

PROSPECTUS

For the issue of 4,800 ordinary share of SELAM BUS LINE SHARE COMPANY of par value Birr 5,000 each plus subscription cost of 1% of the value of shares purchased payable in full on application at par for each value.

SELAM BUS LINE SHARE COMPANY gladly announces that the Sell of 4,800 shares each share valued at Birr 5,000 through the Branch network of Wegagen bank.

Subscription Registration Starts on April 20 2009.

LEGALITY

Registered On February-1996

Registration No መቀ/ንግግ- 1.አ.0014/87

Registered at Tigray Region

Bureau of Trade - Mekelle

Head Office

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Addis Ababa, Ethiopia

1. INTRODUCTION

Ethiopia's transport infrastructure primarily consisting of roads is one of the least developed in the world. With a total land area of over 1.1 million square kilometer and a population of 77 million, the country has the lowest road network density in Africa.

About 80% of the population depends on traditional means of transport such as walking, head loading, back loading, and use of back animals. Consequently, transport competes with the time and energy of the rural population. In a country where 85% of the population earns its livelihood from agriculture, the very backward state of rural roads impinges on agricultural productivity and growth and in the final analysis, constraints the developments of the national economy.

The Ethiopian government has recognized that the improvement of the country's road network is one of the prerequisite for the growth and development of the national economy. Having completed the first two phases of the Road Sector Development Program (RSDP) in June 2007, the Ethiopian Roads Authority (ERA) launched the third phase of the program, which will last for three years with a project cost of 35 billion Br.

Within the 10-year period of the program a total of 78,569Km of roads were constructed, rehabilitated and maintained, of which 10,282Km are federal roads and 10,523Km are newly constructed regional roads while 57,764Km are community roads with the main objective, according to the Authority, is to continue restoring and expanding Ethiopia's road network in order to improve transport operating efficiency and to reduce road transport costs so as to encourage production, distribution and export.

The total number of operational maxi-buses in the country is around 1,130 for more than 77 million people, an average of one seat for more than 1,136 people.

In line with this, more than 90% of these buses are obsolescent and are not reliable & conducive for passengers traveling to long route lines.

It is with the positive intention of resolving and improving the above cited shortcoming of the transport sector, which constrain the development of the country, that the formation of SELAM BUS LINE SHARE COMPANY has become imperative.

Management of public transport is one of the most important instruments for the development of urban and rural areas; a good, efficient and economic public transport system is

crucial for the urban & regional economic development and contributes to expanding working opportunities by assuring better access between residential areas & places of work & learning.

2. ESTABLISHMENT OF SELAM BUS LINE SH CO

It was known from the outset that the establishment of an efficient public transport company in Ethiopia along side with the improvement of the road infrastructure will, among other things, give rise to the following benefits:-

- Offers freedom of mobility, accessibility, opportunity, and choice for people in all walks of life;
- Benefits communities through increased business revenues, growing property values, and more tax revenues;
- Creates and sustains jobs and yields a many fold return on public investments;
- Supports healthy, livable communities with vibrant business and employment centers;
- Provides environmentally responsible and safe mobility choices that reduce traffic congestion, noise, air pollution, and associated public health risks;
- Supports mixed land use and sustainable development that combat collapse;
- Improves a community's ability to respond to emergencies and security threats; and
- Makes the entire transportation system work better for all its users.
- It will facilitate the social & economic inter linkage among nations & nationalities by creating public transport network among national states.
- Help distribute economic activity throughout the country;
- Increase competition and rationalize prices of goods & services both in the rural and the urban part of the region.
- Create job opportunity

2.1 MARKET SURVEY

A market survey conducted on the demand-supply of the transport sector in the country has given indication that there is a gap of unmet demand which is known to be even more

pronounced above 400 km routes and around market towns and that enough attention is not being given to these market segments.

The company operates its buses through out the country. The origin of dispatch is from Addis Abeba to Jijiga, Harrer, Dredawa, Jimma, Mekelle, Bahirdar, Gondor, Dredawa, Harar, & Dessie . *These luxurious Tourist buses* which have a capacity of 48 seats are equipped with Air conditioner, fridge, Monitor & safety belt so that passengers are rejuvenated by DVD/VCD music/film, local bread, 'kolo' & soft drink or plastic packed spring water while traveling.

3 REVENUE ESTIMATES

A high level survey conducted after 14 years of the establishment of SELAM BUS LINE SHARE COMPNAY has yielded the following as salient assumptions to compute the profitability of the company.

The total fleet number is assumed to be 35 buses;

- The ordinary 4 buses will be sold by auction and will be replaced by 16 luxury tourist buses at the first quarter of the next budget year. i.e.; only 19 tourist buses will operate for the whole budget year 2008/09. Additional 26 luxury tourist buses will commence operation starting from 20011/12 budget year.
- Other income is assumed to be 6.5% of fares earned
- Other expense is assumed to be 10% of total cost.
- Bank loan is assumed to be 70% of total investment.
- Bank interest rate 13%
- Administrative cost is 30% of total cost
- Contingency 5%
- Oil and Lubricant expense is 6% of fuel consumption.
- Tyre life span per kilometer on asphalt road is 55,000
- An average operational day per month per bus is 24 days
- Fuel consumption is assumed to be 3 kilometer per litter & price of diesel oil is assumed to be 7.85 birr.
- Spare parts cost per kilometer is assumed to be 0.35 birr

- Tariff for luxury tourist type bus is 0.25 birr per person per km.
- An average of 510 km will be covered per bus per day for luxury tourist bus;
- Load Factor is 93%

Considering the above factor and other revenue indicators:-

Total revenue can be estimated as follows;

For 48 seaters $(510 \times 35 \times 12 \times 24 \times 0.25 \times 48 \times 0.93) = 57,371,328$

4 START UP INVESTMENT

The Start up investment for the company is estimated to be Birr 55,268,755 out of which 48,107,694 for the buses & 7,161,061 for other fixed assets shall all be initially covered from TDA funding & Bank loan.

5. FINANCIAL ANALYSIS

Based on 5 year depreciation rate and service value of ten years, the net present value of the project is found to be positive even at a conservative discount rate of 15%. Only the median revenue was used for the net present value calculation thus giving more credence that the positivity is still attainable at a higher discount rate.

As the company also envisages rendering fuel station service & maintenance services, in its garage, for similar companies and individuals for a fee, it is expected that this will positively influence the net present value.

6. ORGANIZATION AND LOGISTICS

- Construct, equip and stock the bus line maintenance garage;
- Hire staff and establish planning, operating and monitoring system with the bus line; and
- Monitor and evaluate implementation and ongoing performance.

To execute these tasks the company will have, as indicated earlier a General Manager, Equipment and Supplies, Operations, Finance and Administration, Legal Services and Internal Audit organs, Planning & marketing services. The company shall be governed by 5 Board of Directors.

A General Manager who is responsible for the day to day operations and Management of the company shall also be appointed by the board of directors.

7. PRESENT STATUS OF THE COMPANY

In accordance with the project plan, Selam Bus Line Share Company was legally constituted on Tir 29, 1987 E.C with its headquarter at Mekelle in accordance with the Ministry of Trade and Commerce Registration No. mq/N¥-1.x.0014/87

At present, Selam Bus Line has 4 buses with 60 seater & 19 luxury buses with 48 seater operating from Addis Abeba to various regional centers. It has also created for 130 employment opportunities.

The head quarters, bus terminal and garage of *Selam Bus* is established in Addis Ababa with branch offices in all regional capitals. Buses departing from Addis Ababa to all the regional capitals providing all necessary information and entertainment services to the satisfaction of the passengers are expected to serve as the ambassadors of the region.

Selam Bus is committed to maintain the ease and convenience as well as the comfort of its passengers by regularly making arrangements of efficient and standard reception and hotel services on their behalf and furthermore the aim is to raise its capital so as to give efficient and modern bus service by importing very modern buses possessing the state of the art technology including internal café and toilet services, all to the satisfaction of its clients

The new acquired buses are running at full capacity and in all directions indicating the potential of the company. Hence, the viability of the project is proved beyond doubt.

8. FIVE YEAR FINANCIAL PLAN

In the next five years (2008/09 – 2012/13) the company has a target of increasing its fleet number to 75 buses & its asset base from Birr 55 million to Birr 80 million or 46% increment through profit earning & sales of share. The net income target for the first year & five year cumulative profit is forecasted to be 3,336,194 birr & 81.72 million birr consecutively.

9. ON TRANSFERRING OWNERSHIP OF SELAM BUS SHARES TO THE PUBLIC

To satisfy the increasing demand of public transport, to transfer the ownership & to expand the capital of the company, the founding members of the company on Feb 16, 2006 have decided to;

- To reduce TDA's holding to 40% & gradually transfers the remaining share holding to the public.
- Give the public an opportunity to participate in the ownership of the company and share the profit margin;
- Company's asset to be valued by independent legally registered consultants

10. DIVIDEND PAYMENT

Dividends shall be distributed in proportion to the number of shares held by each share holder. The general meeting of the share holders may decide on the payment of interim dividends to the share holders during any financial year.

11. GENERAL BENEFITS DERIVABLE FROM THE COMPANY

- Dividend payments shall be made annually to share holders;
- Helps to increase transport services availability;
- By improving movement of goods and creating good conditions for trade, it helps to stabilize price;
- Helps the farmers to have access to market, market information and make rational decision on pricing.
- Improves the bus transport system in the country.

12. SUMMARY OF ARTICLES OF ASSOCIATION

- Each share holder has the right to vote at all general meetings of the share holders, both regular & extraordinary according to the number of shares owned.
- Transfer of shares is not restricted. Shares can be owned by any person or entity recognized at law as having the authority to own shares. Shares may be publicly traded.
- Shares are registered in the name of share holders only. There shall be no bearer shares.

- Share holders who hold shares jointly shall appoint a representative & shall register his name & address in the register of share holders.

The company shall send notice only to this representative.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below which prove the legality of Selam Bus Line Share Company along with other documents are available for inspection by any interested party at the Head Office of the company.

1. Memorandum & Articles of Association
2. Decision of the shareholders to dispose of 60% of the shares to the public
3. Registration Certificate
4. License
5. External Auditors Report
6. Consultant's Valuation Report

CONCLUSION

We are glad to announce the issuance of 4,800 shares, each share having par value of Birr 5,000.00 through the branches of the Wegagen bank all over the country. Sales of shares will start on April 20, 2009.

Payment will be in full for the purchase value of shares plus Birr 50.00 per share representing capital handling cost. Interested buyers will have to fill in application forms by going to the nearest Wegagen Bank branches. Applications are required to bear the full name and address of applicant, P.O. Box or the permanent address of applicant's agent or representative.

After the final registration date we will send allotment letter to each registrant. Proper share certificate will be issued to registrants in due course up on presentation of the Allotment Letter. Shares will in the meantime be kept in the names of the registrants until the proper certificates are issued.

