to examining the current status of export, employment opportunities and expansion.

Chapter Three: Research design

The previous chapter attempted to review the literature related to the floriculture industry and tools of financial analysis. This chapter tries to present the research design. The chapter is organized as follows: the objectives of the study are presented in the first section. Then this is followed by a discussion on the research methodology in section two.

3.1. Research objectives

As presented in the first chapter, this study has a broad objective of evaluating financial and operating performance of floriculture firms in Ethiopia. Besides, the study intends to assess the current export performance, Expansion and productivity of the industry. Moreover, specific objectives of the study includes.

- Evaluate export performance, expansion and productivity of the floriculture firms.
- Evaluate the profitability of floriculture firms.
- Evaluate the firm's ability to meet its short-terms and long-terms financial obligations.
- Identify the factors that affect the profitability and liquidity of the firms.
- Identify strength and weakness of the industry.

3.2. Methodology

In this section, the details of all technical matters have explained. Methodology includes methods of data collection, sampling, analyzing, and presenting the outcomes in the report has been presented in this section.

Different methods of research can be used to address a research questions. These methods include quantitative, qualitative and mixed methods. According to Creswell(2003) quantitative method is a method that includes closed ended information such as that found on attitude, performance instruments. Sometimes quantitative information is found in document such as censuse records , financial statments, managment reports. In contrast, qualitative method consists of open ended information that the rasearcher gather through interviews with participants. The collection and analysis of both qualitative data and quantitative data is said to be mixed method research.

In order to address the research problem noted earlier, the study has used quantitative methods of research which is supported by quantitative method. In other words, this study used secondary source of data. Secondary data are data which already exist in the company and include annual reports of the company, broacher, documents, and magazine. Secondary source can usually be found more quickly and cheaply (Ademassie, 2002/03). However, it has its own limitation. The most important is that the information often will not meet the researcher specific needs because these data has been collected by someone else for their purpose rather than ours. In addition, primary data was used to support secondary sources of data. The time period chosen to conduct this study is from the year 2004 to the year 2008.

3.2.1. Methods of data collection

The study used different methods to collect secondary and primary data. Secondary data has been collected from the sample firms and Ethiopian horticulture producer and exporters association. Financial statements were collected from twelve companies and the export performance of the industry has been collected from the associations. To support the secondary sources of data, primary data was collected using unstructured personal interview. Unstructured interview is a customized interview with no specific questions or orders to be discussed; usually starts with specific topics. Reasons for selecting these methods are it require less man power, less expensive and obtain information divest from primary sources. Moreover, it gives the chance for respondent to raise as many points as they can. This form of interview has made with Ethiopian horticulture producers and exporters association and managers of selected firms. Using the data collected with the help of the above methods, the researcher has identified accounting ratios appropriate for evaluating the performance of the firms.

3.2.2. Methods of Sampling

Sample is the part of population which can represent the total population. Selecting a sample is fundamental for research study because taking the total population is impossible due to time constraint, costs and it requires high man power to manipulate all the tasks of the study. Besides, researcher may get infinite population in the study.

Presently, there are around ninety (90) floriculture firms in Ethiopia. However, the study covered only forty (40) firms that have been established before the year 2004 for the reason that the study was conducted from year 2004 to 2008. In other words, the sample frame includes only those forty (40) firms in evaluating the financial and operating performance of the industry and the sample is drawn from these sample frames. The rest fifty (50) had established within the last four years so that it has no organized and strong financial statement that can explain the industry. Besides, most of these fifty firms have started exporting their products in the last two and three years.

The sampling has been used purposive or judgment sampling for which the sample is selected based on their willingness to give financial statement and their location (desired to be in Addis Ababa or around Addis Ababa). These are due to financial and time constraints to collect and analyze the data. Hence, twelve (12) firms were included in the sample that can be drawn from the sample frame to conduct the study.

3.2.3. Methods of data analysis and presenting the outcomes

This section summarizes the methods used to analyze the data and describes data handling and preliminary analysis used. The process of analysis began after the data have been collected, prepared and summarized. During the analysis stage several interrelated procedures have been used.

The study used different types of ratios in the analysis stages. Profitability, operating efficiency, capital structure, and liquidity ratios are among the ratios used to evaluate the

performance of the firms considered. These ratios and their respective formulas are presented as follow:

<i>Profitability</i>	
Return on sales(Profit margin)	Profit/Sales
Return on equity(ROE)	Profit/equity
Return on investment(ROI)	Profit/total asset
Operating Expense ratio	Total Expense/Total sales
Capital Structure	
Debt Equity ratio	Total Debt/Total Equity
Debt ratio	Total debt/Total Assets
Liquidity	
Current ratio	Current asset/Current liability
Quick ratio	Quick asset/Current liability

The Export value to the volume of stems has been calculated to measure the trends of export performance with in the five years (from 2004 to 2008) in addition to accounting ratio analysis since export is the major source of the revenue for the Ethiopian flower industry.

$$\text{i.e. } x = \frac{Va E}{Vo E}$$

Where, x = the value of export per a single stem for specific year.

Vo E = Volume of export per year.

Va E = Value of export per year in USD

Besides, the productivity of the firm has been measured to evaluate whether the firm is efficient or not. This can be done by determining the number of stems produced per a single hectare for a specific year.

$$\text{i.e.} \quad Y = \frac{A}{B}$$

Where, Y=Numbers of stems produced per hectare per year.

A=Total number of stems exported per year

B=Total number of hectares used in flower production per year.

The project is presented in report form since the study has a nature of descriptive research. The results and findings are also presented and interpreted using graphs and charts. This selection is due to its simplicity and easy to understand by the reader. Moreover, the accounting ratios are best explained with graphs, tables and charts.

Chapter Four: Data analysis and presentation

This chapter presents the analysis of financial and operating performance of floriculture firms in Ethiopia. It begins by evaluating export performance of the sector in section 4.1 and followed by the industry expansion, productivity and employment opportunity in sections 4.2, 4.3 and 4.4 respectively. Finally, the outcomes of financial ratios including liquidity ratio, capital structure and leverage ratios are discussed in sections 4.5, 4.6, and 4.7 respectively, of this chapter.

All the analysis is based on secondary data together with primary data collected from the managers of 12 firms and Employee of Ethiopian horticulture producers and exporters associations using unstructured interview.

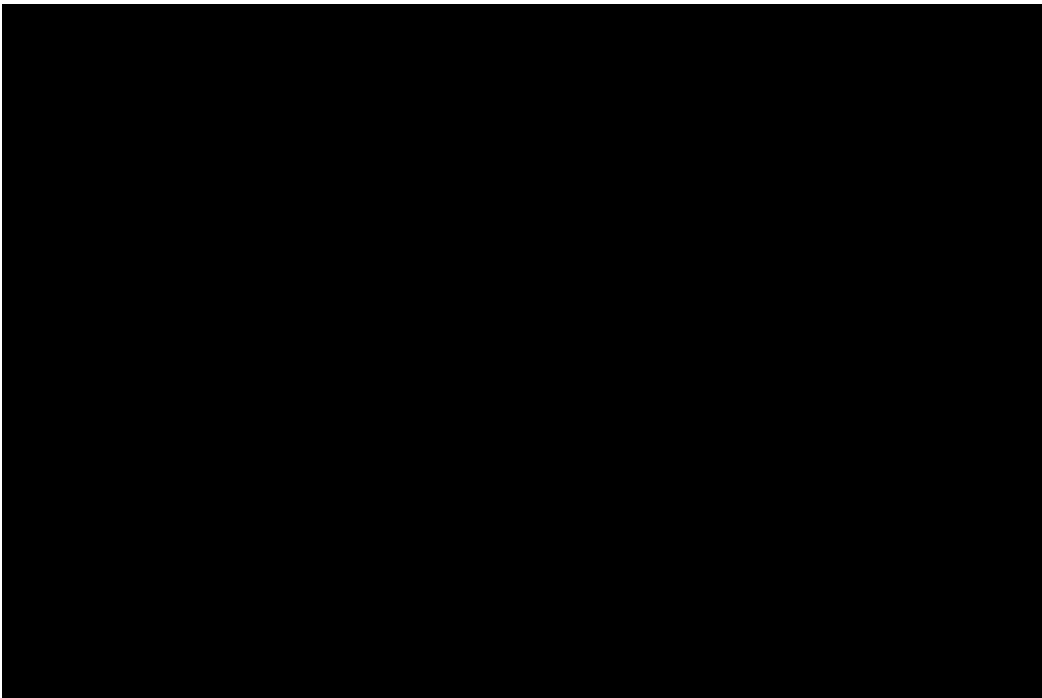
4.1.Export performance

According to EHPEA (2008), the flowers exported from Ethiopia have high quality compared to other countries' product, so that there are high markets for them. Besides, the supply of cut flower from Ethiopia is far below the demand for it in the international market. In this section the performance of export in terms of volume, value and value per volume has presented.

4.1.1. Volume of flower export

The volume of flower export is increasing rapidly every year. This fact is presented in the following graph.

Figure 4.1: Export volume of flower stems for the year 2004-2008



Source: *Ethiopian horticulture producers and exporters association (EHPEA)*

From figure 4.1 above one can see how fast flower export is growing over time. Exports of flower which was only 32 million stems in the year 2004 reached to about 1.5 billion stems in the year 2008. As shown above in the graph the export volume is increasing above 50 percent every year.

According to the interview result indicated in table 4.1 below, 100 percent of the respondent conclude, that this remarkable performance of the export arises due to the incentive packages of government including favorable land lease rate, favorable credit access, exemptions and tax holidays, expanding infrastructural facilities. Besides, 58.33 percent and 41.67 percent of the respondent conclude that law labor cost and favorable whether condition respectively are other contributing factors for this remarkable performance.

Table 4.1. Summary of unstructured interview result.

<u>Questions</u>	<u>Response</u>	<u>No. of Respondent</u>	<u>Response rate</u>
Reasons for remarkable performance of the flower firms	<ul style="list-style-type: none"> • Government incentives • Law labor cost available in the country • Favorable whether condition 	12 7 5	100% 58.33% 41.67%
What are those government incentives?	<ul style="list-style-type: none"> • Favorable land lease rate • Favorable credit access • Exemption and tax holiday • Duty free imports of raw material including chemicals and fertilizers 	11 10 11 6	91.67% 83.33% 91.67% 50%
Reasons for declining unit price of stem	<ul style="list-style-type: none"> • Financial crises • Entrance of new competitors in the international market 	12 5	100% 41.67%
Challenges that face the firms	<ul style="list-style-type: none"> • Transportation problem • Lack of education and experience related to floriculture • Unavailability of same raw material including chemical and fertilizers in domestic market • It is perishable 	11 7 6 8	91.67% 58.33% 50% 66.67%

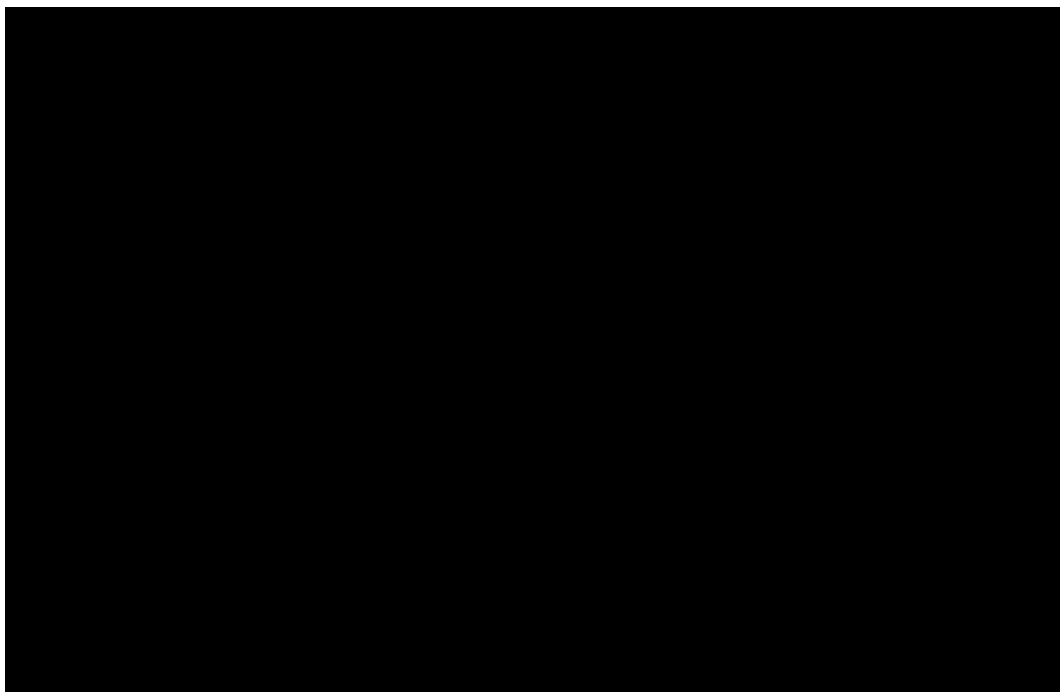
Source: Results of unstructured interview and own computations

The above table indicates the results of unstructured interview made with 12 managers of the selected firms.

4.1.2. Value of flower export in USD

Ethiopia's flower export performance in the past five consecutive years has shown a great increase in foreign exchange revenue and the change from year 2004-2008 is presented as follow.

Figure 4.2: Export value of flower in USD for the year 2004-2008



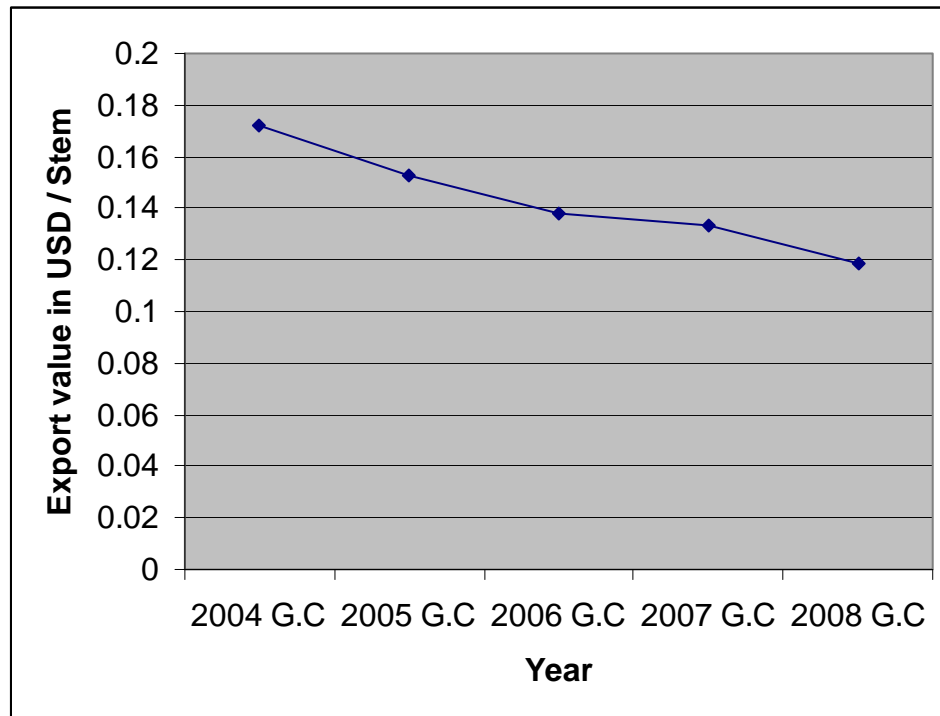
Source: *Ethiopian horticulture producers and exporters association (EHPEA)*

As shown above in the figure 4.2, the sector's performance of generating foreign currency is rapidly growing. The revenue that was only 5.5 million USD in the year 2004 is increased to 178 million USD in the year 2008. This dramatic performance of the sector during the year 2004 -2008 indicates the industry's unexploited potential in securing the foreign exchange the country requires. It also gives an indication that the export sector of the country is diversifying into non-traditional items.

4.1.3. Value per volume of flower export

The ratio of value per volume of flower export measures the performance of the sector in the international market and this can be calculated by dividing total value of revenue per year to total volume of stems per year. The result is presented in the following figure.

Figure 4. 3:Ratio of value to volume of stem for the year 2004-2008



Source: *The combination of figure 1 and figure 2*

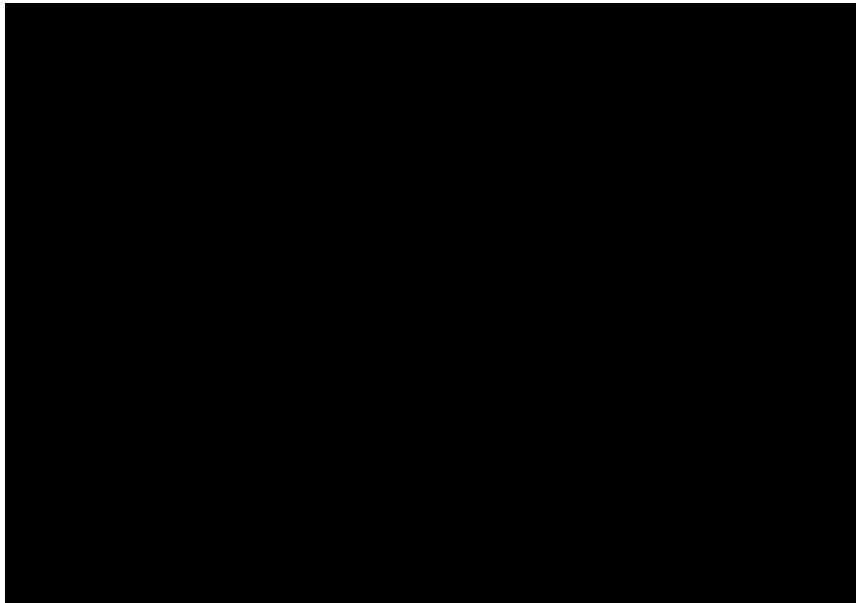
As shown in the figure above, the value of a single stem is declining from year to year. The value that was USD 0.172 per stem in the year 2004 declined gradually and reached to USD 0.12 per stem in the year 2008. As indicated in table 4.1. 100 percent of the respondent decided, this decline is the result of global financial crisis. Moreover,

according to 38.5 percent of the respondent's conclusion, the decline is due to the new entrance of competitors in the market that create the shortage of cargo flight. This in turn leads to inability of supplying fresh flower in the international market.

4.2. Expansion of flower industry

Ethiopia became an important flower export nation within five years. As shown in figure 4.4 below, the area of flower production in Ethiopia was 150 hectares in the year 2004, and it becomes 1200 hectares in the year 2008. The Ethiopian government has played an important role in the uprising of its country as a flower producer nation by providing various incentives. According to table 4.1, 91.67 percent, 83.33 percent, 91.67 percent and 50 percent of respondents identify government's incentives as favorable land lease rate, favorable credit access, exemptions and tax holidays for five years, duty free imports of raw materials respectively.

Figure 4.4: Cultivated area in hectares for the year 2004-2008

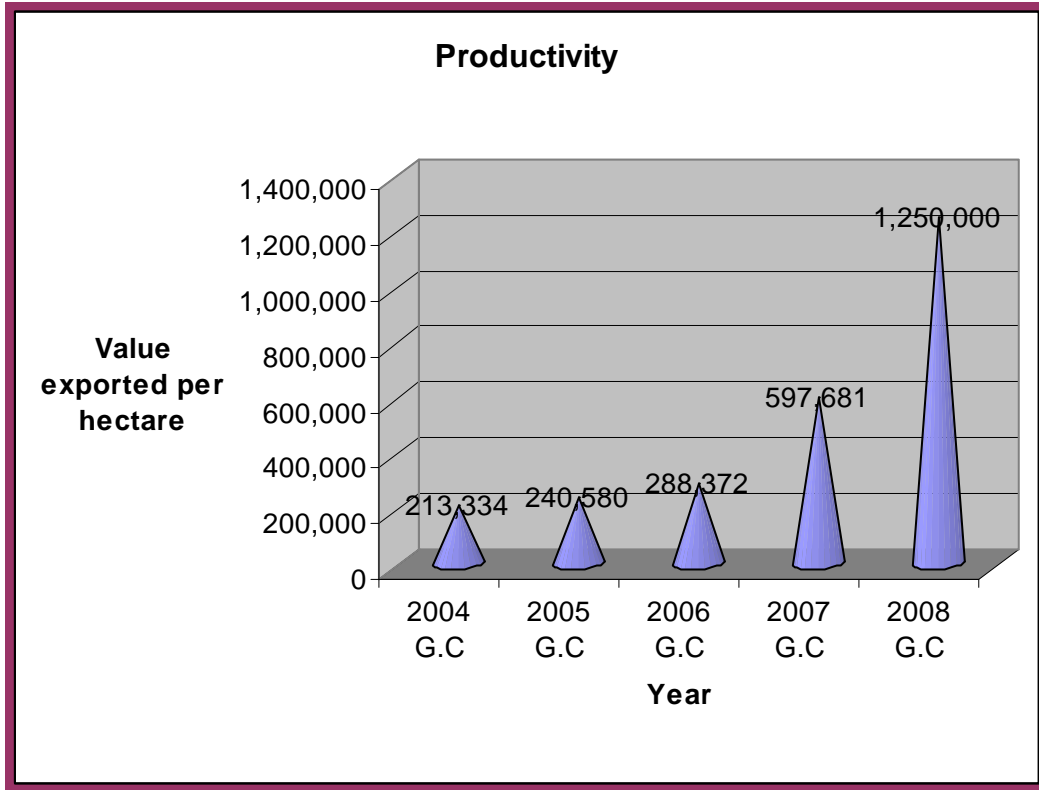


Source: *Ethiopian horticulture producers and exporters association (EHPEA)*

4.2.Productivity of the flower industry

This section has seen the trends of generating power of each hectare for specific period of time. It has been done by determining the total volume of flower exported from a single hectare for that year.

Figure 4.5: exported volume of flower per hectare for the year 2004-2008



Source: *The combination of figure 2 and figure 4*

As shown in the figure above the productivity of the land is increasing. The volume of flower that was 213,334 stems per a single hectare in the year 2004 reached to 1,250,000 stems per hectare in the year 2008. This figure shows an indication of how the industry is productive.

4.4. Employment opportunities

Floriculture is a labor-intensive industry. Therefore, it creates many job opportunities in the country, especially for the non-educated/skilled workers. According to EHPEA (2008), in the year 2008, above 100,000 workers are employed in the sector. This shows that, the industry is contributing a lot for the development of the country.

The discussion so far examined the export performance, the productivity, expansion and employment opportunities of the entire industry. In the following discussion the results of the study with respect to the financial and operating performance of selected flower firms are presented.

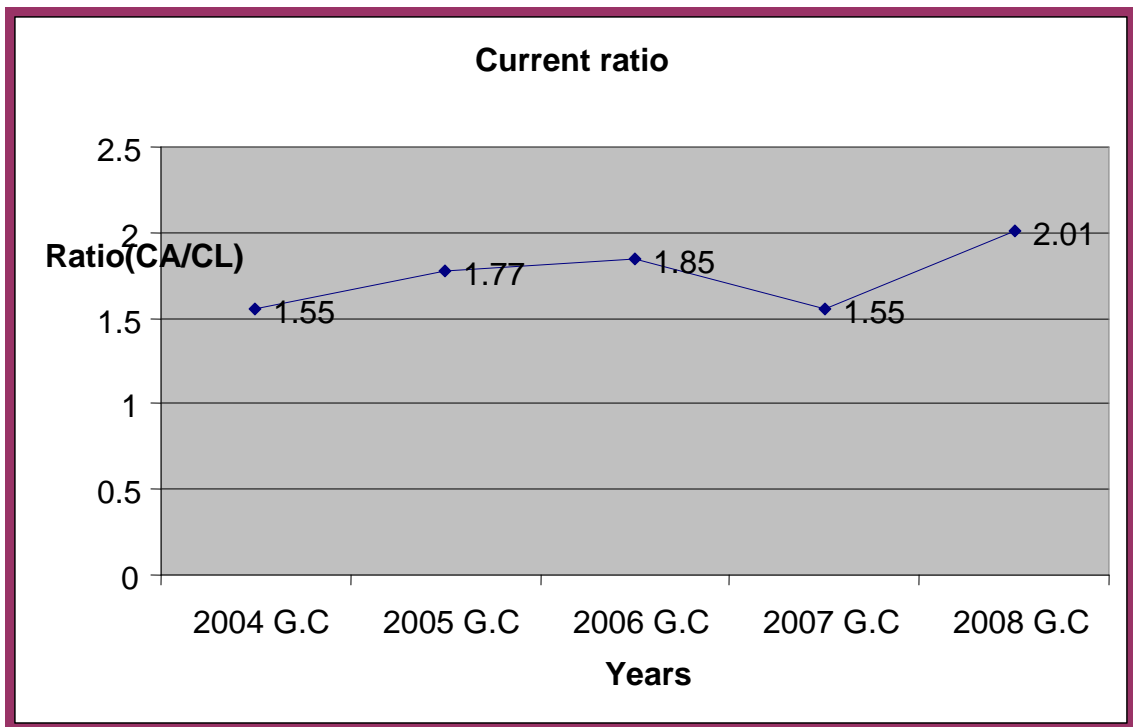
4.5. Liquidity position of selected flower firms

A liquid asset is a one that trade in an active market and hence can be easily converted in to cash at the market price and a firm's liquidity position deals with how the firm be able to pay its debts as they come due. Liquidity ratio assumes that current asset is the principal source of cash for meeting current liabilities and current portion of long term loan. In this section the current ratio and quick ratio of flower firms considered in this study are presented.

4.5.1. Current ratio of selected flower firms

The current ratio of flower firms considered in this study presented below is for the year from 2004 to year 2008

Figure 4.6: Trends of current ratio of selected flower firms



Source: Financial statements of selected firms and own computation.

From figure 4.6, the current ratio of firms considered in the study indicates that the firms has 1.55 Ethiopian birr (ETB) in current asset for each ETB of current liability in the year 2004 and it show increment up to the year 2006. This indicates that the current assets were more capable to meet its current liability as it mature in the year 2006 than year

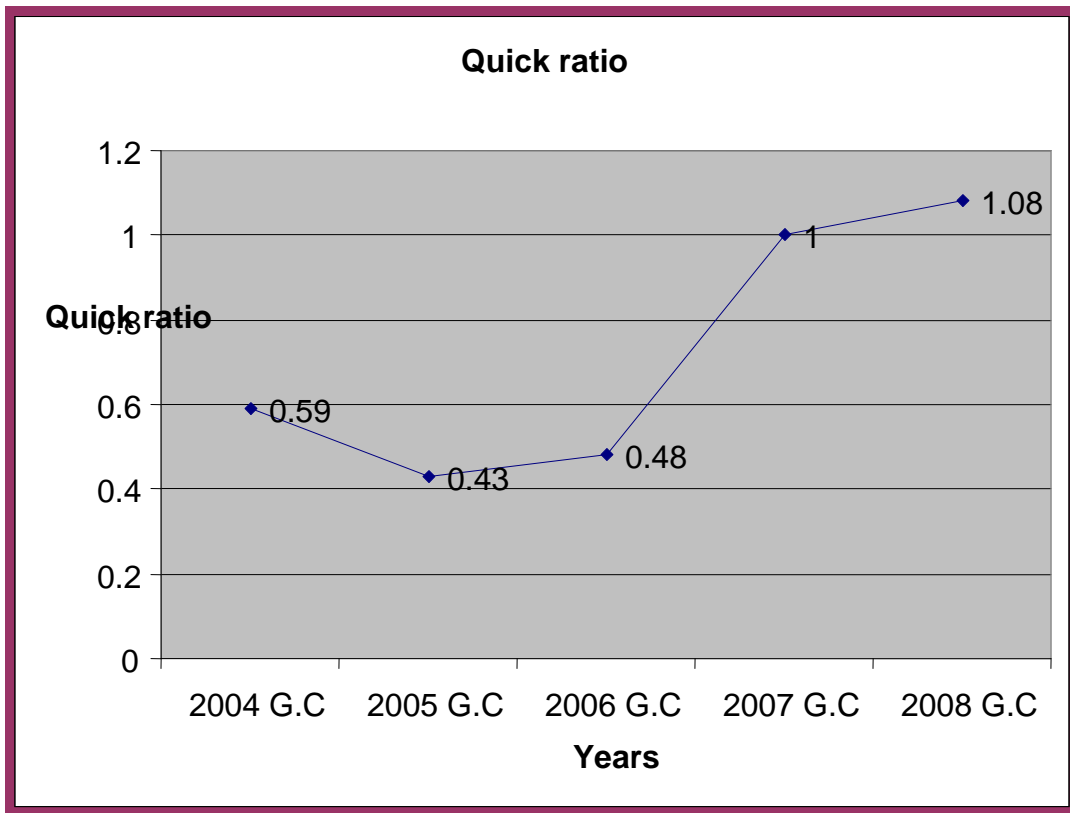
2004. However, the current ratio declined to 1.55 in the year 2007 and it showed dramatic change in year 2008 which was 2.01.

In general, this current ratio indicates that the firm's ability to pay their debt is better in year 2008 than the early years under consideration. It is because; the firms are currently earning more revenue from flower export as it is shown in the export performance and purchasing most of the imported raw material in cash due to available cash earned from export. Hence, the current liability is declining from year to year and current asset of the flower firms considered is moving in the opposite direction. This change results in growing the current ratio of the selected flower firms.

4.5.2. Quick ratio of selected flower firms

It serves the same general purpose as that of the current ratio but more stringent since it excludes less liquid current assets. The quick ratio of flower firms considered is presented in the following diagram for the year 2004 to year 2008.

Figure 4. 7: Trends of quick ratio of selected flower firms



Source: Financial statements of selected firms and own computation

As shown in the figure 4.7 above, the quick ratios of the flower firms under consideration were 0.59, 0.45 and 0.48 in the year 2004, 2005 and 2006 respectively. It became 1 and 1.08 in the year 2007 and 2008 respectively. The year 2004, 2005 and 2006 quick ratio implies that the quick assets were not enough to settle the entire current obligation unless the industry converts the non quick current assets to the extent they provide cash that is enough to pay the remaining cents for each ETB of current liabilities. The quick ratio of 1 times and 1.08 times, on the other hand, implies that the company has 1 birr and 1.08 ETB of quick assets for each ETB of current liabilities in the year 2007 and 2008 respectively. Therefore, the firms considered in the study have better ability of paying

their liabilities in the year 2007 and 2008 than the earlier years. Considering the above two figures the current ratio was increasing and the quick ratio was moving in the opposite directions. It is because, the non quick assets including debtors balance, inventory of chemicals and fertilizers have increased as shown in the appendix C and the quick asset of the firms have decreased. This affects these changes.

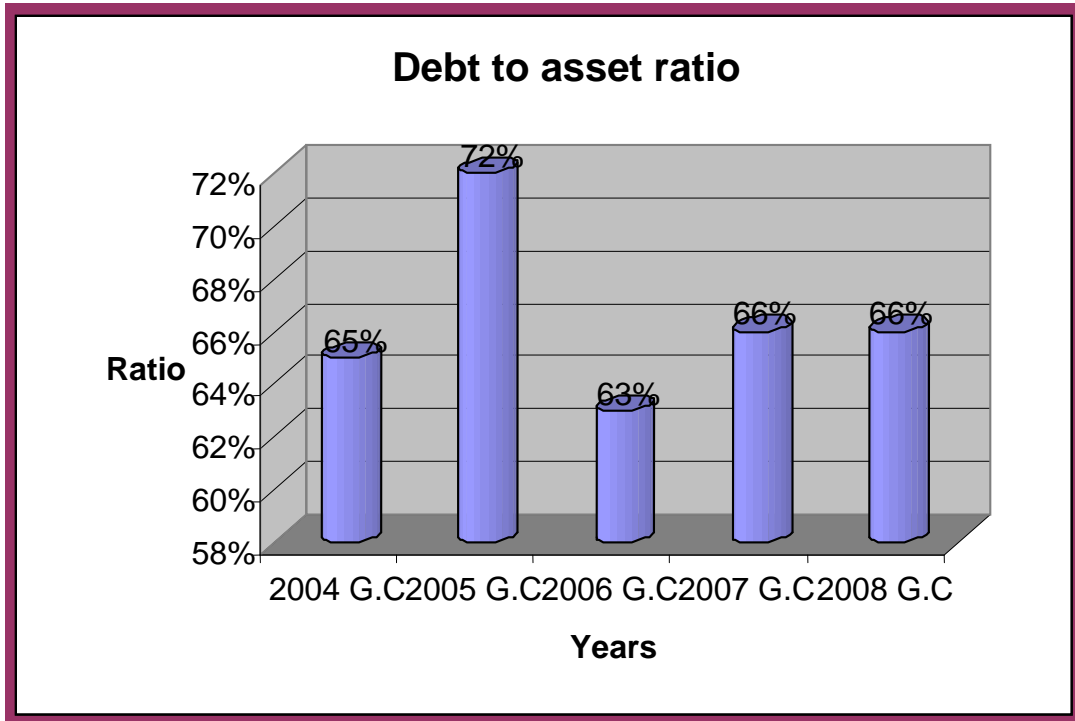
4.6. Debt management or leverage ratio of selected flower firms

These ratios measure the extent to which a company finances itself with debt as opposed to equity financing. The industry leverage position is better explained using debt ratio, long term debt to equity ratio and debt-equity ratio. The discussion below presents results of the study in respect of these indicators of leverage

4.6.1. Debt ratio or debt-asset ratio

This ratio measures the extent to which the total assets of the company have been financed using borrowed funds. The debt ratio of flower firms considered in this study is presented in the following diagram.

Figure 4.8: Trends of debt to asset ratio of selected flower firms



Source: Financial statements of selected firms and own computation

As indicated in the figure 4.8 above, 65 percent and 72 percent of the total assets of flower industry were financed by funds secured in the form of current and long term liabilities for the year 2004 and 2005 respectively. In other words, the debt asset ratio of 65 percent in the year 2004 for selected flower firms can be interpreted as one ETB of investment in the industry's asset was made up of the combination of about 65 cents of the creditor's fund and the remaining 35 cents of the shareholder's funds.

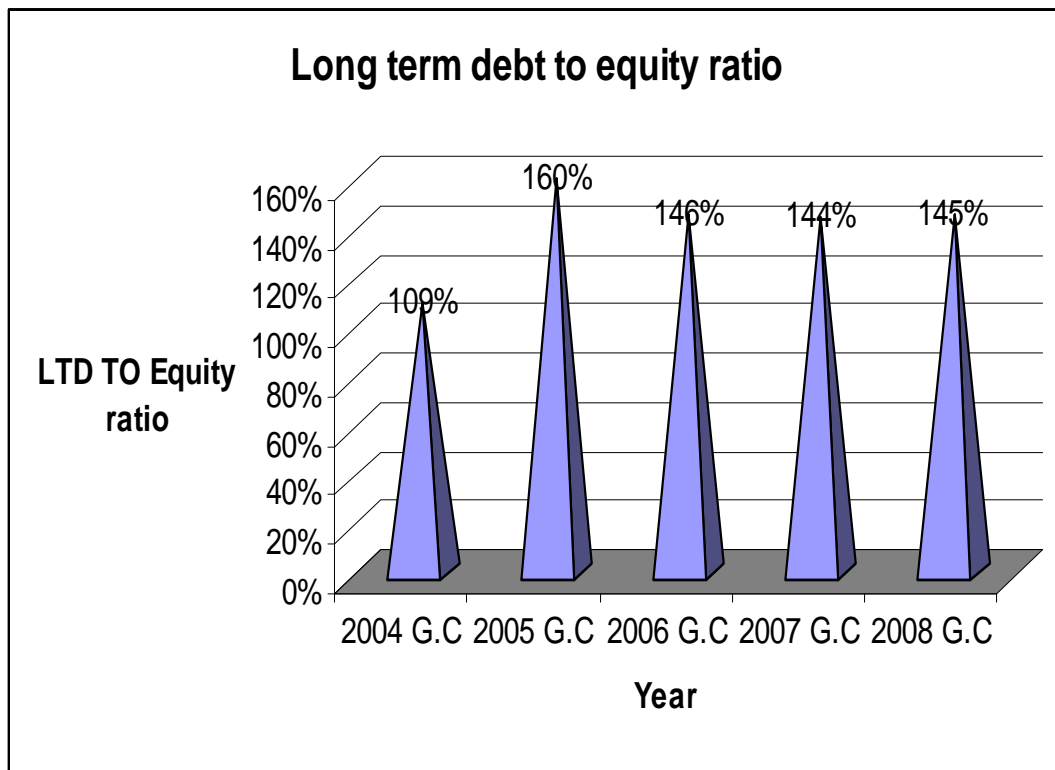
The capital structure of the firms considered in this study is better in the year 2005 than other years since the owner's need higher debt (leverage) ratios because the cost of

borrowing money is usually less than the cost of owner's fund(Neveu,1985). However, the ratio becomes low in the later years.

4.6.2. Long term debt to equity ratio

This ratio measures the extent to which long term financing sources are provided by creditors. This ratio is computed by dividing long term debts by shareholders' equity.

Figure 4.9: Trends of long term debt to equity ratio of selected flower firms



Source: Financial statements of selected firms and own computations

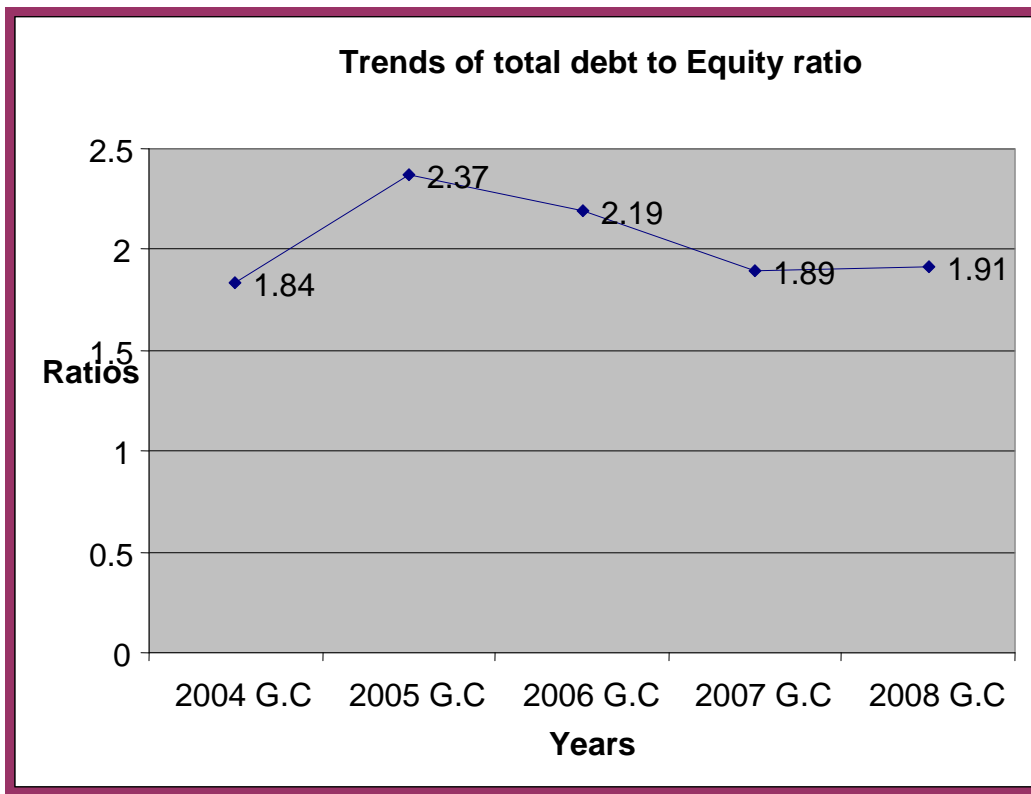
As shown in figure 4.9, the long term debt to equity ratio of 109 percent has been achieved during the year 2004 can be for a single ETB of owner's equity. In other words,

the long term financing of 2.09 ETB was made 1 ETB from shareholder's equity and 1.09 ETB of long term debt. It has a slight increment in the year 2005 and slow down then after. Hence the trends of long term debt to equity ratio is in favorable condition since the cost of borrowing is less than the cost of investing owner's equity.

4.6.3. Debt-equity ratio of selected flower firms

This ratio expresses the relationship between the amount of the total assets of the industry financed by creditor (debt) and owner's (equity). Thus, this ratio reflects the relative claims of creditors and shareholders against the total assets.

Figure 4. 10: Trends of total debt to Equity ratio of selected flower firms



Source: Financial statements of selected firms and own computation

The debt equity ratio of 1.84 for the selected flower firms in the year 2004 indicates that the creditors have provided about 1.84 ETB in financing the assets of the firms for every single ETB contributed from shareholders' equity. The debt equity ratio has been increased in to 2.37 in the year 2005. However, it has decreased to 2.19 and 1.89 in the year 2006 and 2007 respectively. In the same token, the debt equity ratio of selected flower firms is 1.91 in the year 2008. As it is discussed earlier, the industry was good in the year 2005 than other year since the cost of debt is less the cost of owner's equity. The reduction of debt to equity ratio is due to the decrease in the total liability and the increase in the retained earnings.

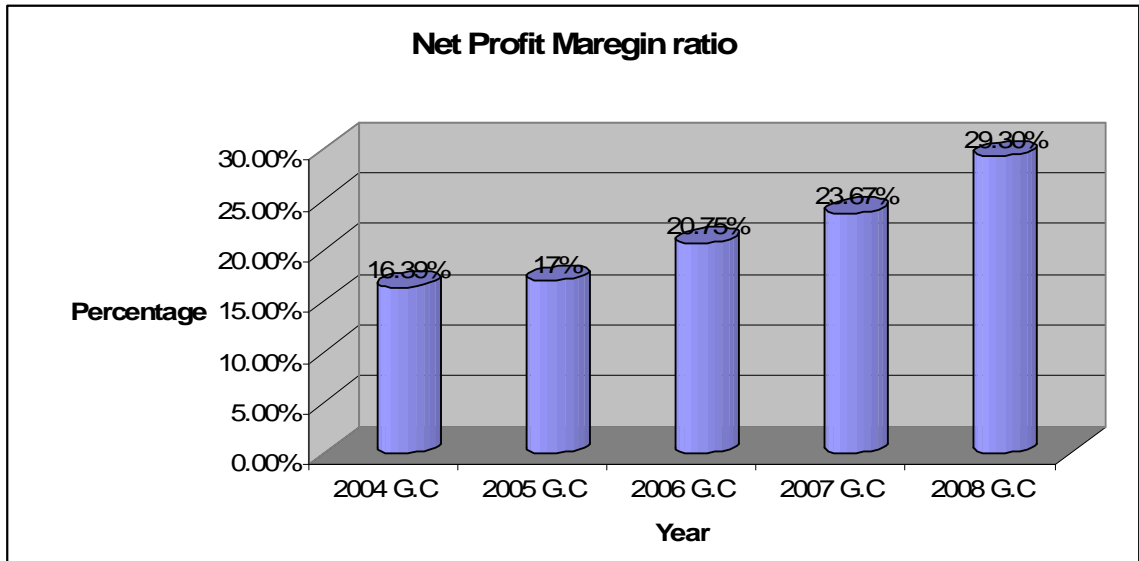
4.7. Profitability of selected flower firms

Durker (1968) defined profitability as the net result of a numbers of policies and decisions. The profitability ratio provides the overall performance of the company and its management. In this section the net profit margin, operating expense ratio, return on investment and return on equity of the flower industry have been presented.

4.7.1. Net profit margin ratio

The net profit margin on net sales measures the profitability of the company on a per ETB basis of net sales. This ratio is calculated by dividing net income by net sales of the company. The net profit margin ratio of the flower firms considered in this study is shown follow in the figure 4.11 below for the year 2004 up to year 2008.

Figure 4.11: Trends of net profit margin ratio of selected flower firms



Source: Financial statements of selected firms and own computation

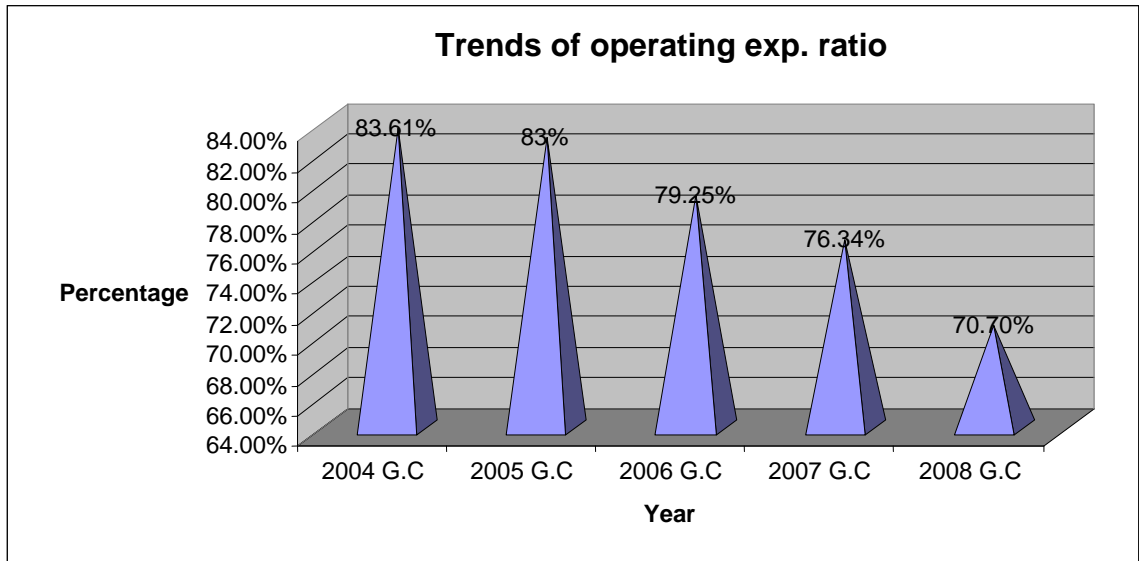
The net profit margin ratio of the flower firms considered in the study can be interpreted in such a way that firms had earned 16.30 percent in the year 2004. As shown in the figure 4.11 above, the net profit margin had a dramatic growth for the last five years and reaches to 29.30 percent in the year 2008. According to table 4.1 of interview result, the government incentives including favorable tax rate, credit access, exemption and tax holiday, and duty free imports of raw materials are reasons as per respondents of 91.67 percent, 83.33 percent, 91.67 percent and 50 percent respectively.

4.7.2. Operating expense ratio

The operating expense ratio is a measure used to assess the total operating expense in relative to in relations to the total sales during the period. The lower operating expense

ratio is desirable for the firms and it is an indication of management's ability in controlling or minimizing the operating expense (Zelege, 2007).

Figure 4. 12: Trends of operating expense ratio of Ethiopian flower industry.



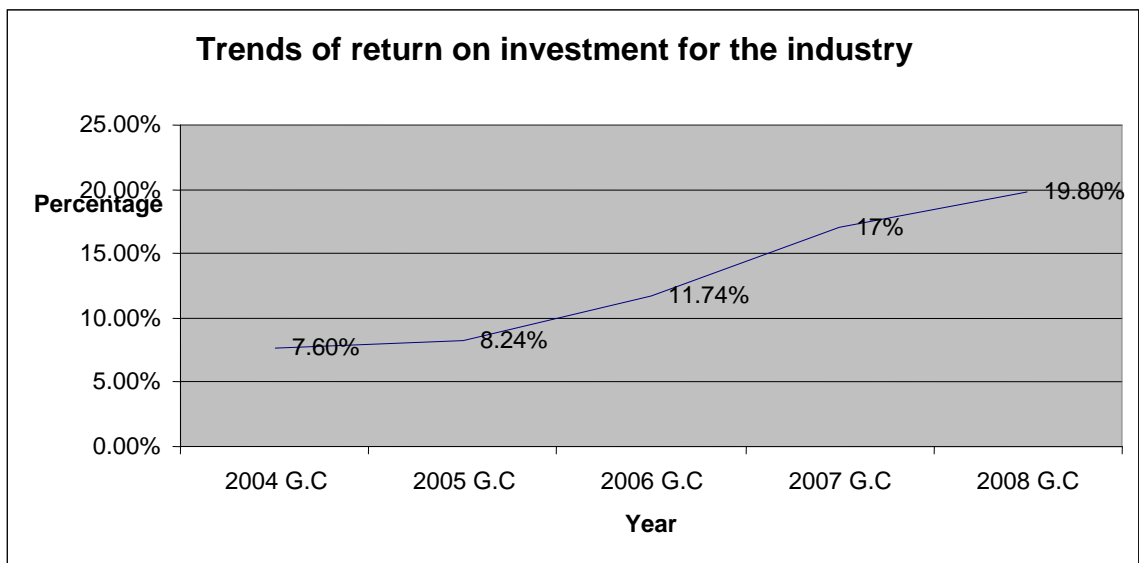
Source: Financial statements of selected firms and own computation

Figure 4.12 indicates the trends of operating expense ratio for the year 2004-2008. The operating expense ratio of flower firms considered in this study has declined for the last five years. The operating expense ratio that was 83.62 percent in the year 2004 has declined to 70.70 percent in the year 2008. In other words, from the total sales 83.62 percent is expensed for generating the net profit margin of 16.28 percent in the year 2004 and 70.70 percent of the total sales was expensed to generate the net profit margin of 29.30 percent in the year 2008. This indicates that, the industry's ability in controlling the operating expense is increasing from period to period.

4.7.3. Return on investment (ROI)

ROI measures the company's profitability per birr of investment in the total asset. This ratio is calculated by dividing net income by the total assets invested and the return on investment of Ethiopian flower industry is presented in the following diagram.

Figure 4.13: Trends of ROI of selected flower firms



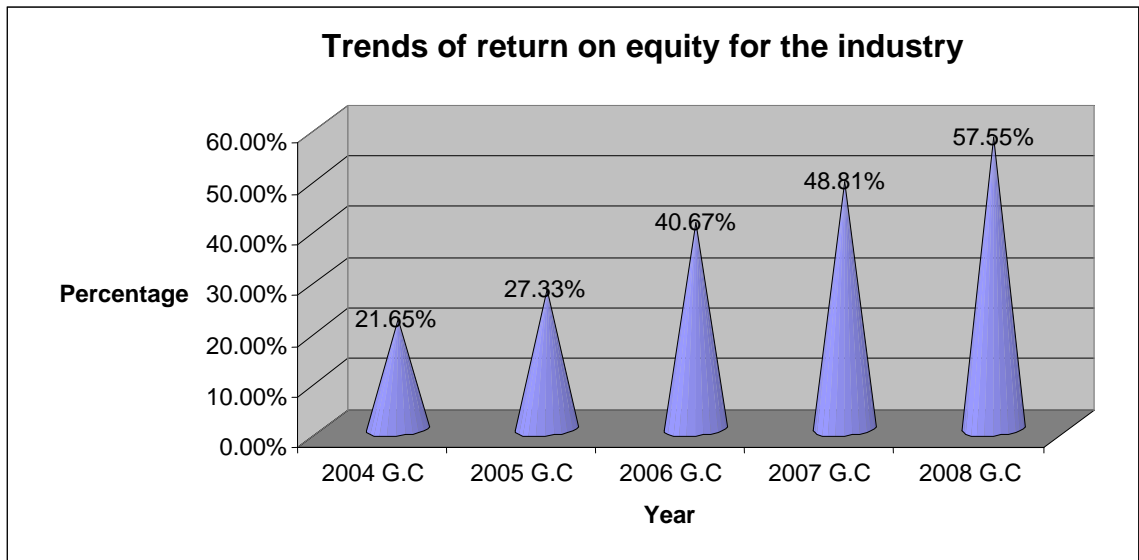
Source: Financial statements of selected firms and own computation

From the figure 4.13 indicated above, flower firms considered in this study have generated 7.60 percent or about 7.6 cents in the form of income out of each ETB invested in their total assets during the year 2004. Return on investment has been increased in a faster way for the last five years and reached a total of 19.80 percent in the year 2008. An improvement is achieved from period to period and it is an indication of effective utilization of resources by the industry.

4.7.4. Return on Equity (ROE)

According to Horn (1989) the ratio of net income to owner's equity measures the return on the return on equity or the rate of return on owner's equity investment. The trend of the return on equity flower firms considered in this study is presented in the subsequent diagram.

Figure 4. 14: Trends of return on equity of selected flower firms



Source: Financial statements of selected firms and own computation

The selected flower firms have generated 21.65 percent or about 22 cents for every ETB of shareholder's equity in the year 2004. The return on equity has increased dramatically for the last five years and reaches to 57.55 percent or about 58 cents for every ETB of shareholder's equity in the year 2008.

Other finding from the unstructured interview shows challenges of the firms under study. As indicted in table 4.1 above 91.67 percent, 58.33 percent, 50 percent, and 66.67 percent of the respondents noted the challenges as transportation problem, lack of education and experience in flower related fields, unavailability of raw materials like chemicals and fertilizers respectively.

To summarize, the overall performance of the selected flower firms have shown improvement for the last five years considered in the study. In addition, their export performance, productivity, and expansion of the firms have increased. Similarly, the liquidity ratio, and leverage ratio of the firms shows improvements. The operating expense ratios have declined while net profit margin moves in the opposite direction for the last five years.

Chapter Five: Conclusions and recommendations

The overall objective of this study was to evaluate and analyze the financial and operating performance of floriculture firms in Ethiopia. Besides, the evaluations of export performance, productivity, and expansion of the flower firms have been considered. This chapter presents the conclusion drawn from the analysis and recommendations.

5.1. Conclusions

As the Ethiopian government makes it easy for flower companies to obtain land and start up loans, floriculture is one of the fast growing industries in Ethiopia. It shows the incredible performance of exporting flower from period to period. The flower exported from Ethiopia has high quality and demand in the international market. The volume of flower export is increasing rapidly because the export volume amount 32 million stems in the year 2004 has been amplified to 1.5 billion stems in the year 2008.

Ethiopian flower industry is playing an important role in generating foreign currency. In the year 2004 the industry generates USD5.5 million and USD178 million in the year 2008.

However, the unit price of stem has been declined from period to period. In the year 2004 one stem was sold in the international market for average price of USD0.172 has declined to USD0.12 in the year 2008. This decline is due to the entrance of a new competitors and global financial crises because customers prioritize in meeting their basic needs instead of buying flower.

The area of production has also increased from 150 ha in the year 2004 to 1200 ha in the year 2008. The Ethiopian government has a vital role in upraising the expansion by providing incentives including favorable land lease rate, favorable credit access, exemption and tax holiday, and expanding infrastructural facility. Besides, the productivity of land of the industry has been increased in the last five years. The volume of flower that was 213,334 stems produced in a single hectare in the year 2004 has amplified to 1,250,000. Moreover, the industry creates employment opportunities for above 100,000 workers in the year 2008.

The trends of liquidity position of the industry have shown slight improvement for the last five years. The current ratios of the firms have increased from year 2004 to year 2006 and show a decline in the year 2007. However, the current ratio has shown the strong increment in the year 2008. The liquidity position can also be explained by quick ratio. The quick ratio of 0.59, 0.43, and 0.48 for the year 2004, 2005 and 2006 respectively has been changed to 1.00 and 1.08 in the year 2007 and 2008 respectively. In other words, the firms has ability to pay its current liability better in the year 2007 and 2008 than others years. This shows the selected flower firms liquidity position has improved in the year 2007 and 2008.

The leverage ratio measures the extent to which the selected flower firms finances its assets with debt opposed to equity financing. The capital structure of the industry was good in the year 2005 that was 72 percent since the cost of borrowing is less than the cost of owner's fund and this ratio has been declined in the rest consecutive years. Because the long term debt was matured in the year 2006, 2007 and 2008.

The long term debt to equity ratio 109 percent has been increased to 160 percent in the year 2005. This also explains the favorable condition that was in the year 2005. However, it has been declined in year 2006, 2007 and 2008 to 146 percent, 144 percent and 145 percent respectively. The debt to equity ratio of the industry has also declined in the year 2006, 2007 and 2008. This decline in debt to equity ratio is due to the decrease in the total liability because the long term liability has matured and paid in the year 2006, 2007 and 2008.

The trends of the profit margin of the industry have shown the dramatic growth for the last five years. In the same token, the operating expense ratio has been declined. This indicates the industry's ability to control the operating expense and these in turn leads to the profitability of the industry. The return on investment and the return on equity have been increased for the last five years. It also tells the industry's ability in its effective utilization of resources.

5.2. Recommendations

The analysis of this study shows the flower firms overall performance has improved for the last five years. To continue with this performance and improve the profitability even more, the following points are recommended to the flower producers, exporters, government and other responsible bodies. .

1. The price of the flower per stem is currently declined. Therefore, the flower firms should search new market and diversify.
2. Flowers in Ethiopia are luxury items that not many people can afford. Also, Ethiopians are not very familiar with the culture of giving flowers. They rather buy a kilo of oranges and bananas than a bunch of flowers. In general, the domestic market of flower products are insignificant, therefore, a promotion should be made to create people's awareness about the use of flower.
3. Ethiopia lacks enough manpower that has advanced education and good experience in floriculture. This obstacles the industry from producing at its full capacity, and farms have foreign manpower that increase its cost. Therefore, more education in the flower sector should be given. Besides, training must be given for growers, exporters and retailers.
4. The flower products are sold in the auction market at Alsemar, Holland, all farms should have experts who can predict the good price of the flower.

5. The Ethiopian government should continue encouraging investors, offering them a five-year tax holiday and duty-free import of machinery and raw materials.

6. Finally, future researchers should give emphasis on the effect of cargo flight in flower export, new entrant on the profitability, perishability behavior of the products on the supplying to international market.

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Appendix A: Summary of financial ratios

Particulars	2004	2005	2006	2007	2008
Liquidity ratio:					
Current ratio	1.55	1.77	1.85	1.55	2.01
Quick ratio	0.59	0.43	0.48	1.00	1.08
Leverage ratio:					
Debt to Equity ratio	1.84	2.37	2.19	1.89	1.91
Debt to Assets ratio	65%	72%	63%	66%	66%
LTD to Equity ratio	109%	160%	146%	144%	145%
Profitability					
Net profit margin ratio	16.30%	17%	20.75%	23.67%	29.30%
Operating expense ratio	83.61%	83%	79.25%	76.43%	70.70%
ROI	7.60%	8.24%	11.74%	17%	19.80%
ROE	21.65%	27.33%	40.67%	48.81%	57.55%

Appendix B

Appendix B-1

Selected flower firms Income Statement For the year ended June 30, 2004

	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linsesen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Income													
Sales of flower-Export	3126424	3906947	3542363.32	2602667	2943630	3219333	3372336.03	2432449	3943630	3042363.32	2283674	2919333	37335149.67
Other Income	1205045	648764	5916		438770	267155	94028.88	55003	343870	3916.77	302579	67155	3432202.65
Total Income	4331469	4555711	3548279.32	2602667	3382400	3486488	3466364.91	2487452	4287500	3046280.09	2586253	2986488	40767352.32
Expenses													
Salaries and wages	497065	476502	746939.53	490029	334197	353963	819751.69	488905	334197	746939.53	444562	353963	6087013.75
Chemical and fertilizer	286219	355111	495360	738157	460770	368895	238900	788905	460770	495360	502150	368895	5559492
Machinery & sup. expense	300184	134050	187464.28	110309	333610	20887		113654	333610	187464.28		20887	1742119.56
Farm lease expense	434502	225550	188,747.00	238000	207000	37800	565052.79	102000	207000	188,747.00	795896	37800	2850600.79
Telephone, Fax and e-mail	1660	1483	965.45	1205	1210	2044	860	1050	1210	965.45	1350	2044	16046.9
fuel and lubricant	556726	795050	337295.82	102110	277607	507291	188600	305630	277607	337295.82	565173	507291	4757676.64
Cold room expense	11012	34000	287464.28	10328	133612	20887	292247	113654	133612	287464.28	233052	20887	1578219.56
Bank service charge	23452	25774	10450	18000	32900	37800	15052.79	12000	32900	10450	95896	37800	352474.79
Transportation expense	975691	320483	337295.82	268299	295700	507291	345900	222340	195700	337295.82	265173	507291	4578459.64
Uniform and protective		122990			85350			19500	85350		40205		353395
Advertizing and promotion			71050		80088				80088	71050			302276
Airfreight transport	834486	478457	194985	29917	292044	952645	422364	376528	292044	194985	550828	952645	5571928
Deperciation expense	18750	64732	40032	88494	98088	121002	101191	89970	98088	40032	36280	121002	917661
Misc. Expense	94050	25000	20700	17250	50000	24150		46000	50000	20700	32000	24150	404000
Total expenses	3536732	3059182	2730002.18	2112098	2682176	2954655	2989919.27	2191231	2582176	2730002.18	3562565	2954655	34085393.63
Net profit/loss	794737	1496529	818277.14	490569	700224	531833	476445.64	296221	1705324	316277.91	-976312	31833	6681958.69

**Selected flower firms
Income Statement
For the year ended June 30, 2005**

	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linsse Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Income													
Sales of flower-Export	3548000	3782306	3573356	2622279	3329843	3548000	3586626.27	2900964	2956163	2329800	3652305	3073356	38902998.3
Other Income	463072	374200	352016	622279	446533	463072	450280.7	247672	117193	446533	211636	152016	4346502.7
Total Income	4011072	4156506	3925372	3244558	3776376	4011072	4036906.97	3148636	3073356	2776333	3863941	3225372	43249501
Expenses													
Salaries and wages	445235	593101	425559	522760	663898	445235	439318.02	536677	499334	663898	644051	425559	6304625.02
Chemical and fertilizer	276787	255621	573824	769703	266805	276787	415651	467288	158209	266805	411520	573824	4712824
Machinery and supplies	412990	220093		263250		412990	376640		418659				2104622
Farm lease expense	434502	225550	37800	238000	207000	434502	565052.79	102000	188,747.00	207000	795896	37800	3285102.79
Telephone, Fax and e-r	2150	2480	2655	1605	2210	2150	2770	3542	2775	2210	2350	2655	29552
fuel and lubricant	207960	378168	739650	310151	214984	207960	433265	538551	258752	214984	202500	339650	4046575
Cold room expense	305343	72736	38037	21742	97834	305343		226112	70523	97834		38037	1273541
Bank service charge		54000	37800	17200	207000		687930.2	97500	82300	207000	66605	37800	1495135.2
Transportation expenses	394594	832218	285104	215661	329568	394594			941343	229568	284389	485104	4392143
Uniform and protective					159594			269620	266599	159594	40205		895612
Advertizeing and promotion					383670					383670			767340
Airfreight transport	225170	537514	214107	433829	906511	225170	697563.47	388630	223733	306511	169984	214107	4542829.47
Deperciation expense	18950	55705	121002	74200	108004	18950	101100	289970	40032	108004	36280	121002	1093199
Misc. Expense	105230	35000	224150	18400	55000	105230	25000	46000	25300	55000	37000	224150	955460
Total expenses	2828911	3262186	2699688	2886501	3602078	2828911	3744290.48	2965890	2987559	2902078	2690780	2499688	35898560.5
Net profit/loss	1182161	894320	1225684	358057	174298	1182161	292616.49	182746	85797	-125745	1173161	725684	7350940.49

**Selected flower firms
Income Statement
For the year ended June 30, 2006**

	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Income													
Sales of flower-Export	3638171	3755407	4157483	2934319	2122874	4138171	3157483.38	4026632	3387846	4138171	3323219	2952922	41732698.4
Other Income	422487	310346	737450.8	934519	1460856	622487	737450.8	477645	521072	522487	503.025.00	510247	7257047.6
Total Income	4060658	4065753	4894933.8	3868838	3583730	4760658	3894934.18	4504277	3908918	4660658	3323219	3463169	48989746
Expenses													
Salaries and wages	785947	329298	756497.19	586729	164031	785947	756497.19	916238	316119	785947	688789	461792	7333831.38
Chemical and fertilizer	285417	655151	663995	895841	713334	285417	663995	554432	30120	285417		328359	5361478
Machinery and supplise	257540	196802	243220	760530	112890	257540	243220		490171	257540	314212		3133665
Farm lease expense	434502	225550	565052.79	238000	207000	434502	565052.79	102000	188,,747.00	334502	595896	37800	3739857.58
Telephone, Fax and e-r	2552.166	320483	720	2312	2210	2552.166	720	1860	968	2552.166	1350	2377	340656.498
fuel and lubricunt	361312	715234		405225	540467	361312		465474	652514	361312	898237	583535	5344622
Cold room expense	317193	26001	341070	53118	154859	317193	341070	93789	311195	317193	34800	53143	2360624
Bank service charge	1624	54000		17000	58955	1624		110200	79300	1624	132328	37800	494455
Transportation expenses	233710	274251	497171.45	298363	540992	233710	497171.45		272651	233710	182346	532233	3796308.9
Uniform and protective					70153			308412	266599		40205		685369
Advertizeing and promotion			35095					277215					312310
Airfreight transport	368610	957209	183222.39	158155		368610	183222.39	452496	463261	368610	13431	795547	4312373.78
Deperciation expense	19300	75800	101191	88494	98088	19300	101191	189970	40032	19300	36280	121002	909948
Misc. Expense	97750	35000	30000	18400	55200	97750	30000	146000	27600	97750	37000	24150	696600
Total expenses	3165457.17	3864779	3417234.82	3522167	2718179	3165457.2	3382139.82	3618086	2950530	3065457.166	2974874	2977738	38822099.1
Net profit/loss	895200.834	200974	1477698.98	346671	865551	1595200.8	512794.36	886191	958388	1595200.834	348345	485431	10167646.8

**Selected flower firms
Income Statement
For the year ended June 30, 2007**

	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Income													
Sales of flower-Export	4,170,590	4,077,508	4,187,823	4,126,569	3,906,243	3,445,824	4,426,569	4,087,823	3,512,012	3,403,707	4,387,823	4,102,836	47,835,327
Other Income	616,110	705,972	336,680	369,765	652,508	369,607	569,765	236,680	432,827	545,948	336,680	255,580	5,428,122
Total Income	4,786,700	4,783,480	4,524,503	4,745,470	4,558,751	3,815,431	4,745,470	4,324,503	3,944,839	3,949,655	4,724,503	4,358,416	53,261,721
Expenses													
Salaries and wages	536,235	659,727	533,050	864,178	489,138	360,144	864,178	533,050	391,364	621,161	533,050	627,428	7,012,703
Chemical and fertlizer	703,170	342,984	302,389	569,841	466,146	221,124	569,841	302,389	321,100	537,706	302,389	430,178	5,069,257
Machinary and supplise	331,565	249,136	112,382	257,553	585,937	361,030	257,553	112,382	562,154	303,705	312,382	494,460	3,940,239
Farm lease expense	334,502.00	225,550.00	102,000.00	238,000.00	207,000.00	565,052.00	238,000.00	102,000.00	188,747.00	295,896.00	102,000.00	229,800.00	2,639,800
Telephone, Fax and e-r	2,130.00	320,483.00	1,050.00	2,100.00	2,220.00	860.00	2,100.00	1,050.00	1,639.00	2,110.00	1,050.00	2,105.00	338,897
fuel and lubricunt	485,930		402,310	284,251	385,937	396,554	284,251	402,310	545,000	486,440	402,310	342,003	4,417,296
Cold room expense	535,421	68,787	135,084	157,325	187,517	233,066	257,325	135,084	128,821	132,892	135,084	279,325	2,385,731
Bank service charge	12,560	460,744	101,000	18,000	191,250		18,000	101,000	75,850	203,875	101,000	137,800	1,421,079
Transportation expenes	184,516	354,000	144,660	379,193	527,155	338,626	379,193		399,230	317,635		764,234	3,788,442
Uniform and protective		21,348	24,890		46,489			24,890	26,659	40,205	24,890		209,371
Advertizeing and promc	345,120		272,330			306,702	294,466	272,330			272,330	313,451	
Airfreight transport	533,487	312,267	377,057	351,736	245,628	246,897	351,736	377,057	262,192	471,717	377,057	240,537	4,147,368
Deperciation expenese	209,800	222,670	523,622	439,680	412,506	253,354	439,680	523,622			523,622		3,548,556
Misc. Expense	195,000	235,000	257,500	318,400	65,682	30,000	318,400	57,500	33,925	37,000	157,500	27,600	1,733,507
Total expenses	4,409,436	3,472,696	3,289,324	3,880,257	3,812,604	3,313,409	4,274,723	2,944,664	2,747,934	3,450,342	3,244,664	3,888,921	40,652,245
Net profit/loss	377,264	1,310,784	1,235,179	865,213	746,147	502,022	470,747	1,379,839	1,196,905	499,313	1,479,839	469,495	12,609,476

**Selected flower firms
Income Statement
For the year ended June 30, 2008**

	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flo	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floricultu	Agri Share	Red Fox Ethiopia	Total
Income													
Sales of flower-export	4,127,688	4,109,343	3,482,706	4,126,569	3,967,717	3,482,706	4,023,802	4,036,875	4,810,655	3,982,700	4,923,802	4,923,955	49,998,517
other Income	125,680	519,742	502,130	726,569	565,817	302,130	347,500	465,960	594,092	402,130	647,500	709,682	5,908,932
Total Income	4,253,368	4,629,085	3,984,836	4,853,138	4,533,534	3,784,836	4,371,302	4,502,835	5,404,747	4,384,830	5,571,302	5,633,637	55,907,449
Expenses													-
Salaries and wages	423,630	603,824	587,975	864,178	659,821	587,975	590,630	551,890	523,307	587,975	590,630	516,417	7,088,252
Chemical and fertlizer	433,841	410,980	417,079	319,671	260,877	417,079	204,790	416,971	251,044	417,079	804,790	477,980	4,832,182
Machinary and supplise exper	266,015	235,069	132,990	42,498	300,520		278,204		713,589	440,570	278,204	551,770	3,239,429
Farm lease expense	434,502.00	225,550.00	365,052.00	238,000.00	207,000.00	565,052.00	395,896.00	102,000.00	188,747.00	565,052.00	395,896.00	337,800.00	3,831,800
Telephone, Fax and e-mail	1,330.00	320,483.00	1,120.00	1,465.00	1,210.00	1,120.00	1,350.00	1,050.00	965.45	1,120.00	1,350.00	1,990.00	334,553
fuel and lubricunt	233,039	470,138	220,560	249,136	815,473	220,560	527,163	276,890	383,538	220,560	527,163	962,239	5,106,459
Cold room expense	475,978	137,127	110,097	757,325	403,002	110,097		208,282	792,888	110,097	480,880	229,637	3,815,410
Bank service charge	23,870	54,000		18,000	160,419		903,154	542,128	610,530		903,154	37,800	3,253,055
Transportation expenese	309,325	825,290	849,962	379,193	756,517	849,962	392,924	374,660	883,835	849,962	412,924	479,024	7,363,579
Uniform and protective			37,648			37,648	40,205		224,931	37,648	40,205		418,285
Advertizeing and promotion				379,282								233,350	612,632
Airfreight transport	471,202	400,145	367,906	351,736	232,860	367,906	384,023	700,083	273,126	367,906	384,023	202,120	4,503,037
Deperciation expense	309,400	222,670	253,354	439,680	312,506	253,354	740,990	523,622	485,253	253,354	961,760	1,004,530	5,760,473
Misc. Expense	116,215	35,000	130,000	18,400	164,032	230,000	42,550	251,750	127,500	30,000	42,550	36,800	1,224,797
Total expenses	3,498,347	3,940,276	3,473,744	4,058,564	4,274,237	3,640,754	4,501,879	3,949,326	5,270,506	3,881,324	5,823,529	5,071,457	39,526,996
Net profit /loss	755,021	688,809	511,092	794,574	259,297	144,082	(130,577)	553,509	134,241	503,506	(252,227)	562,180	16,380,453

Appendix C

**Selected flower firms:
Balance Sheet
For the year ended June 30, 2004**

Appendix C-1

Item	Golden Rose	Ethio Flora plc	Eney Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Current Assets													
Cash on hand	140,230	292,570	447,160	709,192	447,160	548,905	470,816	388,175	140,230	960,718	759,214	548,905	5,853,275
Cash at bank	625,925	337,099	300,785	563,000	300,785	808,617	539,288	503,100	625,925	465,136	771,490	808,617	6,649,767
Petty cash	102,050	9,010.00	111,980.00	73,110.00	111,980.00	107,730.00	100,030.00	20,500.00	102,050	49,300.00	212,080.00	107,730.00	1,107,550.00
Inventory of chemicals	53,040	145,840	145,642	662,700	145,642	23,020	96,120	65,537	53,040	230,012	520,650	23,020	2,164,263
packing material	19,200	21,030.00	55,120.00	110,097.00	55,120.00	333,054.00	27,090.00	21,350.00	19,200	29,148.00	119,071.00	333,054.00	1,142,534
planting seeds	90,380	8,940.00	123,150.00	112,040.00	123,150.00	36,087.00	160,870.00	825,420.00	90,380	359,160.00	23,184.00	36,087.00	1,988,848
Trade debtors	965,598	944,063	810,286	1,023,109	810,286	929,994	724,621	982,978	965,598	968,998	667,542	929,994	10,723,067
Prepayments	466,508	800,109	97,586	601,100	97,586	539,377	417,600	300,762	466,508	732,160	413,990	539,377	5,472,663
Withhold tax receivables			93,115	91,110	93,115		103,747	22,645		365,698			769,430
VAT Rreceivable	41,577		38,912		38,912				41,577				160,978
Total Current asset	2,504,508	2,558,661	2,223,736	3,945,458	2,223,736	3,326,784	2,610,183	3,130,467	2,504,508	4,160,330	3,487,221	3,326,784	36,032,376
Fixed Assets													
Green house	2,183,055	2,039,500	2,955,624	2,000,600	2,955,624	2,050,000	2,084,438	2,006,000	2,183,055	2,184,500	2,109,520	2,050,000	26,801,916
Land & building	357,602	780,697	549,428	214,100	549,428	399,993	349,418	410,120	357,602	461,830	671,341	399,993	5,501,552
Furn., fixt. and office equip.	561,556	484,842	189,745	847,912	189,745	343,250	572,514	416,218	561,556	461,822	252,827	343,250	5,225,237
cooling System	1,746,175	238,300	318,375	309,794	318,375	194,163	402,480	510,176	1,746,175	203,578	136,952	194,163	6,318,706
Motor vehicles	2,116,607	2,150,306	2,117,949	2,217,574	2,117,949	2,088,320	2,028,234	2,172,618	2,116,607	1,561,096	2,195,604	2,088,320	24,971,184
Tools	947,163	1,251,742	332,073	281,063	332,073	361,030	721,375	205,110	947,163	363,334	320,560	161,030	6,223,716
Less: Accum. Depr.	(1,975,100.00)	(1,994,520)	(1,924,360)	(1,951,012)	(1,924,360)	(1,924,520)	(1,928,300)	(1,938,812)	(1,975,100.00)	(1,924,550)	(1,824,000)	(1,924,520)	(23,209,154)
Total fixed asset	5,937,058	4,950,867	4,538,834	3,920,031	4,538,834	3,512,236	4,230,159	3,781,430	5,937,058	3,311,610	3,862,804	3,312,236	25,031,241
Total Assets	8,441,566	7,509,528	6,762,570	7,865,489	6,762,570	6,839,020	6,870,342	6,911,897	8,441,566	7,471,940	7,350,025	6,639,020	87,865,533
current liability													
Creditors	1,967,554	1,059,177	963,471	763,393	963,471	508,663	861,984	894,054	1,967,554	820,324	741,752	808,663	12,320,060
Income tax payable	340,711	454,090	24,501	661,798	24,501	610,748	128,300	422,853	340,711	322,853	591,305	610,748	4,533,119
Short term bank loan	1,166,201	294,843	252,236	317,400	252,236	565,570	405,457	440,792	1,166,201	487,787	417,213	565,570	6,331,506
Total Current Liability	3,474,466	1,808,110	1,240,208	1,742,591	1,240,208	1,684,981	1,395,741	1,757,699	3,474,466	1,630,964	1,750,270	1,984,981	23,184,685
Long term liability													
Land lease payables	1,785,000	1,752,300	1,529,830	1,326,987	1,529,830	1,647,613	1,702,201	1,420,256	1,785,000	1,064,346	1,648,513	1,647,613	18,839,489
Long term bank loan	926,656	1,111,225	1,617,190	1,628,390	1,617,190	637,010	698,800	1,608,329	926,656	1,904,783	1,570,800	637,510	14,884,539
Total long term liability	2,711,656	2,863,525	3,147,020	2,955,377	3,147,020	2,284,623	2,401,001	3,028,585	2,711,656	2,969,129	3,219,313	2,285,123	33,724,028
Total liability	6,186,122	4,671,635	4,387,228	4,697,968	4,387,228	3,969,604	3,796,742	4,786,284	6,186,122	4,600,093	4,969,583	4,270,104	42,024,174
Shareholder's Fund													
Share Capital	1,321,014.00	1,807,200.00	868,941.00	1,254,990.00	868,941.00	1,174,007.00	1,561,912.00	596,670.00	1,321,014.00	370,570.00	702,190.00	1,174,007.00	13,021,456.00
Legal reserve	512,585	413,527	702,630	712,390	702,630	737,904	841,568	615,440	512,585	1,200,042	1,302,233	837,904	9,091,438
Retained earnings	421,845	617,166	803,771	1,200,141	803,771	957,505	670,120	913,503	421,845	300,735	776,019	957,505	8,843,926
Total Shareholder's Fund	2,255,444	2,837,893	2,375,342	3,167,521	2,375,342	2,869,416	3,073,600	2,125,613	2,255,444	1,871,347	2,780,442	2,969,416	30,956,820
Total Liability & Shareho	8,441,566	7,509,528	6,762,570	7,865,489	6,762,570	6,839,020	6,870,342	6,911,897	8,441,566	6,471,440	7,750,025	7,239,520	87,865,533

Selected flower firms
Balance Sheet
For the year ended June 30, 2005

Item	Golden Rose	Ethio Flora plc	Ency Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Current Assets													
Cash on hand		490,920	237,331	302,890	756,822	490,920	76,201	383,380	240,836	756,822	12,035	383,380	4,131,537
Cash at bank	629,865	271,053	531,674	349,255	492,862	271,053	421,595		104,315	492,862	153,721		3,718,255
Petty cash		112,500			110,080.00	112,500	189,010.00	20,500.00	143,110.00	110,080.00	101,630.00	20,500.00	49,300.00
Inventory of chemicals	53,040	145,642	145,840	122,700	230,012	145,642	106,120	23,020	65,537	230,012	520,650	23,020	1,811,235
Packing material	35,400	500,261	83,270	705,415		500,261	164,561	873,183	856,762		735,643	873,183	5,327,939
planting seeds	16,180	123,150.00	8,940.00	2,040.00	359,160.00	123,150.00	160,870.00	36,087.00	25,420.00	359,160.00	23,184.00	36,087.00	1,273,428
Trade debtors	1,198,159	1,038,931	970,923	836,194	1,296,169	1,038,931	1,099,558	2,985,132	1,102,680	1,296,169	1,028,638	2,985,132	16,876,616
Prepayments	398,462	213,202	56,871	156,500	76,700	213,202	46,280	314,513	168,681	76,700		314,513	2,035,624
Withhold tax receivables					13,529				22,075	13,529			49,133
VAT receivable	463,470				34,480		126,210			34,480	22,000		680,640
Total Current sset	2,794,576	2,895,659	2,034,849	2,474,994	3,369,814	2,895,659	2,390,405	4,635,815	2,729,416	3,369,814	2,597,501	4,635,815	35,953,707
Fixed Assets													
Green house	2,502,502	2,098,449	1,998,833	2,004,302	2,008,000	2,098,449	2,038,175	2,018,750	1,953,000	2,008,000	2,100,000	2,018,750	24,847,210
Land & building	379,406	742,401	816,776	568,772	217,500	742,401	458,065	266,460	427,486	217,500	484,920	266,460	5,588,147
Furn., fixt. and office equip.	298,860	99,591	965,861	322,294	330,138	99,591	567,744	523,959	624,092	330,138	646,144	523,959	5,332,371
Cooling system	1,039,739	900,780	815,278	1,025,540	789,001	900,780	1,244,703	387,580	453,155	789,001	427,496	387,583	9,160,636
Motor vehicles	2,023,211	2,162,315	2,119,985	2,011,842	2,197,333	2,362,315	1,922,877	2,658,190	2,022,618	2,197,333	2,086,580	2,158,190	25,922,789
Tools	527,280	32,470	840,217	25,900	349,725	132,470		398,952	665,717	349,725	358,898	598,952	3,748,884
Less: Accum. Depr.	(1,535,100.00)	(1,924,350)	(1,954,250)	(1,961,000)	(1,562,550)	(1,624,350)	(1,908,000)	(1,954,520)	(1,937,490)	(1,562,550)	(1,942,000)	(1,954,520)	(21,820,680)
Total fixed asset	5,235,898	4,111,656	5,602,700	3,997,650	4,329,147	4,711,656	4,323,565	4,299,371	4,208,578	4,329,147	4,162,038	3,999,374	53,310,780
Total Assets	8,030,474	7,007,315	7,637,549	6,472,644	7,698,961	7,607,315	6,713,970	8,935,186	6,937,994	7,698,961	6,759,539	8,635,189	89,264,487
current liability													
Creditors	1,031,969	1,540,512	1,301,235	702,316	1,181,046	1,540,512	1,137,684	1,749,315	1,106,307	1,181,046	1,745,190	1,749,315	15,966,447
Short term bank loan	266,901	658,236	294,843	317,400	187,700	258,236	405,656	165,570	440,792	187,700	417,213	165,570	3,765,817
Income tax Payable	228,760	209,640	99,938	633,015	342,935	205,640	630,023	26,735	607,409	342,935	675,070	26,735	4,028,835
Total Current Liability	1,527,630	2,408,388	1,696,016	1,652,731	1,711,681	2,004,388	2,173,363	1,941,620	2,154,508	1,711,681	2,837,473	1,941,620	23,761,099
Long term liability													
Land lease payables	1,826,452	1,898,531	2,200,162	1,826,987	2,023,696	1,898,531	2,010,000	1,487,200	1,226,735	2,023,696	1,261,735	1,487,200	21,170,925
long term bank loan	1,770,038	1,006,000	1,488,540	1,105,500	2,169,500	1,006,000	1,330,000	2,723,000	809,000	2,169,500	810,000	2,923,000	19,310,078
Total long term liability	3,596,490	2,904,531	3,688,702	2,932,487	4,193,196	2,904,531	3,340,000	4,210,200	2,035,735	4,193,196	2,071,735	4,410,200	40,481,003
Total liability	5,124,120	5,312,919	5,384,718	4,585,218	5,904,877	4,908,919	5,513,363	6,151,820	4,190,243	5,904,877	4,909,208	6,351,820	64,242,102
Shareholder's Fund													
Share capital	1,433,628	338,800	976,300	997,131	1,114,864	838,800	937,785	1,245,004	1,717,000	1,114,964	900,217	1,715,007	13,329,500
Legal reserve	791,380	938,770	667,326	492,561.00	148,910.00	928,770			674,003	148,920.00	388,080.00		5,178,720
Retained earnings	681,346	416,826	609,205	397,234	530,200	930,826	262,822	568,362	456,748	530,200	562,034	568,362	6,514,165
Total Shareholder's Fund	2,906,354	1,694,396	2,252,831	1,886,926	1,793,974	2,698,396	1,200,607	1,813,366	2,847,751	1,794,084	1,850,331	2,283,369	25,022,385
Total Liability & Shareholder's	8,030,474	7,007,315	7,637,549	6,472,144	7,698,851	7,607,315	6,713,970	7,965,186	7,037,994	7,698,961	6,759,539	8,635,189	89,264,487

For the year ended June 30, 2006

Item	Golden Rose	Ethio Flora plc	Ency Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Current Assets													
Cash on hand	511,971	199,908	215,945	423,645	158,330	199,908	642,384	363,449	559,290	642,384	205,785	158,330	4,281,329
Cash at bank		389,510	531,775			389,510	393,680	357,350	313,600	393,680	444,010		3,213,115
Petty cash	102,050	11,980.85	89,010.00	73,110.00	105,520.00	11,980.85	101,630.00	25,500.00	150,300.00	101,630.00	112,050.00	105,520.00	990,282
Inventory of chemical	182,700	42,100.00	120,050.00	100,000.00	233,054.00	42,100.00	27,090.00	21,350.00	9,148.00	27,090.00	19,071.00	233,054.00	1,056,807
Planting seeds	290,380	23,150.00	8,940.00	12,040.00	36,087.00	23,150.00	160,870.00	625,420.00	59,160.00	160,870.00	23,184.00	36,087.00	1,459,338
Trade debtors	1,212,920	1,053,871	1,096,090	1,626,875	1,421,786	1,053,871	1,211,490	1,215,107	1,077,592	1,211,490	1,144,031	1,421,786	14,746,909
Prepayments	133,668	364,540	317,357	518,777	1,070,556	364,540	126,816	185,045	1,315,565	126,816	1,178,990	1,070,556	6,773,226
Withhold tax receivables			12,306					115,400					127,706
VAT receivable													
Total Current Asset	2,433,689	2,085,060	2,391,473	2,754,447	3,025,333	2,085,060	2,663,959	2,908,621	3,484,655	2,663,959	3,127,121	3,025,333	32,648,711
Fixed Assets													
Green house	2,441,315	2,146,911	2,085,428	1,754,333	1,753,232	2,146,911	1,916,116	1,736,517	1,869,460	1,916,116	1,909,848	1,753,232	23,429,419
Land & building	733,970	482,850	775,340	407,736	771,104	482,850	352,024	728,185	588,143	352,024	897,779	771,104	7,343,109
Furn., fixt. and office equip.	441,315	266,911	408,540	154,333	375,320	266,911	816,146	736,517	469,460	816,146	409,848	375,320	5,536,767
Cooling system	902,720	290,082	377,615	397,233	790,275	290,082	916,464	570,045	491,404	916,464	470,696	790,275	7,203,353
Motor vehicles	2,737,401	2,851,480	2,879,332	2,095,440	2,143,993	2,851,480	2,149,785	2,468,718	2,091,191	2,149,785	2,189,895	2,143,993	28,752,493
Tools	327,280	732,470	840,210	655,900	598,902	732,470	120,500	665,717	349,325	120,500	558,898	598,902	6,301,074
Less: Accum. Depr.	(2,061,240)	(2,032,996)	(2,655,476)	(1,677,125)	(1,966,795)	(2,032,996)	(2,001,147)	(2,334,163)	(1,879,620)	(2,001,147)	(1,979,573)	(1,966,795)	(24,589,074)
Total fixed asset	5,522,761	4,737,708	4,710,989	3,787,850	4,466,031	4,737,708	4,269,888	4,571,536	3,979,363	4,269,888	4,457,391	4,466,031	53,977,143
Total Assets	7,956,450	6,822,768	7,102,462	6,542,297	7,491,364	6,822,768	6,933,847	7,480,157	7,464,018	6,933,847	7,584,512	7,491,364	86,625,854
Current liability													
Short term loan	304,514	160,360	350,556	283,230	161,622	160,360	180,188	504,002	18,381	180,188	212,894	161,622	2,677,916
Income tax Payable	156,618	93,885	88,900	123,079	386,644	93,885	163,058	41,059	31,226	163,058	319,532	386,644	2,047,588
Creditors and accruals	1,002,062	1,021,900	1,237,194	1,151,191	946,152	1,021,900	1,102,774	919,406	1,407,835	1,102,774	1,056,465	946,152	12,915,805
Total Current Liability	1,463,194	1,276,145	1,676,650	1,557,500	1,494,418	1,276,145	1,446,020	1,464,467	1,457,442	1,446,020	1,588,891	1,494,418	17,641,309
Long term liability													
Land lease payables	1,613,270	1,242,092	1,219,435	1,603,166	2,173,474	1,242,092	1,251,036	2,383,873	2,383,045	1,251,036	2,635,411	2,173,474	18,316,042
Long term bank loan	2,547,038	2,053,400	2,020,000	2,033,073	1,635,300	2,053,400	1,473,000	2,000,000	2,071,000	1,473,000	1,820,000	1,635,300	18,214,073
Total long term liability	4,160,308	3,295,492	3,239,435	3,636,239	3,808,774	3,295,492	2,724,036	4,383,873	4,454,045	2,724,036	4,455,411	3,808,774	36,530,115
Total liability	5,623,502	4,571,637	4,916,085	5,193,739	5,303,192	4,571,637	4,170,056	5,848,340	5,911,487	4,170,056	6,044,302	5,303,192	54,171,424
Shareholder's Fund													
Share capital	856,310	738,573	461,126	497,521.00	541,362	738,573	1,070,613	581,010	188,920.00	1,070,613	788,080.00	541,362	8,074,063
Legal reserve	508,598	735,890	615,965	341,668	823,150	735,890		243,550	410,054			823,151	5,237,916
Retained earnings	968,040	776,668	1,109,286	509,369	823,660	776,668	1,693,178	807,257	953,557	1,693,178	752,130	823,660	11,686,651
Total Shareholder's Fund	2,332,948	2,251,131	2,186,377	1,348,558	2,188,172	2,251,131	2,763,791	1,631,817	1,552,531	2,763,791	1,540,210	2,188,173	24,998,630
Total Liability & Shareholder's	7,956,450	6,822,768	7,102,462	6,542,297	7,491,364	6,822,768	6,933,847	7,480,157	7,464,018	6,933,847	7,584,512	7,491,365	86,625,854

Balance Sheet
For the year ended June 30, 2007

Item	Golden Rose	Ethio Flora plc	Ency Ethio Rose	Meskel Flowers	Joytech	Dire Highland flower	Linssen Rose	Ethio Dream plc	Abyssinia Flowers	Dugada floriculture	Agri Share	Red Fox Ethiopia	Total
Current Assets													
Cash on hand	402,675.00	11,965.20	19,965.00		39,618.39	832,322.00	965.20	104,726.00	332,322.00	39,618.39	732,322.00	11,965.20	2,528,464.38
Cash at bank	521,097.00	714,093.59	1,704,093.59	888,140.00	456,290.00	362,787.00	704,093.59	640,093.00	862,787.00	456,290.00	162,787.00	714,093.59	8,186,645.36
Petty cash	34,450	52,030.00	28,090.00	132,750.00	12,200.00	18,980.00	72,030.00	54,823.10	18,980.00	12,200.00	18,980.00	52,030.00	507,543.10
Inventory of chemicals	89,990	132,730.00	102,345.00	62,410.00	76,300.00	22,980.85	132,730.00	120,500.00	22,980.85	76,300.00	21,080.85	132,730.00	993,077.55
Packing material	7,687	333,054.00	13,630.00	11,097.00	8,149.00	9,071.00	53,054.00	17,350.00	9,071.00	8,149.00	19,071.00	333,054.00	822,437.00
Planting seeds	72,387	36,087.00	68,940.00	148,550.00	49160.72	23,184.00	36,087.00	82,542.00	23,184.00	49160.72	23,184.00	36,087.00	648,553.44
Trade debtors	788,073.00	629,544.00	627,875.00	261,691.00	472,812.00	52,174.00	829,544.00	717,349.00	52,174.00	472,812.00	152,174.00	629,544.00	5,685,766.00
Prepayments	68,876.00	153,054.73	153,054.71	44,035.00	29,554.69		153,054.73	424,103.00		29,554.69	551,091.00	153,054.73	1,759,433.28
Withhold tax receivables	12,000			64,080.00			1,687.00	49,441.70		1,687.00		7,687.00	136,582.70
VAT Receivable	628,879.00		49,441.70		14,980.00			153,045.00		14,980.00			861,325.70
Total Current sset	2,223,439.00	2,062,558.52	2,767,435.00	1,612,753.00	1,159,064.80	1,323,185.85	2,031,000.22	2,314,531.10	1,323,185.85	1,159,064.80	1,688,376.85	2,062,558.52	17,441,155.99
Fixed Asset													
Green house	864,444.00	2,331,500.00	761,500.00	900,330.21	1,907,000.00	1,757,580.00	2,831,500.00	2,720,000.00	1,757,580.00	1,907,000.00	1,201,580.00	2,331,500.00	21,271,514.21
Land & building	725,192.00	812,919.00	812,938.00	138,313.00	138,937.00	641,401.00	812,919.90	104,230.00	641,401.00	138,937.00	641,401.00	812,919.00	6,421,507.90
Furn.,fixt. and office equip.	364,110.00	351,765.00	254,260.00	651,847.00	77,126.27	267,569.00	350,765.00	438,094.00	267,569.00	77,126.27	567,569.00	351,765.00	4,019,565.54
Cooling system	58,407.00	860,043.00	73,200.00	39,337.00	267,599.00	884,980.00	860,043.00	871,915.00	884,980.00	267,599.00	884,980.00	860,043.00	6,813,126.00
Motor vehicles	5,188,871.00	2,181,000.41	2,977,072.41	929,341.00	2,390,775.49	3,665,379.00	2,901,000.41	3,375,092.00	3,665,379.00	2,390,775.49	2,665,379.00	2,181,000.41	34,511,065.62
Tools	541,064.00	497,191.00	133,904.00	527,102.00	860,043.05	32,070.00	97,191.00	451,064.00	32,070.00	860,043.05	732,070.00	497,191.00	5,261,003.10
Less: Accum. Depr.	(1,577,527.00)	(1,050,206.61)	(1,950,006.61)	(806,518.00)	(803,460.36)	(1,861,310.00)	(950,206.61)	(1,180,592.00)	(1,861,310.00)	(803,460.36)	(1,761,310.00)	(950,206.61)	(15,556,114.16)
Total fixed asset	6,164,561.00	3,652,711.80	3,062,867.80	2,379,732.21	4,838,020.45	5,387,669.00	4,071,712.70	4,059,803.00	5,387,669.00	4,838,020.45	4,931,669.00	3,752,711.80	52,527,168.21
Total Assets	8,388,000.00	5,715,270.32	5,830,302.80	3,992,505.21	5,997,085.25	6,710,854.85	6,102,712.92	6,374,334.10	6,710,854.85	5,997,085.25	6,620,045.85	5,815,270.32	74,254,321.72
Current Liability													
Creditors	1,331,064.00	1,281,511.20	980,510.00	1,005,765.00	579,784.21	77,503.00	981,511.70	509,416.00	77,503.00	579,784.21	1,377,514.00	1,281,511.20	10,063,377.52
Income tax payable	31,256.00	7,893.18	57,895.00	23,955.00	27,081.00		17,893.28	11,902.10		27,081.00	14,915.00	7,893.18	227,764.74
Short term Bank loan	321,080.00	445,710.02	145,610.00			987,923.00	145,710.02	601,421.00	987,923.00		387,923.00	445,710.02	4,469,010.06
Total Current Liability	1,683,400.00	1,735,114.40	1,184,015.00	1,029,720.00	606,865.21	1,065,426.00	1,145,115.00	1,122,739.10	1,065,426.00	606,865.21	1,780,352.00	1,735,114.40	14,760,152.32
Long term bank loan	1,125,900.00	894,403.00	955,000.00	920,784.21	612,000.00	1,245,610.00	1,894,903.00	872,982.00	1,245,610.00	612,000.00	744,610.00	894,403.00	12,018,205.21
Land lease payables	2,179,000.00	1,117,577.00	1,500,700.00	745,647.00	2,745,647.36	2,223,528.85	1,194,517.00	2,132,890.00	2,223,528.85	2,745,647.36	2,223,528.85	1,117,577.00	22,149,789.27
Total long term debt	3,304,900.00	2,011,980.00	2,455,700.00	1,666,431.21	3,357,647.36	3,469,138.85	3,089,420.00	3,005,872.00	3,469,138.85	3,357,647.36	2,968,138.85	2,011,980.00	34,167,994.48
Total liability	4,988,300.00	3,747,094.40	3,639,715.00	2,696,151.21	3,964,512.57	4,534,564.85	4,234,535.00	4,128,611.10	4,534,564.85	3,964,512.57	4,748,490.85	3,747,094.40	48,928,146.80
Shareholder's Fund													
Share capital	1,374,200.00	829,911.92	929,933.00	567,829.00	431,012.00	768,942.00	829,913.92	615,000.00	768,942.00	431,012.00	460,347.00	829,811.92	8,336,854.76
Legal reserve	765,600.00	425,724.00	629,750.00		694,517.68	426,651.00	425,724.00	266,919.00	426,651.00	694,517.68	426,601.00	417,724.00	5,600,379.36
Retained earnings	1,268,000.00	712,540.00	630,904.80	728,525.00	907,043.00	980,697.00	712,540.00	1,363,804.00	980,697.00	907,043.00	984,607.00	712,540.00	10,888,940.80
Total Shareholder's Fund	3,407,800.00	1,968,175.92	2,190,587.80	1,296,354.00	2,032,572.68	2,176,290.00	1,968,177.92	2,245,723.00	2,176,290.00	2,032,572.68	1,871,555.00	1,960,075.92	25,326,174.92
Total Liability & Shareho	8,396,100.00	5,715,270.32	5,830,302.80	3,992,505.21	5,997,085.25	6,710,854.85	6,202,712.92	6,374,334.10	6,710,854.85	5,997,085.25	6,620,045.85	5,707,170.32	74,254,321.72

For the year ended June 30, 2008

Item	Golden Rose	Ethio Flora plc	Ency Ethio Ros	Meskel Flowers	Joytech	Dire Highland	Linssen Rose	Ethio Dream plc	Abyssinia Flowe	Dugada floricult	Agri Share	Red Fox Ethiop	Total
Current Assets													
Cash on hand		419,581.00	300,909.55	330,370.00	242,740.00	300,909.55	589,856.00	136,767.00	1,105,749.00	589,856.00	242,740.00	276,532.00	4,536,010.10
Cash at bank	1,023,479.00	902,745.00	394,764.00	394,102.00	1,159,540.00	394,764.00	754,609.00	445,609.00	723,938.00	754,609.00	1,159,540.00	702,504.00	8,810,203.00
Petty cash	84,450	128,090.00	62,030.00	122,750.00	19,005.00	62,030.00	28,950.00	14,823.10	20,090.00	28,950.00	19,005.00	42,030.00	632,203.10
Inventory of chemicals	102,050	89,010.00	101,630.00	73,110.00	11,980.85	101,630.00	12,080.00	20,500.00	49,300.00	12,080.00	11,980.85	107,730.00	693,081.70
Packing material	18,870	21,030.00	27,090.00	10,097.00	5,120.00	27,090.00	19,071.00	21,350.00	9,148.00	19,071.00	5,120.00	333,054.00	516,111.00
Planting seeds	90,380	8,940.00	160,870.00	12,040.00	23,150.00	160,870.00	23,184.00	825,420.00	59,160.00	23,184.00	23,150.00	36,087.00	1,446,435.00
Trade debtors	834,762.00	761,958.00	599,639.00	790,903.00	612,173.00	599,639.00	165,684.00	961,662.00	126,672.00	165,684.00	612,173.00	665,509.00	6,896,458.00
Prepayments	292,530.00	607,408.00	77,194.34	151,915.00	134,729.00	77,194.34		213,591.00			134,729.00	272,480.00	1,961,770.68
Withhold tax receivables			17,336.88			17,336.88		209,070.00				127,009.00	370,752.76
VAT Receivable	3,844.00												3,844.00
Total Current sset	2,450,365.00	2,938,762.00	1,741,463.77	1,885,287.00	2,208,437.85	1,741,463.77	1,593,434.00	2,848,792.10	2,094,057.00	1,593,434.00	2,208,437.85	2,562,935.00	25,866,869.31
Fixed Assets													
Green house	1,864,444.00	1,761,500.00	2,531,500.00	1,050,330.21	1,357,500.00	2,531,500.00	1,201,580.00	2,420,000.00	1,507,000.00	1,201,580.00	1,357,500.00	1,331,500.00	20,115,934.21
Land & building	975,111.00	855,080.00	833,009.30	749,225.00	857,153.00	833,009.30	1,834,896.00	96,000.00	561,660.00	1,834,896.00	857,153.00	496,759.00	10,783,951.60
Furn.,fxt. and office equip.	208,373.00	555,373.00	373,394.00	683,042.00	852,302.00	373,394.00	521,516.00	528,272.00	300,697.00	521,516.00	852,302.00	626,239.00	6,396,420.00
Cooling System	319,182.00	726,264.00	440,925.00	163,772.00	270,038.00	440,925.00	892,282.00	572,525.00	671,348.00	892,282.00	270,038.00	496,759.00	6,156,340.00
Motor vehicles	3,541,662.00	1,326,364.00	2,092,893.33	1,439,910.00	3,333,624.00	2,092,893.33	2,371,553.00	3,022,718.00	1,709,636.00	2,371,553.00	3,333,624.00	2,015,206.00	28,651,636.66
Tools	451,064.00	233,931.00	781,715.00	527,102.00	32,070.00	781,715.00	732,060.00	353,004.00	860,043.05	732,060.00	32,070.00	597,121.00	6,113,955.05
Less: Accum. Depr.	(1,075,100.00)	(1,950,000.00)	(1,850,206.00)	(1,000,518.00)	(2,161,310.00)	(1,850,206.00)	(1,761,310.00)	(2,945,902.00)	(1,403,460.00)	(1,761,310.00)	(2,161,310.00)	(1,450,206.61)	(21,370,838.61)
Total fixed asset	6,284,736.00	3,508,512.00	5,203,230.63	3,612,863.21	4,541,377.00	5,203,230.63	5,792,577.00	4,046,617.00	4,206,924.05	5,792,577.00	4,541,377.39	4,113,377.39	56,814,398.91
Total Assets	8,735,101.00	6,447,274.00	6,944,694.40	5,498,150.21	6,749,814.85	6,944,694.40	7,386,011.00	6,895,409.10	6,300,981.05	7,386,011.00	6,749,814.85	6,676,312.39	82,714,268.25
current liability													
Short term loan		78,045.00		102,000.00			541,060.00		80,032.05	541,060.00		150,000.00	1,492,197.05
Income tax payable	95,014.00	27,672.00	151,010.00	34,142.00	15,290.00	151,010.00	83,101.00	23,431.10	121,050.00	83,101.00	15,290.00	491,070.00	1,291,181.10
Creditors	931,940.00	903,946.00	733,124.48	774,089.00	893,800.00	733,124.48	996,342.00	803,622.00	869,175.00	996,342.00	893,800.00	585,108.39	10,114,413.35
Total Current Liability	1,026,954.00	1,009,663.00	884,134.48	910,231.00	909,090.00	884,134.48	1,620,503.00	827,053.10	1,070,257.05	1,620,503.00	909,090.00	1,226,178.39	12,897,791.50
Long term bank loan	1,505,900.00	1,055,000.00	1,844,900.00	920,784.21	1,245,000.00	1,844,900.00	1,744,631.00	1,872,900.00	1,612,000.00	1,744,631.00	1,245,000.00	1,892,003.00	18,527,649.21
Land lease payables	2,961,000.00	1,558,000.00	1,194,517.00	1,945,647.00	2,135,200.00	1,194,517.00	2,223,528.00	2,132,500.00	2,004,500.00	2,223,528.00	2,135,200.00	1,117,577.00	22,825,714.00
	4,466,900.00	2,613,000.00	3,039,417.00	2,866,431.21	3,380,200.00	3,039,417.00	3,968,159.00	4,005,400.00	3,616,500.00	3,968,159.00	3,380,200.00	3,009,580.00	41,353,363.21
Total liability	5,493,854.00	3,622,663.00	3,923,551.48	3,776,662.21	4,289,290.00	3,923,551.48	5,588,662.00	4,832,453.10	4,686,757.05	5,588,662.00	4,289,290.00	4,233,758.39	54,251,154.71
Shareholder's Fund													
Share Capital	821,012.00	1,077,222.00	1,281,913.00	927,729.00	968,941.00	1,281,913.00	502,190.00	595,000.00		502,190.00	968,941.00	1,174,007.00	10,101,058.00
Legal reserve	930,235.00	784,274.00	825,991.92		695,608.85	825,991.92	404,148.00	476,916.00	762,063.00	404,148.00	695,608.85	702,919.00	7,507,904.54
Retained earnings	1,490,000.00	963,115.00	913,238.00	793,759.00	795,975.00	913,238.00	891,011.00	991,040.00	852,161.00	891,011.00	795,975.00	563,628.00	10,854,151.00
Total Shareholder's Fund	3,241,247.00	2,824,611.00	3,021,142.92	1,721,488.00	2,460,524.85	3,021,142.92	1,797,349.00	2,062,956.00	1,614,224.00	1,797,349.00	2,460,524.85	2,440,554.00	28,463,113.54
Total Liability & Shareho	8,735,101.00	6,447,274.00	6,944,694.40	5,498,150.21	6,749,814.85	6,944,694.40	7,386,011.00	6,895,409.10	6,300,981.05	7,386,011.00	6,749,814.85	6,676,312.39	82,714,268.25