

**Bank of Khartoum  
Public Limited Liability Company**

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

**For the Year Ended 31 December 2016**

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

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

**31 December, 2016**

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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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Hassabo Building  
5 Baladiya Street  
P.O. Box: 1146, Khartoum - SUDAN  
249 1 83 777648 Telephone  
249 1 83 781818 Facsimile  
e-mail:hassaboandco@gmail.com

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

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, 2016.

## **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, 2016 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, 2016

	Notes	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
<b>ASSETS</b>					
Cash and cash equivalents	5	2,425,772	1,740,702	342,497	271,391
Investment accounts with banks	6	146,317	81,409	20,659	12,692
Investment in trading securities	7	1,622,777	1,582,273	229,122	246,691
Sales receivables	8	9,611,841	5,713,288	1,357,106	890,753
Investment In mudaraba and musharaka	9	333,130	288,663	47,035	45,005
Available for sale investments	10	337,948	601,172	47,715	93,728
Other investments	11	114,434	60,233	16,157	9,391
Investment in real estate	12	692,645	737,689	97,795	115,012
Other assets	13	1,385,373	336,459	195,602	52,457
Intangible fixed assets	14	306,318	92,356	43,249	14,399
Property ,plant and equipment	15	1,225,070	825,021	172,969	128,628
<b>TOTAL ASSETS</b>		<b>18,201,625</b>	<b>12,059,265</b>	<b>2,569,907</b>	<b>1,880,147</b>
<b>LIABILITIES</b>					
Customers' accounts	16	5,620,512	3,625,430	793,566	565,237
Cash margins	17	462,887	237,397	65,356	37,012
Other liabilities	18	1,091,127	431,755	154,057	67,314
Provisions	19	142,509	84,464	20,121	13,169
<b>Total liabilities</b>		<b>7,317,035</b>	<b>4,379,046</b>	<b>1,033,100</b>	<b>682,732</b>
<b>Equity of unrestricted investment accounts holders</b>	20	<b>8,745,071</b>	<b>5,964,577</b>	<b>1,234,726</b>	<b>929,931</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	21	602,456	523,875	85,061	81,677
Share premium		50,473	50,473	7,126	7,869
Reserves	22	712,319	621,596	100,573	96,912
Retained earnings		677,317	439,741	95,631	68,560
<b>Total shareholders' equity - group shareholders</b>		<b>2,042,565</b>	<b>1,635,685</b>	<b>288,392</b>	<b>255,018</b>
<b>Non-controlling interest</b>		<b>96,954</b>	<b>79,957</b>	<b>13,689</b>	<b>12,466</b>
<b>Total shareholders' equity</b>		<b>2,139,519</b>	<b>1,715,642</b>	<b>302,081</b>	<b>267,484</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,201,625</b>	<b>12,059,265</b>	<b>2,569,907</b>	<b>1,880,147</b>

  
Ođai Hindawi  
CFO

  
Fadi Faqih  
CEO

  
Mohammed Murtada  
Board Member

  
Fadul 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, 2016**

	Notes	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
<b>Income</b>					
Income from deferred sales	23	897,895	666,987	136,579	105,024
Income from investments	24	336,935	347,983	51,251	57,983
		<u>1,234,830</u>	<u>1,014,970</u>	<u>187,830</u>	<u>163,007</u>
Financing and investing risk provision		(73,930)	(45,000)	(11,245)	(7,498)
Return on unrestricted investment accounts	20	(384,757)	(318,985)	(58,525)	(53,151)
Bank's share in income from investments (as Mudarib and fund owner)		776,143	650,985	118,059	102,358
Income from banking services	25	382,258	137,226	58,145	22,865
Income from foreign exchange transactions		395	7,206	60	1,201
Other income	26	56,877	37,008	8,652	6,167
<b>Total Bank's income</b>		<u>1,215,673</u>	<u>832,425</u>	<u>184,916</u>	<u>132,591</u>
Foreign currency revaluation		(20,373)	4,933	(3,099)	821
<b>Total Income</b>		<u>1,195,300</u>	<u>837,358</u>	<u>181,817</u>	<u>133,412</u>
<b>Less:</b>					
Staff costs	27	271,513	175,602	41,300	27,650
General and administrative expenses	28	384,120	253,117	58,428	39,856
Bank of Sudan penalties		2,141	99	326	16
Misc provision	29		2,306	-	363
<b>Total expenses</b>		<u>657,774</u>	<u>431,124</u>	<u>100,054</u>	<u>67,885</u>
<b>Profit before Zakat and tax</b>		<u>537,526</u>	<u>406,234</u>	<u>81,763</u>	<u>65,527</u>
Zakat	30	(13,662)	(14,738)	(2,078)	(2,456)
Business profit tax	31	(48,355)	(25,923)	(7,614)	(4,082)
<b>Net profit for the year</b>		<u>475,509</u>	<u>365,573</u>	<u>72,071</u>	<u>58,989</u>
Translation exchange adjustment		0	0	259	(1,994)
<b>Net profit for the year</b>		<u>475,509</u>	<u>365,573</u>	<u>72,330</u>	<u>56,995</u>
Attributable to:					
Equity holders of the parent company		473,155	365,052	71,971	56,913
Non- controlling interests		2,354	521	358	82
<b>Profit for the year</b>		<u>475,509</u>	<u>365,573</u>	<u>72,330</u>	<u>56,995</u>
<b>Earning per share</b>	32	<u>1.042</u>	<u>0.921</u>	<u>0.158</u>	<u>0.095</u>



**Odai Hindawi**  
CFO



**Fadi Faqih**  
CEO



**Mohammed Murtada**  
Board Member



**Fadul 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 Changes in Equity  
For the year ended 31 December, 2016

	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	Reserve for Profit on Revaluation of Foreign Currencies SDG'000	Differences on translation of foreign currencies *	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 01 January, 2016</b>	523,875	50,473	126,262	70,789	66,023	153,526	150,621	54,375		439,741	1,635,685	79,957	1,715,642
Profit for the year	-	-	-	-	-	-	-	-	-	473,055	473,055	2,354	475,409
Transfer to reserves	-	-	42,465	42,521	-	-	50,336	(30,806)	-	(104,516)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(52,388)	(52,388)	-	(52,388)
Bonus issue	78,581	-	-	-	-	-	-	-	-	(78,581)	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	6	6	14,605	14,605
Prior year adjustments	-	-	-	-	-	-	-	-	-	6	6	38	44
Unearned profit	-	-	-	-	(12,974)	-	-	-	(819)	-	(13,793)	-	(13,793)
<b>Balance at 31 December, 2016</b>	<b>602,456</b>	<b>50,473</b>	<b>168,727</b>	<b>113,310</b>	<b>53,049</b>	<b>153,526</b>	<b>200,957</b>	<b>23,569</b>	<b>(819)</b>	<b>677,317</b>	<b>2,042,565</b>	<b>96,954</b>	<b>2,139,519</b>
<b>Balance at 01 January, 2015</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	-	-	33,557	12,092	-	-	50,336	4,923	-	(100,918)	-	-	-
Bonus issue	-	-	-	-	-	-	-	-	-	(78,581)	(78,581)	-	(78,581)
Surplus on revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	50	50
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(22,932)	(22,932)
Net changes in fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustments	-	-	-	-	-	(34,405)	-	-	-	-	(34,405)	-	(34,405)
Unearned profit	-	-	-	-	(3,691)	-	-	-	-	-	(3,691)	-	(3,691)
<b>Balance at 31 December, 2015</b>	<b>523,875</b>	<b>50,473</b>	<b>126,262</b>	<b>70,789</b>	<b>66,023</b>	<b>153,526</b>	<b>150,621</b>	<b>54,365</b>	<b>-</b>	<b>439,741</b>	<b>1,635,685</b>	<b>79,957</b>	<b>1,715,642</b>

	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance - 01 January, 2016 restated at at current rate of exchange</b>	73,966	7,126	17,827	9,995	9,322	21,677	21,266	7,677		62,088	230,944	11,289	242,233
Profit for the year	-	-	-	-	-	-	-	-	-	66,791	66,791	332	67,124
Transfer to reserves	-	-	5,996	6,004	-	-	7,107	(4,350)	-	(14,757)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(7,397)	(7,397)	-	(7,397)
Bonus issue	11,095	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	2,062	2,062
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	1	6	7
Prior year adjustments	-	-	-	-	-	-	-	-	(116)	-	(1,947)	-	(1,947)
Unearned profit	-	-	-	-	(1,832)	-	-	-	-	-	-	-	-
<b>Balance at 31 December, 2016</b>	<b>85,061</b>	<b>7,126</b>	<b>23,823</b>	<b>15,998</b>	<b>7,490</b>	<b>21,677</b>	<b>28,373</b>	<b>3,328</b>	<b>(116)</b>	<b>106,725</b>	<b>288,392</b>	<b>13,690</b>	<b>302,082</b>
<b>Balance - 01 January, 2015 restated at at current rate of exchange</b>	81,677	7,869	14,454	9,151	10,869	29,300	15,635	7,708		39,630	216,294	15,952	232,246
Profit for the year	-	-	-	-	-	-	-	-	-	56,915	56,915	81	56,996
Transfer to reserves	-	-	5,691	-	-	-	7,848	769	-	(16,194)	-	-	-
Bonus issue	-	-	-	-	-	-	-	-	-	(12,251)	(12,251)	-	(12,251)
Revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	8	8
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	(5,364)	(3,575)	(8,939)
Prior year adjustment	-	-	-	-	-	(5,364)	-	-	-	-	(575)	-	(575)
Unearned profit	-	-	-	-	(575)	-	-	-	-	-	-	-	-
<b>Balance at 31 December, 2015</b>	<b>81,677</b>	<b>7,869</b>	<b>20,145</b>	<b>9,151</b>	<b>10,294</b>	<b>23,936</b>	<b>23,483</b>	<b>8,478</b>		<b>68,100</b>	<b>255,018</b>	<b>12,467</b>	<b>267,484</b>

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, 2016**

	2016 SDG'000	2015 SDG'000	2016 USD'000	2015 USD'000
<b>Cash flows from Operating Activities</b>				
Profit for the year after zakat and tax	475,409	365,573	72,330	56,995
Adjustments for non-cash entries:				
Provision for zakat	13,662	14,738	2,078	2,298
Provision for taxation	48,355	25,923	7,614	4,042
Depreciation and amortization	88,464	45,600	12,490	7,109
Provision for finance risk	73,931	45,000	10,438	7,016
End of service benefits	513	219	72	34
Provision for court cases	-	520	-	81
Other stocks	-	1,786	-	278
Gain on revaluation of shahama certificates	20,922	(151,706)	2,954	(23,652)
Profit on sale of fixed assets	(4,211)	(2,076)	(595)	(324)
	<u>717,045</u>	<u>345,577</u>	<u>107,382</u>	<u>53,878</u>
<b>Changes in operating assets, and liabilities and unrestricted investment accounts</b>				
Other assets	(1,048,914)	(62,623)	(148,097)	(9,763)
Provisions for taxation, zakat and end of service benefits	(4,485)	(50,502)	(633)	(7,874)
Differences in traslation of foreign currencies	(819)	-	(116)	-
Prior year adjustments	44	(57,337)	6	(8,939)
<b>Net cash inflows from operating activities</b>	<u>(337,129)</u>	<u>175,115</u>	<u>(41,458)</u>	<u>(26,576)</u>
<b>Cash fows from investment activities</b>				
Purchase of tangile and intangible fixed assets	(704,253)	(213,457)	(99,434)	(33,280)
Investment in trading securities	(61,426)	(591,194)	(8,673)	(92,172)
Investment accounts with banks	(64,908)	45,033	(9,164)	7,021
Other investments	(54,201)	(32,920)	(7,653)	(5,133)
Investment in musharaka and mudaraba	(44,467)	100,949	(6,278)	15,739
Real estate investments	45,044	(6,082)	6,360	(948)
Sales receivable	(3,972,484)	(1,239,515)	(560,879)	(193,251)
Sale of fixed assets	5,989	3,299	846	514
Available for sale investments	250,250	(110,633)	35,333	(17,249)
Investments in subsidiaries	14,605	50	2,062	8
<b>Net cash from investment activities</b>	<u>(4,585,851)</u>	<u>(2,044,470)</u>	<u>(647,481)</u>	<u>(318,751)</u>
<b>Cash flows from finance activities:</b>				
Cash dividend paid	(52,388)	(78,581)	(7,397)	(12,251)
Current accounts	1,995,082	642,631	281,688	100,192
Accounts payable	659,372	26,384	93,097	4,114
Margins on letters of guarantee and credit	225,490	(150,333)	31,837	(23,438)
Equity of unrestricted investment account holders	2,780,494	1,283,878	392,581	200,168
<b>Net cash flows from investment activities</b>	<u>5,608,050</u>	<u>1,723,979</u>	<u>791,807</u>	<u>268,784</u>
<b>Increase/(decrease) in cash and cash equivalent</b>	<u>685,070</u>	<u>(145,376)</u>	<u>102,868</u>	<u>(22,665)</u>
Exchange rate adjustment to opening balances for tangible and intangible assets			(54,197)	(5,912)
Cash and cash equivalent at beginning of year	<u>1,740,702</u>	<u>1,886,078</u>	<u>299,968</u>	<u>299,968</u>
<b>Cash and cash equivalent at the end of the year</b>	<u>2,425,772</u>	<u>1,740,702</u>	<u>348,639</u>	<u>271,391</u>

The accopanying 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, 2016**

	Sales receivable SDG'000	Other investments SDG'000	Cash SDG'000	Total SDG'000
Balance at 1 January 2016	217,963	45,011	16,596	279,570
Additions	-	-	-	-
Cash withdrawal	(70,247)	(45,011)	(16,148)	(131,406)
Investment profits	-	-	219	219
Bank's share as Mudarib	-	-	(44)	(44)
Balance at 31 December, 2016	<u>147,716</u>	<u>-</u>	<u>623</u>	<u>148,339</u>
	SDG'000	SDG'000	SDG'000	SDG'000
Balance at 01 January 2015	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)
Balance at 31 December, 2015	<u>217,963</u>	<u>45,011</u>	<u>16,596</u>	<u>279,570</u>
	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2016 restated at current rate of exchange)	30,774	6,355	2,343	39,473
Additions during the year	-	-	-	-
Cash withdrawal	(9,918)	(6,355)	(2,280)	(18,553)
Investment profits	-	-	31	31
Bank's share as Mudarib	-	-	(6)	(6)
Balance at 31 December, 2016	<u>20,856</u>	<u>-</u>	<u>88</u>	<u>20,944</u>
	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2015 restated at current rate of exchange)	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)
Balance at 31 December, 2015	<u>28,624</u>	<u>7,018</u>	<u>1,355</u>	<u>36,996</u>

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 \$ 28 million). The Bank share's in the funds is 5% of the capital fund1.

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 \$30 million). The bank share in the fund is SDG 15 million (US\$ 2.12 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.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016

#### 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 85 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>SR</u>	<u>Subsidiary</u>	<u>Activity</u>	<u>% of interest</u>
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	CANAR Telecommunications Co. Ltd	Telecommunications	97.4
6	Wahat AlKhartoum Urban Development Co. Ltd	Real Estate	60
7	Irada Microfinance Co. Ltd	Financial	80
8	Alfahad Valuable Assets in Transit Co. Ltd	Services	50

#### 2. Basis of preparation

- (i) The consolidated 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.

## **Bank of Khartoum, PLC**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016**

(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.

(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.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016

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.

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.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016

#### 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.

#### 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, if such a risk exists.

#### 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.

## Bank of Khartoum, PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016

#### 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. 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.

## **Bank of Khartoum, PLC**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2016**

#### **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 decisions of the Islamic Zakat Authority and the Chamber of Taxation after adjusting exempted profit.

The Bank recognizes recognition of deferred tax differences between recorded values of assets or liabilities in the statement of financial affairs and tax base

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

#### **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.



# Bank of Khartoum, PLC

## Notes to the Consolidated Financial Statements - Year Ended 31 December, 2016

### 5- Cash and Cash equivalents

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Cash and cash equivalent with the central bank are made up of:				
Cash in hand and ATMs	430,713	424,106	60,813	66,122
Current Accounts with the Central Bank of Sudan	367,097	296,388	51,831	46,210
Cash reserve with the Central Bank of Sudan *	1,099,591	762,040	155,252	118,809
Cash with foreign correspondent bank	528,371	258,168	74,601	40,251
	<u>2,425,772</u>	<u>1,740,702</u>	<u>342,497</u>	<u>271,391</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

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Investment accounts with local banks (Note 6.1)	75,640	51,242	10,680	7,989
Investment accounts with foreign banks	70,677	30,167	9,979	4,703
	<u>146,317</u>	<u>81,409</u>	<u>20,659</u>	<u>12,692</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 1,622,777 - US \$229,122 (31 December 2015 SDG 1,582,273- US \$246,691) - figures in thousands.

### 8 Sales receivable (net)

Sales receivable comprise:

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Murabaha	7,334,135	3,373,534	1,035,515	525,964
Salam	150,797	75,106	21,291	11,710
Mugawala	2,495,022	1,960,740	352,275	305,697
Deferred sales	1,364,445	1,499,347	192,647	233,762
Ijara	13,319	25,462	1,881	3,970
	<u>11,357,718</u>	<u>6,934,189</u>	<u>1,603,609</u>	<u>1,081,102</u>
Less: deferred profit	<u>(1,696,873)</u>	<u>(1,229,039)</u>	<u>(239,583)</u>	<u>(191,618)</u>
	9,660,845	5,705,150	1,364,025	889,484
Letters of guarantee	38,382	42,636	5,419	6,647
Letters of credit	45,119	52,877	6,370	8,244
	<u>9,744,346</u>	<u>5,800,663</u>	<u>1,375,815</u>	<u>904,375</u>
Less: Provision for bad and doubtful debt (note 8.1)	<u>(132,505)</u>	<u>(87,375)</u>	<u>(18,709)</u>	<u>(13,623)</u>
	<u>9,611,841</u>	<u>5,713,288</u>	<u>1,357,106</u>	<u>890,753</u>

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

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Balance at beginning of the year	87,375	298,735	12,337	46,575
Provision during the year	73,930	45,000	10,438	7,016
Transfer	-	-	-	-
Bad debts written off	<u>(28,800)</u>	<u>(256,360)</u>	<u>(4,066)</u>	<u>(39,969)</u>
	<u>132,505</u>	<u>87,375</u>	<u>18,709</u>	<u>13,623</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, 2016**

### **9 Investment in mudaraba and musharaka**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Musharaka	151,253	144,252	21,356	22,490
Mudarba	181,877	144,411	25,679	22,515
	<u>333,130</u>	<u>288,663</u>	<u>47,035</u>	<u>45,005</u>

### **10 Available for sale investments**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Investment Funds (Note 10.1)	-	5,513	-	860
Khartoum Refinery Musharaka Sukuk (Note 10.2)	395	395	56	62
Sudanese Electricity Distribution Company Sukuk (Note 10.3)	124,113	129,113	17,524	20,130
Investment funds on liquidity mangement fund	-	238,443	-	37,175
	<u>124,508</u>	<u>373,464</u>	<u>17,579</u>	<u>58,226</u>
Shares in companies listed on the stock market (Note 10.4)	9,440	13,108	1,333	2,044
Shares in companies unlisted on the stock market (note 10.5)	204,000	214,600	28,803	33,458
	<u>213,440</u>	<u>227,708</u>	<u>30,136</u>	<u>35,502</u>
<b>Total available for sale investemtns</b>	<u>337,948</u>	<u>601,172</u>	<u>47,715</u>	<u>93,728</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 Exchanre comprise:

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Sudatel Telecommunication Co. Ltd.	-	5,515	-	860
Cooperative Insurance Co. Ltd.	2,036	2,000	287	312
Faisal Islamic Bank (S)	2,766	2,645	391	412
Shares in other companies	4,638	2,948	655	460
	<u>9,440</u>	<u>13,108</u>	<u>1,333</u>	<u>2,044</u>

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

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
White Nile Sugar Co. Ltd.	158,586	158,586	22,391	24,725
Kenana Sugar Co. Ltd.	12,000	12,000	1,694	1,871
Nile Batteries Factory Co. Ltd.	31,617	28,169	4,464	4,392
Canar Telecommunications Co. Ltd.	-	14,235	-	2,219
Shares in other unlisted companies (after provision for decline in share value)	1,797	1,610	254	251
	<u>204,000</u>	<u>214,600</u>	<u>28,803</u>	<u>33,458</u>

### **11 Other investments**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Other investments	114,434	60,233	16,157	9,391

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**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Opening Balance	737,689	731,607	104,155	114,064
Additions	(45,044)	6,082	(6,360)	948
	<u>692,645</u>	<u>737,689</u>	<u>97,795</u>	<u>115,012</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.

## 13 Other assets

	2016 SDG-'000	2015 SDG-'000	2016 USD-'000	2015 USD-'000
Staff loans	27,968	28,487	3,949	4,441
Prepaid expenses*	61,034	54,044	8,617	8,426
Accrued income	142,491	73,337	20,118	11,434
Mobile telephone payment service **	27,491	0	3,880	
Debtors	625	330	88	51
Receivable from subsidiaries	758,567	6,223	107,103	970
Receivable from the government ***	49,147	49,147	6,939	7,662
Government Bonds	0	3,250	0	507
Stationery and other stocks	15,359	12,574	2,169	1,960
Deferred Tax Assets ****	111,066	92,069	15,682	14,354
Incentives for Sudanese Working Abroad and dealers in foreign currencies *****	154,700		21,842	
Other Receivables (Note 13.1)	36,935	16,998	5,215	2,650
	<u>1,385,373</u>	<u>336,459</u>	<u>195,602</u>	<u>52,457</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.

\*\* This represent the portion paid by the Bank for the purchase of prepaid card balances through the Bank's account within the electronic payment mechanism.

\*\*\* Represents claims on the government arising from the purchase of Bank of Khartoum's portion and there is periodical reconciliation.

\*\*\*\* These are temporary tax differences between accounting profit and taxable profit relating to expenses disallowed for tax purposes during a tax year. These are adjusted each year.

\*\*\*\*\* According to Central Bank of Sudan's instructions. A receivable account is established for the payment of incentive between purchaser and seller of foreign currencies

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

	2016 SDG-'000	2015 SDG-'000	2016 USD-'000	2015 USD-'000
Balance at beginning of the year	16,998	23,320	2,400	3,636
Operational losses under investigation	16,549	5,871	2,337	915
Collected amounts	4,638	(10,958)	655	(1,708)
Provision for doubtful debts	(1,250)	(1,235)	(176)	(193)
	<u>36,935</u>	<u>16,998</u>	<u>5,215</u>	<u>2,650</u>

## 14 Intangible assets

Net Book Value	Goodwill *	Pre-Operation Expenses**	Computer Software	Total	2016
	SDG-'000	SDG-'000	SDG-'000	SDG-'000	USD-'000
Balance at 1 January 2016	78,593	3,146	10,617	92,356	13,040
Additions during the year	-	-	15,713	15,713	2,219
Additions during the year upon consolidation	104,012	-	108,966	212,978	30,071
Amortization for the period	-	(3,146)	(11,583)	(14,729)	(2,080)
Balance at 31 December 2016	<u>182,605</u>	<u>0</u>	<u>123,713</u>	<u>306,318</u>	<u>43,249</u>
Balance at 1 January 2015	78,593	-	12,356	90,949	14,180
Additions during the year	-	3,146	2,429	5,575	869
Amortization for the period	-	-	(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>

\* Goodwill arose as a result of acquisition of Wahat Al Khartoum and Canar Telecommunications Co. Ltd.

\*\* Represent pre-operating expenses for Irada for Microfinance Company Limited and they will be amortized starting the this 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 2016	336,906	448,101	37,088	133,030	955,125
Additions *	-	64,922	8,308	203,822	277,052
Additions on consolidation of subsidiaries	-	507,202	4,817	7,673	519,692
Disposal	(606)	(1,814)	(2,026)	-	(4,446)
Transfer from capital work in progress **	-	99,819	5,926	(105,745)	-
As at 31 December, 2016	<u>336,300</u>	<u>1,118,230</u>	<u>54,113</u>	<u>238,780</u>	<u>1,747,423</u>
<b>Depreciation:</b>					
1 January 2016	18,451	100,632	11,021	-	130,104
Charge for the year	3,013	64,404	6,318	-	73,735
Eliminated on disposal	-	(1,463)	(1,851)	-	(3,314)
Additions on consolidation of subsidiaries	-	318,129	3,699	-	321,828
As at 31 December, 2016	<u>21,464</u>	<u>481,702</u>	<u>19,187</u>	<u>0</u>	<u>522,353</u>
Net book value - 31 December, 2016	<u>314,836</u>	<u>636,528</u>	<u>34,926</u>	<u>238,780</u>	<u>1,225,070</u>

\* Represents additions to capital work in progress at branches, ATMs and other which will be capitalized when a project is finalized.

\*\* represents new branches which have been capitalized when completed during the year.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2016**

15 Property, plant and equipment	(continued)				Total SDG'000
	Land and Buildings SDG' 000	Furniture and Equipment SDG' 000	Motor Vehicles SDG'000	Capital Work in Progress SDG'000	
<i>Cost:</i>					
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	336,906	448,101	37,088	133,030	955,125
<i>Depreciation:</i>					
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	18,451	100,632	11,021	-	130,104
Net book value - 31 December, 2015	318,455	347,469	26,067	133,030	825,021
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<i>Cost:</i>					
At 01 01 2016 (restated at current rate)	47,568	63,268	5,236	18,783	134,855
Additions *	-	9,166	1,173	28,778	39,117
Additions on consolidation of subsidiaries	-	71,612	680	1,083	73,376
Disposal	(86)	(256)	(286)	-	(628)
Transfer from capital work in progress **	-	14,094	837	(14,930)	-
As at 31 December, 2016	47,483	157,884	7,640	33,714	246,721
<i>Depreciation:</i>					
1/1/2016 (restated at current rate)	2,605	14,208	1,556	-	18,370
Charge for the year	425	9,093	892	-	10,411
Eliminated on disposal	-	(207)	(261)	-	(468)
Additions on consolidation of subsidiaries	-	44,917	522	-	45,439
As at 31 December, 2016	3,031	68,012	2,709	-	73,752
Net book value - 31 December, 2016	44,452	89,872	4,931	33,714	172,969
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
<i>Cost:</i>					
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)
Transfer	-	-	-	-	-
Transfers from capital work in progress	-	21,895	-	(21,895)	-
As at 31 December, 2015	52,527	69,863	5,782	20,741	148,913
<i>Depreciation:</i>					
At 01 01 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

- \* Represent additional expenditure incurred in establishing new branches, ATM machines and others which will be when there 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, 2016**

**16 Customers' accounts**

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

**17 Cash margins**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Cash margins against letters of credit	442,033	207,955	62,411	32,422
Cash margins against letters of guarantee	20,854	29,442	2,944	4,590
	<u>462,887</u>	<u>237,397</u>	<u>65,356</u>	<u>37,012</u>

**18 Other liabilities**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Accrued liabilities	212,670	141,145	30,027	22,006
Transfers under Clearance	16,423	8,819	2,319	1,375
Accrued expenses	98,894	24,716	13,963	3,853
Custodian deposits*	215,412	191,607	30,414	29,873
Al Aman fund liability	623	8,690	88	1,355
Insurance liabilities	7,822	8,705	1,104	1,357
Sorgum fund liability	2,544	2,544	359	397
Payable to subsidiaries	517,467	17,321	73,062	2,700
Other liabilities	19,272	28,208	2,721	4,398
	<u>1,091,127</u>	<u>431,755</u>	<u>154,057</u>	<u>67,314</u>

\* These include SDG 60,738 (in thousands) (2015 SDG 72,895) USD 8,576 - 2015 USD 11,365 in thousands) representing profit under distribution to shareholders.

**19 Provisions**

These comprise of:

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Provision for Zakat	19,188	7,191	2,709	1,121
Provision for End of service	23,354	19,646	3,297	3,063
Provision for court cases	520	520	73	81
Provision for taxation	99,447	57,107	14,041	8,903
	<u>142,509</u>	<u>84,464</u>	<u>20,121</u>	<u>13,169</u>

**20 Unrestricted investment account holders**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Savings accounts (including Saving Plus accounts)	5,534,519	3,942,054	781,425	614,601
Investment accounts	2,074,918	1,077,748	292,960	168,031
Mudaraba investment by the Central Bank of Sudan	320,000	320,000	45,181	49,891
Banks investments	427,079	337,043	60,300	52,548
	<u>8,356,516</u>	<u>5,676,845</u>	<u>1,179,866</u>	<u>885,071</u>
Unrestricted investment account holders' profit*	384,757	318,985	54,324	49,733
Prior year profit	3,798	3,798	536	592
Profits paid during the year	-	(35,051)	-	(5,465)
	<u>8,745,071</u>	<u>5,964,577</u>	<u>1,234,726</u>	<u>929,931</u>

\* In terms of distribution of investment income depends on the length of savings (one moth, three moths, six months or one year). In respect of local savings the annual rate of return paid was 6.1% and 3.6% for savings in foreign currencies.

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, 2016**

**21 Share capital**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
<i>Authorized share capital:</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>141,191</u>	<u>159,043</u>
Paid up share capital	<u>602,456</u>	<u>523,875</u>	<u>85,061</u>	<u>81,677</u>

Paid up share capital is divided into 456,406,248 ordinary shares of SDG 1.32 each.

**22 Reserves**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Reserves are made up of:				
Statutory reserve	168,727	126,262	23,823	19,685
Banking risk reserve	113,310	70,789	15,998	11,037
Fair value reserve	53,049	66,023	7,490	10,294
Assets revaluation reserve	153,526	153,526	21,677	23,936
General reserve	200,957	150,621	28,373	23,483
foreign currency translation	(819)	-	(116)	-
Currency revaluation	23,569	54,375	3,328	8,478
	<u>712,319</u>	<u>621,596</u>	<u>100,573</u>	<u>96,912</u>

**23 Income from deferred sales**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Income from murabaha	559,722	298,389	85,139	46,984
Deferred sales income	122,120	140,175	18,576	22,072
Mugawala income	213,167	223,913	32,425	35,257
Ijara income	2,886	4,510	439	710
	<u>897,895</u>	<u>666,987</u>	<u>136,579</u>	<u>105,024</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, 2016**

**24 Income from Investments**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Income from Shahama securities	251,487	288,269	38,254	48,033
Shasha income	6,910	6,779	1,051	1,130
Portfolio investment income	23,269	15,670	3,539	2,611
Shama income	52	53	8	9
Liquidity Management Fund	23,725	14,851	3,609	2,475
Mudaraba income	30,523	18,272	4,643	3,045
Musharaka income	-	395	-	66
Investment accounts income- Banks	969	3,694	147	616
	<u>336,935</u>	<u>347,983</u>	<u>51,251</u>	<u>57,983</u>

**25 Income from Banking services**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Cash management fees	45,482	31,768	6,918	5,293
Transfers commissions	39,991	20,271	6,083	3,378
Cheque collection	23	27	3	4
Letters of credit	132,480	72,068	20,152	12,008
Letters of guarantee	52,667	6,160	8,011	1,026
Current accounts	1,605	2,009	244	335
Communication	653	1,326	99	221
Commission from insurance companies and agencies	862	1,126	131	188
ATMs	2,966	2,471	451	412
Commissions from communications (subsidiary)	105,529	-	16,052	-
	<u>382,258</u>	<u>137,226</u>	<u>58,145</u>	<u>22,865</u>

**26 Other Income**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Rent received	19,223	16,836	2,924	2,991
Insurance and storage fee	971	1,319	148	208
Gain on disposal of fixed assets	4,211	2,076	641	327
Miscellaneous income	22,207	14,124	3,378	2,224
Dividends received	10,265	2,653	1,561	418
	<u>56,877</u>	<u>37,008</u>	<u>8,652</u>	<u>6,167</u>

**27 Staff Costs**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Salaries	132,624	97,920	20,173	15,419
Overtime	4,522	2,308	688	363
Travelling	10,798	6,620	1,642	1,042
Medical care	9,224	5,180	1,403	816
Staff bonus	92,014	47,412	13,996	7,466
Social insurance	12,634	7,977	1,922	12,593
Hospitality	5,232	1,585	796	250
End of service benefits	513	219	79	34
Training	3,952	6,381	601	1,005
	<u>271,513</u>	<u>175,602</u>	<u>41,300</u>	<u>27,650</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, 2016**

**28 General and Administrative Expenses**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Rent	26,987	15,618	4,105	2,459
Rates and property insurance	13,268	22,696	2,018	3,574
Government fees	14,748	3,326	2,243	524
Electricity and water	12,755	10,263	1,940	1,616
Maintenance	32,554	27,145	4,952	4,274
Services	33,214	22,763	5,052	3,584
Postage	2,088	1,395	318	220
Cash management expenses	9,157	4,179	1,393	658
Travel and transportation	14,261	7,812	2,169	1,230
Consulting fees	8,817	4,598	1,341	724
Legal Consultancy fees	3,042	8,082	463	1,273
BOD & Sharia Supervisory Board's expenses	15,183	12,393	2,309	1,951
Archive expenses	7	12	1	2
Printing & stationery	11,405	5,554	1,735	875
Newspapers & magazines	289	266	44	42
Communication	23,802	13,854	3,621	2,181
Entertainment and refreshments	4,906	2,771	746	436
Marketing and advertising	29,280	14,308	4,454	2,253
Subscriptions	1,416	729	215	115
Donations	5,637	3,925	857	618
ATMs Expenses	13,981	10,500	2,127	1,653
Miscellaneous expenses	10,583	7,493	1,610	1,180
Commission paid	1,225	1,213	186	191
Fees - bank deposit security fund	7,042	5,503	1,071	867
Operating losses	9	1,119	1	176
Amortization & Depreciation	88,464	45,600	13,456	7,180
	<u>384,120</u>	<u>253,117</u>	<u>58,428</u>	<u>39,856</u>

**29 Miscellaneous provisions**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Provision for court cases	-	520	-	82
Financial investments	-	1,786	-	281
	<u>-</u>	<u>2,306</u>	<u>-</u>	<u>363</u>

**30 Provision for zakat**

The bank has estimated its zakat liability for 2016. 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 2016. The management of the bank believes that the final estimated liability will not differ materially from the estimated provision.

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
The tax provision is made up of:				
Provision for the current year	67,352	29,215	10,605	4,600
Deferred tax	(18,997)	(3,292)	(2,991)	(518)
	<u>48,355</u>	<u>25,923</u>	<u>7,614</u>	<u>4,082</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, 2016**

**32 Earning per share**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Net profit for the year	475,409	365,573	72,330	37,803
Number of shares	456,406,248	396,874,998	456,406,248	396,874,998
Earnings per share	1.042	0.921	0.158	0.095

**33 Concentration of investments-Economic sectors**

	2016 %	2015 %
<b>Sector</b>	<b>1%</b>	<b>1%</b>
Agricultural Sector	5%	2%
Industrial Sector	2%	6%
Transportation	20%	19%
Export & Import	38%	29%
Local Trading	31%	41%
Real Estate	3%	2%
Other	100%	100%

**34 Contingent Liabilities**

	2016 SDG-000	2015 SDG-000	2016 USD-000	2015 USD-000
Letters of credit	2,196,543	1,425,697	310,132	222,279
Letters of guarantee	256,804	235,538	36,258	36,722
	2,453,347	1,661,235	346,391	259,001

**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 2016 SDG'000
Sales receivables	257,111	-	257,111
Musharakat and mudarabat	-	2,029	2,029
Staff finance & advances	257,111	2,029	259,140
Current accounts & deposits	55,679	589	56,268
Letter of credits and guarantees	19,109	-	19,109
	19,109	-	19,109
	USD'000	USD'000	Total 2016 USD'000
Sales receivables	36,302	-	36,302
Musharakat and mudarabat	-	286	286
Staff finance & advances	36,302	286	36,588
Current accounts & deposits	7,861	83	7,945
Letter of credits and guarantees	2,698	-	2,698
	2,698	0	2,698

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, 2016**

**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. Details are shown in the table below

	<i>In thousands of SDG</i>						<b>Total</b>
	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months to one year</b>	<b>1 - 3 years</b>	<b>More than 3 years</b>	
<b>ASSETS</b>							
Cash and cash equivalents	2,425,772						2,425,772
Investment accounts with banks	48,044	68,273	-	30,000			146,317
Investment in trading securities	270,485	83,460	499,678	769,154			1,622,778
Sales receivables	369,680	1,260,661	1,463,486	2,778,006	2,544,276	1,195,732	9,611,841
Investment in mudaraba and musharaka	2,000	24,000	204,995	79,640	22,495	-	333,130
Available for sale investments	-	6,618	-	-	331,330	-	337,948
Other investments	-	-	-	-	-	114,434	114,434
Investment in real estate	-	-	-	-	-	692,645	692,645
Other assets	265,656	116,682	338,251	458,597	177,830	28,356	1,385,372
Intangible fixed assets	-	-	-	-	-	306,318	306,318
Property, plant and equipment	-	-	-	-	-	1,225,070	1,225,070
	<b>3,381,637</b>	<b>1,559,694</b>	<b>2,506,410</b>	<b>4,115,397</b>	<b>3,075,931</b>	<b>3,562,555</b>	<b>18,201,625</b>

<b>LIABILITIES</b>							
Current accounts of customers	489,660	950,517	1,440,178	2,740,157	-	-	5,620,512
Cash margins	39,345	76,376	115,722	231,444	-	-	462,887
Other liabilities	31,808	84,549	239,048	399,134	336,588	-	1,091,127
Provisions	-	27,633	54,064	37,046	23,766	-	142,508
<b>Total liabilities</b>	<b>560,813</b>	<b>1,139,075</b>	<b>1,849,012</b>	<b>3,407,781</b>	<b>360,354</b>	-	<b>7,317,035</b>
Unrestricted investment accounts holders	989,025	3,001,806	2,103,963	3,330,277	320,000	-	8,745,071
Shareholders' equity	-	-	-	-	-	2,139,519	2,139,519
Non-controlling interest	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>1,549,838</b>	<b>4,140,881</b>	<b>3,952,975</b>	<b>6,738,058</b>	<b>680,354</b>	<b>2,139,519</b>	<b>18,201,625</b>

	<i>In thousands of USD</i>						<b>Total</b>
	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months to one year</b>	<b>1 - 3 years</b>	<b>More than 3 years</b>	
<b>ASSETS</b>							
Cash and cash equivalents	342,497	-	-	-	-	-	342,497
Investment accounts with banks	6,783	9,640	-	4,236	-	-	20,659
Investment in trading securities	38,190	11,784	70,550	108,598	-	-	229,122
Sales receivables	52,196	177,994	206,631	392,230	359,229	168,827	1,357,106
Investment in mudaraba and musharaka	282	3,389	28,943	11,244	3,176	-	47,035
Available for sale investments	-	934	-	-	46,781	-	47,715
Other investments	-	-	-	-	-	16,157	16,157
Investment in real estate	-	-	-	-	-	97,795	97,795
Other assets	37,508	16,474	47,758	64,750	25,108	4,004	195,602
Intangible fixed assets	-	-	-	-	-	43,249	43,249
Property, plant and equipment	-	-	-	-	-	172,969	172,969
	<b>477,457</b>	<b>220,215</b>	<b>353,883</b>	<b>581,057</b>	<b>434,294</b>	<b>503,001</b>	<b>2,569,907</b>

<b>LIABILITIES</b>							
Current and other accounts	69,136	134,205	203,340	386,886	-	-	793,566
Cash margins	5,555	10,784	16,339	32,678	-	-	65,356
Other liabilities	4,491	11,938	33,751	56,354	47,523	-	154,057
Provisions	-	3,902	7,633	5,231	3,355	-	20,120
<b>Total liabilities</b>	<b>79,182</b>	<b>160,827</b>	<b>261,064</b>	<b>481,148</b>	<b>50,878</b>	-	<b>1,033,099</b>
Unrestricted investment accounts holders	139,642	423,828	297,061	470,205	45,181	-	1,375,917
Shareholders' equity	-	-	-	-	-	302,081	302,081
Non-controlling interest	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>218,823</b>	<b>584,655</b>	<b>558,125</b>	<b>951,354</b>	<b>96,059</b>	<b>302,081</b>	<b>2,711,097</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**

#### **37 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 204 million - US\$ 28.8 million 2015 -SDG 215 million - USD 33.52 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.

#### **38 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 Mutanaqsah 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.

#### **39 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 41 form an integral part of these financial statements.

**Bank of Khartoum, PLC**

**Notes to the Consolidated Financial Statements - Year Ended 31 December, 2016**

<b>40 Capital adequacy</b>	<b><u>2016</u></b>
Minimum percentage for capital adequacy	<u><u>14.00%</u></u>
Minimum percentage for capital adequacy required by the Central Bank of Sudan	<u><u>12%</u></u>

**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 41 form an integral part of these financial statements.