Alsalam Bank

(Limited liability Company)
Financial Statements Dec, 31, 2015
With
Auditors' Report

Allied Accountants
Bannaga & Co.
Certified Public Accountants

Atbara street
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## Auditors' Report

**The Shareholders**
Al Salam Bank
Building Al Jumhouria Street Al Bourj Area 139.
Khartoum, Sudan

We have audited the accompanying statements of financial position of Al-Salam bank "Public limited liability company" (the bank) as at December 31, 2015 and the related statement of income, cash flows and changes in equity for the year then ended. The accompanying notes (1) through (43) represent an integral part of these financial statements.

**Management Responsibility:**
These financial statements are the responsibility of bank's management and have been prepared and presented in conformity with financial accounting standards issued by the Accounting and Auditing Organization for Islamic Institutions (AAOIFI), Sharia rules and principles, and relevant International Financial Reporting standards. Management responsibility also includes Designing, implementing, and maintaining reasonable systems of internal controls and controls relevant to the preparation and presentation of financial statements that are free of material misstatements whether caused by fraud or error, also management responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that is reasonable to the circumstances .

**Auditors Responsibility:**
Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards issued by (AAOIFI).Those standards require we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing significant accounting policies used and significant estimates made by the management as well as evaluating the overall financial statements presentation.

We believe that our audits provide a reasonable basis for our opinion.

**Unqualified opinion:**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with the Shari'a rules and principles, accounting standards of (AAOIFI) and international reporting standards and comply with the companies ordinance1925 amended 2015.

**For Allied Accountants**

**Abdelgadir Banaga /PhD /FCCA**
Senior Partner

February, 2, 2016

المحاسبون المتحدون
رقم التسجيل ١٣٦٥٧
Reg. No. 13657
Allied Accountants
Bannaga & Co.

Allied Accountants Bannaga & Co.
Reg. No 13657

**AL SALAM BANK**

**STATEMENT OF FINANCIAL POSITION**
AS AT DECEMBER 31, 2015

| | Note | 2015 SDG | 2014 SDG |
|---|---|---|---|
| **Assets:-** | | | |
| Cash and cash equivalents | (5) | 332,563,068 | 210,083,666 |
| Deferred sales receivables (net) | (6) | 567,741,758 | 625,696,614 |
| Investments held to maturity | (7) | 225,495,500 | 62,802,500 |
| Investments in Mudaraba | (8) | 233,141,689 | 338,026,466 |
| Musharaka financing | (9) | 32,949,127 | 62,835,811 |
| Investments available for sale | (10) | 125,563,611 | 117,959,527 |
| Investments in property | (11) | 513,209,220 | 506,911,690 |
| Other assets | (12) | 32,217,448 | 33,931,611 |
| Fixed assets (net) | (13) | 61,372,639 | 36,287,081 |
| **Total Assets** | | **2,124,254,060** | **1,994,534,966** |
| **Liabilities, Unrestricted investment accounts and Owners' Equity:-** | | | |
| **Liabilities:-** | | | |
| Current Account | (14) | 441,338,501 | 344,839,184 |
| Other liabilities | (15) | 168,221,796 | 209,302,045 |
| Provisions and accruals | (16) | 30,097,276 | 40,348,885 |
| **Total Liabilities** | | **639,657,573** | **594,490,114** |
| **Unrestricted investment accounts holders** | (17,22) | **447,280,399** | **433,047,577** |
| **Owners' Equity:-** | | | |
| Paid up capital | (18) | 310,668,350 | 310,668,350 |
| Reserves | (19) | 553,826,670 | 537,106,171 |
| Retained earnings | | 172,821,068 | 119,222,754 |
| **Total Owners' equity** | | **1,037,316,088** | **966,997,275** |
| **Total Liabilities, Unrestricted investment accounts and Owners' equity** | | **2,124,254,060** | **1,994,534,966** |
| **Contra accounts:-** | **(28)** | **309,872,251** | **566,359,596** |

The accompanying notes (1) to (43) form an integral part of these Statements

| Elnour Agabana Iz-Alarab<br>General Manager | Saud Mamoun Elbirair<br>Board member | Abdulrahman Ahmed Sinan<br>Board member |
|---|---|---|

## AL SALAM BANK

**INCOME STATEMENT**

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Note | 2015 SDG | 2014 SDG |
|---|---|---|---|
| **Income:-** | | | |
| Income from deferred sales | (20) | 75,874,024 | 72,070,219 |
| Income from investments | (21) | 71,517,768 | 41,163,388 |
| **Total income from finance and investments** | | **147,391,792** | **113,233,607** |
| Less: Return on unrestricted investment accounts | (22) | (31,004,772) | (28,512,008) |
| Bank's share in income from investments (as Mudarib and as fund owner) | | 116,387,020 | 84,721,599 |
| Income from banking services | (23) | 13,336,306 | 28,380,485 |
| Gain( loss) on foreign currency transaction | | 782,514 | 387,355 |
| Gains (losses) on valuation of foreign currencies | | 2,444,734 | 6,356,462 |
| Other income | (24) | 2,509,702 | 431,294 |
| **Total Bank's revenue** | | **135,460,276** | **120,277,195** |
| **Expenses:-** | | | |
| Staff cost | (25) | (33,518,360) | (26,523,958) |
| Operations expenses | (26) | (21,104,778) | (20,965,232) |
| Depreciation | | ( 3,558,813) | ( 3,412,245) |
| Provision for Investment & Finance | (6/1) | 1,855,782 | 1,227,845 |
| Central Bank of Sudan penalties | | ( 11,000) | ( 5,000) |
| **Total expenses** | | **(56,337,169)** | **49,678,590)** |
| **Net operating profits** | | 79,123,107 | 70,598,605 |
| Provision for Zakah | (39) | (7,993,560) | (11,534,957) |
| provision for Business Profit Tax | (40) | (8,859,494) | (12,550,778) |
| **Net income for the year** | | **62,270,053** | **46,512,870** |
| **Earning per share** | | **0.539** | **0.403** |

The accompanying notes (1) to (43) form an integral part of these Statements

| | | |
|---|---|---|
| Elnour Agabana Iz-Alarab<br>General Manager | Saud Mamoun Elbirair<br>Board member | Abdulrahman Ahmed Sinan<br>Board member |

AL SALAM BANK

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2015 SDG | 2014 SDG |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income for the year | 62,270,053 | 46,512,870 |
| **Adjustments to reconcile net income to net cash:** | | |
| Depreciation of fixed assets | 3,558,813 | 3,384,823 |
| Losses from disposal of fixed assets | 169,337 | - |
| Provisions | (10,251,609) | 10,860,611 |
| | 55,746,594 | 60,758,304 |
| **Changes in operating assets, liabilities and unrestricted investment accounts:** | | |
| Deferred Sales receivables (net) | 57,954,856 | ( 19,905,142) |
| Investments in Mudaraba | 104,884,777 | ( 4,342,559) |
| Musharaka financing | 29,886,684 | 36,124,486 |
| Murabaha commodities | - | 4,309,164 |
| Other assets | 1,714,163 | ( 13,530,365) |
| Current accounts | 96,499,317 | ( 84,278,367) |
| Unrestricted investment accounts | 14,232,822 | ( 33,127,562) |
| Prior years adjustments | - | ( 5,751,858) |
| Other liabilities | ( 41,080,249) | ( 32,223,694) |
| **Cash (used in) operations** | 264,092,370 | (152,725,897) |
| **Net cash (used in) operating activities** | **319,838,964** | **( 91,967,593)** |
| **Cash flows from investing activities:** | | |
| Investments held to maturity | (162,693,000) | 70,030,500 |
| Investments available for sale | ( 7,604,084) | ( 14,463,948) |
| Investments in property | ( 6,297,530) | (160,362,439) |
| Purchases of fixed assets | ( 28,813,708) | ( 1,278,811) |
| **Net cash (used in) investing activities** | **(205,408,322)** | **(106,074,698)** |
| **Cash flows from financing activities:** | | |
| Reserves | 8,048,760 | 150,504,699 |
| **Net cash from/ (used) financing activities** | **8,048,760** | **150,504,699** |
| **Increase (Decrease) in cash and cash equivalents for the year** | 122,479,402 | (47,537,592) |
| Cash and cash equivalents at the beginning of the year | 210,083,666 | 257,621,258 |
| **Cash and cash equivalents at the end of the year** | **332,563,068** | **210,083,666** |

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabana Iz Alarab
General Manager

Saud Mamoun Elbirair
Board member

Abdulrahman Ahmed Sinan
Board member

## AL SALAM BANK

### STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Paid up capital<br>SDG | Retained earnings<br>SDG | Statutory reserve<br>SDG | Property revaluation reserve<br>SDG | Investment revaluation reserve<br>SDG | Foreign assets &Liab reserve<br>SDG | Total<br>SDG |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2014** | **310,668,350** | **182,183,107** | **45,020,218** | **200,954,430** | **36,905,459** | - | **775,731,564** |
| Net income for the year | - | 46,512,870 | - | - | - | - | 46,512,870 |
| Prior years Adjs | | ( 5,751,858) | | | | | ( 5,751,858) |
| Reserves | | (11,357,749) | 5,001,287 | 135,919,354 | 14,585,345 | 6,356,462 | 150,504,699 |
| Reserves | - | (92,363,616) | - | - | - | 92,363,616 | - |
| **Balance as at Dec. 31, 2014** | **310,668,350** | **119,222,754** | **50,021,505** | **336,873,784** | **51,490,804** | **98,720,078** | **966,997,275** |
| Net income for the year | - | 62,270,053 | - | - | - | - | 62,270,053 |
| Reserves | - | (8,671,739) | 6,227,005 | - | 8,048,760 | 2,444,734 | 8,048,760 |
| **Balance as at Dec 31, 2015** | **310,668,350** | **172,821,068** | **56,248,510** | **336,873,784** | **59,539,564** | **101,164,812** | **1,037,316,088** |

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabana Iz-Alarab
General Manager

Saud Mamoun Elbirair
Board member

Abdulrahman Ahmed Sinan
Board member

**1) Incorporation and activities:-**

Al Salam Bank (the Bank) was established as a public limited liability company in Khartoum in December 28, 2004 under companies' law 1925 with registration certificate No. 23335. The Bank is providing commercial banking services according to Islamic rules and principles.

The Bank started its commercial operations on May 2005, Providing its services from the head office, which is located at Aljamhoria street and Alhuria street junction, Alsalam Rotana branch which is placed in Alsalam Rotana Hotel (Africa street), Omdorman branch which is located at Almawrada street- Omdorman, and Albarlaman Branch at Hamza blazza Barlaman Street.

**2/ Significant Accounting Policies:-**

**i/Basis of preparation:**

1- The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organizations for Islamic Institutions (AAOIFI) and international accounting standards and shari'a supervisory board (SSB) requirements.

2- The functional currency is Sudanese Geneih , financial statements have been presented in Sudanese Geneih (SDG) .

3- The financial statements were prepared in accordance with the historical cost concept as amended, except for the valuation of securities classified as available for sale, held for trading and investments properties which are valued at fair value at the end of the year.

4- The bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

5- Accounting policies used this year consistent with those used last year.

**ii/ Fixed assets:**

Fixed assets are stated at cost less accumulated depreciation and any permanent impairment in value .Depreciation of fixed assets is calculated on straight line basis over their estimated useful lives based on (2.5%-30%)

The carrying values of fixed assets are reviewed for impairment when events or change circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

**iii/ Foreign Currency:-**

All transactions in foreign currencies are recorded using the exchange rate at the date in which they were incurred. Assets and liabilities which were recorded in foreign currency are translated to Sudanese Geneih at the rate of exchange at the financial statements date.

Exchange differences resulting from the bank investment balances and transaction in foreign currency have been recognized in foreign exchange investment reserve. Exchange differences resulted from bank transactions and other operations are reported in the income statement.

**iv / Revenue recognition :**

**a/ Murabhaa and Istisnaa**:-

The profits from Murabhaa and Istisnaa transaction are recognized on proportionate basis over the period of credit.

**b\ Mudaraba Financing** :-

Mudaraba financing is recognized in the income statements at the time of liquidation or the extent of profit being distributed or at declaration date or when such profits can reasonably be estimated.

**c\ Musharka and Salam financing:-**

The profit from Musharka and Salam transactions are recognized at the time of liquidation.

**d\ Income from banking services:-**

Income from banking services is recognized at the time when related services are provided and amount of revenue can be measured reliably.

**h\ Dividends income and bonds profit :-**

Dividends income profit bonds is recognized when declared, or when such profits can reasonably be estimated.

**v\ Provisions for doubtful debts:-**

Provision for doubtful debt is based on the assessment of collectability of each debt and in accordance with the directive of Central Bank of Sudan.

**vi\ cash and cash equivalents:-**

For the purpose of preparation of statement of cash flows, cash and cash equivalents consist of cash in the bank and with other banks (current accounts) and balances with Central Bank of Sudan and cash in hand.

**vii\ Provisions:-**

Provisions are recognized when the bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

**viit\ Employees end of service benefits :-**

End of service benefits payable to employees are provided for in accordance with Sudanese labour law.

**ix\ Measurement of investments and finance at the end of the period:-**

**a\Deferred sales receivable:-**

Deferred sales receivable are initially recorded at cost, at the end of the financial period deferred sales receivables are measured at their net realizable value.

**b\ Mudaraba:-**

Mudaraba is measured by the amount paid or the amount placed under the disposition of the Mudarib less the portion of the Muadraba capital recovered from the Mudarib ( if any).

**c\ Musharka :-**

Musharka is measured by the historical cost less provision for finance losses (if any).

**d\ Available for sale investments:-**

Available for sale investments are measured at fair value, the difference (surplus or deficits) between the book value and fair value is recognized in the revaluation reserve until its nil deficits is recognized in the income statement.

**g\ Investment in securities and shares held for trading purposes :-**

Investments which are classified "for trading" are initially recognized at cost, including acquisition charges associated with the investments. At the end of the reporting period, held for trading securities and shares are re- measured at fair value unless fair value can not be reliably determined in which case they are measured at cost less impairment. The gains or losses resulting from the re -measurement at fair value, are reported as "Re - measurement gains or losses on investments" in the income statement.

Held for trading securities was classified to available for sale in 2015 , as these investments have been held long period and no intent to be sold in near future.

**h\ Investment in securities held to maturity:-**

Investments in securities held to maturity are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at cost less impairment in value if any.

**x\ Zakah and Tax treatment:-**

The bank is subject to the Zakah and Tax regulations prescribed by the Sudanese authorities. The bank is subject to business profit tax after excluding the relieved profits from investment in shahama bonds.

**xi\ Return on unrestricted investment account holders:-**

The Return on unrestricted investment account is calculated on yearly basis. The bank allows the investment account holders to withdraw funds from their investment accounts before the agreed period with a condition of losing the right on profits , However at the mudaraba for fixed period the banks (as mudarib) has right not to allow them to withdraw funds from their investment accounts until the end of agreed period Profits are allocated between the unrestricted investment account holders and the owners' equity according to the contribution of each of the two parties. Those profits added to their accounts after the approval of Shari'a Supervisory Board and the regulators.

**3/ Supervisory body:**

The bank's business activities are subject to the supervision of central bank of Sudan according to the central bank of Sudan laws 2002 and banking operations regulating law year 2004. The bank abides to Central Bank of Sudan circulars.

**4/ Shari'a Supervisory Board(SSB)**

The bank's business activities are subject to the supervision Shari'a Supervision Board, which has been appointed by the shareholders. The Shari'a Supervisory Board has the power to direct, review and supervises the activities of the bank to ensure that they are in compliance with shari'a rules and principles .This including issuing an annual report to the shareholders.

**5/ Cash and Cash equivalents:**

| | 2015<br>SDG | 2014<br>SDG |
|---|---|---|
| Cash in hand and in ATM | 19,407,039 | 18,384,582 |
| Balances with central bank of Sudan - local | 75,569,279 | 22,746,382 |
| Balances with central bank of Sudan - foreign | 87,642,966 | 72,471,796 |
| Central bank of Sudan – Statutory cash reserve-local | 69,646,658 | 61,584,438 |
| Central bank of Sudan - Statutory cash reserve- foreign | 20,779,218 | 23,769,596 |
| Cash with foreign correspondent banks | 59,517,908 | 11,126,872 |
| | **332,563,068** | **210,083,666** |

**6/ Deferred sales receivables-net:-**

| | | |
|---|---|---|
| Murarbaha | 366,003,212 | 349,026,453 |
| Musawama | 7,792,427 | 2,086,400 |
| Istisnaa | 348,545,063 | 437,401,233 |
| Ijarra | 12,630,086 | 38,023,283 |
| | 734,970,788 | 826,537,369 |
| Less: Deferred sales profit | (155,935,670) | (187,641,573) |
| | 579,035,118 | 638,895,796 |
| Less: provision for doubtful debts (note 6/1/1) | ( 11,293,360) | ( 13,199,182) |
| **Deferred sales receivable (net)** | **567,741,758** | **625,696,614** |

**6/1 \Provision for doubtful finance and investment:**

**General Provision:**

| | | |
|---|---|---|
| Balance at 1/1 | 8,802,352 | 9,289,387 |
| Provision for the year | (1,991,328) | ( 487,035) |
| Balance at 31/12 | **6,811,024** | **8,802,352** |

**Specific Provision :**

| | | |
|---|---|---|
| Balance at 1/1 | 40,427,469 | 39,316,579 |
| Provision for the year | 820,880 | 1,110,890 |
| Balance at 31/12 | **41,248,349** | **40,427,469** |
| Total provision (General +Specific)(note 6/1/1) | **48,059,373** | **49,229,821** |

**6/1/1/ Total Provisions for doubtful finance and investment (General +Specific) :**

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Provision for doubtful deferred sales (note 6) | 11,293,360 | 13,199,182 |
| Provision for finance and investment – Mudaraba (note 8) | 36,433,194 | 35,395,934 |
| Provision for finance and investment – Musharka (note 9) | 332,819 | 634,705 |
| | **48,059,373** | **49,229,821** |

**7/ Investments in securities held to maturity: -**

| | 2015 | 2014 |
|---|---|---|
| Shahama securities | 225,495,500 | 62,802,500 |
| | **225,495,500** | **62,802,500** |

8/ **Investments in Mudaraba:-**

| | 2015 | 2014 |
|---|---|---|
| Mudaraba with customers – Individuals | 178,163,729 | 230,973,491 |
| Mudaraba with banks | 91,411,154 | 142,448,909 |
| | 269,574,883 | 373,422,400 |
| Less : Provision for finance and investment risk (note 6/1/1) | (36,433,194) | (35,395,934) |
| | **233,141,689** | **338,026,466** |

**9/Mushraka Financing:-**

| | 2015 | 2014 |
|---|---|---|
| Musharaka with corporate and customers | 33,281,946 | 63,470,516 |
| Less: provision for finance and losses(note6/1/1) | ( 332,819) | ( 634,705) |
| | **32,949,127** | **62,835,811** |

**10/ Investments available for sale:-**

| | | 2015 SDG | 2014 SDG |
|---|---|---|---|
| Alsalam bank- Algeria | 5% | 35,365,550 | 34,668,150 |
| Alsalam real state company | 50% | 50,000 | 50,000 |
| Aman insurance - Bahrain | | 7,117,979 | 6,977,614 |
| Foreign investment funds | | 2,428,229 | 2,647,925 |
| Assets acquired by banks for musharaka finance | | 7,769,950 | 7,769,950 |
| Inter bank liquidity management fund | | 13,746,000 | 10,500,000 |
| Alsalam bank- Bahrain | | 47,260,724 | 45,983,790 |
| King Abdullah city | | 11,825,179 | 9,362,098 |
| | | **125,563,611** | **117,959,527** |

**11/ Investments in property:-**

Represent investments in 6 pieces of lands fully owned by the bank in Khartoum and Khartoum North cities also there are 28 lands in Ajman UAE lumped ownership to Alsalam bank after liquidation of Alsalam real state fund, the cost of these lands was 150,8 m SDG where the market value as at 31Dec 2014: 506,9 m SDG , it was not revalued at the end of 2015 because there was no significant difference between the tow periods values.

**12/ Other assets:-**

| | | |
|---|---|---|
| Staff loans | 447,231 | 2,070,627 |
| Accrued profits of investments | 25,983,356 | 22,062,047 |
| Project under process | 965,768 | 1,051,685 |
| Medicines import account – local | 355,526 | - |
| Prepayments | 4,465,567 | 8,747,252 |
| Debtors ( note 12/1) | 18,132,425 | 17,774,858 |
| | 50,349,873 | 51,706,469 |
| Less: provision of doubtful debts | (18,132,425) | (17,774,858) |
| | **32,217,448** | **33,931,611** |

**12/1/ Debtors:-**

A debt balance of$ 2,8 million( 18,132,425 SDG :2015) (17,774,858 SDG:2014) resulted for the liquidation of Alsalam real state fund on 27/10/2011 of which $1 million settled on 7/6/2012 . Full provision was made for the balance according to central bank of Sudan instructions.

**13/ Fixed assets:-**

| Particulars | Motor Vehicles SDG | Furniture and fixture SDG | Office equipment SDG | IT equipment SDG | Freehold land and building SDG | Total SDG |
|---|---|---|---|---|---|---|
| **Cost at :** | | | | | | |
| Jan ,1,2015 | 2,039,788 | 6,685,814 | 4,650,161 | 13,494,372 | 31,525,367 | 58,395,502 |
| Additions | 2,962,014 | 150,784 | 137,149 | 264,989 | 25,298,772 | 28,813,708 |
| Re-classification | - | 70,848 | 17,340 | - | - | 88,188 |
| disposals | ( 37,170) | ( 44,654) | ( 287,763) | (1,718,816) | ( 15,352) | (2,103,755) |
| **Dec,31,2015** | **4,964,632** | **6,862,792** | **4,516,887** | **12,040,545** | **56,808,787** | **85,193,643** |
| **Depreciation:** | | | | | | |
| Jan ,1,2015 | 941,147 | 3,577,942 | 1,771,519 | 11,370,742 | 4,447,071 | 22,108,421 |
| For the year | 500,054 | 649,780 | 514,600 | 1,209,551 | 684,828 | 3,558,813 |
| Re-classification | - | 70,848 | 17,340 | - | - | 88,188 |
| disposals | ( 37,170) | ( 23,904) | ( 173,235) | (1,698,510) | ( 1,599) | ( 1,934,418) |
| **Dec,31,2015** | **1,404,031** | **4,274,666** | **2,130,224** | **10,881,783** | **5,130,300** | **23,821,004** |
| **Net book valuea:** | | | | | | |
| **Dec,31,2015** | **3,560,601** | **2,588,126** | **2,386,663** | **1,158,762** | **51,678,487** | **61,372,639** |
| **Dec,31,2014** | **1,098,641** | **3,107,872** | **2,878,642** | **2,123,630** | **27,078,296** | **36,287,081** |

## 14/ Current accounts:-

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Current accounts – local | 376,737,424 | 307,702,698 |
| Current accounts – foreign | 64,601,077 | 37,136,486 |
| | **441,338,501** | **344,839,184** |

## 15/ Other liabilities :-

| | | |
|---|---|---|
| Other creditors ( note 15/1) | 3,812,370 | 20,605,390 |
| Accrued expenses | 371,393 | 191,507 |
| Outstanding cheques | 6,383,973 | 8,334,207 |
| Other payable ( note 15/2) | 61,660,956 | 62,046,857 |
| Cash margin against letters of credit | 90,275,628 | 50,827,117 |
| Cash margin against letters of guarantee | 5,717,476 | 67,296,967 |
| | **168,221,796** | **209,302,045** |

## 15/1/ Other creditors:-

| | | |
|---|---|---|
| Medicines import account | 378,610 | 96,326 |
| Clients import accounts | 171,179 | 18,535,456 |
| National clearance account – commission | 595,071 | 327,679 |
| Cheques collection commission | 16,063 | 841 |
| Export proceed account | 399,336 | 367,553 |
| National clearance account | 2,105,712 | 1,112,947 |
| National clearance account- sale points | 141,534 | 125,944 |
| Illegitimate gains (un complied with Shari'a ) | - | 38,383 |
| Credit information and screening agency fees | 4,865 | 261 |
| | **3,812,370** | **20,605,390** |

## 15/2 Other payable:-

A major part of this amount represents shareholders unpaid dividends.

**16/ Provisions and accruals:-**

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Social insurance | 43,007 | 244,108 |
| Provision for banking Deposits security fund | 911,171 | - |
| Provision for staff bonus | 6,000,000 | 4,350,000 |
| Board of directors remuneration | 2,000,000 | 1,625,860 |
| Shari'a supervisory board remuneration | - | 187,600 |
| Provision for personal Income tax and Zakah | 755,087 | 1,573,052 |
| Provision for Zakah (Prior years) | 3,534,957 | 8,238,084 |
| Provision for Zakah current year | 7,993,560 | 11,534,957 |
| Provision for Business profit tax | 8,859,494 | 12,595,224 |
| | **30,097,276** | **40,348,885** |

**17/ Unrestricted investment accounts holders:-**

| | | |
|---|---|---|
| Unrestricted investment account balances | 433,180,834 | 419,695,548 |
| Return on unrestricted investment accounts (note 22) | 31,004,772 | 28,512,008 |
| Advance payment | ( 16,905,207) | ( 15,159,979) |
| | **447,280,399** | **433,047,577** |

**18/ capital**

| | | |
|---|---|---|
| Authorized and paid up capital | 310,668,350 | 310,668,350 |
| | **310,668,350** | **310,668,350** |

The authorized share capital of the bank comprises of 100 million share with nominal value of SDG 2,54 each ,the bank issued bonus shares amounted to SDG 23,758,000 and 32,910,350 in year 2010 and 2013 which represent 10% and 5% of total issued numbers of shares respectively.

**19/ Reserves:-**

| | | |
|---|---|---|
| Property revaluation reserve | 336,873,784 | 336,873,784 |
| Foreign investments revaluation reserve | 59,539,564 | 51,490,804 |
| Foreign assets and liabilities revaluation reserve (note 19/1) | 101,164,812 | 98,720,078 |
| Statutory reserve (note 19/2) | 56,248,510 | 50,021,505 |
| | **553,826,670** | **537,106,171** |

**19/1/ Foreign assets and liabilities revaluation reserve:-**

Revaluation of foreign assets and liabilities are excluded from income statements and included in the equity as foreign assets and liabilities reserve, according to the central bank of Sudan instructions.

**19/2/ Statutory reserve:-**

As required by the banking regulation law of 2003 and the central bank of Sudan circular dated 7 April 2007 10% of net profit must be transferred to statutory reserve. The bank may discontinue such annual transfers when the reserve equals 100% of the paid up capital

**20/Income from deferred sales:-**

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Murabaha income | 62,428,886 | 46,421,167 |
| Istisnaa income | 11,801,686 | 25,543,398 |
| Ijarra icome | 1,643,452 | 105,654 |
| | **75,874,024** | **72,070,219** |

**21/ Income from investments:-**

| | | |
|---|---|---|
| Securities (Shahama) | 37,591,513 | 9,438,645 |
| Inter bank liquidity management fund | 1,555,335 | 174,106 |
| Income from Alsalam bank- Bahrain | 1,754,449 | 2,269,580 |
| Mudaraba | 15,816,053 | 16,883,789 |
| Musharka | 11,222,825 | 13,534,356 |
| Investment accounts-local banks | 167,894 | 205,515 |
| Investment accounts-foreign banks | 783,149 | 504,727 |
| Gains (losses) from investment revaluation (note 21/1) | 2,626,550 | (1,847,330) |
| | **71,517,768** | **41,163,388** |

**21/1/ Gains from investment revaluation:-**

| | | |
|---|---|---|
| King Abdullah city shares | 2,274,647 | (1,166,352) |
| Al-salam Bank – Bahrain shares | 351,903 | ( 680,978) |
| | **2,626,550** | **(1,847,330)** |

**22/ Return of holders of unrestricted investments accounts:-**

| | | |
|---|---|---|
| Share of profit before Mudarib share | 43,153,114 | 36,630,467 |
| Mudarib share of profit | (20,137,921) | (18,547,920) |
| Net return after mudarib share | 23,015,193 | 18,082,547 |
| The bank subsidy to profit | 7,989,579 | 10,429,461 |
| Final balance after subsidy | **31,004,772** | **28,512,008** |

## 23/ income from banking services:-

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Bookkeeping and cheques issuance commission | 1,796,111 | 1,170,127 |
| Letters of credit commission | 489,105 | 5,693,729 |
| Letters of guarantee commission | 7,891,645 | 18,808,948 |
| Transfers and acceptances commission | 600,691 | 596,710 |
| Administrative commission | 551,018 | 619,120 |
| Other bank services | 215,706 | 171,020 |
| SMS commission | 371,432 | 406,344 |
| After sale services commission | 2,440 | 8,273 |
| Income from outward transfers | 830,784 | 410,359 |
| Income from ATMs | 423,165 | 368,540 |
| Mobile services income | 164,209 | 127,315 |
| | **13,336,306** | **28,380,485** |

## 23/ Other income:-

| | | |
|---|---|---|
| Income from mail and communications (SWIFT) | 9,700 | 18,791 |
| Miscellaneous income | 93,133 | 99,711 |
| Legal income | 3,300 | 17,825 |
| Revaluation property income | - | 375 |
| Reversal of prior years provisions | 2,001,726 | - |
| Income from property registration and mortgage | 600 | 8,700 |
| Income from insurance companies | 200,568 | 76,317 |
| Save box income | 148,419 | 135,825 |
| Gains on disposal of fixed assets | - | 48,500 |
| Income from electricity purchase and other electronic | 52,256 | 25,250 |
| | **2,509,702** | **431,294** |

## 25/ Staff cost:-

| | | |
|---|---|---|
| Basic salary | 10,773,816 | 11,439,705 |
| Eid bonus | 2,169,426 | 1,884,676 |
| Nature of work allowance | 298,205 | 288,806 |
| Uniform allowance | 2,355,616 | 1,912,455 |
| End of service benefit | 3,319,465 | 905,474 |
| Training | 193,221 | 145,524 |
| Staff performance bonus | 7,269,305 | 4,159,433 |
| Health insurance | 2,058,462 | 1,664,603 |
| Social insurance | 2,159,432 | 1,577,255 |
| Overtime | 44,932 | - |
| Other staff cash and in kind benefits | 511,435 | - |
| Annual leave allowances | 2,365,045 | 2,546,027 |
| | **33,518,360** | **26,523,958** |

**26/ Operations expenses:-**

| | 2015<br>SDG | 2014<br>SDG |
|---|---|---|
| Stationary and printings | 781,185 | 708,095 |
| Maintenance and repair | 2,836,213 | 2,459,391 |
| Telecommunications | 770,807 | 871,906 |
| Vehicles running expenses | 287,872 | 215,599 |
| Electricity and water | 697,994 | 635,924 |
| Insurance | 238,754 | 193,874 |
| Security expenses | 539,977 | 528,594 |
| Establishment expenses | - | 52,490 |
| Rent | 5,019,688 | 4,494,796 |
| Gardening | 56,850 | 36,150 |
| Legal consultants expenses | 166,510 | 496,196 |
| Expenses of shareholders meeting | 329,014 | 454,323 |
| Audit fees | 161,262 | 263,249 |
| Shari'a supervisory board expenses | 35,363 | 246,488 |
| Board of directors meeting expenses | 1,959,135 | 1,447,817 |
| Board of directors remuneration | 2,000,000 | 1,625,860 |
| Professional consultancies | 163,533 | 10,000 |
| Subscriptions | 866,802 | 701,322 |
| Entertainment | 296,938 | 204,164 |
| Cleaning | 747,081 | 578,900 |
| Miscellaneous | 215,209 | 468,035 |
| Visas and hotels expenses | 310,952 | 1,085,314 |
| Banks charges | 45,288 | 38,336 |
| Donations and gifts | 464,850 | 254,876 |
| Swift | 65,105 | 68,336 |
| Advertising | 486,521 | 563,176 |
| Deposits guarantee fund | 911,171 | 1,639,765 |
| National clearing expenses | 218,740 | 212,808 |
| Services expenses | 242,106 | 391,263 |
| Newspapers magazines and books | 20,521 | 15,737 |
| Losses on disposal of fixed assets | 169,337 | 2,448 |
| | **21,104,778** | **20,965,232** |

**27/ Earning per share:-**

| | 2015 | 2014 |
|---|---|---|
| Net profit for the year | 62,270,053 | 46,512,870 |
| Number of shares | 115,500,000 | 115,500,000 |
| Earning per share | **0.539** | **0.403** |

## 28/ Contra accounts:-

| | 2015 SDG | 2014 SDG |
|---|---|---|
| Letters of credit | 128,360,022 | 178,157,982 |
| Letters of guarantee | 181,512,229 | 388,201,614 |
| | **309,872,251** | **566,359,596** |

## 29/ Concentration of investments – Economic sector:-

The total of investment at Dec 31, 2015 amounted to SDG766, 531,463 (SDG 931,317,582 at Dec, 31, 2014) and it was distributed according to economic sectors as follows:

| | | |
|---|---|---|
| Industry | 22% | 25% |
| Transportation | 7% | 7% |
| Commercial | 8% | 6% |
| Agriculture | 1% | 1% |
| Building | 51% | 53% |
| Other sectors | 11% | 8% |
| Total | **100%** | **100%** |

## 30/ Social responsibility:-

With regard to the banks role in supporting the needy and poor people , the bank has allocated Zakah for this year amounting to SDG 7,9 million (SDG 11,5 million :2014) ,moreover during the year the bank has discharged its social responsibilities by training the employees and by donations payments.

**31/ Related party transactions:**

These represent transactions with related parties i:e shareholders , board of directors and senior management of the bank, and companies of which they are principal shareholders. These transactions are conducted in the arm length basis.

| 31,Dec ,2015 SDG | | | |
|---|---|---|---|
| | **Principal shareholders &board of directors and their companies** | **Key managers** | **Total at 31 Dec 2015** |
| **Balance sheet items:** | | | |
| Murabaha | 49,341,805 | 19,659,597 | 69,001,402 |
| Musharka | 4,250,000 | – | 4,250,000 |
| Mudaraba | 8,000,000 | – | 8,000,000 |
| Istisnaa | 338,392,031 | 901,097 | 339,293,128 |
| **Income statement items** | | | |
| Murabaha income | 15,602,646 | 591,288 | 16,193,934 |
| Musharka income | 595,000 | – | 595,000 |
| Mudaraba income | 2,400,000 | – | 2,400,000 |
| Istisnaa income | 71,342,994 | 27,033 | 71,370,027 |
| **Top management:-** | | | |
| Remuneration | 2,000,000 | 2,100,000 | 4,100,000 |

| 31Dec 2014<br>SDG | | | |
|---|---|---|---|
| | **Principal shareholders &board of directors and their companies** | **Key managers** | **Total at 31 Dec 2014** |
| **Balance sheet items**: | | | |
| Murabaha | 66,743,459 | 24,033,251 | 90,776,710 |
| Musharka | 5,000,000 | – | 5,000,000 |
| Mudaraba | 2,500,000 | – | 2,500,000 |
| Istisnaa | 386,929,857 | – | 386,929,857 |
| Investment accounts | 8,572,488 | – | 8,572,488 |
| Current accounts | 4,322,355 | 1,160,570 | 5,482,925 |
| **Income statement items:** | | | |
| Murabaha income | 176,242 | 720,998 | 897,240 |
| Musharka income | 555,166 | – | 555,166 |
| Mudaraba income | 374,900 | – | 374,900 |
| Istisnaa income | 25,543,393 | – | 25,543,393 |
| **Top management:-** | | | |
| Remuneration | 1,013,319 | 2,018,246 | 3,031,565 |

**32/ distribution of unrestricted investment accounts:-**

The balance of unrestricted investments accounts as at 31 Dec 2015: 447,280,399 SDG, the accounts of the below clients represents 52% of the total.

| client | balance at 31Dec 2015 SDG |
|---|---|
| Blue Nile mushreg bank | 105,000,000 |
| Central bank of Sudan | 30,000,000 |
| Sudanese Kuwaiti company | 20,000,000 |
| Turkish airlines | 25,000,000 |
| Information support fund | 16,000,000 |
| Deposits guarantee fund | 15,000,000 |
| Al –gadisya for Anshita | 10,000,000 |
| Mohamed Ismaeil Mohamed | 10,000,000 |
| **Total** | **231,000,000** |

**33/ Credit risk:**

Credit risk is the risk that one party of the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The bank attempts to control credit risk by monitoring credit exposures continuously.

The bank seeks to manage its credit risk exposure through the diversification of financial and investment activities to ensure that there is no undue concentration of risks with individuals or group of customers in specific locations or business. It also takes security when appropriate.

Analysis of investments concentration by economic sector is provided in note (29).

**34/ Liquidity risk:-**

Liquidity risk is the risk t that the bank will be unable to meet its net funding requirements , liquidity risk can be caused by disruptions or downgrades , which may cause certain sources funding to dry up immediately.

To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

## 35/ Market risk:-

Market risk is the risk that value of an asset will fluctuate as a result of change in market price , whether those change are caused by factors specific to the individual investment or its issuer of factor affecting all investment traded in market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and managements estimate of long and short term changes in fair value.

## 36/ Share price risk:-

Shares prices risk is the risk that the value of the shares will fluctuate as a result of changes in the market prices of the share. The board of directors put the limits on the amounts and types of shares to be acquired for investment purposes. The investments committee of the bank regularly monitors these limits.

## 37/ Profit rate risk:-

The profit rate risk refers to the risk due to change of profit rates , which might affect the future earnings of the bank. Exposure to profit rate risk is managed by the bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the board of directors, the assets and liabilities committee performs regular review of the assets and liabilities in order to ensure that the maturity gap between assets and liabilities is maintained at minimum levels and also to ensure that financing and investments are made for quality assets at higher rate of returns.

## 38/ Currency risk:-

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the bank board of directors. These Limits are monitored continuously to ensure that the net exposure is kept on an acceptable level.

Assets and liabilities in foreign currency are mainly denominated in US Dollars and other foreign currencies. The bank foreign currencies net position was as follows:

| | 2015<br>USD | 2014<br>USD |
|---|---|---|
| Assets | 130,608,256 | 137,244,686 |
| Liabilities | (49,989,867) | (53,384,467) |
| Net foreign currency position | **80,618,389** | **83,860,219** |

**39/ Capital adequacy:-**

The bank calculates the adequacy of its capital using the ratios established by central bank of Sudan.

| | 2015<br>SDG | 2014<br>SDG |
|---|---|---|
| Core capital | 561,618,630 | 518,537,127 |
| Total risk weighted assets | 1,993,865,120 | 2,114,856,484 |
| The banks capital adequacy ratio | **28,17%** | **24,5%** |
| Minimum capital adequacy ratio required | **12%** | **12%** |

**40/ Zakah**

The bank paid its Zakah liabilities up to 2014 and provided for 2015 Zakah liability.

**41/ Business profit tax:**

The bank paid its business profit tax up to 2014 and provided for 2015.There was an error in the calculation of business profit tax provision for the year ended 31 Dec 2014 amounted to SDG 3,5 million less than the amount due. The bank paid the difference in 2015; the comparative figures have been restated to correct the error according to the international accounting standard (8).

**42/ Comparative figures:-**

Some comparative figures have been re- classified in order to be in consistent with the current year classification, and to correct the error of calculation of the business profit tax.

**43/ Bank financial statement approval:-**

The financial statements approved by the bank board of directors meeting on --\--\2016