Alsalam Bank
Limited liability company
Financials Statements Dec,31,2018
With Auditors report

EL IMAM

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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, 2018 and the related statements of income, cash flows and changes in equity for the year then ended. The accompanying notes (1) through (44) represent an integral part of these financial statements.

Management Responsbility:
These financial statements are the responsibility of the bank's management and have been prepared and presented in conformity with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Shari'a 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 are reasonable to the circumstances.

Auditors' Responsbility:
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, 2018 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 Financial Reporting Standards and comply with the Companies Act 2015.

الإمام محاسبون ومراجعون قانونيون
El Imam Certified Public Accountants

Abdel Rahman Osman El Imam, PhD, CPA

Khartoum on January 24, 2019

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 SDG	2017 SDG
Assets:-			
Cash and cash equivalents	(5)	1,947,841,618	466,198,136
Deferred sales receivables (net)	(6)	873,767,453	736,234,624
Investments held to maturity	(7)	498,383,055	242,530,000
Investments in Mudaraba	(8)	523,878,878	206,145,623
Musharaka financing	(9)	186,787,863	163,734,861
Investments available for sale	(10)	756,697,926	185,652,044
Investments in property	(11)	468,281,089	518,172,166
Other assets	(12)	99,559,807	30,235,971
Projects in progress	(13)	37,858,747	65,135,403
Fixed assets (net)	(14)	162,880,464	84,619,762
Total Assets		**5,555,936,900**	**2,698,658,590**
Liabilities, Unrestricted investment accounts and Owners' Equity:-			
Liabilities:-			
Current Accounts	(15)	933,379,721	722,614,641
Other liabilities	(16)	648,280,659	104,884,000
Provisions	(17)	114,212,585	43,920,976
Total Liabilities		**1,695,872,965**	**871,419,617**
Unrestricted investment accounts holders	(18,23)	**1,065,198,855**	**508,330,075**
Owners' Equity:-			
Paid in capital	(19)	323,549,000	323,549,000
Reserves	(20)	2,288,030,608	710,951,950
Retained earnings		183,285,472	284,407,948
Total Owners' equity		**2,794,865,080**	**1,318,908,898**
Total Liabilities, Unrestricted investment accounts and Owners' equity		**5,555,936,900**	**2,698,658,590**
Contra accounts	(30)	**203,573,040**	**56,177,421**

The accompanying notes (1) to (44) form an integral part of these financial statements

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

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 SDG	2017 SDG
Income:-			
Income from deferred sales	(21)	155,984,226	123,366,891
Income from investments	(22)	123,790,355	79,142,502
Total income from financing and investments		**279,774,581**	**202,509,393**
Less: Return on unrestricted investment accounts	(23)	(63,913,724)	(43,255,395)
Bank's share in income from investments (as Mudarib and as fund owner)		215,860,857	159,253,998
Income from bank's own investments	(24)	141,924,120	4,423,483
Income from banking services	(25)	16,666,557	11,915,693
Gain(loss) on foreign currency transaction		3,287,441	1,271,679
Gains on valuation of foreign currencies		738,529,688	36,045,908
Other income	(26)	41,411,065	12,351,155
Total Bank's revenue		**1,157,679,728**	**225,261,916**
Expenses:-			
Staff cost	(27)	(68,406,537)	(45,923,842)
Operations expenses	(28)	(64,463,265)	(31,993,301)
Depreciation		(5,709,213)	(4,029,165)
Central Bank of Sudan penalties		(15,500)	-
Provision for Investment & Finance	(6/1)	(4,967,674)	-
Provision for investment in property	11	-	(3,000,490)
Provision for doubtful debts	(12/1)	(3,000,000)	-
Total expenses		**(146,562,189)**	**(84,946,798)**
Net operating income		1,011,117,539	140,315,118
Provision for Zakah	(42)	(44,147,003)	(11,989,380)
Provision for Business Profit Tax	(43)	(24,790,324)	(13,253,478)
Net income for the year		**942,180,212**	**115,072,260**
Earnings per share	(29)	**7.77**	**0.95**

The accompanying notes (1) to (44) form an integral part of these financial 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, 2018

	2018 SDG	2017 SDG
Cash flows from operating activities:		
Net income for the year	942,180,212	115,072,260
Adjustments to reconcile net income to net cash:		
Provision for Zakah	44,147,003	11,989,380
Provision for Business Profit Tax	24,790,324	13,253,478
Provision for Investment & Finance	4,967,674	-
Provision for investment in property	-	3,000,490
Provision for doubtful debts	3,000,000	-
Depreciation of fixed assets	5,709,213	4,029,165
Gain from disposal of fixed assets	-	(45,199)
Return on unrestricted investment accounts	63,913,724	43,255,395
	1,088,708,150	190,554,969
Changes in operating assets, liabilities:		
Provisions	1,354,282	(17,156,442)
Net cash from operating activities	**1,090,062,432**	**173,398,527**
Cash flows from investing activities:		
Deferred Sales receivables	(139,514,714)	(139,556,075)
Investments held to maturity	(255,853,055)	16,874,000
Investments in Mudaraba	(320,486,185)	35,938,092
Musharaka financing	(23,285,861)	(51,670,507)
Investments available for sale	(571,045,882)	(35,739,707)
Investments in property	49,891,077	(918,629)
Projects in progress	27,276,656	(43,311,676)
Sale of fixed assets	-	52,809
Purchases of fixed assets	(83,969,915)	(3,790,955)
Net cash (used in) investing activities	**(1,316,987,879)**	**(222,122,648)**
Cash flows from financing activities:		
Other assets	(72,323,836)	3,268,579
Current accounts	210,765,080	187,040,056
Other liabilities	543,396,659	14,561,869
Unrestricted investment accounts	492,955,056	51,022,348
Property revaluation reserve	(29,323,600)	-
Investments revaluation reserve	563,099,570	26,936,208
Net cash from financing activities	**1,708,568,929**	**282,829,060**
Increase in cash and cash equivalents	1,481,643,482	234,104,939
Cash and cash equivalents at the beginning of the year	466,198,136	232,093,197
Cash and cash equivalents at the end of the year	**1,947,841,618**	**466,198,136**

The accompanying notes (1) to (44) form an integral part of these financial 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, 2018

	Paid in capital SDG	Retained earnings SDG	Statutory reserve SDG	General reserve SDG	Property revaluation reserve SDG	Investment revaluation reserve SDG	Foreign assets & Liabilities reserve SDG	Total SDG
Balance as at Jan. 1, 2017	**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**
Net income for the year	-	942,180,212	-	-	-	-	-	942,180,212
Reserves	-	(304,773,000)	20,365,052	284,407,948	(29,323,600)	-	-	(29,323,600)
Exchange Diff	-	(738,529,688)	-	-	-	563,099,570	738,529,688	563,099,570
Balance as at Dec, 31, 2018	323,549,000	183,285,472	97,343,290	284,407,948	307,550,184	661,583,116	937,146,070	2,794,865,080

The accompanying notes (1) to (44) form an integral part of these financial 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' Act 1925 with registration certificate No. 23335. The bank provides commercial banking services according to Islamic rules and principles.
The bank started its commercial operations in May 2005. The bank provides its services from its Head Office, which is located at Aljamhoria street and Alhuria street junction, Alsalam Rotana branch 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 Financial Institutions (AAOIFI) and International Financial Reporting 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 are 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.

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%)

iii/ Foreign Currency:-

All transactions in foreign currencies are recorded using the prevailing exchange rates at the date of occurrence of these transactions. Assets and liabilities which were recorded in foreign currencies are translated to Sudanese Geneih at the rate of exchange prevailing at the statement of financial position date. Exchange differences arising from the bank investment balances are recognized in foreign exchange investment reserve in accordance with the Central Bank of Sudan instructions. Exchange differences arising from the bank’s transactions and other operations are treated in the income statement and then reported in the statement of financial position in a separate account within the owners’ equity, in accordance with the Central Bank of Sudan instructions.

iv / Revenue recognition :

a/ Murabaha and Istisnaa:-

The profits from Murabaha 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\ Musharaka and Salam financing:-

The profit from Musharaka 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.

e\ 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,

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\ Musharaka :-

Musharaka 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.

e\ 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 the Central Bank of Sudan according to the Central Bank of Sudan Act for the year 2002, and Banking Operations Regulation Act for the year 2004. The bank abides to the 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:

	2018	2017
	SDG	SDG
Cash in hand and in ATM	22,155,652	25,482,161
Balances with the central bank of Sudan – local	245,417,332	26,139,489
Balances with the central bank of Sudan – foreign	1,323,242,102	259,152,198
Central bank of Sudan – Statutory cash reserve-local	76,695,000	103,426,580
Central bank of Sudan - Statutory cash reserve- foreign	63,266,738	20,904,890
Cash with foreign correspondent banks	217,064,794	31,092,818
	1,947,841,618	**466,198,136**

6/ Deferred sales receivables-net:-

	2018	2017
	SDG	SDG
Murabahat	1,052,518,131	808,675,032
Musawama	7,217,355	5,454,712
Istisnaa	1,151,002	62,514,206
Ijarra	128,901	428,271
	1,061,015,389	**877,072,221**
Less: Deferred sales profit	(177,684,476)	(131,539,492)
	883,330,913	**745,532,729**
Less: provision for doubtful debts (note 6/1/1)	(9,563,460)	(9,298,105)
Deferred sales receivable (net)	**873,767,453**	**736,234,624**

6/1 /Provision for doubtful finance and investment:

	2018	2017
	SDG	SDG
Balance at 1/1	40,112,721	45,479,679
Provision for the year	4,967,674	-
Reversal of prior years' provisions	(39,757,616)	(12,194,576)
Provision for foreign currencies Balances (note 6/1/2)	104,242,687	6,827,618
Balance at 31/12	**109,565,466**	**40,112,721**

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

	2018	2017
	SDG	SDG
Provision for doubtful deferred sales (note 6)	9,563,460	9,298,105
Provision for finance and investment – Mudaraba (note 8)	98,115,260	29,160,729
Provision for finance and investment – Musharaka (note 9)	1,886,746	1,653,887
	109,565,466	**40,112,721**

6/1/2/ **Provision for Foreign Currencies Balances :**

	2018 US $	Av. Exch. Rate SDG	2018 SDG
Reversal of prior years' provisions in 2018	1,163,347	34.1752	39,757,616
Less: Reversed provisions with 2017 exchange rate	1,163,347	8.9343	(10,393,697
Difference of the reversed provision	1,163,347	25.2409	29,363,919
Provision	1,979,999	38.6345	76,595,298
Less: Provision of Alayouf Company			(1,716,530)
Total Provision for Foreign Currencies (note 6/1)			**104,242,687**

7/ Investments in securities held to maturity: -

	2018 SDG	2017 SDG
Shahama securities	498,383,055	242,530,000
	498,383,055	**242,530,000**

8/ Investments in Mudaraba:-

	2018 SDG	2017 SDG
Mudaraba with customers – Individuals (note 8/1)	419,733,885	98,765,581
Mudaraba with Dam Financial Investments Company	80,000,000	50,000,000
Mudaraba with banks (note 8/2)	122,260,253	86,540,771
	621,994,138	235,306,352
Less : Provision for finance and investment (note 6/1/1)	(98,115,260)	(29,160,729)
	523,878,878	**206,145,623**

8/1 Mudaraba with customers:-

Mudaraba with customers include non-performing Mudaraba with a customer for US $ 5.3 million, which was non-performing since 25/9/2008, out of which US $ 3.32 million was paid and the remaining balance was US $ 1.98 million. A full provision was established for the amount of US $ 1.98 million, in accordance with the instructions of the Central Bank of Sudan.

8/2 Mudaraba with banks:-

	2018 SDG	2017 SDG
Bank of Khartoum	87,528,601	2,590,416
Al Ibdaa Bank	15,000,000	8,000,000
Workers National Bank	5,000,000	5,000,000
Industrial Development Bank	5,000,000	5,000,000
Al Usra Bank	4,032,652	10,000,000
Saving and Social Development Bank	2,500,000	2,500,000
Capital Bank	2,376,357	3,237,912
Financial Investment Bank	600,000	25,600,000
Farmers Commercial Bank	-	2,500,000
Animal Resources Bank	222,643	222,643
UBAF Bank (foreign equivalent)	-	21,889,800
	122,260,253	**86,540,771**

9/Musharaka Financing:-

	2018 SDG	2017 SDG
Musharaka with corporate and customers	188,674,609	165,388,748
Less: provision for finance and losses(note6/1/1)	(1,886,746)	(1,653,887)
	186,787,863	**163,734,861**

10/ Investments available for sale:-

		2018 SDG	2017 SDG
Alsalam bank- Algeria	5%	261,903,400	49,138,650
Alsalam real state company	50%	50,000	50,000
Foreign investment funds		-	2,000,457
Assets acquired by the bank*		10,650,000	11,643,103
Inter bank liquidity management fund		46,484,000	40,712,690
Alsalam bank- Bahrain		349,994,393	65,666,394
King Abdullah city		87,616,133	16,440,750
		756,697,926	**185,652,044**

* The assets acquired by the bank for musharaka finance, represents a piece of land number 83, Square 5, Khartoum North, Hillat Hamad, and is given to the bank in settlement of debt of Zone Star Trading and Services Company Limited, and is offered for sale in accordance with the regulations of the Central Bank of Sudan.

11/ Investments in property:-

	2018 SDG	2017 SDG
Investments in property	468,281,089	521,172,656
Less: Provision for investment in property	(-)	(3,000,490)
	468,281,089	**518,172,166**

Represent investments in 5 pieces of land fully owned by the bank in Khartoum and Khartoum North cities, the cost of these pieces of land is SDG 127.3 m, whereas the market value of these pieces of land as at 31December 2014 was: SDG 442.5 m, there was no revaluation carried since end of 2015, as there was no significant valuation differences.
During the year 2018, the amount of the pieces of land in Ajman UAE of SDG 9,000,490, and the related amount of the provision for these pieces of land SDG 3,000,490, was transferred to the debtors' accounts (note 12/1).

12/ Other assets:-

	2018 SDG	2017 SDG
Staff loans	11,837,027	2,415,300
Accrued income of investments	57,371,167	21,731,066
Exchange dealing room accounts – local	8,057,220	15,437
Mogawlat in progress	10,495,300	-
Bonus of sale and purchase of foreign currencies	-	18,869
Prepayments	8,616,772	6,055,299
Debtors (note 12/1)	145,687,258	27,416,904
	242,064,744	57,652,875
Less: provision for doubtful debts	(142,504,937)	(27,416,904)
	99,559,807	**30,235,971**

12/1/ Debtors:-

The debtors balances include a debt balance of US $ 2.8 million equivalent to SDG 134,281,635 (2017 : SDG 25,194,092) resulted from the liquidation of Alsalam real estate fund on 27/10/2011; out of which US $1 million was settled on 7/6/2012 and the remaining balance is under collection. The debtors balances also include a debt balance of SDG 2,222,812 equivalent to US $ 1,107,000, represents the value of shares in Islamic Insurance and Reinsurance Company (Aman– Bahrain). Full provision was made for these balances according to the Central Bank of Sudan instructions. The debtors' balances also include SDG 9,000,490 equivalent to US $ 3,279,690 being value of pieces of land in Ajman – UAE which was transferred during the year 2018 from investments in property to the debtors' accounts along with the related amount of provision for doubtful debt of SDG 3,000,490. An additional provision of SDG 3,000,000 was established during the year 2018 for Ajman land.

13/ Projects in progress :-

	2018 SDG	2017 SDG
Africa street branch	-	30,114,742
Alsajana branch	30,994,919	30,405,442
Computer software and devices	6,863,828	4,615,219
	37,858,747	**65,135,403**

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 ,1,2018	6,536,670	14,519,363	5,060,275	14,098,687	75,902,497	116,117,492
Additions	-	1,076,837	10,135,417	17,098,050	55,659,611	83,969,915
Disposals	-	-	-	-	-	-
Dec,31,2018	**6,536,670**	**15,596,200**	**15,195,692**	**31,196,737**	**131,562,108**	**200,087,407**
Depreciation:						
Jan ,1,2018	2,752,376	8,326,388	3,003,980	11,849,122	5,565,864	31,497,730
For the year	885,114	1,194,185	950,611	1,627,549	1,051,754	5,709,213
Disposals	-	-	-	-	-	-
Dec,31,2018	**3,637,490**	**9,520,573**	**3,954,591**	**13,476,671**	**6,617,618**	**37,206,943**
Net book value:						
Dec,31,2018	**2,899,180**	**6,075,627**	**11,241,101**	**17,720,066**	**124,944,490**	**162,880,464**
Dec,31,2017	**3,784,294**	**6,192,975**	**2,056,295**	**2,249,565**	**70,336,633**	**84,619,762**

15/ Current accounts:-

	2018 SDG	2017 SDG
Current accounts – local	845,430,786	642,182,064
Current accounts – foreign	87,948,935	80,432,577
	933,379,721	**722,614,641**

16/ Other liabilities :-

	2018 SDG	2017 SDG
Other creditors (note 16/1)	164,637,951	30,248,273
Accrued expenses	1,222,706	1,899,409
Outstanding cheques	279,575,549	14,304,948
Other payable (note 16/2)	21,484,277	22,374,966
Cash margin against letters of credit	178,423,574	33,470,246
Cash margin against letters of guarantee	2,936,602	2,586,158
	648,280,659	**104,884,000**

16/1/ Other creditors:-

	2018 SDG	2017 SDG
Clients import accounts	500,420	-
National clearance account – commission	-	278,187
Albir money	-	23,000
Export proceed account	1,737,650	673,719
Albokhary corporation (3 million dollar)*	142,856,400	26,802,900
Exchange dealing room accounts – foreign	8,056,836	15,494
Creditors**	6,306,836	-
National clearance account	5,179,809	2,454,973
	164,637,951	**30,248,273**

* Albokhary corporation:
Represents amount reclassified from unrestricted investment accounts to other creditors according to the Central Bank of Sudan letter dated 16/8/2016.

**The creditors balance includes an amount of SDG 4.9 million due to S2M Company, relating to equipment and services of the bank's ATM , and an amount of SDG 1.4 million represents the balance due to the Islamic Financial Services Board.

16/2 Other payable:-

A major part of this amount represents shareholders unpaid dividends.

17/ Provisions:-

	2018	2017
	SDG	SDG
Provision for banking Deposits security fund	1,590,448	1,348,335
Provision for staff bonus	16,600,000	8,697,200
Board of directors remuneration	15,000,000	5,000,000
Shari'a supervisory board remuneration	1,000,000	315,000
Provision for personal Income tax and Zakah	7,376,141	1,136,941
Provision for tax (Prior years)	3,708,669	2,180,643
Provision for Zakah	44,147,003	11,989,380
Provision for Business profit tax	24,790,324	13,253,477
	114,212,585	**43,920,976**

18/ Unrestricted investment accounts holders:-

	2018	2017
	SDG	SDG
Unrestricted investment account balances*	1,022,853,455	479,178,418
Return on unrestricted investment accounts (note 23)	63,913,724	43,255,395
Valuation difference	2,056,949	-
Advance payment	(23,625,273)	(14,103,738)
	1,065,198,855	**508,330,075**

* The unrestricted investment account balances comprise investments in US dollarsand others in SDG with a one year maturity.

19/Paid in capital

	2018	2017
	SDG	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 shares with nominal value of US $1 equivalent SDG 2.69 each, the share capital was increased by SDG 23,758,000 during the year 2010 representing 10% bonus shares, SDG 32,910,350 during the year 2013 representing 5% bonus shares and SDG 15,561,400 during the year 2016 representing 5% bonus shares.

20/ Reserves:-

	2018	2017
	SDG	SDG
Property revaluation reserve (note 20/1)	307,550,184	336,873,784
Foreign investments revaluation reserve (note 20/2)	661,583,116	98,483,546
Foreign assets and liabilities revaluation reserve (note 20/3)	937,146,070	198,616,382
General reserve (note 20/4)	284,407,948	-
Statutory reserve (note 205)	97,343,290	76,978,238
	2,288,030,608	**710,951,950**

20/1/ Property revaluation reserve:-

The property revaluation reserve relates to the investment property owned by the bank.

20/2/ Foreign investments revaluation reserve:-

The foreign investments revaluation reserve relates to the results of the revaluation of investments in foreign currencies at the statement of financial position date.

20/3/ Foreign assets and liabilities revaluation reserve:-

This reserve relates to the revaluation of assets and liabilities in foreign currencies at the statement of financial position date. In accordance with the Central Bank of Sudan instructions, the resulting differences from the valuation of monetary assets and liabilities in foreign currencies (gain or loss) to be treated in the statement of income. The resulting gain is not allowed to be distributed or capitalized, and should be reported in the statement of financial position in a separate reserve account as a component of the owners' equity.

20/4/ General reserve:-

The general reserve was formed in accordance with the resolution of the shareholders annual general meeting number 14 dated 14/5/2018.

20/5/ 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 bank's paid up capital

21/Income from deferred sales:-

	2018	2017
	SDG	SDG
Murabaha income	155,906,427	105,461,422
Istisnaa income	-	17,792,337
Ijarra icome	77,799	113,132
	155,984,226	**123,366,891**

22/ Income from investments:-

	2018	2017
	SDG	SDG
Securities (Shahama)	68,559,222	41,874,845
Inter bank liquidity management fund	2,753,613	4,130,460
Mudaraba income	6,045,619	4,886,104
Musharaka income	40,853,353	24,913,738
Investment accounts-local banks	4,786,387	3,232,998
Investment accounts-foreign banks	792,161	104,357
	123,790,355	**79,142,502**

23/ Return on unrestricted investments accounts:-

	2018 SDG	2017 SDG
Share of profit before Mudarib share	97,873,449	60,934,440
Mudarib share of profit	(33,959,725)	(17,679,045)
Net return after mudarib share	63,913,724	43,255,395
The bank subsidy to profit	-	-
Final balance after subsidy	**63,913,724**	**43,255,395**

The percentage of the Mudarib (bank) ranges between 25% - 95% , while the percentage of Arbab Almal from the net profit ranges from 5% - 75%.

24/Income from bank's own investments:-

	2018 SDG	2017 SDG
Income from Alsalam bank- Bahrain	18,541,448	4,423,483
Income from Alsalam bank- Algeria	19,551,827	-
Income from sale of land	104,430,412	-
Loss from Alrayan Real Estate Investment Fund	(599,567)	-
	141,924,120	**4,423,483**

25/ Income from banking services:-

	2018 SDG	2017 SDG
Bookkeeping and cheques issuance commission	3,428,053	2,205,448
Letters of credit commission	685,295	102,514
Letters of guarantee commission	1,650,707	4,911,210
Transfers and acceptances commission	128,160	215,155
Administrative commission	3,194,146	2,310,893
Other bank services	303,951	252,598
SMS commission	401,592	415,424
After sale services commission	185	140
Income from outward transfers	5,488,623	316,109
Income from ATMs	393,643	555,490
Income from mail and communications (SWIFT)	4,700	5,100
Save box income	154,983	148,635
Mobile services income	832,519	476,977
	16,666,557	**11,915,693**

26/ Other income:-

	2018	2017
	SDG	**SDG**
Miscellaneous	530,165	-
Income from registration and mortgage	-	5,427
Income from insurance companies	521,950	58,472
Income from electricity purchase and other electronic	601,334	45,199
Gain from disposal of fixed assets	-	47,481
Reversal of prior years provisions	39,757,616	12,194,576
	41,411,065	**12,351,155**

27/ Staff cost:-

	2018	2017
	SDG	**SDG**
Basic salary	19,626,784	14,067,071
Eid bonus	6,414,153	4,401,864
Nature of work allowance	548,541	398,031
Uniform allowance	4,455,561	3,045,697
End of service benefit	3,600,902	3,544,771
Training	1,356,191	1,436,693
Staff performance bonus	16,600,000	8,812,286
Health insurance	5,123,768	3,565,000
Social insurance	3,761,047	2,697,149
Overtime	940,677	202,153
Other staff cash and in kind benefits	809,684	503,806
Staff refreshment	500,000	250,000
Annual leave allowances	4,669,229	2,999,321
	68,406,537	**45,923,842**

28/ Operations expenses:-

	2018	2017
	SDG	SDG
Stationary and printings	1,599,323	866,315
Maintenance and repair	8,374,969	3,799,275
Telecommunications	1,290,762	856,908
Vehicles running expenses	1,111,163	662,861
Electricity and water	3,088,513	1,463,785
Insurance	1,148,388	556,439
Security expenses	745,864	644,344
Rent	3,632,297	5,278,699
Gardening	154,050	49,200
Legal consultants expenses	268,908	148,462
Legal fee	31,727	-
Shareholders meeting expenses	1,029,663	611,778
Audit fees	263,250	222,300
Shari'a supervisory board expenses	796,935	279,150
Board of directors meeting expenses	13,392,159	4,715,663
Board of directors remuneration	15,000,000	3,947,000
Shari'a supervisory board remuneration	1,000,000	315,000
Subscriptions	1,675,808	990,686
Entertainment	1,466,045	489,167
Cash expenses	74,337	-
Cleaning	963,259	737,691
Miscellaneous	34,562	130,328
Transportation	79,060	-
Visas and hotels expenses	2,125,301	1,108,408
Banks charges	640	14,982
Donations and gifts	1,133,884	1,261,566
Swift	110,708	27,830
Advertising	2,077,913	1,205,771
Deposits guarantee fund	1,329,162	1,252,635
National clearing expenses	253,418	225,539
Services expenses	119,707	94,363
Newspapers magazines and books	91,490	37,156
	64,463,265	**31,993,301**

29/ Earning per share:-

	2018	2017
	SDG	SDG
Net profit for the year	942,180,212	115,072,260
Number of shares	121,275,000	121,275,000
Earnings per share	**7.77**	**0.95**

30/ Contra accounts:-

	2018	2017
	SDG	SDG
Shahama under collection	-	944,000
Letters of credit	178,423,574	33,470,246
Letters of guarantee	25,149,466	21,763,175
	203,573,040	**56,177,421**

31/ Concentration of investments – Economic sector:-

The total investment at Dec 31, 2018 amounted to SDG 1,584,434,194 (2017: SDG 1,106,115,108) and it was distributed according to economic sectors as follows:

	2018	2017
Industry	%18.1	%8.8
Transportation	%5.2	%5.6
Commercial	%2.5	%17.8
Agriculture	%0.8	%1.1
Building	%5.6	%13.3
Other sectors	%67.8	%53.4
Total	**%100**	**%100**

32/ 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 44.1 million (2017: SDG 11.9 million), moreover during the year the bank has discharged its social responsibilities by training the employees and by donations payments.

33/ 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 ,2018 SDG			
	Principal shareholders &board of directors and their companies	**Key managers**	**Total at 31 Dec 2018**
Balance sheet items:			
Murabaha	45,810,413	15,444,477	61,254,890
Musharka	20,250,000	-	20,250,000
Mudaraba	299,448,675	-	299,448,675
Unrestricted investment accounts holders:-	9,971,674	229,910	10,201,584
Current accounts	2,571,750	609,508	3,181,258
Income statement items			
Murabaha income	13,117,198	344,356	13,461,554
Mudaraba income	1,785,000	-	1,785,000
Istisnaa income	856,200	-	856,200
Top management:-			
Remuneration	4,467,150	4,073,160	8,540,310

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
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:-			
Remuneration	3,570,000	2,450,000	6,020,000

34/ Distribution of unrestricted investment accounts:-

The balance of unrestricted investment accounts as at 31 Dec 2018 was SDG 1,065,198,855 (2017: SDG 508,330,075), the accounts of the below clients represents 53.5 % of the total.

Client	**balance at 31Dec 2018 SDG**
Blue Nile Mashreg Bank	180,000,000
General Service Fund	146,000,000
Gulf Bank	100,000,000
Capital Bank	40,000,000
National Social Insurance Fund	30,000,000
Sudanese Businessmen Association	25,000,000
Deposits Guarantee Fund	20,000,000
Ahmad El Tigani Fouad	13,000,000
Al Baraka Insurance Company	10,000,000
Tanmia Investment Company	6,000,000
Total	**570,000,000**

35/ 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 (31).

36/ 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.

37/ Market risk:-

Market risk is the risk that results from the fluctuation in the rates of return of financial instruments and exchange rates of foreign currencies, which may indirectly affect the value of assets of the bank and the share prices. The board of directors set limits on the acceptable market risk values, the Committee of assets and liabilities in the bank regularly monitor these limits.

38/ Shares 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 set 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.

39/ 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.

40/ 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 board. These Limits are monitored continuously to ensure that the net exposure is kept at 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 at 31 December was as follows:

	2018 USD	2017 USD
Assets	59,694,322	65,469,426
Liabilities	(25,178,524)	(30,667,398)
Net foreign currency position	**34,515,798**	**34,802,028**

41/ Capital adequacy:-

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

	2018 SDG	2017 SDG
Core capital	1,148,749,000	892,209,600
Total risk weighted assets	4,031,302,000	2,685,022,230
The banks' capital adequacy ratio	**%28.5**	**%33.2**
Minimum capital adequacy ratio required	**%12**	**%12**

42/ Zakah

The bank paid its Zakah liabilities up to 2017 and provided for 2018.

43/ Business profit tax:

The bank paid its business profit tax up to 2017 and provided for 2018.

44/ Comparative figures:-

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