Alsalam Bank- Sudan

(Limited liability Company)
Financial Statements Dec 31 2016
With
Auditors' Report

Allied Accountants
Bannaga & Co.
Certified Public Accountants

Auditors' Report

To: shareholders
Alsalam bank – Sudan

We have audited the accompanying statements of financial position of Al-Salam bank " Public limited liability Company" (the bank) as at December 31, 2016 and the related statement of income, cash flows and changes in equity for the year then ended. The accompanying notes (1) through (43) represent an integral part of these financial statements.

Management Responsibility:
These financial statements are the responsibility of bank's management and have been prepared and presented in conformity with financial accounting standards issued by the Accounting and Auditing Organization for Islamic Institutions (AAOIFI), Sharia rules and principles, and relevant International Financial Reporting standards. Management responsibility also includes designing, implementing, and maintaining reasonable systems of internal controls and controls relevant to the preparation and presentation of financial statements that are free of material misstatements whether caused by fraud or error, also management responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that is reasonable to 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 auditing standards issued by (AAOIFI).Those standards require we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing significant accounting policies used and significant estimates made by the management as well as evaluating the overall financial statements presentation.
We believe that our audits provide a reasonable basis for our opinion.

Unqualified opinion:
In our opinion, the financial statements referred to above present fairly , in all material respects, the financial position of the bank as at December 31 ,2016 and the results of its operations and its cash flows for the year then ended in conformity with the Shari'a rules and principles , accounting standards of(AAOIFI) and international reporting standards and comply with the companies ordinance1925 amended 2015 .

Abdelgadir Bannaga /PhD /FCCA

Khartoum on Jumaada Awwal 18, 1438H
Corresponding to February 15, 2017G

Allied Accountants Bannaga & Co. Reg. No. 13657

AL SALAM BANK

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	Note	2016 SDG	2015 SDG
Assets:-			
Cash and cash equivalents	(5)	232,093,197	332,563,068
Deferred sales receivables (net)	(6)	596,678,549	567,741,758
Investments held to maturity	(7)	259,404,000	225,495,500
Investments in Mudaraba	(8)	242,083,715	233,141,689
Musharaka financing	(9)	112,064,354	32,949,127
Investments available for sale	(10)	149,912,337	125,563,611
Investments in property	(11)	520,254,027	513,209,220
Other assets	(12)	55,328,277	32,217,448
Fixed assets (net)	(13)	84,865,582	61,372,639
Total Assets		**2,252,684,038**	**2,124,254,060**
Liabilities, Unrestricted investment accounts and Owners' Equity:-			
Liabilities:-			
Current Account	(14)	535,574,585	441,338,501
Other liabilities	(15)	90,322,131	168,221,796
Provisions and accruals	(16)	35,834,560	30,097,276
Total Liabilities		**661,731,276**	**639,657,573**
Unrestricted investment accounts holders	(17,22)	**414,052,332**	**447,280,399**
Owners' Equity:-			
Paid up capital	(18)	323,549,000	310,668,350
Reserves	(19)	636,462,608	553,826,670
Retained earnings		216,888,822	172,821,068
Total Owners' equity		**1,176,900,430**	**1,037,316,088**
Total Liabilities, Unrestricted investment accounts and Owners' equity		**2,252,684,038**	**2,124,254,060**
Contra accounts:-	**(28)**	**71,100,587**	**309,872,251**

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabna Iz-Alarab General Manager	Saud Mamoun Elbirair Board member	Abdulrahman Ahmed Sinan Board member

AL SALAM BANK

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 SDG	2015 SDG
Income:-			
Income from deferred sales	(20)	58,108,134	75,874,024
Income from investments	(21)	61,040,931	71,517,768
Total income from financing and investments		**119,149,065**	**147,391,792**
Less: Return on unrestricted investment accounts	(22)	(37,086,652)	(31,004,772)
Bank's share in income from investments (as Mudarib and as fund owner)		82,062,413	116,387,020
Income from banking services	(23)	23,436,175	13,346,006
Gain on foreign currency exchange		50,638,106	782,514
Gains on transaction of foreign assets		23,373,369	2,444,734
Other income	(24)	7,667,126	2,500,002
Total Bank's revenue		**187,177,189**	**135,460,276**
Expenses:-			
Staff cost	(25)	(41,383,396)	(33,518,360)
Operations expenses	(26)	(26,126,035)	(21,104,778)
Depreciation		(3,690,351)	(3,558,813)
Provision for Investment & Finance	(6/1)	(898,280)	1,855,782
Provision for bad debts		(2,222,812)	-
Central Bank of Sudan penalties		(31,250)	(11,000)
Total expenses		(74,352,124)	**(56,337,169)**
Net operating profits		112,825,065	79,123,107
Provision for Zakah	(39)	(9,320,792)	(7,993,560)
provision for Business Profit Tax	(40)	(11,279,248)	(8,859,494)
Net income for the period		**92,225,025**	**62,270,053**
Earning per share		**0.760**	**0.539**

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabna Iz-Alarab General Manager	Saud Mamoun Elbirair Board member	Abdulrahman Ahmed Sinan Board member

AL SALAM BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 SDG	2015 SDG
Cash flows from operating activities:		
Net income for the period	92,225,025	62,270,053
Adjustments to reconcile net income to net cash:		
Depreciation of fixed assets	3,690,351	3,558,813
Losses from disposal of fixed assets	-	169,337
Provisions	5,737,284	(10,251,609)
	101,652,660	55,746,594
Changes in operating assets, liabilities and unrestricted investment accounts:		
Deferred Sales receivables (net)	(28,936,791)	57,954,856
Investments in Mudaraba	(8,942,026)	104,884,777
Musharaka financing	(79,115,227)	29,886,684
Other assets	(23,110,829)	1,714,163
Current accounts	94,236,084	96,499,317
Unrestricted investment accounts	(33,228,067)	14,232,822
Other liabilities	(77,899,665)	(41,080,249)
Cash (used in) operations	(156,996,521)	264,092,370
Net cash (used in) operating activities	**(55,343,861)**	**319,838,964**
Cash flows from investing activities:		
Investments held to maturity	(33,908,500)	(162,693,000)
Investments available for sale	(24,348,726)	(7,604,084)
Investments in property	(7,044,807)	(6,297,530)
Purchases of fixed assets	(27,183,294)	(28,813,708)
Net cash (used in) investing activities	**(92,485,327)**	**(205,408,322)**
Cash flows from financing activities:		
Capital increase expenses	(2,680,750)	-
Reserves	50,040,067	8,048,760
Net cash from (used) financing activities	**47,359,317**	**8,048,760**
Increase (Decrease) in cash and cash equivalents for the period	(100,469,871)	122,479,402
Cash and cash equivalents at the beginning of the period	332,563,068	210,083,666
Cash and cash equivalents at the end of the period	**232,093,197**	**332,563,068**

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabna Iz Alarab General Manager	Saud Mamoun Elbirair Board member	Abdulrahman Ahmed Sinan Board member

AL SALAM BANK

STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Paid up capital SDG	Retained earnings SDG	Statutory reserve SDG	Property revaluation reserve SDG	Investment revaluation reserve SDG	Foreign assets &Liab reserve SDG	Total SDG
Balance as at Dec. 31, 2014	310,668,350	119,222,754	50,021,505	336,873,784	51,490,804	98,720,078	966,997,275
Net income for the period	-	62,270,053	-	-	-	-	62,270,053
Reserves		(8,671,739)	6,227,005	-	8,048,760	2,444,734	8,048,760
Balance as at JAN, 1, 2016	310,668,350	172,821,068	56,248,510	336,873,784	59,539,564	101,164,812	1,037,316,088
Net income for the period	-	92,225,025					92,225,025
Reserves		(32,595,871)	9,222,502		12,007,774	23,373,369	12,007,774
bonus share	15,561,400	(15,561,400)					-
Exchange Diff						38,032,293	38,032,293
Capital increase expenses	(2,680,750)						(2,680,750)
	323,549,000	216,888,822	65,471,012	336,873,784	71,547,338	162,570,474	1,176,900,430

The accompanying notes (1) to (43) form an integral part of these Statements

Elnour Agabna Iz-Alarab General Manager	Saud Mamoun Elbirair Board member	Abdulrahman Ahmed Sinan Board member

1/ Incorporation and activities:-

Al Salam Bank (the Bank) was established as a public limited liability company in Khartoum in December 28, 2004 under companies' law 1925 with registration certificate No. 23335. The Bank is providing commercial banking services according to Islamic rules and principles.

The Bank started its commercial operations on May 2005, Providing its services from the head office, which is located at Aljamhoria street and Alhuria street junction, Alsalam Rotana branch which is placed in Alsalam Rotana Hotel (Africa street), Omdorman branch which is located at Almawrada street- Omdorman, and Albarlaman Branch at Hamza blazza Barlaman Street.

2/ Significant Accounting Policies:-

a/Basis of preparation:

1- The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organizations for Islamic Institutions (AAOIFI) and international accounting standards as required by the Central Bank of Sudan and shari'a supervisory board (SSB) requirements.

2- The functional currency is Sudanese Geneih , financil statements have been presented in Sudanese Geneih (SDG) .

3- The financial statements were prepared in accordance with the historical cost concept as amended, except for the valuation of securities classified as available for sale, held for trading and investments properties which are valued at fair value at the end of the year.

4- The bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

5- Accounting policies used this year consistent with those used last year.

b/ Fixed assets:

Fixed assets are stated at cost less accumulated depreciation and any permanent impairment in value .Depreciation of fixed assets is calculated on straight line basis over their estimated useful lives based on (2.5%-30%)

The carrying values of fixed assets are reviewed for impairment when events or change circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

c/ Foreign Currency:-

All transactions in foreign currencies are recorded using the exchange rate at the date in which they were incurred. Assets and liabilities which were recorded in foreign currency are translated to Sudanese Geneih at the rate of exchange at the financial statements date.

Exchange differences resulting from the bank investment balances and transaction in foreign currency have been recognized in foreign exchange investment reserve. Exchange differences resulted from bank transactions and other operations are treated in the income statement.

d / Revenue recognition :

1/ Murabhaa and Istisnaa:-

The profits from Murabhaa and Istisnaa transaction are recognized on proportionate basis over the period of financing.

2\ Mudaraba Financing :-

Mudaraba financing is recognized in the income statements at the time of liquidation or the extent of profit being distributed or at declaration date or when such profits can reasonably be estimated.

3\ Musharka and Salam financing:-

The profit from Musharka and Salam transactions are recognized at the time of liquidation .

4\ Income from banking services:-

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

5\ Dividends income and bonds profit :-

Dividends income bonds profit is recognized when declared, or when such profits can reasonably be estimated.

e\ Provisions for doubtful debts:-

Provision for doubtful debt is based on the assessment of collectability of each debt and also general provision of 1% on unclassified debts in accordance with the directive of Central Bank of Sudan.

f\ cash and cash equivalents:-

For the purpose of preparation of statement of cash flows, cash and cash equivalents consist of cash in the bank and with other banks (current accounts) and balances with Central Bank of Sudan and cash in hand.

g\ Provisions:-

Provisions are recognized when the bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and ca n be reliably measured. Provisions are reviewed at the end of each financial year to ensure its adequacy to meet the obligations. Differences arise from such review are adjusted through income statement in the year of changes.

k\ Doubtful investment and bad debts:

Doubtful investment and bad debts are written off on the passage of legal period determined by central bank , or when court decides write of and closure of cases,

l\ Measurement of investments and finance at the end of the period:-

1\Deferred sales receivable:-

Deferred sales receivable are initially recorded at cost, at the end of the financial period deferred sales receivables are measured at their net realizable value. In murabaha and murabaha LIL Amir the bank applies the policy of non. Obligatory promise to murabha financing.

2\ Mudaraba:-

Mudaraba is measured by the amount paid or the amount placed under the disposition of the Mudarib less the portion of the Muadraba capital recovered from the Mudarib (if any).

3\ Musharka :-

Musharka is measured by the historical cost less provision for finance losses (if any).

4\ Available for sale investments:-

Available for sale investments are measured at fair value, the difference (surplus or deficits) between the book value and fair value is recognized in the revaluation reserve until its nil then deficits is recognized in the income statement.

5\ Investment in securities and shares held for trading purposes :-

Investments which are classified "for trading" are initially recognized at cost, including acquisition charges associated with the investments. At the end of the reporting period, held for trading securities and shares are re- measured at fair value unless fair value can not be reliably determined in which case they are measured at cost less impairment. The gains or losses resulting from the re -measurement at fair value, are reported as "Re - measurement gains or losses on investments" in the income statement.

Held for trading securities was classified to available for sale in 2015 , as these investments have been held long period and no intent to be sold in near future.

6\ Investment in securities held to maturity:-

Investments in securities held to maturity are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at cost less impairment in value if any.

m\ Zakah and Tax treatment:-

The bank is subject to the Zakah and Tax regulations prescribed by the Sudanese authorities. The bank is subject to business profit tax after excluding the relieved profits from investment in shahama bonds.

n\Accounts and return on unrestricted investment account holders:-

The bank applies the policy of mixed fund when inviting the unrestricted investors account holders' money.

The bank invests such amount in the following financing:

- Shahama
- Murabaha
- Mudaraba
- Musharaka

The Return on unrestricted investment account is calculated on yearly basis. The bank allows the investment account holders to withdraw funds from their investment accounts before the agreed period with a condition of losing the right on profits , However at the mudaraba for fixed period the banks (as mudarib) has right not to allow them to withdraw funds from their investment accounts until the end of agreed period.

Profits are allocated between the unrestricted investment account holders and the owners' equity according to the contribution of each of the two parties. Those profits added to their accounts after the approval of Shari'a Supervisory Board and the regulators.

3/ Supervisory body:

The bank's business activities are subject to the supervision of central bank of Sudan according to the central bank of Sudan laws 2002 and banking operations regulating law year 2004. The bank abides to Central Bank of Sudan circulars.

4/ Shari'a Supervisory Board(SSB)

The bank's business activities are subject to the supervision Shari'a Supervision Board, which has been appointed by the shareholders. The Shari'a Supervisory Board has the power to direct, review and supervises the activities of the bank to ensure that they are in compliance with shari'a rules and principles .This including issuing an annual report to the shareholders.

5/ Cash and Cash equivalents:

	2016 SDG	2015 SDG
Cash in hand and in ATM	15,658,079	19,407,039
Balances with central bank of Sudan - local	28,760,731	75,569,279
Balances with central bank of Sudan - foreign	70,713,761	87,642,966
Central bank of Sudan – Statutory cash reserve-local	72,693,403	69,646,658
Central bank of Sudan - Statutory cash reserve- foreign	17,446,207	20,779,218
Cash with foreign correspondent banks	26,821,016	59,517,908
	232,093,197	**332,563,068**

6/ Deferred sales receivables-net:-

Murarbaha	464,389,451	366,003,212
Musawama	7,389,547	7,792,427
Istisnaa	285,180,414	348,545,063
Ijarra	867,450	12,630,086
	757,826,862	734,970,788
Less: Deferred sales profit	(149,321,517)	(155,935,670)
	608,505,345	579,035,118
Less: provision for doubtful debts (note 6/1/1)	(11,826,796)	(11,293,360)
Deferred sales receivable (net)	**596,678,549**	**567,741,758**

6/1 Provision for doubtful finance and investment:

Balance at 1/1	48,059,373	49,229,821
Provision for the year	898,280	(1,855,782)
Reversal of prior years provisions	(7,082,900)	(2,001,726)
Provision foreign currencies	3,604,926	2,687,060
Balance at 31/12	**45,479,679**	**48,059,373**

6/1/1/ Total Provisions for doubtful finance and investment :

Provision for doubtful deferred sales (note 6)	11,826,796	11,293,360
Provision for finance and investment – Mudaraba (note 8)	32,520,920	36,433,194
Provision for finance and investment – Musharka (note 9)	1,131,963	332,819
	45,479,679	**48,059,373**

7/ Investments in securities held to maturity: -

	2016 SDG	2015 SDG
Shahama securities	259,404,000	225,495,500
	259,404,000	**225,495,500**

8/ Investments in Mudaraba:-

	2016	2015
Mudaraba with customers – Individuals	229,494,349	178,163,729
Mudaraba with banks	45,110,286	91,411,154
	274,604,635	269,574,883
Less : Provision for finance and investment risk (note 6/1/1)	(32,520,920)	(36,433,194)
	242,083,715	**233,141,689**

9/Mushraka Financing:-

	2016	2015
Musharaka with corporate and customers	113,196,317	33,281,946
Less: provision for finance and losses(note6/1/1)	(1,131,963)	(332,819)
	112,064,354	**32,949,127**

10/ Investments available for sale:-

		2016	2015
Alsalam bank- Algeria	5%	39,051,650	35,365,550
Alsalam real state company	50%	50,000	50,000
Aman insurance - Bahrain		-	7,117,979
Foreign investment funds		1,386,800	2,428,229
Assets acquired by banks for musharaka finance		18,419,950	7,769,950
Inter bank liquidity management fund		25,746,000	13,746,000
Alsalam bank- Bahrain		52,186,640	47,260,724
King Abdullah city		13,071,297	11,825,179
		149,912,337	**125,563,611**

11/ Investments in property:-

Represent investments in 6 pieces of lands fully owned by the bank in Khartoum and Khartoum North city with value of SDG 511.253,537 also there are 28 pieces of land in Ajman UAE lumped ownership to Alsalam bank after liquidation of Alsalam real state fund value is SDG9,000,490. the cost of these lands is SDG 150,8 m it has not been revalued since the end of 2015 because there was no significant difference between the tow periods values.

12/ Other assets:-

	2016 SDG	2015 SDG
Staff loans	2,549,400	447,231
Accrued profits of investments	25,418,320	25,983,356
Project under process	21,823,727	965,768
Transfers bounce	234,832	-
Medicines import account – local	-	355,526
Prepayments	5,301,998	4,465,567
Debtors (note 12/1)	22,245,154	18,132,425
	77,573,431	50,349,873
Less: provision of doubtful debts	(22,245,154)	(18,132,425)
	55,328,277	**32,217,448**

12/1/ Debtors:-

A debt balance of$ 2,8 million(20,022,342 SDG :2016) (18,132,425SDG:2015) resulted for the liquidation of Alsalam real state fund on 27/10/2011 of which $1 million settled on 7/6/2012 in addition to SDG 2,222,812 represents the value of Aman insurance – Bahrain shares reclassified from investments, acquisition of share is not completed. Full provision was made for the balance.

13/ Fixed assets:-

Particulars	Motor Vehicles SDG	Furniture and fixture SDG	Office equipment SDG	IT equipment SDG	Freehold land and building SDG	Total SDG
Cost at :						
Jan ,1,2016	4,964,632	6,862,792	4,516,887	12,040,545	56,808,787	85,193,643
Additions	-	6,955,195	68,009	1,075,897	19,084,193	27,183,294
Dec,31,2016	**4,964,632**	**13,817,987**	**4,584,896**	**13,116,442**	**75,892,980**	**112,376,937**
Depreciation:						
Jan ,1,2016	1,404,031	4,274,666	2,130,224	10,881,783	5,130,300	23,821,004
For the year	690,560	1,022,116	968,173	570,730	547,588	3,799,167
Re-classification		547,588			(656,404)	(108,816)
Dec,31,2016	**2,094,591**	**5,844,370**	**3,098,397**	**11,452,513**	**5,021,484**	**27,511,355**
Net book value:						
Dec,31,2016	**2,870,041**	**7,973,617**	**1,486,499**	**1,663,929**	**70,871,496**	**84,865,582**
Dec,31,2015	**3,560,601**	**2,588,126**	**2,386,663**	**1,158,762**	**51,678,487**	**61,372,639**

14/ Current accounts:-

	2016 SDG	2015 SDG
Current accounts – local	466,405,971	376,737,424
Current accounts – foreign	69,168,614	64,601,077
	535,574,585	**441,338,501**

15/ Other liabilities :-

Other creditors (note 15/1)	25,892,645	3,812,370
Accrued expenses	2,210,192	371,393
Outstanding cheques	9,427,672	6,383,973
Other payable (note 15/2)	22,393,874	61,660,956
Cash margin against letters of credit	26,677,509	90,275,628
Cash margin against letters of guarantee	3,720,239	5,717,476
	90,322,131	**168,221,796**

15/1/ Other creditors:-

Medicines import account	-	378,610
Clients import accounts	929,622	171,179
National clearance account – commission	477,807	595,071
Cheques collection commission	-	16,063
Export proceed account	152,272	399,336
National clearance account- sale points	284,642	141,534
Albokhary Enterprise (3 million dollar) *	21,300,900	-
Credit information and screening agency fees	-	4,865
National clearance account	2,647,402	2,105,712
	25,892,645	**3,812,370**

*** Albokhary Enterprise:**

The amount was re-classified from unrestricted investment account to other creditors as it dose not represent an investment account. The classification instructed by Central Bank of Sudan on his letter dated 16/8/2016.

15/2 Other payable:-

A major part of this amount represents shareholders unpaid dividends.

16/ Provisions and accruals:-

	2016 SDG	2015 SDG
Social insurance	-	43,007
Provision for banking Deposits security fund	1,445,511	911,171
Provision for staff bonus	7,100,000	6,000,000
Board of directors remuneration	5,750,000	2,000,000
Shari'a supervisory board remuneration	250,000	-
Provision for personal Income tax and Zakah	689,009	755,087
Provision for Zakah (Prior years)	-	3,534,957
Provision for Zakah current year	9,320,792	7,993,560
Provision for Business profit tax	11,279,248	8,859,494
	35,834,560	**30,097,276**

17/ Unrestricted investment accounts holders:-

Unrestricted investment account balances	389,812,131	433,180,834
Return on unrestricted investment accounts (note 22)	37,086,652	31,004,772
Advance payment	(12,846,451)	(16,905,207)
	414,052,332	**447,280,399**

18/ capital

Issued and paid up capital 121.275.000 shares	323,549,000	310,668,350
	323,549,000	**310,668,350**

The authorized share capital of the bank comprises of 200 million share with nominal value of USD 1 each ,the bank issued bonus shares amounted to SDG 23,758,000 , SDG32,910,350 and SDG 15,561,400 year 2010 , 2013 and 2016 which represent 10% , 5% and5% of total issued numbers of shares respectively.

19/ Reserves:-

Property revaluation reserve	336,873,784	336,873,784
Foreign investments revaluation reserve	71,547,338	59,539,564
Foreign assets and liabilities revaluation reserve (note 19/1)	162,570,474	101,164,812
Statutory reserve (note 19/2)	65,471,012	56,248,510
	636,462,608	**553,826,670**

19/1/ Foreign assets and liabilities revaluation reserve:-

Revaluation of foreign assets and liabilities are excluded from income statements and included in the equity as foreign assets and liabilities reserve, according to the central bank of Sudan instructions.

19/2/ Statutory reserve:

As required by the banking regulation law of 2003 and the central bank of Sudan circular dated7 April 2007 10% of net profit must be transferred to statutory reserve. The bank may discontinue such annual transfers when the reserve equals 100% of the paid up capital

20/Income from deferred sales:-

	2016 SDG	2015 SDG
Murabaha income	57,985,114	62,428,886
Istisnaa income	-	11,801,686
Ijarra icome	123,020	1,643,452
	58,108,134	**75,874,024**

21/ Income from investments:-

Securities (Shahama)	38,413,432	37,591,513
Inter bank liquidity management fund	438,672	1,555,335
Income from Alsalam bank- Bahrain	1,783,280	1,754,449
Mudaraba	8,871,929	15,816,053
Musharka	11,187,094	11,222,825
Investment accounts-local banks	46,134	167,894
Investment accounts-foreign banks	300,390	783,149
Gains (losses) from investment revaluation (note 21/1)	-	2,626,550
	61,040,931	**71,517,768**

21/1/ Gains from investment revaluation:-

King Abdullah city shares	-	2,274,647
Al-salam Bank – Bahrain shares	-	351,903
	-	**2,626,550**

22/ Return of holders of unrestricted investments accounts:-

Share of profit before Mudarib share	35,892,464	43,153,114
Mudarib share of profit	(15,509,135)	(20,137,921)
Net return after mudarib share	20,383,329	23,015,193
The bank subsidy to profit	16,703,323	7,989,579
Final balance after subsidy	**37,086,652**	**31,004,772**

23/ income from banking services:-

	2016 SDG	2015 SDG
Bookkeeping and cheques issuance commission	1,158,678	1,796,111
Letters of credit commission	1,142,465	489,105
Letters of guarantee commission	14,072,246	7,891,645
Transfers and acceptances commission	71,086	600,691
Administrative commission	842,010	551,018
Other bank services	279,688	215,706
SMS commission	437,616	371,432
After sale services commission	970	2,440
Income from outward transfers	4,729,877	830,784
Income from ATMs	415,772	423,165
Income from mail and communications (SWIFT)	6,000	9,700
Mobile services income	279,767	164,209
	23,436,175	**13,346,006**

23/ Other income:-

Miscellaneous	211,171	93,133
Legal income	83,302	3,300
Income from registration and mortgage	59,250	600
Income from insurance companies	32,546	200,568
Save box income	150,138	148,419
Income from electricity purchase and other electronic	47,819	52,256
Reversal of prior years provisions	7,082,900	2,001,726
	7,667,126	**2,500,002**

25/ Staff cost:-

Basic salary	13,532,031	10,773,816
Eid bonus	4,195,374	2,169,426
Nature of work allowance	364,196	298,205
Uniform allowance	3,072,089	2,355,616
End of service benefit	3,020,630	3,319,465
Training	466,547	193,221
Staff performance bonus	7,100,000	7,269,305
Health insurance	2,750,000	2,058,462
Social insurance	2,784,684	2,159,432
Overtime	109,722	44,932
Other staff cash and in kind benefits	831,335	511,435
Staff refreshment	300,000	-
Annual leave allowances	2,856,788	2,365,045
	41,383,396	**33,518,360**

26/ Operations expenses:-

	2016 SDG	2015 SDG
Stationary and printings	747,900	781,185
Maintenance and repair	2,955,428	2,836,213
Telecommunications	821,833	770,807
Vehicles running expenses	358,757	287,872
Electricity and water	833,217	697,994
Insurance	322,461	238,754
Security expenses	506,418	539,977
Rent	4,569,542	5,019,688
Gardening	47,800	56,850
Legal consultancy expenses	154,000	166,510
Expenses of shareholders meeting	419,356	329,014
Audit fees	187,200	161,262
Shari'a supervisory board expenses	100,284	35,363
Board of directors meeting expenses	2,608,609	1,959,135
Board of directors remuneration	5,750,000	1,815,000
Shari'a supervisory board remuneration	250,000	185,000
Professional consultancies	185,000	163,533
Subscriptions	640,484	866,802
Entertainment	344,690	296,938
Cleaning	762,550	747,081
Miscellaneous	85,495	215,209
Visas and hotels expenses	476,466	310,952
Banks charges	20,228	45,288
Donations and gifts	566,422	464,850
Swift	60,240	65,105
Advertising	874,939	486,521
Deposits guarantee fund*	1,132,223	911,171
National clearing expenses	230,681	218,740
Services expenses	79,046	242,106
Newspapers magazines and books	34,766	20,521
Losses on disposal of fixed assets	-	169,337
	26,126,035	**21,104,778**

*** Deposits guarantee fund**

The bank contributes to banking deposits guarantee as required by law .The fee of guarantee is calculated as 0,003% of the monthly average balances of current accounts less cash reserves with central bank and investment deposits in accordance to deposit guarantee fund formula.

27/ Earning per share:-

Net profit for the year	92,225,025	62,270,053
Number of shares	121,275,000	115,500,000
Earning per share	**0.760**	**0.539**

28/ Contra accounts:-

	2016 SDG	2015 SDG
Shahama	2,493,000	-
Letters of credit	26,600,602	128,360,022
Letters of guarantee	42,006,985	181,512,229
	71,100,587	**309,872,251**

29/ Concentration of investments – Economic sector:-

The total of investment at Dec 31, 2016 amounted to SDG934, 676,140 (SDG 766,531,463 at Dec, 31, 2015) and it was distributed according to economic sectors as follows:

Industry	21%	22%
Transportation	6%	7%
Commercial	15%	8%
Agriculture	1%	1%
Building	34%	51%
Other sectors	23%	11%
Total	**100%**	**100%**

30/ Social responsibility:-

With regard to the banks role in supporting the needy and poor people , the bank has allocated Zakah for this year amounting to SDG 9,3 million (SDG 8 million :2015) ,moreover during the year the bank has discharged its social responsibilities by training the employees and by donations payments.

31/ Related party transactions:

These represent transactions with related parties i:e shareholders , board of directors and senior management of the bank, and companies of which they are principal shareholders. These transactions are conducted in the arm length basis.

31,Dec ,2016 SDG			
	Principal shareholders &board of directors and their companies	**Key managers**	**Total at 31 Dec 2015**
Balance sheet items:			
Murabaha	41,149,793	22,851,021	64,000,814
Musharka	4,500,000		4,500,000
Mudaraba	8,000,000		8,000,000
Istisnaa	267,295,248		267,295,248
Unrestricted investment accounts holders:-	8,572,488		8,572,488
Current accounts	125,344	1,160,570	1,285,914
Income statement items			
Murabaha income	1,600,000	685,531	2,285,531
Musharka income	717,188		717,188
Mudaraba income	12,983,965		12,983,965
Istisnaa income	25,006,233		25,006,233
Top management:-			
Remuneration	2,124,493	3,038,845	5,163,338

31,Dec ,2015 SDG			
	Principal shareholders &board of directors and their companies	**Key managers**	**Total at 31 Dec 2015**
Balance sheet items:			
Murabaha	49,341,805	19,659,597	69,001,402
Musharka	4,250,000	–	4,250,000
Mudaraba	8,000,000	–	8,000,000
Istisnaa	338,392,031	901,097	339,293,128
Income statement items			
Murabaha income	15,602,646	591,288	16,193,934
Musharka income	595,000	–	595,000
Mudaraba income	2,400,000	–	2,400,000
Istisnaa income	71,342,994	27,033	71,370,027
Top management:-			
Remuneration	2,000,000	2,100,000	4,100,000

32/ distribution of unrestricted investment accounts:-

The balance of unrestricted investment accounts as at 31 Dec 2016 414,052,332 SDG (2015: 447,280,399 SDG), the accounts of the below clients represents 53.7% of the total.

client	balance at 31Dec 2016 SDG
Blue Nile mushreg bank	80,000,000
Information support fund	44,000,000
Qatar national bank	25,000,000
Sudanese company for mobile services ZAIN	20,000,000
Deposits guarantee fund	15,000,000
Social insurance fund(Khartoum towers)	12,500.000
Social insurance fund	10,000,000
Mohamed Ismaeil Mohamed	10,000,000
Albaraka insurance company	2,000,000
MTN Sudan	2000,000
Alfranswy meat	2,000,000
Total	**222,500,000**

33/ Credit risk:

Credit risk is the risk that one party of the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The bank attempts to control credit risk by monitoring credit exposures continuously.

The bank seeks to manage its credit risk exposure through the diversification of financial and investment activities to ensure that there is no undue concentration of risks with individuals or group of customers in specific locations or business. It also takes security when appropriate.

Analysis of investments concentration by economic sector is provided in note (29).

34/ Liquidity risk:-

Liquidity risk is the risk t that the bank will be unable to meet its net funding requirements , liquidity risk can be caused by disruptions or downgrades , which may cause certain sources funding to dry up immediately.

To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

35/ Market risk:-

Market risk is the risk that value of an asset will fluctuate as a result of change in market price, whether those changes are caused by factors specific to the individual investment or its issuer of factor affecting all investment traded in market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and managements estimate of long and short term changes in fair value.

36/ Share price risk:-

Shares prices risk is the risk that the value of the shares will fluctuate as a result of changes in the market prices of the share. The board of directors put the limits on the amounts and types of shares to be acquired for investment purposes. The investments committee of the bank regularly monitors these limits

37/ Profit rate risk:-

The profit rate risk refers to the risk due to change of profit rates , which might affect the future earnings of the bank. Exposure to profit rate risk is managed by the bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the board of directors, the assets and liabilities committee performs regular review of the assets and liabilities in order to ensure that the maturity gap between assets and liabilities is maintained at minimum levels and also to ensure that financing and investments are made for quality assets at higher rate of returns.

38/ Currency risk:-

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the bank board of directors. These Limits are monitored continuously to ensure that the net exposure is kept on an acceptable level.

Assets and liabilities in foreign currency are mainly denominated in US Dollars and other foreign currencies. The bank foreign currencies net position was as follows:

	2016 USD	2015 USD
Assets	64,238,450	130,608,256
Liabilities	(33,146,850)	(49,989,867)
Net foreign currency position	**31,091,600**	**80,618,389**

39/ Capital adequacy:-

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

	2016 SDG	2015 SDG
Core capital	686,778,750	561,618,630
Total risk weighted assets	2,009,787,490	1,993,865,120
The banks capital adequacy ratio	**34,2%**	**28,17%**
Minimum capital adequacy ratio required	**12%**	**12%**

40/ Zakah

The bank paid its Zakah liabilities up to 2015 and provided for 2016 Zakah liability.

41/ Business profit tax:

The bank paid its business profit tax up to 2015and provided for 2016.

42/ Comparative figures:-

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

43/ Bank financial statement approval:-

The financial statements approved by the bank board of directors meeting on --\--\2017