

**Bank of Khartoum  
Public Limited Liability Company**

**Translated Audited Financial Statements  
(including translation into U.S. Dollars)**

**For the Year Ended 31 December 2014**

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**Bank of Khartoum – Public Limited Liability Company**

**Translated Audited Financial Statements  
(including translation into U.S. Dollars)**

**31 December, 2014**

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# HASSABO & Co.

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Certified Accountants  
Management Consultants  
Managing Partner:  
Hassab E..M.Eltayeb (FCCA)

The Board of Directors  
Bank of Khartoum PLC,  
Head Office, Khartoum,  
SUDAN

30 April, 2015

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Gentlemen:

We have translated into English the consolidated financial statements of Bank of Khartoum group (BOK or the Bank) issued in Sudanese Pounds and translated into the United States Dollars, for the year ended 31 December, 2014.

## **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the annual consolidated financial statements in accordance with Financial Accounting Standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in 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 the Audit Standards by AAOIFI. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements translated into English referred to above present fairly, in all material respects, the financial position of the Group as of 31 December, 2014 and its consolidated financial performance, the statement of changes in shareholders' funds, statement of consolidated cash flows, and the statement of changes in restricted investments for the year then ended in compliance with the accounting standards issued by AAOIFI in Bahrain and the regulations and circulars issued by the Sharia'a Committee of the Bank.

In our opinion, the translation of the aforementioned financial statements into the United States Dollars has been properly prepared in accordance with the International Financial Reporting Standards.

  
**Hassabo and Company**  
**Certified Accountants**



**Bank of Khartoum, PLC**

**Consolidated Statement of Financial position as at 31 December, 2014**

	Notes	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
<b>ASSETS</b>					
Cash and cash equivalents	5	1,886,078	1,377,117	299,968	231,612
Investment accounts with banks	6	126,442	25,403	20,110	4,272
Investment in trading securities	7	839,373	678,285	133,497	114,078
Sales receivables	8	4,518,773	3,861,163	718,680	649,393
Investment In mudaraba and musharaka	9	389,612	412,735	61,965	69,416
Available for sale investments	10	496,016	326,983	78,888	54,994
Other investments	11	27,313	49,496	4,344	8,325
Investment in real estate	12	731,607	533,736	116,357	89,767
Other assets	13	273,836	232,982	43,552	39,184
Intangible fixed assets	14	90,949	90,603	14,465	15,238
Property ,plant and equipment	15	659,794	543,797	104,936	91,459
<b>TOTAL ASSETS</b>		<b>10,039,793</b>	<b>8,132,300</b>	<b>1,596,761</b>	<b>1,367,739</b>
<b>LIABILITIES</b>					
Customers' accounts	16	2,982,799	2,557,360	474,394	430,112
Cash margins	17	387,730	422,577	61,666	71,072
Other liabilities	18	405,371	285,624	64,471	48,038
Provisions	19	93,566	64,604	14,881	10,865
<b>Total liabilities</b>		<b>3,869,466</b>	<b>3,330,165</b>	<b>615,412</b>	<b>560,087</b>
<b>Equity of unrestricted investment accounts holders</b>	20	<b>4,680,699</b>	<b>3,687,862</b>	<b>744,433</b>	<b>620,247</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	21	523,875	419,100	83,319	70,487
Share premium		50,473	50,473	8,027	8,489
Reserves	22	558,774	402,249	88,869	67,653
Retained earnings		254,188	207,707	40,427	34,933
<b>Total shareholders' equity - group shareholders</b>		<b>1,387,310</b>	<b>1,079,529</b>	<b>220,642</b>	<b>181,562</b>
<b>Non-controlling interest</b>		<b>102,318</b>	<b>34,744</b>	<b>16,273</b>	<b>5,843</b>
<b>Total shareholders' equity</b>		<b>1,489,628</b>	<b>1,114,273</b>	<b>236,915</b>	<b>187,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,039,793</b>	<b>8,132,300</b>	<b>1,596,761</b>	<b>1,367,739</b>

Fadi Salim AlBaqih  
General Manager

Fadul Mohd Kheir  
Deputy Chairman

Mohd Almortada Abdelrahim  
Member of the Board

The accompanying notes from 1 to 40 form an integral part of these financial statements.



**Bank of Khartoum, PLC****Consolidated Statement of Income  
For the year ended 31 December, 2014**

	Notes	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
<b>Income</b>					
Income from deferred sales	23	536,847	304,169	89,453	53,638
Income from investments	24	163,617	153,299	27,263	27,033
		<u>700,464</u>	<u>457,468</u>	<u>116,716</u>	<u>80,671</u>
Financing and investing risk provision	8/1	(45,021)	(45,000)	(7,502)	(7,935)
Return on unrestricted investment accounts	20	(230,000)	(166,319)	(38,324)	(29,329)
Bank's share in income from investments (as Mudarib and fund owner)		425,443	246,149	70,890	43,406
Income from banking services	25	144,020	176,159	23,997	31,064
Income from foreign exchange transactions		413	1,528	69	269
Other income	26	30,478	45,587	5,078	8,039
<b>Total Bank's income</b>		<u>600,354</u>	<u>469,423</u>	<u>100,035</u>	<u>82,779</u>
Foreign currency revaluation		30,034	(10,865)	5,004	(1,916)
<b>Total Income</b>		<u>630,388</u>	<u>458,558</u>	<u>105,039</u>	<u>80,863</u>
<b>Less:</b>					
Staff costs	27	158,091	149,703	26,342	26,399
General and administrative expenses	28	192,897	150,169	32,142	26,481
<b>Total expenses</b>		<u>350,988</u>	<u>299,872</u>	<u>58,484</u>	<u>52,880</u>
<b>Profit before Zakat and tax</b>		<u>279,400</u>	<u>158,686</u>	<u>46,555</u>	<u>27,983</u>
Zakat	29	(3,118)	(913)	(520)	(161)
Business profit tax	30	(38,590)	(6,141)	(6,430)	(1,083)
<b>Net profit for the year</b>		<u>237,692</u>	<u>151,632</u>	<u>39,606</u>	<u>26,739</u>
Translation exchange adjustment				1,803	1,237
<b>Net profit for the year</b>		<u>237,692</u>	<u>151,632</u>	<u>37,803</u>	<u>25,502</u>
Attributable to:					
Equity holders of the parent company		237,931	154,261	37,841	25,945
Non- controlling interests		(239)	(2,629)	(38)	(442)
<b>Profit for the year</b>		<u>237,692</u>	<u>151,632</u>	<u>37,803</u>	<u>25,502</u>
<b>Earning per share</b>	31	<u>0.600</u>	<u>0.486</u>	<u>0.095</u>	<u>0.080</u>

Fadi Salim AlFaqih  
General Manager

Padul Mohd Kheir  
Deputy Chairman

Mohd Almutada Abdelrahim  
Member of the Board

The accompanying notes from 1 to 40 form an integral part of these financial statements.

Bank of Khartoum, PLC

Consolidated Statement of Changes in Equity  
For the year ended 31 December, 2014

	Share Capital SDG'000	Share premium SDG'000	Statutory reserves SDG'000	Banking risk reserve SDG'000	Fair value revaluation reserve SDG'000	Property, plant and equipment revaluation reserve SDG'000	General reserve SDG'000	Retained earnings SDG'000	Attributable to equity holders of the parent SDG'000	Non- controlling interest SDG'000	Total Equity SDG'000
<b>Balance at 1 January, 2013</b>	419,100	50,473	33,699	48,864	67,325	112,847	36,843	191,171	980,322	37,373	1,017,695
Profit for the year	-	-	16,388	9,833	-	-	48,927	(75,148)	154,261	(2,629)	151,632
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-	(62,864)	(62,864)	(86)	(62,864)
Surplus on revaluation of fixed assets	-	-	-	-	7,609	(86)	-	(86)	7,609	-	7,609
Net changes in fair value	-	-	-	-	-	-	-	287	287	-	287
Prior year adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December, 2013</b>	<b>419,100</b>	<b>50,473</b>	<b>70,087</b>	<b>58,697</b>	<b>74,934</b>	<b>112,761</b>	<b>85,770</b>	<b>207,707</b>	<b>1,079,529</b>	<b>34,744</b>	<b>1,114,273</b>
Current year profit	-	-	-	-	-	-	63,957	237,931	237,931	(239)	237,692
Transfer to reserves	-	-	22,618	-	-	-	-	(86,575)	-	-	-
Bonus issue	104,775	-	-	-	-	-	-	(104,775)	-	-	-
Surplus on revaluation of fixed assets	-	-	-	-	69,950	-	-	-	69,950	50,113	120,063
Net changes in fair value	-	-	-	-	-	-	-	-	-	17,700	17,700
Investment in subsidiaries	-	-	-	-	-	-	-	(100)	(100)	-	(100)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December, 2014</b>	<b>523,875</b>	<b>50,473</b>	<b>92,705</b>	<b>58,697</b>	<b>144,884</b>	<b>112,761</b>	<b>148,727</b>	<b>254,188</b>	<b>1,387,310</b>	<b>102,318</b>	<b>1,489,628</b>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance - 1 1 2013 - restated</b>	70,487	8,489	9,031	8,218	11,323	18,979	6,196	32,152	164,876	6,286	171,162
Profit for the year	-	-	2,756	1,654	-	-	8,229	(12,639)	25,945	(442)	25,502
Transfer to reserves	-	-	-	-	-	-	-	(10,573)	-	-	-
Bonus issue	-	-	-	-	-	-	-	(14)	-	-	(14)
Surplus on revaluation of fixed assets	-	-	-	-	1,280	(14)	-	-	1,280	-	1,280
Net changes in fair value	-	-	-	-	-	-	-	48	48	-	48
Prior year adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December, 2013</b>	<b>70,487</b>	<b>8,489</b>	<b>11,788</b>	<b>9,872</b>	<b>12,603</b>	<b>18,965</b>	<b>14,425</b>	<b>34,933</b>	<b>181,562</b>	<b>5,843</b>	<b>187,405</b>
<b>Balance - 31 12 2013 restated</b>	66,655	8,027	11,147	9,335	11,918	17,984	13,641	33,034	171,692	5,526	177,218
Current year profit	-	-	-	-	-	-	10,172	37,841	37,841	(38)	37,803
Transfer to reserves	-	-	3,597	-	-	-	-	(13,769)	0	-	-
Bonus issue	16,664	-	-	-	-	-	-	(16,664)	-	-	-
Surplus on revaluation of fixed assets	-	-	-	-	11,125	-	-	-	11,125	7,970	19,095
Net changes in fair value	-	-	-	-	-	-	-	(16)	-	2,815	2,815
Investment in subsidiaries	-	-	-	-	-	-	-	(16)	(16)	-	(16)
Prior year adjustment	-	-	26,215	-	23,043	-	74,129	57,091	220,642	16,273	236,915
<b>Balance at 31 December, 2014</b>	<b>16,664</b>	<b>-</b>	<b>26,215</b>	<b>-</b>	<b>23,043</b>	<b>-</b>	<b>74,129</b>	<b>57,091</b>	<b>220,642</b>	<b>16,273</b>	<b>236,915</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC****Consolidated Statement of Cash Flows  
For the year ended 31 December, 2014**

	2014	2013	2014	2013
	SDG'000	SDG'000	USD'000	USD'000
<b>Cash flows from Operating Activities</b>				
Profit for the year after zakat and tax	237,692	151,632	37,803	25,502
Adjustments for non-cash entries				
Provision for zakat	3,118	913	496	154
Provision for taxation	38,590	6,141	6,137	1,033
Depreciation and amortization	31,629	28,164	5,030	4,737
Provision for finance risk	45,021	45,000	7,160	7,568
End of service benefits	17,024	9,724	2,708	1,635
Gain on revaluation of shahama certificates	(20,030)	(76,001)	(3,186)	(12,782)
Profit on sale of fixed assets	(562)	(1,476)	(89)	(248)
	<b>352,482</b>	<b>164,097</b>	<b>56,060</b>	<b>27,599</b>
<b>Changes in operating assets, and liabilities and unrestricted investment accounts</b>				
Other assets	(40,854)	6,452	(6,498)	1,085
Provisions for taxation, zakat and end of service benefits	(29,770)	(18,935)	(4,735)	(3,185)
Prior year adjustments	(100)	287	(16)	48
<b>Net cash inflows from operating activities</b>	<b>281,758</b>	<b>151,901</b>	<b>44,811</b>	<b>25,548</b>
<b>Cash flows from investment activities</b>				
Purchase of tangible and intangible fixed assets	(171,809)	(169,333)	(27,325)	(28,479)
Investment in trading securities	(141,058)	(12,780)	(22,434)	(2,149)
Investment accounts with banks	(101,039)	(3,575)	(16,070)	(601)
Other investments	22,183	8,680	3,528	1,460
Investment in musharaka and mudaraba	23,123	(85,305)	3,678	(14,347)
Real estate investments	(50,591)	(45,389)	(8,046)	(7,634)
Sales receivable	(702,631)	(501,799)	(111,749)	(84,396)
Sale of fixed assets	2,402	3,474	382	584
Available for sale investments	(174,253)	(50,687)	(27,714)	(8,525)
Investments in subsidiaries	17,700		2,815	-
<b>Net cash from investment activities</b>	<b>(1,275,973)</b>	<b>(856,714)</b>	<b>(202,935)</b>	<b>(144,087)</b>
<b>Cash flows from finance activities:</b>				
Cash dividend paid		(62,864)	-	(10,573)
Current accounts	425,439	500,799	67,663	84,227
Accounts payable	119,747	7,088	19,045	1,192
Margins on letters of guarantee and credit	(34,847)	69,093	(5,542)	11,620
Equity of unrestricted investment account holders	992,837	659,569	157,904	110,930
<b>Net cash flows from investment activities</b>	<b>1,503,176</b>	<b>1,173,685</b>	<b>239,070</b>	<b>197,397</b>
<b>Increase/(decrease) in cash and cash equivalent</b>	<b>508,961</b>	<b>468,872</b>	<b>80,946</b>	<b>78,858</b>
Cash and cash equivalent at beginning of year	1,377,117	908,245	219,021	152,754
<b>Cash and cash equivalent at the end of the year</b>	<b>1,886,078</b>	<b>1,377,117</b>	<b>299,968</b>	<b>231,612</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.



**Bank of Khartoum, PLC****Consolidated statement of changes in restricted investments  
For the year ended 31 December, 2014**

	Sales receivable SDG'000	Other investments SDG'000	Cash SDG'000	Total SDG'000
<b>Balance at 1 January 2013</b>	<b>137,331</b>	<b>46,732</b>	<b>16,550</b>	<b>200,613</b>
Additions	147,835	(1,721)	6,450	152,564
Investment profits			(5,626)	(5,626)
Bank's share as Mudarib			(1,407)	(1,407)
<b>Balance at 31 December, 2013</b>	<b>285,166</b>	<b>45,011</b>	<b>15,967</b>	<b>346,144</b>
Balance at 01 January 2014	285,166	45,011	15,967	346,144
Additions during the year				
Cash withdrawal	(67,203)		(1,559)	(68,762)
Investment profits			2,735	2,735
Bank's share as Mudarib			(547)	(547)
<b>Balance at 31 December, 2014</b>	<b>217,963</b>	<b>45,011</b>	<b>16,596</b>	<b>279,570</b>
	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2013 restated at current rate of exchange)</b>	<b>23,097</b>	<b>7,860</b>	<b>2,783</b>	<b>33,740</b>
Additions during the year	24,864	(289)	1,085	25,659
Investment profits			(946)	(946)
Bank's share as Mudarib			(237)	(237)
<b>Balance at 31 December, 2013</b>	<b>47,961</b>	<b>7,570</b>	<b>2,685</b>	<b>58,217</b>
<b>Balance at 1 January 2014 restated at current rate of exchange)</b>	<b>45,354</b>	<b>7,159</b>	<b>2,539</b>	<b>55,052</b>
Additions during the year				
Cash withdrawal	(10,688)		(248)	(10,936)
Investment profits			435	435
Bank's share as Mudarib			(87)	(87)
<b>Balance at 31 December, 2014</b>	<b>34,666</b>	<b>7,159</b>	<b>2,639</b>	<b>44,464</b>

The Bank manages the following restricted investments:

**A. AlAman Fund**

This represent investments in restricted investments based on Musharaka financing. The total capital of the fund is SDG 200 million (US \$ 32 million). The Bank share's in the funds is 5% of the capital fund.

The bank manages the fund for three extendable years upon the agreement of the fund owners.

**B. Economic Housing Fund**

The Economic Housing fund is based on Mudaraba Contract, the total capital of the fund is SDG 210 million (US \$33.4 million). The bank share in the fund is SDG 15 million (US\$ 2.4 million), The bank manages the fund for a period of 11 years.

The accopying notes from 1 to 40 form an integral part of these financial statements.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014

#### 1. ORGANIZATION

##### 1.1 Organizational History

Established in the year 1913, Bank of Khartoum used to be known as Anglo Egyptian Bank. Over the years, the bank held many names and eventually in 1975 a presidential decree was issued by which the bank was named as Bank of Khartoum. In 1983, the bank merged with ELshab Bank as a result of a presidential decree. In 1993 the bank merged with Unity Bank and National Export and Import Bank. On 1 January, 2002, the bank was converted to a public limited liability company under the Companies' Act of 1925. In 2005, the Government of Sudan sold 60% of its shareholding in the Bank to Dubai Islamic Bank. In 2008 Emirates and Sudan Bank merged with Bank of Khartoum.

The Bank provides all financial and banking transactions and investment activities in accordance with the Islamic Sharia'a Principles in compliance with the prevailing banking regulations in Sudan. The bank provides its services from its head office located at Al-Gamhoria Avenue and its 72 branches operating inside the country and its subsidiaries.

The Bank is subject to the banking regulations of Sudan.

The consolidated financial statements comprise the financial statements of the bank and its following subsidiaries and associated companies:

<u>Subsidiary</u>	<u>Activity</u>	<u>% of interest</u>
Sudacash for Exchange Ltd.	Financial services	100
A2Z for Company for Sale by Installment. Ltd.	Trading	100
National Trading and Services Company Ltd.	Trading	100
Sanabil for Financial Securities Company Ltd.	Financial services	100
Wahat AlKhartoum Urban Development Co. Ltd	Real Estate	60
Irada Microfinance Co. Ltd	Financial	80
Alfahad Valuable Assets in Transit Co. Ltd	Services	50

#### 2. Basis of preparation

- (i) The financial statements have been prepared in compliance with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Central Bank of Sudan Regulations, Fatwa (Sharia'a rules and principles) issued by the Bank's Sharia'a Supervision Committee and the Sudanese Companies' Act of 1925.
- (ii) The financial statements are presented in the Sudanese Pound which is the functional currency of the Bank.
- (iii) The financial statements are prepared under the historical cost and modified for re-measurement at fair value of securities classified as available for sale or trading for the purpose of trading or available for sale in accordance with re-measured fair value at end of a period.

**Bank of Khartoum, PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014**

(iv) The bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

(v) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries which are subject to the Bank's control. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies an enterprise so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date of commencement of control until the date that control effectively ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income, expenses, profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Bank and are presented separately in the income statement and within equity in the consolidated balance sheet, separate from the parent shareholders' equity of the parent company.

**3 Significant accounting policies**

**3.1 Foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Monetary assets and liabilities at balance sheet date, denominated in foreign currencies, are translated at the exchange rates prevailing at the balance sheet date. Foreign currency Foreign currency differences arising from foreign currency operations, whether gains or losses, are dealt with in the income statement.

**3.2 Cash and Cash Equivalent**

Cash and cash equivalents comprise cash in hand, balances with banks, and balances with the central bank (except for cash reserve).

**3.3 Sales Receivable**

Sales receivable consist of Murabaha, Mugawalat and Salam and Deferred Sales.

*Murabaha*

Murabaha or Murabaha to purchase and where an orderer is not obliged to fulfill his promise are measured at historical cost.

Historical cost comprises fair value of the assets on the date of recognition and includes amounts spent by the Bank on bringing the asset to a usable condition or for disposal.

Murabaha receivables are measured at the end of the financial period at their cash equivalent (realizable) value, i.e. the amount of debt due from the customers at the end of the financial period less any provision for doubtful debts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014**

Murabaha receivables are recorded at time of occurrence at their face value. At the end of each financial period, these are measured at face value less any bad debt provision.

Profit of Murabaha is recognized at the time of contracting if the sale is for cash or on credit not exceeding the current financial period; and if it is over a period exceeding the current financial period; if the period overlaps the current financial period, profit is recognized on the basis of number of installments..

Profits of credit sale which will be paid by means of one payment due after the current financial period or installments over several future financial periods are recognized by proportional allocation of profits over the period of the credit whereby each financial period carry its portion of profits irrespective whether or not cash is received.

*Deferred sales*

Deferred sales profit is recognized in the consolidated income statement during the year if the total sales amount is paid in one installment. If sales installments will be paid in more than one accounting period, income be allocated ove the sales period.

Deferred profit is deducted from deferred sales receivable in the statement of financial position.

*Mugawalat*

Mugawalat is recognized upon signing of the contract and its measurement is based on the nominal value of the contract. If the contract period ends within an accounting period, all profits are recognized in the same accounting period. Mugawalat income is allocated at a fixed rate over the contract period on accrual basis.

*Alsalam*

Alsalam is recognized when capital is paid (cash or in kind) to the *Al msalam Eliya*. The capital is measured by the amount of cash paid or the fair value of the asset provided by the bank.

In case *Al msalam Eliya* does not provide all or part of the goods or there is a damage in the goods the bank recognizes the amount of reduction as a provision. The goods received from *Al msalam Eliya* are recognized based on the contract at historical cost.

At the reporting date Alsalam is measured by the net realizable value and any loss is immediately recognized in the consolidated statement of income.

3.4 Mudaraba

Mudaraba is measured by the amount paid or the amount placed under the disposition of *Mudarib* less the portion of Mudaraba capital recovered from *Mudarib* (if any). In addition, a provision for financing risk is deducted from Mudaraba if such exists.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014

#### 3.5 Available for sale investments

Available for sale investments are initially recognized at cost and subsequently measured at fair value at the reporting date. If it is impractical to identify the fair value, they are recognized at cost less any decrease in value if such decrease exists.

Gains or losses arising from change in the fair value of available for sale investments are recognized in the shareholders' equity statement. When available for sale investments are sold, related impairment and accumulated gains and/or losses in equity (if any) are transferred to the income statement.

#### 3.6 Musharaka

The Bank's share of a Musharaka is shown in the statement of financial position at the historical cost less identified investment risk.

#### 3.7 Investment in trading securities

Investment in trading securities are initially recognized at cost and measured at the reporting date based on fair value. Any changes in the fair value are recognized in the income statement.

#### 3.8 Other investments

Other investments are recognized at cost less any impairment in the value of investments. Impairment values, if any, are recognized in the income statement.

#### 3.9 Other assets

Other assets are measured at cost minus allowance for doubtful debt. Allowance for doubtful debt is estimated when there is a probability that balance might not be collected. Amounts are written off if balance is uncollectible.

#### 3.10 Intangible assets

*Goodwill* is recognized when the cost of investment is more than the fair value of identified assets and liabilities at the acquisition date. Goodwill is reviewed for impairment annually and any impairment in value of goodwill is recognized in the income statement.

*Other than goodwill*, intangible assets are measured at historical cost less accumulated amortization and impairment, if any.

Intangible assets are amortized on straight line basis over the useful life of the assets.

#### 3.11 Properties, Plant and Equipment

Properties, Plant and Equipment are booked at historical cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses, if any, recognized at the date of revaluation.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014

Valuations are performed at sufficient frequency to ensure that the fair value of revalued assets does not differ materially from the carrying amount.

Depreciation is provided on historical cost at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

Freehold Land	not depreciated
Building	15 - 40 years
Furniture and equipment	3 – 10 years
Vehicles	6 – 7 years

The carrying amounts of the fixed assets are reviewed at each balance sheet date to determine if any there is any indication or objective evidence of impairment. If the recoverable values are less than the carrying values, then the difference will be charged to income statement.

#### 3.12 Proof of profit or losses from financing and investing activities

##### *Mudaraba, securities investment portfolio and financial instruments*

Profits from mudaraba and financial securities are recognized at the time of liquidation or to extent of profits being distributed or at declaration date when each profit can reasonably be estimated.

##### *Musharaka and salam financing*

Income from musharaka and salam transactions are recognized at the time of liquidation.

##### *Income from banking services*

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

#### 3.13 Provision for doubtful debts and investment risk

Provision for bad and doubtful debts is based on the assessment of collectivity of each debt and in accordance with the directives of the Central Bank of Sudan and the bank's policy. Changes in provision for doubtful debts is recognized in the income statement.

Provision for investment risk is transferred to equity after agreement with the Central Bank of Sudan.

#### 3.14 Zakat and taxation

The bank is subject to the Sudanese zakat and tax regulation as prescribed by the Chamber of Zakat and the Chamber of Taxation.

**Bank of Khartoum, PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2014**

**3.15 Return on unrestricted investment accounts**

Profit is allocated between holders and the equity holders according to each party's share in the invested funds. Profits due to investment account holders are added to customers' accounts after approval by the Fatwa and Sharia'a Supervisory Board and the relevant official bodies.

**3.16 Impairment and non- collectability of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognized in the statement of income.

**3.17 End of Service Benefits.**

The bank provides for post service benefits payable to staff using the agreement with the employees' union as the basis for calculations and with accordance to Sudanese social security regulations.

**3.18 Liabilities**

Liabilities are recognized for the amounts payable in future for goods or services delivered, whether invoices are issued by suppliers or not.

**4 Sharia'a Supervisory Board**

The Bank's business activities are subject to the supervision of a Sharia'a Supervisory Board appointed by the general assembly. The board has the power to review all activities of the bank to ensure compliance with the Sharia'a regulations. value of investment properties.



**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**5- Cash and Cash equivalents**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Cash and cash equivalent with the central bank are made up of:				
Cash in hand and ATMs	479,924	275,155	76,329	46,277
Current Accounts with the Central Bank of Sudan	396,607	285,069	63,078	47,945
Cash reserve with the Central Bank of Sudan *	613,627	510,314	97,593	85,828
Cash with foreign correspondent bank	395,920	306,579	62,968	51,562
	<u>1,886,078</u>	<u>1,377,117</u>	<u>299,968</u>	<u>231,612</u>

\*cash reserve with the Central Bank of Sudan represent mandatory reserve and are not available for use in the bank's day-to-day operations.

**6- Investment Accounts with Banks**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Investment accounts with local banks (Note 6.1)	70,600	10,600	11,229	1,782
Investment accounts with foreign banks	55,842	14,803	8,881	2,490
	<u>126,442</u>	<u>25,403</u>	<u>20,110</u>	<u>4,272</u>

6.1 Investment accounts with Banks represent deposits with other banks invested based on unrestricted mudaraba and according to sharia laws.

**7- Investment in trading securities**

Investments in trading securities represent shehama securities which are government bonds issued by Ministry of Finance on behalf of the Government of Sudan and marketed by Sudanese Company for Financial Services. These securities are traded in Khartoum Stock Exchange. Investment in shahama comprises SDG 839,373 (31 December 2013 SDG 678,285) - figures in thousands.

**8 Sales receivable (net)**

Sales receivable comprise:

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Murabaha	2,053,514	1,995,067	326,597	335,542
Salam	43,199	96	6,871	16
Mugawala	1,949,936	1,743,952	310,124	293,308
Deferred sales	1,646,768	1,259,698	261,907	211,864
Ijara	38,818	39,568	6,174	6,655
	<u>5,732,235</u>	<u>5,038,381</u>	<u>911,673</u>	<u>847,385</u>
Less: deferred profit	<u>(1,145,368)</u>	<u>(1,141,981)</u>	<u>(182,163)</u>	<u>(192,065)</u>
	4,586,867	3,896,400	729,510	655,320
Letters of guarantee	138,379	138,774	22,008	23,340
Letters of credit	92,262	79,203	14,674	13,321
	<u>4,817,508</u>	<u>4,114,377</u>	<u>766,192</u>	<u>691,981</u>
Less: Provision for bad and doubtful debt (note 8.1)	<u>(298,735)</u>	<u>(253,214)</u>	<u>(47,512)</u>	<u>(42,587)</u>
	<u>4,518,773</u>	<u>3,861,163</u>	<u>718,680</u>	<u>649,393</u>

**8.1 Provision for bad and doubtful debt is as follows:**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Balance at beginning of the year	253,214	208,214	40,272	35,019
Provision during the year	45,021	45,000	7,160	7,568
Transfer	500		80	
	<u>298,735</u>	<u>253,214</u>	<u>47,512</u>	<u>42,587</u>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**9 Investment in mudaraba and musharaka**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Musharaka	273,969	263,864	43,573	44,378
Mudaraba	115,643	148,871	18,392	25,038
	<b>389,612</b>	<b>412,735</b>	<b>61,965</b>	<b>69,416</b>

**10 Available for sale investments**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Sukuk in liquidity management fund	119,680		19,034	0
Investment Funds (Note 10.2)	23,464	9,095	3,732	1,530
Khartoum Refinery Musharaka Sukuk (Note 10.3)	1,395	1,395	222	235
Sudanese Electricity Distribution Company Sukuk (Note 10.4)	139,582	136,950	22,200	23,033
	<b>284,121</b>	<b>147,440</b>	<b>45,188</b>	<b>24,797</b>
Shares in companies listed on the stock market (Note 10.5)	11,656	12,195	1,854	2,051
Shares in companies unlisted on the stock market (note 10.6)	200,239	167,348	31,847	28,146
	<b>211,895</b>	<b>179,543</b>	<b>33,700</b>	<b>30,197</b>
<b>Total available for sale investments</b>	<b>496,016</b>	<b>326,983</b>	<b>78,888</b>	<b>54,994</b>

**10.1** These are investment instruments issued by the liquidity management fund which was created as a result of directives issued by the Central Bank of Sudan. It is an open fund with changing capital which is fixed as a result of coordination between the Central Bank of Sudan and the board of directors of the fund. These instruments are traded between banks operating in the country. The objective of the fund is to advance management of liquidity between banks and to permit trade into these instruments between banks.

**10.2** Investment funds comprise investment funds on the basis of mudaraha with other parties and are registered with Khartoum Stock Exchange and appear in the financial statements at market price.

**10.3** Khartoum Refinery Musharaka Sukuk, also known as Shama, are on the assets of the Refinery. These sukuk are listed on Khartoum Stock Exchange and mature in seven years from the date of issue. Sukuk profit is paid every three months.

**10.4** The sukuk in Sudanese Electricity Distribution Company are short term investment funds issued by the Sudanese Company for Financial Services. The sukuk are financial instruments which represent investments in the assets of the Company. These assets are purchased by investment funds and leased back to the Ministry of Finance. These Sukuk are available to individuals, companies and financial institutions. Profits are distributed annually.

**10.5** Investment in share of companies listed on Khartoum Stock Exchange comprise:

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Sudatel Telecommunication Co. Ltd.	5,822	6,586	926	1,108
Cooperative Insurance Co. Ltd.	2,000	2,000	318	336
Faisal Islamic Bank (S)	1,168	1,560	186	262
Shares in other companies	2,666	2,049	424	345
	<b>11,656</b>	<b>12,195</b>	<b>1,854</b>	<b>2,051</b>

**10.6** Investment in share of companies not listed on Khartoum Stock Exchange comprise:

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
White Nile Sugar Co. Ltd.	158,586	125,599	25,222	21,124
Kenana Sugar Co. Ltd.	12,000	12,000	1,909	2,018
Nile Batters Factory Co. Ltd.	27,835	27,835	4,427	4,681
Shares in other unlisted companies	1,818	1,914	289	323
	<b>200,239</b>	<b>167,348</b>	<b>31,847</b>	<b>28,146</b>

**11 Other investments**

Other investments represents merchandise and real estate pledged as security by customers for financing. These assets were repossessed by the bank after clients' default.

**12 Investment in real estate**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Opening Balance	533,736	491,649	84,887	82,688
Additions	72,588	42,087	11,545	7,079
Revaluation profit	125,283		19,925	0
	<b>731,607</b>	<b>533,736</b>	<b>116,357</b>	<b>89,767</b>

Investment in real estate represents investment in real estate by Al Waha Real Estate Development Company, a majority owned subsidiary. This property3 comprises a business centre, hotel, offices and commercial outlets.

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**13 Other assets**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Staff loans	29,091	33,814	4,627	5,687
Prepaid expenses	27,170	32,031	4,321	5,387
Accrued income	3,934	3,513	626	591
Debtors	34,307	4,647	5,456	782
Receivable from the government	55,512	55,036	8,829	9,256
Government Bonds	6,750	17,050	1,074	2,868
Stationery and other stocks	4,975	2,596	791	437
Deferred Tax Assets	88,777	75,277	14,119	12,661
Other Receivables (Note 13.1)	23,320	9,018	3,709	1,517
	<b>273,836</b>	<b>232,982</b>	<b>43,552</b>	<b>39,184</b>

**13.1 Further analysis of other receivables is as follows:**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Balance at beginning of the year	9,018	21,081	1,434	3,546
Operational losses under investigation	418	1,646	66	277
Collected amounts	14,215	(12,044)	2,261	(2,026)
Provision for doubtful debts	(331)	(1,665)	(53)	(280)
	<b>23,320</b>	<b>9,018</b>	<b>3,709</b>	<b>1,517</b>

**14 Intangible assets**

	Goodwill SDG'000	Computer Software SDG'000	Total SDG'000	2014 USD-000
Balance at 1 January 2014	78,593	12,010	90,603	14,410
Additions		4,599	4,599	731
Amortization for the period		(4,253)	(4,253)	(676)
Balance at 31 December 2014	<b>78,593</b>	<b>12,356</b>	<b>90,949</b>	<b>14,465</b>
Net Book Value 31 December 2013	<b>78,593</b>	<b>12,010</b>	<b>90,603</b>	<b>15,238</b>

**15 Property, plant and equipment**

	Land and Buildings SDG' 000	Furniture and Equipment SDG' 000	Motor Vehicles SDG'000	Capital Work in Progress SDG'000	Total SDG'000
<b>Cost:</b>					
1 January 2014	315,444	195,585	14,900	87,335	613,264
Additions	19,144	83,734	2,997	61,335	167,210
Disposals		(6,072)	(1,871)	-	(7,943)
Transfer		(21,997)			(21,997)
Transfer from capital work in progress		75,407		(75,407)	
As at 31 December, 2014	<b>334,588</b>	<b>326,657</b>	<b>16,026</b>	<b>73,263</b>	<b>750,534</b>
<b>Depreciation:</b>					
1 January 2014	12,387	49,287	7,793	-	69,467
Charge for the year	3,032	22,234	2,110	-	27,376
Eliminated on disposal	-	(4,641)	(1,462)	-	(6,103)
As at 31 December, 2014	<b>15,419</b>	<b>66,880</b>	<b>8,441</b>	<b>-</b>	<b>90,740</b>
Net book value - 31 December, 2014	<b>319,169</b>	<b>259,777</b>	<b>7,585</b>	<b>73,263</b>	<b>659,794</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

15 Property, plant and equipment	(continued)				
	Land and Buildings	Furniture and Equipment	Motor Vehicles	Capital Work in Progress	Total
	SDG' 000	SDG' 000	SDG'000	SDG'000	SDG'000
<i>Cost:</i>					
1 January 2013	254,114	147,872	15,170	39,030	456,186
Additions	940	19,635	1,185	146,307	168,067
Disposals	(119)	(9,415)	(1,455)	-	(10,989)
Transfer	60,509	37,493		(98,002)	
<b>As at 31 December, 2013</b>	<b>315,444</b>	<b>195,585</b>	<b>14,900</b>	<b>87,335</b>	<b>613,264</b>
<i>Depreciation:</i>					
1 January 2013	9,369	41,220	6,207	-	56,796
Charge for the year	3,028	16,443	2,105	-	21,576
Eliminated on disposal	(10)	(8,376)	(519)	-	(8,905)
<b>As at 31 December, 2013</b>	<b>12,387</b>	<b>49,287</b>	<b>7,793</b>	<b>-</b>	<b>69,467</b>
<b>Net book value - 31 December, 2013</b>	<b>303,057</b>	<b>146,298</b>	<b>7,107</b>	<b>87,335</b>	<b>543,797</b>
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<i>Cost:</i>					
At 01 01 2014 (restated at current rate)	50,169	31,106	2,370	13,890	97,535
Additions	3,045	13,317	477	9,755	26,594
Disposals		(966)	(298)	-	(1,263)
Transfers		(3,498)			(3,498)
Transfer from capital work in progress		11,993		(11,993)	
<b>As at 31 December, 2014</b>	<b>53,214</b>	<b>51,953</b>	<b>2,549</b>	<b>11,652</b>	<b>119,367</b>
<i>Depreciation:</i>					
1/1/2014 (restated at current rate)	1,970	7,839	1,239	-	11,048
Charge for the year	482	3,536	336	-	4,354
Eliminated on disposal	-	(738)	(233)	-	(971)
<b>As at 31 December, 2014</b>	<b>2,452</b>	<b>10,637</b>	<b>1,342</b>	<b>-</b>	<b>14,432</b>
<b>Net book value - 31 December, 2014</b>	<b>50,762</b>	<b>41,316</b>	<b>1,206</b>	<b>11,652</b>	<b>104,936</b>
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<i>Cost:</i>					
At 01 01 2013 (restated at current rate)	42,738	24,870	2,551	6,564	76,724
Additions	158	3,303	200	24,607	28,269
Disposals	(20)	(1,583)	(245)	-	(1,848)
Transfer					
<b>As at 31 December, 2013</b>	<b>42,876</b>	<b>26,590</b>	<b>2,507</b>	<b>31,171</b>	<b>103,144</b>
<i>Depreciation:</i>					
At 01 01 2013 (restated at current rate)	1,576	6,933	1,044	-	9,552
Charge for the year	509	2,765	354	-	3,629
Eliminated on disposal	-	(1,409)	(87)	-	(1,496)
<b>As at 31 December, 2013</b>	<b>2,085</b>	<b>8,289</b>	<b>1,311</b>	<b>-</b>	<b>11,685</b>
<b>Net book value - 31 December, 2013</b>	<b>40,791</b>	<b>18,300</b>	<b>1,196</b>	<b>31,171</b>	<b>91,459</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**16 Customers' accounts**

Customers accounts represent current accounts, in local and foreign currencies, and are payable on demand.

**17 Cash margins**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Cash margins against letters of credit	372,703	403,805	59,276	67,915
Cash margins against letters of guarantee	15,027	18,772	2,390	3,157
	<u>387,730</u>	<u>422,577</u>	<u>61,666</u>	<u>71,072</u>

**18 Other liabilities**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Accrued liabilities	142,729	164,832	22,700	27,722
Transfers under Clearance	8,540	7,201	1,358	1,211
Accrued expenses	14,193	20,250	2,257	3,406
Custodian deposits	159,643	26,242	25,390	4,414
Al Aman fund liability	16,596	15,967	2,639	2,685
Insurance liabilities	8,197	6,711	1,304	1,129
Sorgum fund liability	26,955	26,955	4,287	4,533
Other liabilities *	28,518	17,466	4,536	2,938
	<u>405,371</u>	<u>285,624</u>	<u>64,471</u>	<u>48,038</u>

\* Other liabilities include gains from transactions not according to Sharia'a law. The amount of such gain in 2014 was SDG 15,000 (US \$ 2,886) (2013 - SDG 5,000 - US \$ 841).

**19 Provisions**

These comprise of:

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Provision for Zakat	2,489	1,595	396	268
Provision for End of service	17,950	22,659	2,855	3,811
Provision for taxation	73,127	40,350	11,630	6,786
	<u>93,566</u>	<u>64,604</u>	<u>14,881</u>	<u>10,865</u>

**20 Equity of unrestricted investment account holders**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Savings accounts (including Saving Plus accounts)	2,669,011	2,038,102	424,488	342,780
Investment accounts	1,162,283	870,241	184,853	146,362
Mudaraba investment by the Central Bank of Sudan	320,000	320,000	50,894	53,820
Banks investments	331,500	302,700	52,723	50,910
	<u>4,482,794</u>	<u>3,531,043</u>	<u>712,958</u>	<u>593,872</u>
Unrestricted investment account holders' profit*	230,000	166,319	36,580	27,973
Prior year profit	2,784	1,988	443	334
Profits paid during the year	(34,879)	(11,488)	(5,547)	(1,932)
	<u>4,680,699</u>	<u>3,687,862</u>	<u>744,433</u>	<u>620,247</u>

\* Equity of unrestricted investment account holders' share of profit is SDG 81,396 (US \$13,563 at average rate of exchange) which 6% per annum. The bank paid additional profit of SDG 52,414 (US \$8,734 at average rate of exchange) which made the total profit distributed to equity holders amounted to SDG 133,810 (US \$22,296 at average rate of exchange), equivalent to 10% per annum. Share of profit for the saving account holders (including Saving Plus accounts) amounted to SDG 88,903 (US \$14,814 at average rate of exchange) equivalent to 6% per annum.

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**21 Share capital**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
<i>Authorized share capital:</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>159,043</u>	<u>168,186</u>
Paid up share capital	<u>523,875</u>	<u>419,100</u>	<u>83,319</u>	<u>70,487</u>

Paid up share capital is divided into 396,874,998 ordinary shares of SDG 1.32 each.

**22 Reserves**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Reserves are made up of:				
Statutory reserve	92,705	70,087	14,744	11,788
Banking risk reserve	58,697	58,697	9,335	9,872
Fair value reserve	144,884	74,934	23,043	12,603
Assets revaluation reserve	112,761	112,761	17,934	18,965
General reserve	<u>149,727</u>	<u>85,770</u>	<u>23,813</u>	<u>14,425</u>
	<u>558,774</u>	<u>402,249</u>	<u>88,869</u>	<u>67,653</u>

General reserve includes SDG 54,375 (US \$ 8,648) which represents gains arising from revaluation of foreign currencies for the years 2012, 2013 and 2014.

**23 Income from deferred sales**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Income from murbaha	203,935	142,825	33,981	25,186
Deferred sales income	120,342	95,904	20,052	16,912
Mugawala income	206,414	62,353	34,394	10,995
Ijara income	6,156	3,087	1,026	545
	<u>536,847</u>	<u>304,169</u>	<u>89,453</u>	<u>53,638</u>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**24 Income from Investments**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Income from Shahama securities	148,896	129,296	24,810	22,800
Portfolio investment income	2,321	8,427	387	1,486
Shama income	26	52	4	9
Mudaraba income (Note 34 - related parties)	7,236	10,027	1,206	1,768
Musharaka income (Note 34 - related parties)	3,852	4,246	642	749
Investment accounts income- Banks	1,286	1,251	214	221
	<b>163,617</b>	<b>153,299</b>	<b>27,263</b>	<b>27,033</b>

**25 Income from Banking services**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Cash management fees	24,529	23,364	4,087	4,120
Transfers commissions	18,995	23,350	3,165	4,118
Cheque collection	54	40	9	7
Letters of credit	85,568	110,810	14,258	19,540
Letters of guarantee	5,003	7,390	834	1,303
Current accounts	2,142	2,219	357	391
Communication	1,065	883	177	156
Commission from insurance companies and agencies	1,669	1,940	278	342
ATMs	2,644	1,831	441	323
Other income	2,351	4,332	392	764
	<b>144,020</b>	<b>176,159</b>	<b>23,997</b>	<b>31,064</b>

**26 Other Income**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Rent received	16,076	15,787	2,679	2,784
Insurance and storage fee	1,380	2,517	230	444
Gain on disposal of fixed assets	562	1,476	94	260
Miscellaneous income (Note 26.1)	9,391	24,167	1,564	4,262
Dividends received	3,069	1,640	511	289
	<b>30,478</b>	<b>45,587</b>	<b>5,078</b>	<b>8,039</b>

**26.1** Miscellaneous income includes agency fees for sale of lands owned by Khartoum State government. The bank promotes, markets and sells these lands.

**27 Staff Costs**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Salaries	77,864	87,604	12,974	15,448
Overtime	489	513	81	90
Travelling	5,653	6,123	942	1,080
Medical care	4,957	4,703	826	829
Staff bonus	38,437	30,919	6,405	5,452
Social insurance	6,407	6,140	1,068	1,083
Hospitality	1,650	1,429	275	252
End of service benefits	17,024	9,724	2,837	1,715
Training	5,610	2,548	936	450
	<b>158,091</b>	<b>149,703</b>	<b>26,342</b>	<b>26,399</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.



**Bank of Khartoum, PLC****Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014****28 General and Administrative Expenses**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Rent	13,212	7,038	2,201	1,241
Rates and property insurance	20,745	7,863	3,457	1,387
Government fees	2,028	3,498	338	617
Electricity and water	8,329	6,309	1,388	1,113
Maintenance	24,380	18,450	4,062	3,254
Services	15,614	11,975	2,602	2,112
Postage	626	730	104	129
Cash management expenses	877	852	146	150
Travel and transportation	5,722	4,033	953	711
Consulting fees	8,806	12,223	1,467	2,155
Legal Consultancy fees	2,404	1,672	401	295
BOD & Sharia Supervisory Board's expenses	7,535	8,078	1,256	1,424
Archive expenses	76	94	13	17
Printing & stationery	4,206	3,054	701	539
Newspapers & magazines	281	163	47	29
Communication	6,874	6,776	1,145	1,195
Entertainment and refreshments	3,115	1,275	519	225
Marketing and advertising	14,667	12,719	2,444	2,243
Subscriptions	1,227	1,117	204	197
Donations	2,588	2,354	431	415
ATMs Expenses	7,898	6,498	1,316	1,146
Miscellaneous expenses	3,481	1,686	580	297
Central Bank of Sudan penalties	0	29	0	5
Commission paid	1,170	847	195	149
Fees - bank deposit security fund	4,358		726	0
Operating losses	1,049	2,672	175	471
Amortization & Depreciation	31,629	28,164	5,270	4,966
	<u>192,897</u>	<u>150,169</u>	<u>32,142</u>	<u>26,481</u>

**29 Provision for zakat**

The bank has estimated its zakat liability for 2014. The management of the bank believes that the final zakat will not differ materially from the estimated provision after taking into account all items not subject to zakat.

**30 Provision for business profit tax**

The bank has estimated its business profit tax liability for 2014. The management of the bank believes that the final estimated tax liability will not differ materially from the estimated provision .

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
The tax provision is made up of:				
Provision for the current year	52,090	21,697	8,680	3,826
Deferred tax	(13,500)	(13,500)	(2,249)	(2,381)
Prior year adjustments		(2,056)	0	(363)
	<u>38,590</u>	<u>6,141</u>	<u>6,430</u>	<u>1,083</u>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**31 Earning per share**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Net profit for the year	237,931	154,261	37,803	25,502
Number of shares	396,874,998	317,499,998	396,874,998	317,499,998
Earnings per share	0.600	0.486	0.095	0.080

**32 Concentration of investments-Economic sectors**

	2014 %	2013 %
<b>Sector</b>		
Agricultural Sector	4%	4%
Industrial Sector	4%	5%
Transportation	9%	9%
Export & Import	20%	20%
Local Trading	10%	5%
Real Estate	48%	53%
Other	5%	4%
	100%	100%

**33 Contingent Liabilities**

	2014 SDG-000	2013 SDG-000	2014 USD-000	2013 USD-000
Letters of credit	1,960,616	1,872,521	311,823	314,932
Letters of guarantee	303,413	393,097	48,256	66,113
	2,264,029	2,265,618	360,078	381,045

**34 Related Party transactions**

These represent transactions with related parties ie. shareholders , board of directors and senior management of the bank and their families and relatives. Details are shown below (comparative figures are not shown).

	Board of Directors and shareholders SDG'000	Senior Management SDG'000	Total 2014 SDG'000
Sales receivables	68,370		68,370
staff finance & advances	0	2,509	2,509
Current accounts & deposits	3,960	37	3,997
Letter of credits and guarantees	6,276		6,276
	78,606	2,546	81,152
	USD'000	USD'000	Total 2014 USD'000
Sales receivables	10,874		10,874
staff finance & advances		399	399
Current accounts & deposits	630	6	636
Letter of credits and guarantees	998		998
	12,502	405	12,907

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**35 Liquidity risk**

Liquidity risk is defined as the risk that the bank will encounter difficulty in meeting obligations associated with liabilities that are settled in delivering cash or other financial assets. Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management arranged diversified funding sources in addition to its core deposit base, and adopted a policy managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The bank has development internal control process and contingent plans for managing liquidity risk.

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained

	<i>In thousands of SDG</i>						
	<i>0-1 month</i>	<i>1-3 months</i>	<i>3-6 months</i>	<i>6 months to one year</i>	<i>1 - 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
<b>ASSETS</b>							
Cash and cash equivalents	1,621,958			224,769	39,351		1,886,078
Investment accounts with banks	15,000	66,865	44,577				126,442
Investment in trading securities	206,468		121,675	511,230			839,373
Sales receivables	469,741	452,212	361,770	566,999	1,808,848	859,203	4,518,773
Investment in mudaraba and musharaka	148,282	87,225	110,493	43,612			389,612
Available for sale investments	332,576				163,440		496,016
Other investments						27,313	27,313
Investment in real estate				51,607		680,000	731,607
Other assets	45,087	15,158	25,237	67,724	65874	54,756	273,836
Intangible fixed assets						90,949	90,949
Property, plant and equipment						659,794	659,794
	<b>2,839,112</b>	<b>621,460</b>	<b>663,752</b>	<b>1,465,941</b>	<b>2,077,513</b>	<b>2,372,015</b>	<b>10,039,793</b>
<b>LIABILITIES</b>							
Current and other accounts of customers	149,234	510,971	774,198	1,548,396			2,982,799
Cash margins	32,957	63,675	96,933	193,865			387,430
Other liabilities	35,051	222,192		148,128			405,371
Provisions	10,945	27,540	41,130	13,951			93,566
<b>Total liabilities</b>	<b>228,187</b>	<b>824,378</b>	<b>912,261</b>	<b>1,904,340</b>	<b>0</b>	<b>0</b>	<b>3,869,166</b>
Unrestricted investment accounts holders	285,118	566,237	842,737	2,341,069	645,238		4,680,399
Shareholders' equity						1,387,310	1,387,310
Non-controlling interest						102,318	102,318
<b>Total liabilities and equity</b>	<b>513,305</b>	<b>1,390,615</b>	<b>1,754,998</b>	<b>4,245,409</b>	<b>645,238</b>	<b>1,489,628</b>	<b>10,039,193</b>

	<i>In thousands of USD</i>						
	<i>0-1 month</i>	<i>1-3 months</i>	<i>3-6 months</i>	<i>6 months to one year</i>	<i>1 - 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
<b>ASSETS</b>							
Cash and cash equivalents	257,961	0	0	35,748	6,259	0	299,968
Investment accounts with banks	2,386	10,634	7,090	0	0	0	20,110
Investment in trading securities	32,837	0	19,352	81,308	0	0	133,497
Sales receivables	74,709	71,921	57,537	90,177	287,685	136,650	718,680
Investment in mudaraba and musharaka	23,583	13,873	17,573	6,936	0	0	61,965
Available for sale investments	52,894	0	0	0	25,994	0	78,888
Other investments	0	0	0	0	0	4,344	4,344
Investment in real estate	0	0	0	8,208	0	108,149	116,357
Other assets	7,171	2,411	4,014	10,771	10,477	8,709	43,552
Intangible fixed assets	0	0	0	0	0	14,465	14,465
Property, plant and equipment	0	0	0	0	0	104,936	104,936
	<b>451,541</b>	<b>98,839</b>	<b>105,565</b>	<b>233,148</b>	<b>330,414</b>	<b>377,253</b>	<b>1,596,761</b>
<b>LIABILITIES</b>							
Current and other accounts	23,735	81,266	123,131	246,262	0	0	474,394
Cash margins	5,242	10,127	15,417	30,833	0	0	61,618
Other liabilities	5,575	35,338	0	23,559	0	0	64,471
Provisions	34,551	126,732	138,547	300,654	0	0	600,483
<b>Total liabilities</b>	<b>69,102</b>	<b>253,463</b>	<b>277,095</b>	<b>601,307</b>	<b>0</b>	<b>0</b>	<b>1,200,967</b>
Unrestricted investment accounts holders	45,346	90,056	134,032	372,331	102,621	0	744,386
Shareholders' equity	0	0	0	0	0	220,642	220,642
Non-controlling interest	0	0	0	0	0	16,273	16,273
<b>Total liabilities and equity</b>	<b>114,448</b>	<b>343,519</b>	<b>411,127</b>	<b>973,638</b>	<b>102,621</b>	<b>236,915</b>	<b>2,182,268</b>

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**36 Fair values of the financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

Investments include securities for sale which are recorded at cost of SDG 200 million - US\$ 31.8 million (2013 -SDG 167 million - USD 28.01 million). There are no reliable indicators to value the investments,

The fair value of other financial instruments included in the consolidated financial statements is not materially different from the amounts disclosed in the consolidated financial statements.

**37 Credit risk and the concentration of assets, liabilities and other non listed items in the financial statements**

Credit risk is the risk that the bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The contracts normally are guaranteed by securities liens.

**Types of credit risk**

Credit risk types include sale receivables, mugawala financing and musharaka financing.

**Sales receivables**

The bank finances the purchase of goods by purchasing the goods and resells it to customers (murabaha financing). The sale price normally equals the cost of purchase plus a profit margin. The customers pay financing balance on installments according to the contract period. Normally the security lien on the financing is the goods under the contract or other credit allowances provided to the customers.

**Murabaha financing**

The bank and the customer pay agree to invest in existing or new projects according to Musharaka Mutanaqsa Partnership. According to this model the ownership of the project will transfer to the customer. The profits and losses will be allocated to the parties according to the agreement or percentage of share capital in the project.

**Risk management**

By its nature the bank's activities are principally related to the use of financial instruments. The bank accepts deposits from customers for various periods and seeks to earn profit by investing these funds in quality assets. The bank also seeks to increase its profit spread by making investments in diversified products and services by consolidating short and long term investment strategies while maintaining sufficient liquidity to meet all claims that might fall due.

**38 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The management sets risk limits for risks that the bank can accept. These risks are monitored by the bank management within these limits.

The accompanying notes from 1 to 40 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2014**

**39 Capital adequacy**

Minimum percentage for capital adequacy	<u>15.75%</u>
Minimum percentage for capital adequacy required by the Central Bank of Sudan	<u>12%</u>

**40 Comparative figures**

Certain amounts of the prior year have been reclassified in order to conform with the current year presentation. These reclassifications do not affect the consolidated income statement and consolidated statement of changes in equity.

The accompanying notes from 1 to 40 form an integral part of these financial statements.