Alsalam Bank- Sudan

(Limited liability Company)
Financial Statements Dec 31 2017
With
Auditors' Report

Allied Accountants
Bannaga & Co.
Certified Public Accountants

Auditors' Report

To: shareholders
Al Salam bank – Sudan

We have audited the accompanying statements of financial position of Al Salam bank "Public limited liability Company" (the bank) as at December 31, 2017 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 ,2017and 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 Act 2015 .

Abdelgadir Bannaga /PhD /FCCA

Allied Accountants Bannaga & Co. Reg. No. 13657

Khartoum on January 25, 2018

AL SALAM BANK

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Note	2017 SDG	2016 SDG
Assets:-			
Cash and cash equivalents	(5)	466,198,136	232,093,197
Deferred sales receivables (net)	(6)	736,234,624	596,678,549
Investments held to maturity	(7)	242,530,000	259,404,000
Investments in Mudaraba	(8)	206,145,623	242,083,715
Musharaka financing	(9)	163,734,861	112,064,354
Investments available for sale	(10)	185,652,044	149,912,337
Investments in property	(11)	518,172,166	520,254,027
Other assets	(12)	30,235,971	33,504,550
Projects in progress	(13)	65,135,403	21,823,727
Fixed assets (net)	(14)	84,619,762	84,865,582
Total Assets		**2,698,658,590**	**2,252,684,038**
Liabilities, Unrestricted investment accounts and Owners' Equity:-			
Liabilities:-			
Current Account	(15)	722,614,641	535,574,585
Other liabilities	(16)	104,884,000	90,322,131
Provisions and accruals	(17)	43,920,976	35,834,650
Total Liabilities		**871,419,617**	**661,731,276**
Unrestricted investment accounts holders	(18,23)	**508,330,075**	**414,052,332**
Owners' Equity:-			
Paid in capital	(19)	323,549,000	323,549,000
Reserves	(20)	710,951,950	636,462,608
Retained earnings		284,407,948	216,888,822
		1,318,908,898	**1,176,900,430**
Total Owners' equity			
	(29)	**2,698,658,590**	**2,252,684,038**
Total Liabilities, Unrestricted investment accounts and Owners' equity			
Contra accounts:-		**56,177,421**	**71,100,587**

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

Alnour Ajabna Izalarab	Saud Mamoun Elbirair	Abdulrahman Ahmed Senan
General Manager	Board member	Board member

AL SALAM BANK

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 SDG	2016 SDG
Income:-			
Income from deferred sales	(21)	123,366,891	58,108,134
Income from investments	(22)	83,565,985	61,040,931
Total income from financing and investments		**206,932,876**	**119,149,065**
Less: Return on unrestricted investment accounts	(23)	(43,255,395)	(37,086,652)
Bank's share in income from investments (as Mudarib and as fund owner)		163,677,481	82,062,413
Income from banking services	(24)	11,915,693	23,586,313
Gain(loss) on foreign currency transaction		1,271,679	50,638,106
Gains (losses) on valuation of foreign currencies		36,045,908	23,373,369
Other income	(25)	12,351,155	7,516,988
Total Bank's revenue		**225,261,916**	**187,177,189**
Expenses:-			
Staff cost	(26)	(45,923,842)	(41,383,396)
Operations expenses	(27)	(31,993,301)	(26,126,035)
Depreciation		(4,029,165)	(3,690,351)
Provision for Investment & Finance	(6/1)	-	(898,280)
Provision for investment in property		(3,000,490)	-
Provision for doubtful debts		-	(2,222,812)
Central Bank of Sudan penalties		-	(31,250)
Total expenses	(40)	**(84,946,798)**	**(74,352,124)**
Gross profit	(41)	140,315,118	112,825,065
Provision for Zakah		(11,989,380)	(9,320,792)
Provision for Business Profit Tax		(13,253,478)	(11,279,248)
Net income for the period		**115,072,260**	**92,225,025**
Earnings per share		**0.949**	**0.760**

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

Alnour Ajabna Izalarab
General Manager

Saud Mamoun Elbirair
Board member

Abdulrahman Ahmed Senan
Board member

AL SALAM BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 SDG	2016 SDG
Cash flows from operating activities:		
Net income for the period	**115,072,260**	**92,225,025**
Adjustments to reconcile net income to net cash:		
Provision for Zakah	11,989,380	9,320,792
Provision for Business Profit Tax	13,253,478	11,279,248
Provision for Investment & Finance	3,000,490	3,121,092
Depreciation of fixed assets	4,029,165	3,690,351
Profit from disposal of fixed assets	(45,199)	-
Return on unrestricted investment accounts	43,255,395	37,086,652
	190,554,969	156,723,160
Changes in operating assets, liabilities:		
Other assets	3,268,579	(25,333,641)
Other liabilities	14,561,869	(77,899,665)
Provisions	(17,156,442)	(14,862,756)
Net cash from operating activities	**191,228,975**	**38,627,098**
Cash flows from investing activities:		
Deferred Sales receivables	(139,556,075)	(29,835,071)
Investments held to maturity	16,874,000	(33,908,500)
Investments in Mudaraba	35,938,092	(8,942,026)
Musharaka financing	(51,670,507)	(79,115,227)
Investments available for sale	(35,739,707)	(24,348,726)
Investments in property	(918,629)	(7,044,807)
Projects in progress	(43,311,676)	-
Sale of fixed assets	52,809	-
Purchases of fixed assets	(3,790,955)	(27,183,294)
Net cash (used in) investing activities	**(222,122,648)**	**(210,377,651)**
Cash flows from financing activities:		
Current accounts	187,040,056	94,236,084
Unrestricted investment accounts	51,022,348	(70,314,719)
Capital increase expenses	-	(2,680,750)
Reserves	26,936,208	50,040,067
Net cash from financing activities	**264,998,612**	**71,280,682**
Increase (Decrease) in cash and cash equivalents	234,104,939	(100,469,871)
Cash and cash equivalents at the beginning of the year	232,093,197	332,563,068
Cash and cash equivalents at the end of the year	**466,198,136**	**232,093,197**

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

Alnour Ajabna Izalarab
General Manager

Saud Mamoun Elbirair
Board member

Abdulrahman Ahmed Senan
Board member

AL SALAM BANK

STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Paid in capital SDG	**Retained earnings SDG**	**Statutory reserve SDG**	**Property revaluation reserve SDG**	**Investment revaluation reserve SDG**	**Foreign assets &Liab reserve SDG**	**Total SDG**
Balance as at Jan. 1, 2016	**310,668,350**	**172,821,068**	**56,248,510**	**336,873,784**	**59,539,564**	**101,164,812**	**1,037,316,088**
Net income for the year	-	92,225,025	-	-	-	-	92,225,025
Reserves		(32,595,871)	9,222,502	-	12,007,774	23,373,369	12,007,774
bonus share	15,561,400	(15,561,400)	-	-	-	-	-
Exchange Diff			-	-	-	38,032,293	38,032,293
Capital increase expenses	(2,680,750)		-	-	-	-	(2,680,750)
Balance as at Dec, 31, 2016	**323,549,000**	**216,888,822**	**65,471,012**	**336,873,784**	**71,547,338**	**162,570,474**	**1,176,900,430**
	-			-	-	-	
Net income for the year		115,072,260	-	-	-	-	115,072,260
Reserves		(11,507,226)	11,507,226	-			-
Exchange Diff		(36,045,908)	-		26,936,208	36,045,908	26,936,208
Balance as at Dec, 31, 2017	**323,549,000**	**284,407,948**	**76,978,238**	**336,873,784**	**98,483,546**	**198,616,382**	**1,318,908,898**

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

Alnour Ajabna Izalarab
General Manager

Saud Mamoun Elbirair
Board member

Abdulrahman Ahmed Senan
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 provides 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.

2/ Significant Accounting Policies:-

i/Bases 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 as required by the Central Bank of Sudan 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 treated 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 and bonds income:-

Dividends and bonds income are 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. Provisions are reviewed at the end of each financial year to ensure its adequacy to meet the obligations, Differences arise from such review are adjusted through income statement.

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Viii\ Doubtful investment and bad debts:

Doubtful investment and bad debts are written off on the passage of legal period determined by central bank , or when court decides write of and closure of cases,

x\ 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 if fair value is not available they are reported at cost.

g\ 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 exempted 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 not right 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 of 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:

	2017	2016
	SDG	SDG
Cash in hand and in ATM	25,482,161	15,658,079
Balances with central bank of Sudan - local	26,139,489	28,760,731
Balances with central bank of Sudan - foreign	259,152,198	70,713,761
Central bank of Sudan – Statutory cash reserve-local	103,426,580	72,693,403
Central bank of Sudan - Statutory cash reserve- foreign	20,904,890	17,446,207
Cash with foreign correspondent banks	31,092,818	26,821,016
	466,198,136	**232,093,197**

6/ Deferred sales receivables-net:-

	2017	2016
	SDG	SDG
Murarbahat	808,675,032	464,389,451
Musawama	5,454,712	7,389,547
Istisnaa	62,514,206	285,180,414
Ijarra	428,271	867,450
	877,072,221	**757,826,862**
Less: Deferred sales profit	(131,539,492)	(149,321,517)
	745,532,729	608,505,345
Less: provision for doubtful debts (note 6/1/1)	(9,298,105)	(11,826,796)
Deferred sales receivable (net)	**736,234,624**	**596,678,549**

6/1 /Provision for doubtful finance and investment:

	2017	2016
	SDG	SDG
Balance at 1/1	45,479,679	48,059,373
Provision for the year	-	898,280
Reversal of prior years provisions	(12,194,576)	(7,082,900)
Provision for foreign currencies balances	6,827,618	3,604,926
Balance at 31/12	**40,112,721**	**45,479,679**

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

	2017	2016
	SDG	SDG
Provision for doubtful deferred sales (note 6)	9,298,105	11,826,796
Provision for finance and investment – Mudaraba (note 8)	29,160,729	32,520,920
Provision for finance and investment – Musharka (note 9)	1,653,887	1,131,963
	40,112,721	**45,479,679**

7/ Investments in securities held to maturity: -

	2017 SDG	2016 SDG
Shahama securities	242,530,000	259,404,000
	232,530,000	**259,404,000**

8/ Investments in Mudaraba:-

	2017 SDG	2016 SDG
Mudaraba with customers – Individuals	98,765,581	229,494,349
Mudaraba with banks	136,540,771	45,110,286
	235,306,352	274,604,635
Less : Provision for finance and investment risk (note 6/1/1)	(29,160,729)	(32,520,920)
	206,145,623	**242,083,715**

9/Mushraka Financing:-

	2017 SDG	2016 SDG
Musharaka with corporate and customers	165,388,748	113,196,317
Less: provision for finance and losses(note6/1/1)	(1,653,887)	(1,131,963)
	163,734,861	**112,064,354**

10/ Investments available for sale:-

		2017 SDG	2016 SDG
Alsalam bank- Algeria	5%	49,138,650	39,051,650
Alsalam real state company	50%	50,000	50,000
Foreign investment funds		2,000,457	1,386,800
Assets acquired by banks for musharaka finance		11,643,103	18,419,950
Inter bank liquidity management fund		40,712,690	25,746,000
Alsalam bank- Bahrain		65,666,394	52,186,640
King Abdullah city		16,440,750	13,071,297
		185,652,044	**149,912,337**

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 lands in Ajman UAE lumped ownership to Alsalam bank after liquidation of Alsalam real state fund, the cost of these lands is 150,8 m SDG where was the market value as at 31Dec 2014: 506,9 m SDG , it was not revalued since end of 2015 because there was no significant difference between the tow periods values.

The bank owns pieces of land in Ajman UAE amounts to SDG 9,000,490 but ownership transfer has not been completed, To meet the risk of ownership a provision of SDG3,000,490 was made in 2017.

	2017	2016
	SDG	SDG
Investments in property	521,172,656	520,254,027
Less: Provision for investment in property	(3,000,490)	-
	518,172,166	**520,254,027**

12/ Other assets:-

	2017	2016
	SDG	SDG
Staff loans	2,415,300	2,549,400
Accrued income of investments	21,731,066	25,418,320
Exchange dealing room accounts - local	15,437	-
Transfer bonus	-	234,832
Bonus of sale and purchase of foreign currencies	18,869	-
Prepayments	6,055,299	5,301,998
Debtors (note 12/1)	27,416,904	22,245,154
	57,652,875	55,749,704
Less: provision of doubtful debts	(27,416,904)	(22,245,154)
	30,235,971	**33,504,550**

12/1/ Debtors:-

A debt balance of$ 2.8 million 25,194,092 SDG (20,022,342SDG:2016) resulted for the liquidation of Alsalam real state fund on 27/10/2011 of which $1 million settled on 7/6/2012 and 2,222,812 represents the value of shares in Aman insurance – Bahrain, Full provision was made for the balance according to central bank of Sudan instructions.

13/ Projects in progress :-

	2017 SDG	2016 SDG
Africa street branch	30,114,742	20,821,327
Alsajana branch	30,405,442	200,000
Computer software and devices	4,615,219	802,400
	65,135,403	**21,823,727**

14/ 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 ,1,2017	4,964,632	13,817,987	4,584,896	13,116,442	75,892,980	112,376,937
Additions	1,613,938	701,376	483,879	982,245	9,517	3,790,955
disposals	(41,900)	-	(8,500)		-	(50,400)
Dec,31,2017	**6,536,670**	**14,519,363**	**5,060,275**	**14,098,687**	**75,902,497**	**116,117,492**
Depreciation:						
Jan ,1,2017	2,094,591	7,018,087	2,602,609	10,774,584	5,021,484	27,511,355
For the year	699,685	1,308,301	402,261	1,074,538	544,380	4,029,165
disposals	(41,900)	-	(890)	-	-	(42,790)
Dec,31,2017	**2,752,376**	**8,326,388**	**3,003,980**	**11,849,122**	**5,565,864**	**31,497,730**
Net book value:						
Dec,31,2017	**3,784,294**	**6,192,975**	**2,056,295**	**2,249,565**	**70,336,633**	**84,619,762**
Dec,31,2016	**2,870,041**	**6,799,900**	**1,982,287**	**2,341,858**	**70,871,496**	**84,865,582**

15/ Current accounts:-

	2017 SDG	2016 SDG
Current accounts – local	642,182,064	446,405,971
Current accounts – foreign	80,432,577	69,168,614
	722,614,641	**535,574,585**

16/ Other liabilities :-

	2017 SDG	2016 SDG
Other creditors (note 16/1)	30,248,273	25,892,645
Accrued expenses	1,899,409	2,210,192
Outstanding cheques	14,304,948	9,427,672
Other payable (note 16/2)	22,374,966	22,393,874
Cash margin against letters of credit	33,470,246	26,677,509
Cash margin against letters of guarantee	2,586,158	3,720,239
	104,884,000	**90,322,131**

16/1/ Other creditors:-

	2017 SDG	2016 SDG
Clients import accounts	-	929,622
National clearance account – commission	278,187	477,807
Albir money	23,000	-
Export proceed account	673,719	152,272
National clearance account- sale points	422,736	384,642
Albokhary corporation (3 million dollar)*	26,802,900	21,300,900
Exchange dealing room accounts – foreign	15,494	-
National clearance account	2,032,237	2,647,402
	30,248,273	**25,892,645**

* Albokhary corporation:
Represents amount reclassified from unrestricted investment accounts to other creditors according to the central bank letter dated 16/8/2016.

16/2 Other payable:-

A major part of this amount represents shareholders unpaid dividends.

17/ Provisions and accruals:-

	2017 SDG	2016 SDG
Provision for banking Deposits security fund	1,348,335	1,445,511
Provision for staff bonus	8,697,200	7,100,000
Board of directors renumeration	5,000,000	5,750,000
Shari'a supervisory board renumeration	315,000	250,000
Provision for personal Income tax and Zakah	1,136,941	689,009
Provision for tax (Prior years)	2,180,643	-
Provision for Zakah	11,989,380	9,320,792
Provision for Business profit tax	13,253,477	11,279,248
	43,920,976	**35,834,560**

18/ Unrestricted investment accounts holders:-

	2017 SDG	2016 SDG
Unrestricted investment account balances	479,178,418	389,812,131
Return on unrestricted investment accounts (note 23)	43,255,395	37,086,652
Advance payment	(14,103,738)	(12,846,451)
	508,330,075	**414,052,332**

19/Paid in capital

	2017 SDG	2016 SDG
Authorized and paid up capital	323,549,000	323,549,000
	323,549,000	**323,549,000**

The_authorized share capital of the bank comprises of 200 million share with nominal value of US $1 equivalent SDG 2.69 each ,the bank issued bonus shares amounted to SDG 23,758,000 , SDG 32,910,350 and SDG 15,561,400 year 2010 , 2013 and 2016 which represent 10% , 5% and 5% of total issued numbers of shares respectively.

20/ Reserves:-

	2017 SDG	2016 SDG
Property revaluation reserve	336,873,784	336,873,784
Foreign investments revaluation reserve	98,483,546	71,547,338
Foreign assets and liabilities revaluation reserve (note 20/1)	198,616,382	162,570,474
Statutory reserve (note 20/2)	76,978,238	65,471,012
	710,951,950	**636,462,608**

20/1/ 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.

20/2/ 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

21/Income from deferred sales:-

	2017	2016
	SDG	SDG
Murabaha income	105,461,422	57,985,114
Istisnaa income	17,792,337	-
Ijarra icome	113,132	123,020
	123,366,891	58,108,134

22/ Income from investments:-

	2017	2016
	SDG	SDG
Securities (Shahama)	41,874,845	38,413,432
Inter bank liquidity management fund	4,130,460	438,672
Income from Alsalam bank- Bahrain	4,423,483	1,783,280
Mudaraba income	4,886,104	8,871,929
Musharka income	24,913,738	11,187,094
Investment accounts-local banks	3,232,998	46,134
Investment accounts-foreign banks	104,357	300,390
	83,565,985	61,040,931

23/ Return on unrestricted investments accounts:-

	2017	2016
	SDG	SDG
Share of profit before Mudarib share	60,934,440	35,892,464
Mudarib share of profit	(17,679,045)	(15,509,135)
Net return after mudarib share	43,255,395	20,383,329
The bank subsidy to profit	-	16,703,323
Final balance after subsidy	43,255,395	37,086,652

24/ income from banking services:-

	2017 SDG	2016 SDG
Bookkeeping and cheques issuance commission	2,205,448	1,158,678
Letters of credit commission	102,514	1,142,465
Letters of guarantee commission	4,911,210	14,072,246
Transfers and acceptances commission	215,155	71,086
Administrative commission	2,310,893	842,010
Other bank services	252,598	279,688
SMS commission	415,424	437,616
After sale services commission	140	970
Income from outward transfers	316,109	4,729,877
Income from ATMs	555,490	415,772
Income from mail and communications (SWIFT)	5,100	6,000
Save box income	148,635	150,138
Mobile services income	476,977	279,767
	11,915,693	**23,586,313**

25/ Other income:-

	2017	2016
Miscellaneous	-	211,171
Legal income	-	83,302
Income from registration and mortgage	5,427	59,250
Income from insurance companies	58,472	32,546
Income from electricity purchase and other electronic	45,199	47,819
Profit from disposal of fixed assets	47,481	-
Reversal of prior years provisions	12,194,576	7,082,900
	12,351,155	**7,516,988**

26/ Staff cost:-

	2017	2016
Basic salary	14,067,071	13,532,031
Eid bonus	4,401,864	4,195,374
Nature of work allowance	398,031	364,196
Uniform allowance	3,045,697	3,072,089
End of service benefit	3,544,771	3,020,630
Training	1,436,693	466,547
Staff performance bonus	8,812,286	7,100,000
Health insurance	3,565,000	2,750,000
Social insurance	2,697,149	2,784,684
Overtime	202,153	109,722
Other staff cash and in kind benefits	503,806	831,335
Staff refreshment	250,000	300,000
Annual leave allowances	2,999,321	2,856,788
	45,923,842	**41,383,396**

27/ Operations expenses:-

	2017	2016
	SDG	SDG
Stationary and printings	866,315	747,900
Maintenance and repair	3,799,275	2,955,428
Telecommunications	856,908	821,833
Vehicles running expenses	662,861	358,757
Electricity and water	1,463,785	833,217
Insurance	556,439	322,461
Security expenses	644,344	506,418
Rent	5,278,699	4,569,542
Gardening	49,200	47,800
Legal consultants expenses	148,462	154,000
Shareholders meeting expenses	611,778	419,356
Audit fees	222,300	187,200
Shari'a supervisory board expenses	279,150	100,284
Board of directors meeting expenses	4,715,663	2,608,609
Board of directors remuneration	3,947,000	5,750,000
Shari'a supervisory board renumeration	315,000	250,000
Professional consultancies	-	185,000
Subscriptions	990,686	640,484
Entertainment	489,167	344,690
Cleaning	737,691	762,550
Miscellaneous	130,328	85,495
Visas and hotels expenses	1,108,408	476,466
Banks charges	14,982	20,228
Donations and gifts	1,261,566	566,422
Swift	27,830	60,240
Advertising	1,205,771	874,939
Deposits guarantee fund	1,252,635	1,132,223
National clearing expenses	225,539	230,681
Services expenses	94,363	79,046
Newspapers magazines and books	37,156	34,766
	31,993,301	**26,126,035**

28/ Earning per share:-

Net profit for the year	115,072,260	92,225,025
Number of shares	121,275,000	121,275,000
Earning per share	**0.949**	**0.760**

29/ Contra accounts:-

	2017	2016
	SDG	SDG
Shahama under collection	944,000	2,493,000
Letters of credit	33,470,246	26,600,602
Letters of guarantee	21,763,175	42,006,985
	56,177,421	**71,100,587**

30/ Concentration of investments – Economic sector:-

The total investment at Dec 31, 2017 amounted to SDG 1,106,115,108 (SDG 934,676,140 at Dec, 31, 2016) and it was distributed according to economic sectors as follows:

	2017	2016
Industry	%8.8	%21
Transportation	%5.6	%6
Commercial	%17.8	%15
Agriculture	%1.1	%1
Building	%13.3	%34
Other sectors	%53.4	%23
Total	**%100**	**%100**

31/ 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 11.9 million (SDG 9.3 million: 2016), moreover during the year the bank has discharged its social responsibilities by training the employees and by donations payments.

32/ 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 ,2017 SDG			
	Principal shareholders &board of directors and their companies	**Key managers**	**Total at 31 Dec 2017**
Balance sheet items:			
Murabaha	32,072,961	20,100,245	52,173,206
Musharka	-	-	-
Mudaraba	62,681,972	-	62,681,972
Istisnaa	48,928,608	-	48,928,608
Unrestricted investment accounts holders:-	-	804,000	804,000
Current accounts	574,000	2,843,000	3,417,000
Income statement items			
Murabaha income	8,631,942	4,849,705	13,481,647
Istisnaa income	8,868,458	-	8,868,458
Top management:-			
Renumeration	3,570,000	2,450,000	6,020,000

31,Dec ,2016 SDG			
	Principal shareholders &board of directors and their companies	**Key managers**	**Total at 31 Dec 2016**
Balance sheet items:			
Murabaha	41,149,793	22,851,021	64,000,814
Musharka	4,500,000		4,500,000
Mudaraba	8,000,000		8,000,000
Istisnaa	267,295,248		267,295,248
Unrestricted investment accounts holders:-	8,572,488		8,572,488
Current accounts	125,344	1,160,570	1,285,914
Income statement items			
Murabaha income	1,600,000	685,531	2,285,531
Musharka income	717,188		717,188
Mudaraba income	12,983,965		12,983,965
Istisnaa income	25,006,233		25,006,233
Top management:-			
Renumeration	2,124,493	3,038,845	5,163,338

33/ distribution of unrestricted investment accounts:-

The balance of unrestricted investment accounts as at 31 Dec 2017 508,330,075 SDG (2016: 414,052,332 SDG), the accounts of the below clients represents 45. % of the total.

client	balance at 31Dec 2016 SDG
Blue Nile mushreg bank	80,000,000
Information support fund	104,000,000
Deposits guarantee fund	15,000,000
Mohamed Ismaeil Mohamed	10,000,000
Albaraka insurance company	10,000,000
AL-riaya &AL-islah charity organization	9,000,000
Total	**228,000,000**

34/ 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).

35/ Liquidity risk:-

Liquidity risk is the risk 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.

36/ 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.

37/ 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.

38/ 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.

39/ 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:

	2017	2016
	USD	USD
Assets	65,469,426	64,238,450
Liabilities	(30,667,398)	(33,146,850)
Net foreign currency position	**34,802,028**	**31,091,600**

40/ Capital adequacy:-

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

	2017 SDG	2016 SDG
Core capital	892,209,600	686.778.750
Total risk weighted assets	2,685,022,230	2.009.787.490
The banks' capital adequacy ratio	**%33.2**	**%34.2**
Minimum capital adequacy ratio required	**%12**	**%12**

41/ Zakah

The bank paid its Zakah liabilities up to 2016 and provided for 2017.

42/ Business profit tax:

The bank paid its business profit tax up to 2016 and provided for 2017.

43/ Comparative figures:-

Some comparative figures have been re- classified in order to be consistent with the current year classification.