

**Bank of Khartoum
Public Limited Liability Company**

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

For the Year Ended 31 December 2017

HASSABO & Co.

**Certified Accountants
Management Consultants**

**Bank of Khartoum
Public Limited Liability Company**

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

For the Year Ended 31 December 2017

Bank of Khartoum – Public Limited Liability Company

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

31 December, 2017

	<u>Page</u>
• Independent Auditor's Report	i
• Consolidated Statement of Financial Position	1
• Consolidated Statement of Income	2
• Consolidated Cash Flow Statement	3
• Consolidated Changes In Equity	4-5
• Consolidated Statement of Changes in Restricted Investments	6
* Notes to the Accounts	7-35

HASSABO & Co.

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

27 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, 2017.

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, 2017 and its consolidated financial performance, the statement of changes in shareholders' funds, statement of consolidated cash flows, and the statement of changes in restricted investments for the year then ended in compliance with the accounting standards issued by AAOIFI in Bahrain and the regulations and circulars issued by the Sharia'a Committee of the Bank.

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

Hassabo and Company
Certified Accountants



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

Hassabo Building
5 Baladiya Street
P.O. Box: 1146, Khartoum - SUDAN
249 1 83 777648 Telephone
249 1 83 781818 Facsimile

Bank of Khartoum, PLC

Consolidated Statement of Financial position as at 31 December, 2017

	Notes	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
ASSETS					
Cash and cash equivalents	5	9,433,811	2,425,772	1,058,552	342,497
Investment accounts with banks	6	258,641	146,317	29,022	20,659
Investment in trading securities	7	3,124,255	1,622,777	350,567	229,122
Sales receivables	8	14,847,875	9,611,841	1,666,054	1,357,106
Investment in mudaraba and musharaka	9	458,182	333,130	51,412	47,035
Available for sale investments	10	2,528,058	337,948	283,669	47,715
Other investments	11	140,347	114,434	15,748	16,157
Investment in real estate	12	694,199	692,645	77,895	97,795
Other assets	13	1,994,153	1,385,373	223,760	195,602
Intangible fixed assets	14	310,009	306,318	34,786	43,249
Property, plant and equipment	15	1,893,841	1,225,070	212,505	172,969
TOTAL ASSETS		35,683,371	18,201,625	4,003,969	2,569,908
LIABILITIES					
Current accounts	16	12,038,694	5,620,512	1,350,841	793,566
Cash margins	17	946,648	462,887	106,222	65,356
Other liabilities	18	1,838,441	1,091,127	206,288	154,057
Provisions	19	335,031	142,509	37,593	20,121
Total liabilities		15,158,814	7,317,035	1,700,944	1,033,100
Equity of unrestricted investment accounts holders	20	17,216,465	8,745,071	1,931,830	1,234,726
SHAREHOLDERS' EQUITY					
Share capital	21	753,070	602,456	84,501	85,061
Share premium		50,473	50,473	5,663	7,126
Reserves	22	1,114,806	712,319	125,090	100,573
Retained earnings		1,284,730	677,317	144,157	95,631
Total shareholders' equity - group shareholders		3,203,079	2,042,565	359,412	288,392
Non-controlling interest		105,013	96,954	11,783	13,689
Total shareholders' equity		3,308,092	2,139,519	371,195	302,081
TOTAL LIABILITIES AND EQUITY		35,683,371	18,201,625	4,003,969	2,569,907

Odai Hindawi
CFO

Fadi Faqih
CEO

Adul Kheir
Deputy Chairman


Mohamed Al Sharif
Chairman

Bank of Khartoum, PLC

Consolidated Statement of Income

For the year ended 31 December, 2017

	Notes	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Income					
Income from deferred sales	23	1,462,171	897,895	192,085	136,579
Income from investments	24	546,148	336,935	71,747	51,398
		<u>2,008,319</u>	<u>1,234,830</u>	<u>263,832</u>	<u>187,976</u>
Financing and investing risk provision		(159,684)	(73,931)	(20,978)	(11,245)
Return on unrestricted investment accounts		(628,607)	(384,757)	(82,580)	(58,525)
Bank's share in income from investments (as Mudarib and fund owner)		<u>1,220,028</u>	<u>776,142</u>	<u>160,275</u>	<u>118,206</u>
Income from banking services	25	948,264	382,258	124,573	58,145
Income from foreign exchange transactions		39,168	396	5,145	60
Other income	26	99,865	56,877	13,119	8,652
Total Bank's income		<u>2,307,325</u>	<u>1,215,673</u>	<u>303,113</u>	<u>185,063</u>
Foreign currency revaluation		(146,439)	(20,373)	(19,238)	(3,099)
Total Income		<u>2,160,886</u>	<u>1,195,300</u>	<u>283,875</u>	<u>181,964</u>
Less:					
Staff costs	27	(442,413)	(271,513)	(58,120)	(41,300)
General and administrative expenses	28	(607,112)	(384,120)	(79,756)	(58,428)
Bank of Sudan penalties		(62)	(2,241)	(8)	(341)
Total expenses		<u>(1,049,587)</u>	<u>(657,874)</u>	<u>(137,884)</u>	<u>(100,069)</u>
Profit before Zakat and tax		<u>1,111,299</u>	<u>537,426</u>	<u>145,991</u>	<u>81,895</u>
Zakat	29	(23,159)	(13,662)	(3,042)	(2,078)
Business profit tax	30	(251,794)	(48,355)	(33,078)	(7,355)
Net profit for the year		<u>836,346</u>	<u>475,409</u>	<u>109,871</u>	<u>72,462</u>
Attributable to:					
Equity holders of the parent company		827,431	473,055	108,699	72,104
Non- controlling interests		<u>8,915</u>	<u>2,354</u>	<u>1,171</u>	<u>358</u>
Earning per share	31	<u>1.466</u>	<u>1.042</u>	<u>0.193</u>	<u>0.158</u>


Odai Hindawi
CFO


Fadi Faqih
CEO


Fadi Khair
Deputy Chairman


Mohamed Al Sharif
Chairman

Bank of Khartoum, PLC

Consolidated Statement of Cash Flows

For the year ended 31 December, 2017

	2017	2016	2017	2016
	SDG'000	SDG'000	USD'000	USD'000
Cash flows from Operating Activities				
Profit for the year after zakat and tax	836,346	475,409	109,871	72,462
Adjustments for non-cash entries:				
Provision for zakat	23,159	13,662	3,042	2,078
Provision for taxation	251,794	48,355	33,078	7,614
Provision for finance risk	159,684	73,931	22,546	10,438
Depreciation and amortization	131,688	88,464	14,776	12,490
End of service benefits	3,454	513	388	72
(Gain) Loss on revaluation of shahama certificates	(300,343)	20,922	(33,701)	2,954
Profit on sale of fixed assets	(503)	(4,211)	(56)	(595)
	1,105,279	717,045	149,944	107,514
Changes in operating assets, and liabilities and unrestricted investment accounts				
Other assets	(608,781)	(1,048,914)	(68,310)	(148,097)
Provisions for taxation, zakat and end of service benefits	(85,885)	(4,485)	(9,637)	(633)
Differences in translation of foreign currencies	(5,052)	(819)	(567)	(116)
Prior year adjustments	2,688	44	302	6
Net cash inflows from operating activities	408,249	(337,129)	71,731	(41,326)
Cash flows from investment activities				
Purchase of tangible and intangible fixed assets	(460,379)	(704,253)	(51,658)	(99,434)
Sale of fixed assets	8,395	5,989	942	846
Investment in musharaka and mudaraba	(125,052)	(44,467)	(14,032)	(6,278)
Investment accounts with banks	(112,324)	(64,908)	(12,604)	(9,164)
Sales receivable	(5,395,718)	(3,972,484)	(605,444)	(560,879)
Investment in trading securities	(1,201,135)	(61,426)	(134,777)	(8,673)
Other investments	(25,913)	(54,201)	(2,908)	(7,653)
Real estate investments	(1,554)	45,044	(174)	6,360
Available for sale investments	(2,207,295)	250,250	(247,677)	35,333
Investments in subsidiaries	114	14,605	13	2,062
Net cash from investment activities	(9,520,861)	(4,585,851)	(1,068,319)	(647,481)
Cash flows from finance activities:				
Unrestricted investment account holders	8,471,394	2,780,494	950,560	392,581
Current accounts	6,418,182	1,995,082	720,173	281,688
Other Liabilities	747,314	659,372	83,855	93,097
Margins on letters of guarantee and credit	483,761	225,490	54,282	31,837
Cash dividend paid	-	(52,388)	-	(7,397)
Net cash flows from investment activities	16,120,651	5,608,050	1,808,870	791,807
Increase/(decrease) in cash and cash equivalent	7,008,039	685,070	812,282	103,000
Cash and cash equivalent at beginning of year	2,425,772	1,740,702	272,192	245,772
Exchange rate adjustment to opening balances for Balance Sheet Items	-	-	(25,922)	(6,274)
Cash and cash equivalent at the end of the year	9,433,811	2,425,772	1,058,552	342,498

Bank of Khartoum, PLC

**Consolidated Statement of Changes in Equity
For the year ended 31 December, 2017**

	Share Capital	Share premium	Statutory reserves	General Banking risk reserve	Fair value revaluation reserve	Property revaluation reserve	General reserve	Foreign Currency Revaluation Reserve	Differences on translation of foreign currencies *	Retained earnings	Attributable to equity holders of the parent Company	Non-controlling interest	Total Equity
	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000
Balance at 01 January, 2017	602,456	50,473	168,727	113,310	53,049	153,526	200,957	23,569	(819)	677,317	2,042,565	96,954	2,139,519
Profit for the year	-	-	-	-	-	-	-	-	-	827,431	827,431	8,915	836,346
Transfer to reserves	-	-	67,424	68,941	-	-	101,136	(170,431)	0	(67,070)	-	-	-
Share Dividends	150,614	-	-	-	-	-	-	-	-	(150,614)	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	1,107	1,107	(993)	114
Prior year adjustments	-	-	(2,948)	-	-	-	8,939	-	-	(3,441)	2,550	137	2,687
Un Recognized profit	-	-	-	-	(17,185)	351,663	0	-	(5,052)	-	329,426	-	329,426
Balance at 31 December, 2017	753,070	50,473	233,203	182,251	35,864	505,189	311,032	(146,862)	(5,871)	1,284,730	3,203,079	105,013	3,308,092
Balance at 01 January, 2016	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)	-	-	-
Cash Dividends	-	-	-	-	-	-	-	-	-	(52,388)	(52,388)	-	(52,388)
Share Dividends	78,581	-	-	-	-	-	-	-	-	(78,581)	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustments	-	-	-	-	-	-	-	-	-	-	-	14,605	14,605
Un Recognized profit	-	-	-	-	(12,974)	-	-	-	-	6	6	38	44
Balance at 31 December, 2016	602,456	50,473	168,727	113,310	53,049	153,526	200,957	23,569	(819)	677,317	2,042,565	96,954	2,139,519

* Foreign Currency translation due to consolidating foreign branches in Bahrain & United Arab Emirates balances which they use USD & AED currencies in presenting their financials .

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

Bank of Khartoum, PLC

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2017

	Share Capital USD'000	Share premium USD'000	Statutory reserves USD'000	General Banking risk reserve USD'000	Fair value revaluation reserve USD'000	Property revaluation reserve USD'000	General reserve USD'000	Foreign Currency Revaluation Reserve USD'000	Differences on translation of foreign currencies * USD'000	Retained earnings USD'000	Attributable to equity holders of the parent Company USD'000	Non-controlling interest USD'000	Total Equity USD'000
Balance - 01 January, 2017 restated at current rate of exchange	67,601	5,663	18,933	12,714	5,953	17,227	22,549	2,645	(92)	76,001	229,193	10,879	240,072
Profit for the year	-	-	-	-	-	-	-	-	-	92,845	92,845	1,000	93,845
Transfer to reserves	-	-	7,566	7,736	-	-	11,348	(19,124)	-	(7,526)	-	-	-
Share Dividends	16,900	-	-	-	-	-	-	-	-	(16,900)	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	124	124	(111)	13
Prior year adjustments	-	-	(331)	-	-	-	1,003	-	-	(386)	286	15	302
Un Recognized profit	-	-	-	-	(1,928)	39,459	-	-	(567)	-	36,964	-	36,964
Balance at 31 December, 2017	84,501	5,663	26,167	20,450	4,024	56,686	34,900	(16,479)	(659)	144,157	359,412	11,783	371,195

Balance - 01 January, 2016 restated at

at current rate of exchange	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)	-	-	-
Cash Dividends	-	-	-	-	-	-	-	-	-	(7,397)	(7,397)	-	(7,397)
Share Dividends	11,095	-	-	-	-	-	-	-	-	(11,095)	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,062	2,062
Prior year adjustments	-	-	-	-	-	-	-	-	-	1	1	5	6
Un Recognized profit	-	-	-	-	(1,832)	-	-	-	(116)	-	(1,947)	-	(1,947)
Balance at 31 December, 2016	85,061	7,126	23,823	15,998	7,490	21,677	28,373	3,328	(116)	95,631	288,392	13,689	302,081

* Foreign Currency translation due to consolidating foreign branches in Bahrain & United Arab Emirates balances which they use USD & AED currencies in presenting their financials .

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

Bank of Khartoum, PLC

Consolidated statement of changes in restricted investments

For the year ended 31 December, 2017

	Sales receivable	Other investments	Cash	Total
	SDG'000	SDG'000	SDG'000	SDG'000
Balance at 1 January 2017	147,716	-	623	148,339
Additions	-	-	-	-
Cash withdrawal	(6,968)	-	(623)	(7,591)
Investment profits	-	-	-	-
Bank's share as Mudarib	-	-	-	-
Balance at 31 December, 2017	140,748	-	-	140,748

	SDG'000	SDG'000	SDG'000	SDG'000
Balance at 01 January 2016	217,963	45,011	16,596	279,570
Additions during the year	-	-	-	-
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	147,716	45,011	623	148,339

	Sales receivable	Other investments	Cash	Total
	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2017 restated at current rate of exchange	16,575	-	70	16,645
Additions during the year	-	-	-	-
Cash withdrawal	(782)	-	(70)	(852)
Investment profits	-	-	-	-
Bank's share as Mudarib	-	-	-	-
Balance at 31 December, 2017	15,793	-	-	15,793

	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2016	30,774	6,355	2,343	39,472
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	20,856	0	88	20,944

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 fund.

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

B. Economic Housing Fund

The Econmic 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.

Bank of Khartoum, PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

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 (now replaced by the Companies Act, 2015). 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 99 branches operating inside the country with two branches Bahrin and Abu Dhabi 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	97.6
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

- (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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

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 over 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

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 income not subject to zakat or non taxable income or expenses disallowed for taxable profit calculations .

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. Profit is allocated to the two parties after taking into consideration the scale of the unrestricted and

The unrestricted investment accounts are included in the results of the investment profits and distributed to the depositors in each proportion thereof taking into consideration the weights of the unrestricted investment accounts concerned and the terms of the account signed between the bank and the depositor.

The weights of unrestricted investment accounts are as follows:

- 1- 60-80% of the lowest balance of savings accounts of all types.
- 2- 70% of the balance of investment accounts.

The Joint Venture Fund shall be charged for its own investment expenses

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

Bank of Khartoum, PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER, 2017

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, 2017

5- Cash and Cash equivalents

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Cash in hand and ATMs	621,056	430,713	69,688	60,813
Current Accounts with the Central Banks /Local Currency	3,369,482	23,729	378,084	3,350
Current Accounts with the Central Banks /Foreign Currency	1,382,919	343,368	155,175	48,481
Local Cash reserve with the Central Bank of Sudan *	1,939,018	858,744	217,574	121,247
Foreign Cash reserve with the Central Bank of Sudan *	343,162	240,847	38,506	34,005
Cash with foreign correspondent bank	1,778,174	528,371	199,526	74,601
	<u>9,433,811</u>	<u>2,425,772</u>	<u>1,058,552</u>	<u>342,497</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

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Investment accounts with local banks (Note 6.1)	185,600	75,640	20,826	10,680
Investment accounts with foreign banks	73,041	70,677	8,196	9,979
	<u>258,641</u>	<u>146,317</u>	<u>29,022</u>	<u>20,659</u>

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

7 Investment in trading securities

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Investment in trading Securities	<u>3,124,255</u>	<u>1,622,777</u>	<u>350,567</u>	<u>229,122</u>

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.

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

8 Sales receivable (net)

Sales receivable comprise:

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Murabaha	9,787,969	7,334,135	1,098,291	1,035,515
Salam	82,976	150,797	9,311	21,291
Mugawala	7,250,814	2,495,022	813,601	352,275
Deferred sales	1,249,170	1,364,445	140,167	192,647
Ijara	6,129	13,319	688	1,881
	<u>18,377,058</u>	<u>11,357,718</u>	<u>2,062,058</u>	<u>1,603,609</u>
Less: deferred profit	<u>(3,313,132)</u>	<u>(1,696,873)</u>	<u>(371,761)</u>	<u>(239,583)</u>
	15,063,926	9,660,845	1,690,297	1,364,025
Other Finance (note 8.1)	76,138	83,501	8,543	11,790
	15,140,064	9,744,346	1,698,840	1,375,815
Less: Provision for bad and doubtful debt (note 8.2)	<u>(292,189)</u>	<u>(132,505)</u>	<u>(32,786)</u>	<u>(18,709)</u>
	<u><u>14,847,875</u></u>	<u><u>9,611,841</u></u>	<u><u>1,666,054</u></u>	<u><u>1,357,106</u></u>

8.1 Other Finance

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Letters of guarantee	37,902	38,382	4,253	5,419
Letters of credit	38,236	45,119	4,290	6,370
	<u>76,138</u>	<u>83,501</u>	<u>8,543</u>	<u>11,790</u>

8.2 Provision for bad and doubtful debt is as follows:

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Balance at beginning of the year	132,505	87,375	14,868	12,337
Provision during the year	159,684	73,930	17,918	10,438
Bad debts written off	-	(28,800)	-	(4,066)
	<u>292,189</u>	<u>132,505</u>	<u>32,786</u>	<u>18,709</u>

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

9 Investment in mudaraba and musharaka

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Musharaka	137,521	151,253	15,431	21,356
Mudarba	320,661	181,877	35,981	25,679
	<u>458,182</u>	<u>333,130</u>	<u>51,412</u>	<u>47,035</u>

10 Available for sale investments

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Liquidity mangement fund (Note 10.1)	155,675	-	17,468	-
Sukuk Ijarah / Mico Investment (Note 10.2)	20,000	-	2,244	-
Sukuk Ijarah (SHIHAB) in assets of Central Bank Sudan (Note 10.3)	2,050,000	-	230,027	-
Khartoum Refinery Musharaka Sukuk (Note 10.4)	395	395	44	56
Sudanese Electricity Distribution Company Sukuk (Note 10.5)	114,113	124,113	12,804	17,524
	<u>2,340,183</u>	<u>124,508</u>	<u>262,588</u>	<u>17,579</u>
Shares in companies listed on the stock market (Note 10.6)	13,246	7,978	1,486	1,333
Shares in companies unlisted on the stock market (note 10.7)	174,629	205,462	19,595	28,803
	<u>187,875</u>	<u>213,440</u>	<u>21,081</u>	<u>30,136</u>
	<u>2,528,058</u>	<u>337,948</u>	<u>283,669</u>	<u>47,715</u>

10.1 These are investment certificates issued in accordance with the Cental Bank of Sudan and they represent investmernts in the funds where the capital fund changes in accordance with the requirements set by the Central Bank of Sudan and the board of directors of the fund. Trading in these certificates is restricted among banks registered and operating in Sudan and the management of the fund. with the objective of strenthening the ties between banks and activiate money market.

10.2 Mico is a private limited liability company not listed on Khartoum stock exchange and the investment is for 5 years and these funds are shown as investment at cost in the Bank's consolidated financial statements.

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

10.3 Investment in rental funds (SHIHAB 2) in assets of Central Bank Sudan issued by the Sudanese Company for Financial Services Limited, These certificates purpose is to finance the purchase of assets of CBOS and leased back to CBOS. They operating assets and the certificates are issued and purchased and sold by banks operating in Sudan.

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

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

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

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
National Petroleum Company	5,157	1,580	579	223
National Cooperative Insurance	2,036	2,036	228	287
Faisal Islamic Bank	5,045	2,766	566	391
Investment in shares of other companies	1,008	1,596	113	142
	13,246	7,978	1,486	1,043

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

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
White Nile Sugar Co. Ltd.	158,586	158,586	17,795	22,391
Kenana Sugar Co. Ltd.	12,000	12,000	1,346	1,694
Micro Finance Insurance Agency (TAISEAR)	658	0	74	0
Nile Batteries Factory Co. Ltd.	0	31,617	0	4,464
Shares in other unlisted companies (after provision for decline in share value) *	3,385	3,259	380	460
	174,629	205,462	19,595	29,009

* Provision of Shares Price decline are amounted to 503 Thousand SDG as at 31 Decemebr 2017 & 2016.

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

	2017	2016	2017	2016
	SDG-000	SDG-000	USD-000	USD-000
11 <u>Other investments</u>				
Other investments	140,347	114,434	15,748	16,157

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.

	2017	2016	2017	2016
	SDG-000	SDG-000	USD-000	USD-000
12 <u>Investment in real estate</u>				
Opening Balance	692,645	737,689	77,720	104,155
Additions	1,554	(45,044)	174	(6,360)
	694,199	692,645	77,895	97,795

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.

Bank of Khartoum, PLC

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

13 Other assets

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Staff loans	33,393	27,968	3,747	3,949
Prepaid expenses (1)	101,355	61,034	11,373	8,617
Accrued income	75,272	142,491	8,446	20,118
Mobile telephone payment service (2)	19,209	27,481	2,155	3,880
Debtors(3)	38,137	625	4,279	88
Receivable to subsidiaries (4)	1,156,019	758,567	129,715	107,103
Receivable from the government (5)	49,141	49,147	5,514	6,939
Stationery and other stocks	94,132	15,359	10,562	2,169
Deferred Tax Assets (6)	156,870	111,066	17,602	15,682
Incentives for Sudanese Working Abroad and dealers in foreign currencies (7)	209,079	154,700	23,460	21,842
Other Receivables (Note 13.1)	61,546	36,935	6,906	5,215
	<u>1,994,153</u>	<u>1,385,373</u>	<u>223,760</u>	<u>195,602</u>

- 1 Represent rental contract for branches and ATM paid in advance which will be amortized to expenses according to periods covered by these contract.
- 2 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.
- 3 Represent Selling Amounts to assets owned by the bank, amounts are paid according to agreed dates per the contract.
- 4 Represent Receivables Balances on Subsidaies financials .
- 5 Represents claims on the government arising from the purchase of Bank of Khartoum's portion and there is periodical reconciliation.
- 6 These are tempotry tax differences between accounting profit and taxable profit relating to expenses disallowed for tax purposes during a tax year. These are adjusted each year.
- 7 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:

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Balance at beginning of the year	36,935	16,998	4,144	2,400
Operational losses under investigation	624	16,549	70	2,337
Additions /(Collection)	25,737	4,638	2,888	655
Provision for doubtful debts	(1,750)	(1,250)	(196)	(176)
	<u>61,546</u>	<u>36,935</u>	<u>6,906</u>	<u>5,215</u>

Bank of Khartoum, PLC

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

14 Intangible assets

	Goodwill *	Pre-Operating Expenses**	Computer Software	Total	Total
	SDG-000	SDG-000	SDG-000	SDG-000	USD-000
Balance at 1 January 2017					
Restated At Current rate of exchange	182,605	-	123,713	306,318	34,371
Additions during the year	-	-	27,304	27,304	3,064
Amortization for the year	-	-	(23,613)	(23,613)	(2,650)
Balance at 31 December 2017	182,605	-	127,404	310,009	34,786
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
Consolidation of subsidiaries	104,012	-	108,966	212,978	30,071
Amortization for the year	-	(3,146)	(11,583)	(14,729)	(2,080)
Balance at 31 December 2016	182,605	-	123,713	306,318	43,249

* 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 have been Fully amortized in 2016.

15 Property, plant and equipment

	Land and Buildings	Furniture Equipment	Motor Vehicles	Work in Progress	Total
	SDG-000	SDG-000	SDG-000	SDG-000	SDG-000
Cost:					
1 January 2017	336,300	1,118,230	54,113	238,780	1,747,423
Additions *	364,295	55,395	1,043	363,391	784,124
Disposal	(620)	(6,604)	(730)	-	(7,954)
Transfer from capital work in progress **	7,319	180,251	14,870	(202,440)	-
As at 31 December, 2017	707,294	1,347,272	69,296	399,731	2,523,593
Depreciation:					
1 January 2017	21,464	481,702	19,187	-	522,353
Charge for the year	2,722	96,690	8,663	-	108,075
Disposal	-	(170)	(506)	-	(676)
As at 31 December, 2017	24,186	578,222	27,344	-	629,752
Net book value - 31 December, 2017	683,108	769,050	41,952	399,731	1,893,841

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

* Additions on Lands includes amount of 352,313 Thousands SDG, represent revaluation result for the year.

** 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, 2017

15 Property, plant and equipment

(continued)

	Land and Buildings SDG' 000	Furniture Equipment SDG' 000	Motor Vehicles SDG'000	Work in Progress SDG'000	Total SDG'000
<i>Cost:</i>					
1 January 2016	336,906	448,101	37,088	133,030	955,125
Additions *	-	64,922	8,308	203,823	277,053
Additions upon consolidation of subsidiaries	-	507,202	4,817	7,673	519,692
Disposals	(606)	(1,814)	(2,026)	-	(4,446)
Transfer from capital work inprogress **	-	99,819	5,926	(105,745)	-
As at 31 December, 2016	336,300	1,118,230	54,113	238,781	1,747,423
<i>Depreciation:</i>					
1 January 2016	18,451	100,632	11,021	-	130,104
Charge for the year	3,012	64,404	6,318	-	73,734
Additions upon consolidation of subsidiaries	-	318,129	3,699	-	321,828
Eliminated on disposal	-	(1,463)	(1,851)	-	(3,314)
As at 31 December, 2016	21,463	481,702	19,187	-	522,353
Net book value - 31 December, 2016	314,836	636,528	34,926	238,781	1,225,070

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

15 Property, plant and equipment

(continued)

	Land and Buildings	Furniture Equipment	Motor Vehicles	Work in Progress	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cost:					
At 01/01/2017 (restated at current rate)	37,736	125,475	6,072	26,793	196,075
Additions *	40,877	6,216	117	40,775	87,985
Disposal	(70)	(741)	(82)	-	(893)
Transfer from capital work in progress **	821	20,226	1,669	(22,715)	-
As at 31 December, 2017	79,364	151,175	7,776	44,853	283,168
Depreciation:					
1/1/2017 (restated at current rate)	2,408	54,051	2,153	-	58,612
Charge for the year	305	10,849	972	-	12,127
Eliminated on disposal	-	(19)	(56)	-	(75)
As at 31 December, 2017	2,714	64,881	3,069	-	70,664
Net book value - 31 December, 2017	76,650	86,294	4,706	44,853	212,505
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
Cost:					
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	73,375
Disposal	(85)	(256)	(286)	-	(627)
Transfer from capital work in progress **	-	14,094	837	(14,930)	-
As at 31 December, 2016	47,483	157,884	7,640	33,714	246,720
Depreciation:					
1/1/2016 (restated at current rate)	2,606	14,208	1,556	-	18,370
Charge for the year	425	9,093	892	-	10,410
Eliminated on disposal	-	(207)	(261)	-	(468)
Additions on consolidation of subsidiaries	-	44,918	522	-	45,440
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

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

* Additions on Lands includes amount of 39.5 Million USD, represent revaluation result for the year.

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

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

16 Current accounts

Current accounts includes customers and financial institutions in local and foreign currencies, and are payable on demand.

17 Cash margins

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Cash margins against letters of credit	925,040	442,033	103,797	62,411
Cash margins against letters of guarantee	21,608	20,854	2,425	2,944
	<u>946,648</u>	<u>462,887</u>	<u>106,222</u>	<u>65,356</u>

18 Other liabilities

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Accrued liabilities *	449,352	212,670	50,421	30,027
Transfers under Clearance	13,685	16,423	1,536	2,319
Accrued expenses	104,032	98,894	11,673	13,963
Custodian deposits**	281,170	215,412	31,550	30,414
Al Aman fund liability	-	623	-	88
Insurance liabilities	8,588	7,822	964	1,104
Sorgum fund liability	40	2,544	4	359
Payable to subsidiaries***	835,684	517,467	93,771	73,062
Other liabilities	145,890	19,272	16,370	2,721
	<u>1,838,441</u>	<u>1,091,127</u>	<u>206,288</u>	<u>154,057</u>

* These include SDG 369 Million representing cheques under collection .

** These include SDG 43,158 (in thousands) representing profit under distribution to shareholders.

*** Represent Creditors balances on Subsidiaries records.

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

19 Provisions

These comprise of:

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Provision for Zakat	22,319	19,188	2,504	2,709
Provision for End of service	32,203	23,354	3,613	3,297
Provision for court cases	520	520	58	73
Provision for taxation	279,989	99,447	31,417	14,041
	<u>335,031</u>	<u>142,509</u>	<u>37,593</u>	<u>20,121</u>

20 Unrestricted investment account holders

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Savings accounts (including Saving Plus accounts)	12,246,439	5,534,519	1,374,152	781,425
Investment accounts	4,166,180	2,074,918	467,480	292,960
Mudaraba investment by the Central Bank of Suda	270,000	320,000	30,296	45,181
Banks investments	14,256	427,079	1,600	60,300
	<u>16,696,875</u>	<u>8,356,516</u>	<u>1,873,527</u>	<u>1,179,866</u>
Unrestricted investment account holders' profit*	515,886	384,757	57,887	54,324
Prior year profit	3,704	3,798	416	536
Profits paid during the year	-	-	-	-
	<u>17,216,465</u>	<u>8,745,071</u>	<u>1,931,830</u>	<u>1,234,726</u>

* In terms of distribution of investment income depends on the length of savings (one month, three months, six months or one year). In respect of saving accounts and foreign currencies ,the return paid was 5.78% and 3.75% respectively .

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

21 Share capital

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Authorized share capital	<u>1,000,000</u>	<u>1,000,000</u>	<u>112,208</u>	<u>141,191</u>
Paid up share capital	<u>753,070</u>	<u>602,456</u>	<u>84,501</u>	<u>85,061</u>

Paid up share capital is divided into 570,507,810 ordinary shares of SDG 1.32 each.

22 Reserves

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Statutory reserve	233,203	168,727	26,167	23,823
General risk reserve	182,251	113,310	20,450	15,998
Fair value reserve	35,864	53,049	4,024	7,490
Assets revaluation reserve	505,189	153,526	56,686	21,677
General reserve	311,032	200,957	34,900	28,373
Foreign currency translation	(5,871)	(819)	(659)	(115,636)
Foreign Currency revaluation	(146,863)	23,569	(16,479)	3,328
	<u>1,114,806</u>	<u>712,319</u>	<u>125,090</u>	<u>100,573</u>

23 Income from deferred sales

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Income from murabaha	897,956	559,722	117,964	85,139
Deferred sales income	131,811	122,120	17,316	18,576
Mugawala income	430,888	213,167	56,606	32,425
Ijara income	1,516	2,886	199	439
	<u>1,462,171</u>	<u>897,895</u>	<u>192,085</u>	<u>136,579</u>

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

24 Income from Investments

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Shahama Securities	350,032	251,487	45,984	38,254
Shahab Securities	38,950	0	5,117	0
Shasha Securities	-	6,910	0	1,051
Shama Securities	-	52	0	8
Private Sukuk (MICO)	1,120	-	147	0
Portfolio investment income	27,540	23,269	3,618	3,539
Liquidity Management Fund	83,647	23,725	10,989	3,609
Mudaraba income	41,194	30,523	5,412	4,643
Investment accounts income- Banks	3,665	969	481	147
	546,148	336,935	71,747	51,398

25 Income from Banking services

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Cash management fees	55,613	45,482	7,306	6,918
Transfers commissions	60,136	39,991	7,900	6,083
Cheque collection	11	23	1	3
Letters of credit	565,093	132,480	74,236	20,152
Letters of guarantee	33,886	52,667	4,452	8,011
Commissions from current accounts	3,792	1,605	498	244
Communication	1,149	653	151	99
Commission from insurance companies and agencies	719	862	94	131
ATMs	5,017	2,966	659	451
Communication /subsidiary Books	222,848	105,529	29,275	16,052
	948,264	382,258	124,573	58,145

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

26 Other Income

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Rent received	27,247	19,223	3,579	2,924
Insurance and storage fee	2,472	971	325	148
Gain on disposal of fixed assets	503	4,211	66	641
Miscellaneous income	58,809	22,207	7,726	3,378
Dividends Income	10,834	10,265	1,423	1,561
	<u>99,865</u>	<u>56,877</u>	<u>13,119</u>	<u>8,652</u>

27 Staff Costs

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Salaries	235,473	132,624	30,934	20,173
Overtime	8,134	4,522	1,069	688
Travelling	17,840	10,798	2,344	1,642
Medical care	15,028	9,224	1,974	1,403
Staff bonus	120,572	92,014	15,840	13,996
Social insurance	23,507	12,634	3,088	1,922
Hospitality	8,325	5,232	1,094	796
End of service benefits	3,454	513	454	79
Training	10,080	3,952	1,324	601
	<u>442,413</u>	<u>271,513</u>	<u>58,120</u>	<u>41,300</u>

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

28 General and Administrative Expenses

	SDG-000	SDG-000	USD-000	USD-000
Rent	41,899	26,987	5,504	4,105
Insurance	9,923	13,268	1,304	2,018
Government fees	11,842	14,748	1,556	2,243
Electricity water and fuel	19,548	12,755	2,568	1,940
Maintenance	55,398	32,554	7,278	4,952
Services	45,151	33,214	5,931	5,052
Postage	3,031	2,088	398	318
Cash management expenses	19,894	9,157	2,613	1,393
Travel and transfers	16,555	14,261	2,175	2,169
Consulting fees	14,698	8,817	1,931	1,341
Legal Consultancy fees	2,584	3,042	339	463
BOD & Sharia Supervisory Board's expenses	20,407	15,183	2,681	2,309
Archive expenses	13	7	2	1
Printing & stationery	10,037	11,405	1,319	1,735
Newspapers & magazines	438	289	58	44
Communication	58,642	23,802	7,704	3,621
Entertainment and refreshments	7,751	4,906	1,018	746
Marketing and advertising	63,177	29,280	8,300	4,454
Subscriptions	1,610	1,416	212	215
Donations	9,242	5,637	1,214	857
ATMs Expenses	15,384	13,981	2,021	2,127
Miscellaneous expenses	12,732	10,583	1,673	1,610
Commissions	10,336	1,225	1,358	186
Fees - bank deposit security fund	9,562	7,042	1,256	1,071
Operating losses	15,570	9	2,045	1
Amortization & Depreciation	131,688	88,464	17,300	13,456
	<u>607,112</u>	<u>384,120</u>	<u>79,756</u>	<u>58,428</u>

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

29 Provision for zakat

The bank and subsidiary companies have estimated its zakat provision for 2017. The management of the bank believes that the final zakat liability will not differ materially from the estimated provision after taking into account all items not subject to zakat.

30 Provision for business profit tax

The bank has estimated its business profit tax liability for 2017. The management of the bank believes that the final estimated tax liability will not differ materially from the estimated provision .

	2017	2016	2017	2016
	SDG-000	SDG-000	USD-000	USD-000
The tax provision is made up of:				
Provision for the current year	283,242	67,352	37,209	10,245
Deferred tax	(45,847)	(18,997)	(6,023)	(2,890)
Prior years adjustments	14,399	-	1,892	-
	<u>251,794</u>	<u>48,355</u>	<u>33,078</u>	<u>7,355</u>

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

31 Earning per share

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Net profit for the year	836,346	475,409	109,871	72,314
Number of shares	570,507,810	456,406,248	570,507,810	456,406,248
Earnings per share	1.466	1.042	0.193	0.158

32 Concentration of investments-Economic sectors

	2017 %	2016 %
<u>Sector</u>		
Agricultural Sector	32%	1%
Industrial Sector	13%	5%
Transportation	1%	2%
Export & Import	17%	20%
Local Trading	17%	38%
Real Estate	13%	31%
Other	7%	3%
	100%	100%

33 Contingent Liabilities

	2017 SDG-000	2016 SDG-000	2017 USD-000	2016 USD-000
Letters of credit	4,469,636	2,196,543	501,530	310,132
Letters of guarantee	378,926	256,804	42,519	36,258
	4,848,562	2,453,347	544,049	346,391

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

34 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:-

	shareholders SDG'000	Senior Management SDG'000	Total 2017 SDG'000
Sales receivables	298,985	-	298,985
Musharakat and mudarabat	20,000	-	20,000
Staff finance & advances	-	4,868	4,868
Total	318,985	4,868	323,853
Current accounts & deposits	163,253	1,578	164,831
Letter of credits and guarantees	18,822	-	18,822

	USD'000	USD'000	Total 2017 USD'000
Sales receivables	33,549	-	33,549
Musharakat and mudarabat	-	-	-
Staff finance & advances	-	546	546
Total	33,549	546	34,095
Current accounts & deposits	18,318	177	18,495
Letter of credits and guarantees	2,112	-	2,112

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

35 Liquidity risk

Liquidity risk is defined as the risk that the bank will encounter difficulty in meeting obligations associated with liabilities that are settled in delivering cash or other financial assets. Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management arranged diversified funding sources in addition to its core deposit base, and adopted a policy managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The bank has developed 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 for the year 2017

	<i>In thousands of SDG</i>						<u>Total</u>
	<u>0-1 month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6 months to one year</u>	<u>1 - 3 years</u>	<u>More than 3 years</u>	
ASSETS							
Cash and cash equivalents	9,433,811	-	-	-	-	-	9,433,811
Investment accounts with banks	64,125	69,516	20,000	105,000	-	-	258,641
Investment in trading securities	628,736	-	929,029	1,566,490	-	-	3,124,255
Sales receivables	525,661	1,509,509	2,217,528	3,928,325	5,610,970	1,055,882	14,847,875
Investment in mudaraba and musharaka	10,000	170	310,696	132,883	-	4,433	458,182
Available for sale investments	155,675	395	-	114,113	184,534	2,073,341	2,528,058
Other investments	-	-	-	140,347	-	-	140,347
Investment in real estate	-	-	-	-	-	694,199	694,199
Other assets	47,636	365,139	376,555	495,593	684,634	24,596	1,994,153
Intangible fixed assets	-	-	-	-	-	310,009	310,009
Property, plant and equipment	-	-	-	-	-	1,893,841	1,893,841
	10,865,644	1,944,729	3,853,808	6,482,751	6,480,138	6,056,301	35,683,371
LIABILITIES							
Current accounts	1,054,851	2,047,652	3,102,504	3,723,005	2,110,682	-	12,038,694
Cash margins	76,521	148,541	225,063	496,523	-	-	946,648
Other liabilities	288,006	347,437	421,753	747,413	33,832	-	1,838,441
Provisions	-	75,371	65,714	161,618	32,328	-	335,030
Total liabilities	1,419,378	2,619,001	3,815,034	5,128,559	2,176,842	-	15,158,814
Unrestricted investment accounts holders	2,031,005	3,022,683	4,299,705	7,643,072	220,000	-	17,216,465
Total Equity	-	-	-	-	-	3,308,092	3,308,092
Total liabilities and equity	3,450,383	5,641,684	8,114,739	12,771,631	2,396,842	3,308,092	35,683,371

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

35 Liquidity risk (continued)

In thousands of USD

	<u>0-1 month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6 months to one year</u>	<u>1 - 3 years</u>	<u>More than 3 years</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	1,058,552	-	-	-	-	-	1,058,552
Investment accounts with banks	7,195	7,800	2,244	11,782	-	-	29,022
Investment in trading securities	70,549	-	104,245	175,773	-	-	350,567
Sales receivables	58,984	169,379	248,825	440,791	629,597	118,479	1,666,054
Investment in mudaraba and musharaka	1,122	19	34,863	14,911	-	497	51,412
Available for sale investments	17,468	44	-	12,804	20,706	232,646	283,669
Other investments	-	-	-	15,748	-	-	15,748
Investment in real estate	-	-	-	-	-	77,895	77,895
Other assets	5,345	40,972	42,253	55,610	76,822	2,760	223,760
Intangible fixed assets	-	-	-	-	-	34,786	34,786
Property, plant and equipment	-	-	-	-	-	212,505	212,505
	1,219,215	218,215	432,429	727,418	727,125	679,567	4,003,969
LIABILITIES							
Current accounts	118,363	229,763	348,127	417,752	236,836	-	1,350,841
Cash margins	8,586	16,668	25,254	55,714	-	-	106,222
Other liabilities	32,317	38,985	47,324	83,866	3,796	-	206,288
Provisions	-	8,457	7,374	18,135	3,627	-	37,593
Total liabilities	159,266	293,874	428,078	575,467	244,260	-	1,700,944
Unrestricted investment accounts holders	227,896	339,170	482,462	857,616	24,686	-	1,931,830
Shareholders' equity	-	-	-	-	-	371,195	371,195
Total liabilities and equity	387,161	633,044	910,541	1,433,082	268,945	371,195	4,003,969

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

36 Fair values of the financial instruments

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

Investments include securities available for sale which are recorded at cost of SDG 175 million - US\$ 19.6 million (2016 -SDG 205 million USD 23.11million). There are no reliable indicators to value the investments.

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

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

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

Types of credit risk

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

Sales receivables

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

Murabaha financing

The bank and the customer 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 meet all liquidity to claims that might fall due.

Bank of Khartoum, PLC

Notes to the Consolidated Financial Statements - Year Ended 31 December, 2017

38 Market risk

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

39 Capital adequacy

2017

Minimum percentage for capital adequacy

20.02%

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

12%

40 Comparative figures

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