

**Bank of Khartoum  
Public Limited Liability Company**

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

**For the Year Ended 31 December 2015**

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

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

**31 December, 2015**

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# HASSABO & Co.

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Certified Accountants  
Management Consultants  
Managing Partner:  
Hassab E. M. El Tayeb - FCCA

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

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28 February, 2016

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, 2015.

## **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, 2015 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

# HASSABO & Co.

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 fairly prepared in accordance with the International Financial Reporting Standards.


Hassabo and Company  
Certified Accountants




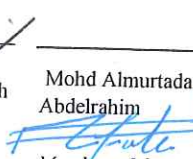
**Bank of Khartoum, PLC**

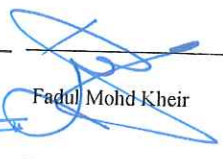
**Consolidated Statement of Financial position as at 31 December, 2015**

	Notes	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
<b>ASSETS</b>					
Cash and cash equivalents	5	1,740,702	1,886,078	271,391	299,968
Investment accounts with banks	6	81,409	126,442	12,691	20,110
Investment in trading securities	7	1,582,273	839,373	246,691	133,497
Sales receivables	8	5,713,288	4,518,773	890,753	718,680
Investment In mudaraba and musharaka	9	288,663	389,612	45,005	61,965
Available for sale investments	10	601,172	496,016	93,728	78,888
Other investments	11	60,233	27,313	9,391	4,344
Investment in real estate	12	737,689	731,607	115,012	116,357
Other assets	13	336,459	273,836	52,457	43,552
Intangible fixed assets	14	92,356	90,949	14,399	14,465
Property ,plant and equipment	15	825,021	659,794	128,628	104,936
<b>TOTAL ASSETS</b>		<b>12,059,265</b>	<b>10,039,793</b>	<b>1,880,146</b>	<b>1,596,761</b>
<b>LIABILITIES</b>					
Customers' accounts	16	3,625,430	2,982,799	565,237	474,394
Cash margins	17	237,397	387,730	37,012	61,666
Other liabilities	18	431,755	405,371	67,314	64,471
Provisions	19	84,464	93,566	13,169	14,881
<b>Total liabilities</b>		<b>4,379,046</b>	<b>3,869,466</b>	<b>682,732</b>	<b>615,412</b>
<b>Equity of unrestricted investment accounts holders</b>	20	<b>5,964,577</b>	<b>4,680,699</b>	<b>929,931</b>	<b>744,433</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	21	523,875	523,875	81,677	83,319
Share premium		50,473	50,473	7,868	8,027
Reserves	22	624,544	558,774	97,372	88,869
Retained earnings		436,793	254,188	68,100	40,427
<b>Total shareholders' equity - group shareholders</b>		<b>1,635,685</b>	<b>1,387,310</b>	<b>255,017</b>	<b>220,642</b>
<b>Non-controlling interest</b>		<b>79,957</b>	<b>102,318</b>	<b>12,466</b>	<b>16,273</b>
<b>Total shareholders' equity</b>		<b>1,715,642</b>	<b>1,489,628</b>	<b>267,483</b>	<b>236,915</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,059,265</b>	<b>10,039,793</b>	<b>1,880,146</b>	<b>1,596,761</b>

  
 Odai Alhindawi  
 CFO

  
 Fadi Salim AlFaqi  
 Chief Executive Officer

  
 Mohd Almortada Abdelrahim  
 Member of the Board

  
 Fadi Mohd Kheir  
 Deputy Chairman

The accompanying notes from 1 to 41 form an integral part of these financial statements.



**Bank of Khartoum, PLC**

**Consolidated Statement of Income**  
**For the year ended 31 December, 2015**

	Notes	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
<b>Income</b>					
Income from deferred sales	23	666,987	536,847	105,024	89,453
Income from investments	24	347,983	163,617	57,983	27,263
		1,014,970	700,464	163,007	116,716
Financing and investing risk provision	8/1	(45,000)	(45,021)	(7,498)	(7,502)
Return on unrestricted investment accounts	20	(318,985)	(230,000)	(53,151)	(38,324)
Bank's share in income from investments (as Mudarib and fund owner)		650,985	425,443	102,358	70,890
Income from banking services	25	137,226	144,020	22,865	23,997
Income from foreign exchange transactions		7,206	413	1,201	69
Other income	26	37,008	30,478	6,167	5,078
<b>Total Bank's income</b>		832,425	600,354	132,590	100,035
Foreign currency revaluation		4,933	30,034	822	5,004
<b>Total Income</b>		837,358	630,388	133,412	105,039
<b>Less:</b>					
Staff costs	27	175,602	158,091	27,650	26,342
General and administrative expenses	28	253,117	192,897	39,856	32,142
Bank of Sudan penalties		99	0	16	0
Misc provision	29	2,306	0	363	0
<b>Total expenses</b>		431,124	350,988	67,885	58,484
<b>Profit before Zakat and tax</b>		406,234	279,400	65,527	46,555
Zakat	30	(14,738)	(3,118)	(2,456)	(520)
Business profit tax	31	(25,923)	(38,590)	(4,082)	(6,430)
<b>Net profit for the year</b>		365,573	237,692	58,990	39,606
Translation exchange adjustment		0	0	1,994	(1,803)
<b>Net profit for the year</b>		365,573	237,692	56,996	37,803
Attributable to:					
Equity holders of the parent company		365,052	237,931	57,481	37,841
Non- controlling interests		521	(139)	82	(38)
<b>Profit for the year</b>		365,573	237,692	57,563	37,803
<b>Earning per share</b>	32	0.921	0.600	0.145	0.095

Odai Alhindawi  
CFO

Fadi Salim AlFaqih  
Chief  
Executive  
Officer

Mohd  
Almurtada  
Abdelrahim  
Member of the  
Board

Fadul  
Mohd  
Kheir  
Deputy  
Chairman

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity**  
For the year ended 31 December, 2015

	Share Capital SDG'000	Share premium SDG'000	Statutory reserves SDG'000	Banking risk reserve SDG'000	Fair value revaluation SDG'000	Property, plant and equipment revaluation reserve SDG'000	General reserve SDG'000	Reserve for Profit on Revaluation of Foreign Currencies 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 31 December, 2014</b>	523,875	50,473	92,705	58,697	69,714	187,931	100,285	49,442	254,188	1,387,310	102,318	1,489,628
Profit for the year	-	-	-	-	-	-	-	-	365,052	365,052	521	365,573
Transfer to reserves	-	-	36,503	12,092	-	-	50,336	4,933	(103,866)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	(78,581)	(78,581)	-	(78,581)
Revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	50	50
Prior year adjustments	-	-	-	-	-	-	-	-	-	(34,405)	(22,932)	(57,337)
Unearned profit	-	-	-	-	(3,691)	-	-	-	-	(3,691)	-	(3,691)
<b>Balance at 31 December, 2015</b>	523,875	50,473	129,210	70,789	66,023	153,526	150,621	54,375	436,793	1,635,685	79,957	1,715,642
<b>Balance at 31 December, 2013</b>	419,100	50,473	70,087	58,697	74,934	112,761	66,358	19,412	207,707	1,079,529	34,744	1,114,273
Profit for the year	-	-	-	-	-	-	-	-	237,931	237,931	(239)	237,692
Transfer to reserves	-	-	22,618	-	-	-	33,927	30,030	(86,575)	-	-	-
Bonus issue	104,775	-	-	-	-	-	-	-	(104,775)	-	-	-
Surplus on revaluation of fixed assets	-	-	-	-	-	75,170	-	-	-	75,170	50,113	125,283
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	17,700	17,700
Net changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustments	-	-	-	-	-	-	-	-	(100)	(100)	-	(100)
Unearned profit	-	-	-	-	(5,220)	-	-	-	-	(5,220)	-	(5,220)
<b>Balance at 31 December, 2014</b>	523,875	50,473	92,705	58,697	69,714	187,931	100,285	49,442	254,188	1,387,310	102,318	1,489,628
<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Balance - 31 12 2014 restated at 2015 rate of exchange</b>	81,677	7,869	14,454	9,151	10,869	29,300	15,635	7,708	39,630	216,294	15,932	232,246
Profit for the year	-	-	-	-	-	-	-	-	56,915	56,915	81	56,996
Transfer to reserves	-	-	5,691	1,885	-	-	7,848	769	(16,194)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	(12,251)	(12,251)	-	(12,251)
Revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	8	8
Prior year adjustments	-	-	-	-	-	-	-	-	-	(5,364)	(3,575)	(8,939)
Unearned profit	-	-	-	-	(575)	-	-	-	-	(575)	-	(575)
<b>Balance at 31 December, 2015</b>	81,677	7,869	20,145	11,037	10,294	23,936	23,483	8,478	68,100	255,013	12,466	267,484
<b>Balance - 31 12 2013 restated at 2014 rate of exchange</b>	66,655	8,027	11,147	9,335	11,918	29,889	10,554	3,087	33,034	171,692	5,526	177,218
Profit for the year	-	-	-	-	-	-	-	-	37,841	37,841	(38)	37,803
Transfer to reserves	-	-	3,597	-	-	-	5,396	4,776	(13,769)	-	-	-
Bonus issue	16,664	-	-	-	-	-	-	-	(16,664)	-	-	-
Surplus on revaluation of fixed assets	-	-	-	-	-	11,955	-	-	-	11,955	7,970	7,970
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	11,955	11,955
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	2,815	2,815
Unearned profit	-	-	-	-	(830)	-	-	-	(16)	(16)	(16)	(16)
<b>Balance at 31 December, 2014</b>	83,319	8,027	14,744	9,335	11,088	29,889	15,950	7,863	40,427	220,642	16,273	236,915

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC****Consolidated Statement of Cash Flows  
For the year ended 31 December, 2015**

	2015 SDG'000	2014 SDG'000	2015 USD'000	2014 USD'000
<b><u>Cash flows from Operating Activities</u></b>				
Profit for the year after zakat and tax	365,573	237,692	56,996	37,803
Adjustments for non-cash entries:				
Provision for zakat	14,738	3,118	2,298	496
Provision for taxation	25,923	38,590	4,042	6,137
Depreciation and amortization	45,600	31,629	7,109	5,030
Provision for finance risk	45,000	45,021	7,016	7,160
End of service benefits	219	17,024	34	2,708
Provision for court cases	520	-	81	-
Other stocks	1,786	-	278	-
Gain on revaluation of shahama certificates	(151,706)	(20,030)	(23,652)	(3,186)
Profit on sale of fixed assets	(2,076)	(562)	(324)	(89)
	<u>345,577</u>	<u>352,482</u>	<u>53,879</u>	<u>56,060</u>
<b>Changes in operating assets, and liabilities and unrestricted investment accounts</b>				
Other assets	(62,623)	(40,854)	(9,763)	(6,498)
Provisions for taxation, zakat and end of service benefits	(50,502)	(29,770)	(7,874)	(4,735)
Prior year adjustments	(57,337)	(100)	(8,939)	(16)
<b>Net cash inflows from operating activities</b>	<u>175,115</u>	<u>281,758</u>	<u>27,302</u>	<u>44,811</u>
<b>Cash flows from investment activities</b>				
Purchase of tangible and intangible fixed assets	(213,457)	(171,809)	(33,280)	(27,325)
Investment in trading securities	(591,194)	(141,058)	(92,172)	(22,434)
Investment accounts with banks	45,033	(101,039)	7,021	(16,070)
Other investments	(32,920)	22,183	(5,133)	3,528
Investment in musharaka and mudaraba	100,949	23,123	15,739	3,678
Real estate investments	(6,082)	(50,591)	(948)	(8,046)
Sales receivable	(1,239,515)	(702,631)	(193,251)	(111,749)
Sale of fixed assets	3,299	2,402	514	382
Available for sale investments	(110,633)	(174,253)	(17,249)	(27,714)
Investments in subsidiaries	50	17,700	8	2,815
<b>Net cash from investment activities</b>	<u>(2,044,470)</u>	<u>(1,275,973)</u>	<u>(318,751)</u>	<u>(202,935)</u>
<b>Cash flows from finance activities:</b>				
Cash dividend paid	(78,581)	-	(12,251)	-
Current accounts	642,631	425,439	100,192	67,663
Accounts payable	26,384	119,747	4,114	19,045
Margins on letters of guarantee and credit	(150,333)	(34,847)	(23,438)	(5,542)
Equity of unrestricted investment account holders	1,283,878	992,837	200,168	157,904
<b>Net cash flows from investment activities</b>	<u>1,723,979</u>	<u>1,503,176</u>	<u>268,784</u>	<u>239,070</u>
<b>Increase/(decrease) in cash and cash equivalent</b>	<u>(145,376)</u>	<u>508,961</u>	<u>(22,665)</u>	<u>80,946</u>
Exchange rate adjustment to opening balances for tangible and intangible assets			(5,912)	(12,591)
Cash and cash equivalent at beginning of year	1,886,078	1,377,117	299,968	231,612
<b>Cash and cash equivalent at the end of the year</b>	<u>1,740,702</u>	<u>1,886,078</u>	<u>271,391</u>	<u>299,968</u>

The accompanying notes from 1 to 41 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, 2015**

	Sales receivable SDG'000	Other investments SDG'000	Cash SDG'000	Total SDG'000
<b>Balance at 1 January 2014</b>	285,166	45,011	15,967	346,144
Additions	-	-	-	-
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>
Balance at 01 January 2015	217,963	45,011	16,596	279,570
Additions during the year	-	-	-	-
Cash withdrawal	(34,371)	-	(8,711)	(43,082)
Investment profits	-	-	1,006	1,006
Bank's share as Mudarib	-	-	(201)	(201)
<b>Balance at 31 December, 2015</b>	<b>183,592</b>	<b>45,011</b>	<b>8,690</b>	<b>237,293</b>
	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2014 restated at current rate of exchange)</b>	45,354	7,159	2,539	55,052
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>
<b>Balance at 1 January 2015 restated at current rate of exchange)</b>	33,982	7,018	2,587	43,587
Additions during the year	-	-	-	-
Cash withdrawal	(5,359)	-	(1,358)	(6,717)
Investment profits	-	-	157	157
Bank's share as Mudarib	-	-	(31)	(31)
<b>Balance at 31 December, 2015</b>	<b>28,624</b>	<b>7,018</b>	<b>1,355</b>	<b>36,996</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 \$ 31 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 Econonmic 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 million), The bank manages the fund for a period of 11 years.

The accopanying notes from 1 to 41 form an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

**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 77 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:

<b><u>SR</u></b>	<b><u>Subsidiary</u></b>	<b><u>Activity</u></b>	<b><u>% of interest</u></b>
1	Sudacash for Exchange Ltd.	Financial services	100
2	A2Z for Company for Sale by Installment Ltd	Trading	100
3	National Trading and Services Company Ltd.	Trading	100
4	Sanabil for Financial Securities Company Ltd.	Financial services	100
5	Wahat AlKhartoum Urban Development Co. Ltd	Real Estate	60
6	Irada Microfinance Co. Ltd	Financial	80
7	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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

purpose of trading or available for sale in accordance with re-measured fair value at end of a period.

- (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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

**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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2015**

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**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**5- Cash and Cash equivalents**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Cash and cash equivalent with the central bank are made up of:				
Cash in hand and ATMs	424,106	479,924	66,122	76,329
Current Accounts with the Central Bank of Sudan	296,388	396,607	46,210	63,078
Cash reserve with the Central Bank of Sudan *	762,040	613,627	118,809	97,593
Cash with foreign correspondent bank	258,168	395,920	40,251	62,968
	<u>1,740,702</u>	<u>1,886,078</u>	<u>271,391</u>	<u>299,968</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**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Investment accounts with local banks (Note 6.1)	51,242	70,600	7,989	11,229
Investment accounts with foreign banks	30,167	55,842	4,703	8,881
	<u>81,409</u>	<u>126,442</u>	<u>12,691</u>	<u>20,110</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 1,582,273 - US \$246,691 (31 December 2014 SDG 839,373- US \$133,497) - figures in thousands.

**8 Sales receivable (net)**

Sales receivable comprise:

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Murabaha	3,373,534	2,053,514	525,964	326,597
Salam	75,106	43,199	11,710	6,871
Mugawala	1,960,740	1,949,936	305,697	310,124
Deferred sales	1,499,347	1,646,768	233,762	261,907
Ijara	25,462	38,818	3,970	6,174
	<u>6,934,189</u>	<u>5,732,235</u>	<u>1,081,102</u>	<u>911,673</u>
Less: deferred profit	(1,229,039)	(1,145,368)	(191,618)	(182,163)
	<u>5,705,150</u>	<u>4,586,867</u>	<u>889,484</u>	<u>729,510</u>
Letters of guarantee	42,636	138,379	6,647	22,008
Letters of credit	52,877	92,262	8,244	14,674
	<u>5,800,663</u>	<u>4,817,508</u>	<u>904,375</u>	<u>766,192</u>
Less: Provision for bad and doubtful debt (note 8.1)	(87,375)	(298,735)	(13,623)	(47,512)
	<u>5,713,288</u>	<u>4,518,773</u>	<u>890,753</u>	<u>718,680</u>

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

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Balance at beginning of the year	298,735	253,214	46,575	40,272
Provision during the year	45,000	45,021	7,016	7,160
Transfer	-	500	-	80
Bad debts written off	(256,360)	-	(39,969)	-
	<u>87,375</u>	<u>298,735</u>	<u>53,591</u>	<u>47,512</u>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

# **Bank of Khartoum, PLC**

## Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015

### 9 Investment In mudaraba and musharaka

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Musharaka	144,252	273,969	22,490	43,573
Mudaraba	144,411	115,643	22,515	18,392
	<u>288,663</u>	<u>389,612</u>	<u>45,005</u>	<u>61,965</u>

### 10 Available for sale investments

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Investment Funds (Note 10.1)	5,513	23,464	860	3,732
Khartoum Refinery Musharaka Sukuk (Note 10.2)	395	1,395	62	222
Sudanese Electricity Distribution Company Sukuk (Note 10.3)	129,113	139,582	20,130	22,200
Investment funds on liquidity management fund	<u>238,443</u>	<u>119,680</u>	<u>37,175</u>	<u>19,034</u>
	<u>373,464</u>	<u>284,121</u>	<u>58,226</u>	<u>45,188</u>
Shares in companies listed on the stock market (Note 10.4)	13,108	11,656	2,044	1,854
Shares in companies unlisted on the stock market (note 10.5)	<u>214,600</u>	<u>200,239</u>	<u>33,458</u>	<u>31,847</u>
	<u>227,708</u>	<u>211,895</u>	<u>35,502</u>	<u>33,700</u>
Total available for sale investemtns	<u>601,172</u>	<u>496,016</u>	<u>93,728</u>	<u>78,888</u>

10.1 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.

10.2 Khartoum Refinery Musharaka Sukuk, also known as Shama, are on the assets of the Refinery. These sukuku are listed on Khartoum Stock Exchange and mature in seven years from the date of issue in October 2010.

10.4 The sukuku in Sudanese Electricity Distribution Company (Shasha) are short term investment funds issued by the Sudanese Company for Financial Services. The sukuku 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 Sukuku 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:

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Sudatel Telecommunication Co. Ltd.	5,515	5,822	860	926
Cooperative Insurance Co. Ltd.	2,000	2,000	312	318
Faisal Islamic Bank (S)	2,645	1,168	412	186
Shares in other companies	<u>2,948</u>	<u>2,666</u>	<u>460</u>	<u>424</u>
	<u>13,108</u>	<u>11,656</u>	<u>2,044</u>	<u>1,854</u>

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

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
White Nile Sugar Co. Ltd.	158,586	158,586	24,725	25,222
Kenana Sugar Co. Ltd.	12,000	12,000	1,871	1,909
Nile Batteries Factory Co. Ltd.	28,169	27,835	4,392	4,427
Canar Telecommunications Co. Ltd.	14,235		2,219	
Shares in other unlisted companies (after provision for decline in share value)	<u>1,610</u>	<u>1,818</u>	<u>251</u>	<u>289</u>
	<u>214,600</u>	<u>200,239</u>	<u>33,458</u>	<u>31,847</u>

### 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. In addition, there are goods/agricultural products in stores by subsidiaries.

### 12 Investment in real estate

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Opening Balance	731,607	533,736	114,064	84,887
Additions	6,082	72,588	948	11,545
Revaluation profit	-	125,283	-	19,925
	<u>737,689</u>	<u>731,607</u>	<u>115,012</u>	<u>116,357</u>

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

The accompanying notes from 1 to 41 form an integral part of these financial statements.

# **Bank of Khartoum, PLC**

## Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015

### **13 Other assets**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Staff loans	28,487	29,091	4,441	4,627
Prepaid expenses*	54,044	27,170	8,426	4,321
Accrued income	73,337	3,934	11,434	626
Debtors	6,553	34,307	1,022	5,456
Receivable from the government	49,147	55,512	7,662	8,829
Government Bonds	3,250	6,750	507	1,074
Stationery and other stocks	12,574	4,975	1,960	791
Deferred Tax Assets	92,069	88,777	14,354	14,119
Other Receivables (Note 13.1)	16,998	23,320	2,650	3,709
	<u>336,459</u>	<u>273,836</u>	<u>52,457</u>	<u>43,552</u>

\* Represent rental contract for branches and ATM paid in advance and these will be written off to expenses according to periods covered by these contract.

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

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Balance at beginning of the year	23,320	8,652	3,636	1,434
Operational losses under investigation	5,871	2,064	915	66
Collected amounts	(10,958)	14,600	(1,708)	2,261
Provision for doubtful debts	(1,235)	(1,996)	(193)	(53)
	<u>16,998</u>	<u>23,320</u>	<u>2,650</u>	<u>3,709</u>

### **14 Intangible assets (Pre-operating expenses)**

	Goodwill *	Pre- Operation Expenses**	Computer Software	Total	2015 USD-000
	SDG'000	SDG'000	SDG'000	SDG'000	
Balance at 1 January 2015	78,593	-	12,356	90,949	14,180
Additions	-	3,146	2,429	5,575	869
Amortization for the period	-	0	(4,168)	(4,168)	(650)
Balance at 31 December 2015	<u>78,593</u>	<u>3,146</u>	<u>10,617</u>	<u>92,356</u>	<u>14,399</u>
Net Book Value 31 December 2014	<u>78,593</u>	<u>-</u>	<u>12,356</u>	<u>90,949</u>	<u>14,465</u>

\* Goodwill arose as a result of acquisition of Wahat Al Khartoum  
Represent pre-operating expenses for Irada for Microfinance Company Limited and they will be amortized starting the next financial year.

### **15 Property, plant and equipment**

	Land and Buildings	Furniture and Equipment	Motor Vehicles	Capital Work in Progress	Total
	SDG' 000	SDG' 000	SDG'000	SDG'000	SDG'000
<b>Cost:</b>					
1 January 2015	334,588	326,657	16,026	73,263	750,534
Additions	2,318	4,053	22,553	200,204	229,128
Disposals	-	(23,046)	(1,491)	-	(24,537)
Transfer	-	-	-	-	-
Transfer from capital work in progress	-	140,437	-	(140,437)	-
As at 31 December, 2015	<u>336,906</u>	<u>448,101</u>	<u>37,088</u>	<u>133,030</u>	<u>955,125</u>
<b>Depreciation:</b>					
1 January 2015	15,419	66,880	8,441	-	90,740
Charge for the year	3,032	35,339	3,061	-	41,432
Eliminated on disposal	-	(1,587)	(481)	-	(2,068)
As at 31 December, 2015	<u>18,451</u>	<u>100,632</u>	<u>11,021</u>	<u>0</u>	<u>130,104</u>
Net book value - 31 December, 2015	<u>318,455</u>	<u>347,469</u>	<u>26,067</u>	<u>133,030</u>	<u>825,021</u>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

## Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015

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
<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	334,588	326,657	16,026	73,263	750,534
<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	15,419	66,880	8,441	-	90,740
Net book value - 31 December, 2014	319,169	259,777	7,585	73,263	659,794
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<b>Cost:</b>					
At 01 01 2015 (restated at current rate)	52,165	50,929	2,499	11,422	117,015
Additions	361	632	3,516	31,214	35,723
Disposals	-	(3,593)	(232)	-	(3,826)
Transfers	-	-	-	-	-
Transfer from capital work in progress	-	21,895	-	(21,895)	-
As at 31 December, 2015	52,527	69,863	5,782	20,741	148,913
<b>Depreciation:</b>					
1/1/2015 (restated at current rate)	2,404	10,427	1,316	-	14,147
Charge for the year	473	5,510	477	-	6,460
Eliminated on disposal	-	(247)	(75)	-	(322)
As at 31 December, 2015	2,877	15,689	1,718	-	20,284
Net book value - 31 December, 2015	49,650	54,174	4,064	20,741	128,628
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<b>Cost:</b>					
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)
Transfer	-	(3,498)	-	-	(3,498)
Transfers from capital work in progress	-	11,993	-	(11,993)	0
As at 31 December, 2014	53,214	51,953	2,549	11,652	119,367
<b>Depreciation:</b>					
At 01 01 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)
As at 31 December, 2014	2,452	10,637	1,342	-	14,432
Net book value - 31 December, 2014	50,762	41,316	1,206	11,652	104,936

\* Represent additional expenditure incurred in establishing new branches, ATM machines and others which will be capitalized when the projects are completed.

\*\* Represent new branches for which establishment process was completed during the year.

The accompanying notes from 1 to 41 form an integral part of these financial statements.

# Bank of Khartoum, PLC

## Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015

### 16 Customers' accounts

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

### 17 Cash margins

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Cash margins against letters of credit	207,955	372,703	32,422	59,276
Cash margins against letters of guarantee	29,442	15,027	4,590	2,390
	<u>237,397</u>	<u>387,730</u>	<u>37,012</u>	<u>61,666</u>

### 18 Other liabilities

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Accrued liabilities	141,145	142,729	22,006	22,700
Transfers under Clearance	8,819	8,540	1,375	1,358
Accrued expenses	24,716	14,193	3,853	2,257
Custodian deposits*	191,607	159,643	29,873	25,390
Al Aman fund liability	8,690	16,596	1,355	2,639
Insurance liabilities	8,705	8,197	1,357	1,304
Sorgum fund liability	2,544	26,955	397	4,287
Other liabilities	45,529	28,518	7,098	4,536
	<u>431,755</u>	<u>405,371</u>	<u>67,314</u>	<u>64,471</u>

\* These include SDG 72.895 (in thousands) (USD 11,365 in thousands) representing profit under distribution to shareholders.

### 19 Provisions

These comprise of:

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Provision for Zakat	7,191	2,489	1,121	396
Provision for End of service	19,646	17,950	3,063	2,855
Provision for court cases	520	-	81	-
Provision for taxation	57,107	73,127	8,903	11,630
	<u>84,464</u>	<u>93,566</u>	<u>13,169</u>	<u>14,881</u>

### 20 Equity of unrestricted investment account holders

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Savings accounts (including Saving Plus accounts)	3,942,054	2,669,011	614,601	424,488
Investment accounts	1,077,748	1,162,283	168,031	184,853
Mudaraba investment by the Central Bank of Sudan	320,000	320,000	49,891	50,894
Banks investments	337,043	331,500	52,548	52,723
	<u>5,676,845</u>	<u>4,482,794</u>	<u>885,071</u>	<u>712,958</u>
Unrestricted investment account holders' profit*	318,985	230,000	49,733	36,580
Prior year profit	3,798	2,784	592	443
Profits paid during the year	(35,051)	(34,879)	(5,465)	(5,547)
	<u>5,964,577</u>	<u>4,680,699</u>	<u>929,931</u>	<u>744,433</u>

\* Equity of unrestricted investment account holders' share of profit is SDG 89,702 (US \$14,125 at average rate of exchange) which 7% per annum. The bank paid additional profit of SDG 69,1314 (US \$10,885 at average rate of exchange) which made the total profit distributed to equity holders amounted to SDG 158,833 (US \$ 25,010 at average rate of exchange), equivalent to 7% per annum.

The accompanying notes from 1 to 41 form an integral part of these financial statements.



**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**21 Share capital**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
<i>Authorized share capital:</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>155,909</u>	<u>159,043</u>
Paid up share capital	<u>523,875</u>	<u>523,875</u>	<u>81,677</u>	<u>83,319</u>

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

**22 Reserves**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Reserves are made up of:				
Statutory reserve	129,210	92,705	20,145	14,744
Banking risk reserve	70,789	58,697	11,037	9,335
Fair value reserve	66,023	69,714	10,294	23,043
Assets revaluation reserve	153,526	187,931	23,936	17,934
General reserve	150,621	100,285	23,483	15,950
Currency revaluation	54,375	49,442	8,478	7,863
	<u>624,544</u>	<u>558,774</u>	<u>97,372</u>	<u>88,869</u>

**23 Income from deferred sales**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Income from murbaha	298,389	203,935	46,984	33,981
Deferred sales income	140,175	120,342	22,072	20,052
Mugawala income	223,913	206,414	35,257	34,394
Ijara income	4,510	6,156	710	1,026
	<u>666,987</u>	<u>536,847</u>	<u>105,024</u>	<u>89,453</u>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**24 Income from Investments**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Income from Shalama securities	288,269	148,896	48,033	24,810
Shasha income	6,779	-	1,130	-
Portfolio investment income	15,670	2,321	2,611	387
Shama income	53	26	9	4
Management of liquidity fund	14,851	-	2,475	-
Mudaraba income	18,272	7,236	3,045	1,206
Musharaka income	395	3,852	66	642
Investment accounts income- Banks	3,694	1,286	616	214
	<u>347,983</u>	<u>163,617</u>	<u>57,983</u>	<u>27,263</u>

**25 Income from Banking services**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Cash management fees	31,768	24,529	5,293	4,087
Transfers commissions	20,271	18,995	3,378	3,165
Cheque collection	27	54	4	9
Letters of credit	72,068	85,568	12,008	14,258
Letters of guarantee	6,160	5,003	1,026	834
Current accounts	2,009	2,142	335	357
Communication	1,326	1,065	221	177
Commission from insurance companies and agencies	1,126	1,669	188	278
ATMs	2,471	2,644	412	441
Other income	-	2,351	-	392
	<u>137,226</u>	<u>144,020</u>	<u>22,865</u>	<u>23,997</u>

**26 Other Income**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Rent received	16,836	16,076	2,651	2,679
Insurance and storage fee	1,319	1,380	208	230
Gain on disposal of fixed assets	2,076	562	327	94
Miscellaneous income (Note 26.1)	14,124	9,391	2,224	1,564
Dividends received	2,653	3,069	418	511
	<u>37,008</u>	<u>30,478</u>	<u>5,828</u>	<u>5,078</u>

**27 Staff Costs**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Salaries	97,920	77,864	15,419	12,974
Overtime	2,308	489	363	81
Travelling	6,620	5,653	1,042	942
Medical care	5,180	4,957	816	826
Staff bonus	47,412	38,437	7,466	6,405
Social insurance	79,977	6,407	12,593	1,068
Hospitality	1,585	1,650	250	275
End of service benefits	219	17,024	34	2,837
Training	6,381	5,610	1,005	936
	<u>247,602</u>	<u>158,091</u>	<u>38,987</u>	<u>26,342</u>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

# **Bank of Khartoum, PLC**

## **Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

### **28 General and Administrative Expenses**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Rent	15,618	13,212	2,459	2,201
Rates and property insurance	22,696	20,745	3,574	3,457
Government fees	3,326	2,028	524	338
Electricity and water	10,263	8,329	1,616	1,388
Maintenance	27,145	24,380	4,274	4,062
Services	22,763	15,614	3,584	2,602
Postage	1,395	626	220	104
Cash management expenses	4,179	877	658	146
Travel and transportation	7,812	5,722	1,230	953
Consulting fees	4,598	8,806	724	1,467
Legal Consultancy fees	8,082	2,404	1,273	401
BOD & Sharia Supervisory Board's expenses	12,393	7,535	1,951	1,256
Archive expenses	12	76	2	13
Printing & stationery	5,554	4,206	875	701
Newspapers & magazines	266	281	42	47
Communication	13,854	6,874	2,181	1,145
Entertainment and refreshments	2,771	3,115	436	519
Marketing and advertising	14,308	14,667	2,253	2,444
Subscriptions	729	1,227	115	204
Donations	3,925	2,588	618	431
ATMs Expenses	10,500	7,898	1,653	1,316
Miscellaneous expenses	7,493	3,481	1,180	580
Commission paid	1,213	1,170	191	195
Fees - bank deposit security fund	5,503	4,358	867	726
Operating losses	1,119	1,049	176	175
Amortization & Depreciation	45,600	31,629	7,180	5,270
	<u>253,117</u>	<u>192,897</u>	<u>39,856</u>	<u>32,142</u>

### **29 Miscellaneous provisions**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Provision for court cases	520	-	82	-
Financial investmets	1,786	-	281	-
	<u>2,306</u>	<u>-</u>	<u>363</u>	<u>-</u>

### **30 Provision for zakat**

The bank has estimated its zakat liability for 2015. 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.

### **31 Provision for business profit tax**

The bank has estimated its business profit tax liability for 2015. The management of the bank believes that the final estimated liability will not differ materially from the estimated provision .

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
The tax provision is made up of:				
Provision for the current year	29,215	52,090	4,600	8,680
Deferred tax	(3,292)	(13,500)	(518)	(2,249)
	<u>25,923</u>	<u>38,590</u>	<u>4,082</u>	<u>6,430</u>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**32 Earning per share**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Net profit for the year	365,573	237,931	57,563	37,803
Number of shares	396,874,998	396,874,998	396,874,998	396,874,998
Earnings per share	0.921	0.600	0.145	0.095

**33 Concentration of investments-Economic sectors**

<u>Sector</u>	2015 %	2014 %
Agricultural Sector		
Industrial Sector	1%	4%
Transportation	2%	4%
Export & Import	6%	9%
Local Trading	19%	20%
Real Estate	29%	10%
Other	41%	48%
	2%	5%
	100%	100%

**34 Contingent Liabilities**

	2015 SDG-000	2014 SDG-000	2015 USD-000	2014 USD-000
Letters of credit	1,425,697	1,960,616	222,279	311,823
Letters of guarantee	235,538	303,413	36,722	48,256
	1,661,235	2,264,029	259,001	360,078

**35 Related Party transactions**

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

	shareholders SDG'000	Senior Management SDG'000	Total 2015 SDG'000
Sales receivables	99,047	-	99,047
Musharakat and mudarabat	-	-	-
Staff finance & advances	-	2,732	2,732
	99,047	2,732	101,779
Current accounts & deposits	4,331	386	4,717
	4,331	386	4,717
Letter of credits and guarantees	22,120	-	22,120
	22,120	-	22,120
	USD'000	USD'000	Total 2015 USD'000
Sales receivables	15,442	-	15,442
Musharakat and mudarabat	-	-	-
Staff finance & advances	-	426	426
	15,442	426	15,868
Current accounts & deposits	675	60	735
	675	60	735
Letter of credits and guarantees	3,449	-	3,449
	3,449	0	3,449

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**36 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

*In thousands of SDG*

	<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	1,740,702						1,740,702
Investment accounts with banks		43,148		38,261			81,409
Investment in trading securities	230,293		418,819	933,161			1,582,273
Sales receivables	650,632	419,627	483,345	964,905	1,738,617	1,456,162	5,713,288
Investment in mudaraba and musharaka	31,536	21,243	141,162	16,960	20,099	57,663	288,663
Available for sale investments	251,143	5,921			344,108		601,172
Other investments						737,689	737,689
Investment in real estate		34,207				26,026	60,233
Other assets	70,051	21,749	28,182	44,423	155,513	16,541	336,459
Intangible fixed assets						92,356	92,356
Property ,plant and equipment						825,021	825,021
	<b>2,974,357</b>	<b>545,895</b>	<b>1,071,508</b>	<b>1,997,710</b>	<b>2,258,337</b>	<b>3,211,458</b>	<b>12,059,265</b>
<b>LIABILITIES</b>							
Current and other accounts of customers	317,974	617,243	935,217	1,754,997			3,625,430
Cash margins	20,179	39,171	59,349	118,699			237,397
Other liabilities	13,729	40,762	128,106	227,289	21,869		431,755
Provisions		19,643	17,731	27,030	20,061		84,464
<b>Total liabilities</b>	<b>351,881</b>	<b>716,818</b>	<b>1,140,403</b>	<b>2,128,014</b>	<b>41,930</b>		<b>4,379,046</b>
Unrestricted investment accounts holders	622,968	725,453	1,152,571	3,143,585	320,000		5,964,577
Shareholders' equity						1,715,642	1,715,642
Non-controlling interest							
<b>Total liabilities and equity</b>	<b>974,849</b>	<b>1,442,271</b>	<b>2,292,974</b>	<b>5,271,599</b>	<b>361,930</b>	<b>1,715,642</b>	<b>12,059,265</b>

*In thousands of USD*

	<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	271,391						271,391
Investment accounts with banks		6,727		5,965			12,692
Investment in trading securities	35,905		65,298	145,488			246,691
Sales receivables	101,439	65,424	75,358	150,437	271,066	227,029	890,753
Investment In mudaraba and musharaka	4,917	3,312	22,008	2,644	3,134	8,990	45,005
Available for sale investments	39,155	923			53,650		93,728
Other investments						115,012	115,012
Investment in real estate		5,333	0			4,058	9,391
Other assets	10,922	3,391	4,394	6,926	24,246	2,579	52,457
Intangible fixed assets						14,399	14,399
Property ,plant and equipment						128,628	128,628
	<b>463,729</b>	<b>85,110</b>	<b>167,058</b>	<b>311,461</b>	<b>352,095</b>	<b>500,695</b>	<b>1,880,147</b>
<b>LIABILITIES</b>							
Current and other accounts	49,575	96,234	145,809	273,620			565,237
Cash margins	3,146	6,107	9,253	18,506			37,012
Other liabilities	2,140	6,355	19,973	35,436	3,410		67,314
Provisions		3,063	2,764	4,214	3,127		13,168
<b>Total liabilities</b>	<b>54,862</b>	<b>111,758</b>	<b>177,799</b>	<b>331,777</b>	<b>6,536</b>		<b>682,732</b>
Unrestricted investment accounts holders	97,126	113,105	179,696	490,113	49,891		929,931
Shareholders' equity						267,484	267,484
Non-controlling interest							
<b>Total liabilities and equity</b>	<b>151,988</b>	<b>224,863</b>	<b>357,495</b>	<b>821,890</b>	<b>56,427</b>	<b>267,484</b>	<b>1,880,147</b>

The accompanying notes from 1 to 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2015**

**40 Capital adequacy**

**2015**

Minimum percentage for capital adequacy

**19.05%**

Minimum percentage for capital adequacy required by the Central Bank of Sudan

**12%**

**41 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.



While I will deal with the rest of the queries and have asked Ali to deal with transaction query on query 1, can you help me explain to the Auditors the co funding structure to ensure that it is in line with the contract and explain in the EVR any changes to the co-financing structure. The Auditors will therefore need to revise the EVR. They should also amend the statement in the EVR on page 8 relating to the currency conversion by inserting the following. All amounts incurred/converted to GBP should be converted to Euro using the rate of S.O.S Sahel UK bank on the date the first pre-financing hit S.O.S Sahel UK bank account.