

# *Blue Nile Mashreg Bank*

Audited Financial Statements

31/12/2011

**AUDITORS' REPORT**

**To: Members**  
**Blue Nile Mashreg Bank**

*We have audited the financial statements of Blue Nile Mashreg Bank on pages 2 to 15 which have been prepared under the historical cost convention and the accounting policies set in note (2).*

*The bank's management is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit on those statements and to report that opinion to you.*

*We conducted our audit in accordance with international auditing standards.*

*Our audit includes examination, on a test bases, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the bank's circumstances, consistently applied and adequately disclosed.*

*We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.*

*In our opinion, the financial statements give a true and fair view of the Financial Position of the bank as at 31/12/2011 and of the results of its operations and its cash flows and changes in owners' equity for the financial year then ended in accordance with the Shari'a Rules and Principles as determined by the Shari'a Board and the accounting standards of AAOIFI.*

**IZZELDIN ABD ALLA JUBAL**  
**Certified Accountant**  
**Izzeldin Jubal & Co**



**Date: 1/2/2012**

**Blue Nile Mashreg Bank**  
**Statement of Financial Position**  
**As At 31 Dec 2011**

	Note	<u>Dec</u> <u>2011</u> <u>SDG</u>	<u>Dec</u> <u>2010</u> <u>SDG</u>
<b><u>Assets:-</u></b>			
Cash & Cash equivalents	(5)	252,606,411	312,215,399
Sales receivable	(6)	21,098,425	10,571,853
Investments	(7)	622,555,568	338,550,822
Long term investments	(8)	401,927	401,927
Other assets	(9)	24,537,585	15,730,855
Capitalized expenditure	(10)	3,473,095	3,402,197
Fixed assets (net book value)	(11)	49,002,624	47,555,476
<b>Total Assets</b>		<b>973,675,635</b>	<b>728,428,529</b>
<b><u>Liabilities, Unrestricted investment accounts and Owners' Equity:-</u></b>			
<b><u>Liabilities :-</u></b>			
Current Accounts and Saving accounts	(12)	618,350,676	406,103,771
Payables	(13)	52,310,813	71,424,054
Other liabilities	(14)	16,993,289	18,273,487
<b>Total liabilities</b>		<b>687,654,778</b>	<b>495,801,312</b>
Unrestricted investment accounts		274,219	38,436,283
<b>Total liabilities &amp; Unrestricted investment accounts</b>		<b>687,928,997</b>	<b>534,237,595</b>
<b><u>Owners' Equity :-</u></b>			
Paid - up capital	(15)	112,199,974	112,199,974
Legal reserve		32,514,270	20,004,754
Retained earnings	(16)	141,032,394	61,986,206
<b>Total owners' equity</b>		<b>285,746,638</b>	<b>194,190,934</b>
<b>Total liabilities &amp; Unrestricted investment accounts and owners' equity</b>		<b>973,675,635</b>	<b>728,428,529</b>
<b><u>Contra accounts :-</u></b>			
Letters of credit		85,944,156	88,189,223
Letters of guarantee		5,353,226	6,492,633
Others	(17)	4,797	2,958
		<b>91,302,179</b>	<b>94,684,814</b>

*The Attached Notes form an Integral Part of These Statements*

—Mohammed Ismail Mohammed  
Chairman



Isam Osman Mahgoub Saad  
General Manager

**Blue Nile Mashreg Bank**  
**Statement of Comprehensive Income**  
**for the year ended 31 Dec 2011**

	Note	<u>Dec</u> <u>2011</u> <u>SDG</u>	<u>Dec</u> <u>2010</u> <u>SDG</u>
<b><u>Income:-</u></b>			
Deferred sales		1,206,435	2,977,055
Investment securities	(18)	26,211,725	11,251,967
Other investments Income	(19)	22,398,175	18,496,881
		<u>49,816,335</u>	<u>32,725,903</u>
<b><u>Less</u></b>			
Return on unrestricted investment accounts		(1,363,227)	(403,148)
Bank's share in income from investment (as Mudarib and as Fund owner)		48,453,108	32,322,755
<b><u>Add:-</u></b>			
Revenue from banking services	(20)	117,316,247	85,348,248
Other revenues	(21)	2,143,254	4,151,152
Total Income		<u>167,912,609</u>	<u>121,822,155</u>
<b><u>Less :-</u></b>			
Staff cost	(22)	11,341,305	9,679,007
Administrative & general expeneses	(23)	16,921,560	16,154,455
Depreciation		1,953,712	810,084
Amortization		644,857	565,202
Total expenses		<u>30,861,434</u>	<u>27,208,748</u>
<b>Net income (loss) before tax &amp; zakat</b>		<u><u>137,051,175</u></u>	<u><u>94,613,407</u></u>
<b><u>Less :-</u></b>			
Provision for zakat		2,714,512	2,466,085
Provision for tax		9,241,503	12,131,259
Net income (loss) after tax & zakat		<u>125,095,160</u>	<u>80,016,063</u>
<b><u>Less:-</u></b>			
Legel reserve		12,509,516	20,004,754
Net income		<u>112,585,644</u>	<u>60,011,309</u>
Earnings per share (E.P.S)		<u>1.87pound</u>	<u>1 pound</u>

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Mohammed Ismail Mohammed  
Chairman



Sam Osman Mahgoub Saad  
General Manager



*Blue Nile Mashreg Bank*  
Statement of Cash Flows  
For The Year Ended 31 Dec. 2011

Dec  
2011  
SDG

Cash flows from operations :-

Net income (loss) 137,051,175

Adjustments to reconcile net income

Depreciation	1,953,712	
Amortization	644,857	
Provision for zakat	2,714,512	
Provision for Tax	9,241,503	
Tax & zakat paid	(2,160,689)	
Return on unrestricted investment accounts	1,363,227	
Provision for doubtful debts	1,957,244	
Purchase of fixed assets	(10,236,235)	
Gain on sale of fixed assets	6,834,574	
Prior year adjustment	(4,620,512)	
Profit under collections	1,901,756	
Capitalized expenditure	(715,755)	
<b>Net cash flows provided by operations</b>	<b>8,878,194</b>	<b>145,929,369</b>

Cash flows from Investing activities:-

Increase in investment	(288,028,539)	
Net Decrease in sales receivable	(10,361,779)	
<b>Net cash flows from (used in) investing activities</b>	<b>(298,390,318)</b>	<b>(298,390,318)</b>

Cash flows from financing activities:-

Net Increase in unrestricted investment	(39,525,291)	
Net Decrease in current accounts	212,246,905	
Dividend paid	(38,159,968)	
Legal reserve	(12,509,516)	
Increase in credit balances & banks	(20,393,439)	
Decrease in other assets	(8,806,730)	
<b>Net cash flows provided by financing activities</b>	<b>92,851,961</b>	<b>92,851,961</b>

Increase (decrease) in cash & cash equivalent	(59,608,988)	(59,608,988)
Cash and cash equivalents at beginning of the year	312,215,399	312,215,399
Cash and cash equivalent at end of the year	252,606,411	252,606,411

*The Attached Notes form an Integral Part of These Statements*

Mohammed Ismail Mohammed  
Chairman



Isam Osman Mahgoub Saad  
General Manager

Blue Nile Mashreg Bank  
Statement of changes in Owner's Equity  
year ended 31/12/2011

Description	Paid up capital	Legal Reserve	Retained Earnings	Total
Balance as at 1/1/2010	74,869,312	21,220,393	35,779,153	131,868,858
(-) profit adjustment	-	-	(77,708)	(77,708)
Legal reserve adjustment	-	-	-	-
Distributed profit	-	-	(17,616,279)	(17,616,279)
Net income	-	-	80,016,063	80,016,063
Transfer to reserves	-	20,004,754	(20,004,754)	-
Transfer to paid up capital	37,330,662	(21,220,393)	(16,110,269)	-
<b>Balance as at 31/12/2010</b>	<b>112,199,974</b>	<b>20,004,754</b>	<b>61,986,206</b>	<b>194,190,934</b>

Description	Paid up capital	Legal reserve	Retained Earnings	Total
Balance as at 1/1/2011	112,199,974	20,004,754	61,986,206	194,190,934
Prior year adjustment	-	-	4,620,512	4,620,512
Distributed profit	-	-	(38,159,968)	(38,159,968)
Net income	-	-	125,095,160	125,095,160
Transfer to reserves	-	12,509,516	(12,509,516)	-
Transfer to paid up capital	-	-	-	-
<b>Balance as at 31/12/2011</b>	<b>112,199,974</b>	<b>32,514,270</b>	<b>141,032,394</b>	<b>285,746,638</b>

*The Attached Notes form an Integral Part of These Statements*

Mohammed Ismail Mohammed  
Chairman



Isam Osman Mahgoub Saad  
General Manager



# Blue Nile Mashreg Bank

## Notes to the financial statements

### 1/STATUS AND OPERATION:-

*Blue Nile Mashreg Bank (BNMB) was established in Sudan on Oct.2003 due to the merger of Mashreg Bank Psc Khartoum. Into Blue Nile Bank (BNB) which were established on 1979 and 1983 respectively,*

*BNMB is authorized to undertake all banking operation, according to Bank of Sudan (B.S) approval dated 1.10.2003,in compliance with B.S regulations and instructions.*

### 2/Basis of preparation:-

#### 2-1/ statement of compliance:-

*The financial statements are prepared in accordance with the shari'a Rules and principles as determined by shari'a Board and the Accounting standard of AAOIFI and comply with the companies , ordinance 1925, the Banking Regulation Act 2003 and other relevant regulatory laws*

#### 2-2/ Basis of measurement :-

*The financial statement have been prepared under the historical cost basis*

#### 2-3/ Functional and presentation currency :-

*The financial statements are presented in the functional currency (Sudanese Pounds)*

#### 2-4 / Use of estimates and judgments :-

*The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.*

### 3/Accounting policies:-

#### 3-1/ Translation of Foreign currency:-

*Transactions in foreign currencies are recognized (in local currency ) at the prevailing exchange rate at the date of the transaction .Assets and liabilities in foreign currency are converted at the date of the statement of financial position to (the local currency ) at the prevailing exchange rate at the date of statement of financial position. All gains (losses) resulting from conversion of foreign currencies are recognized as profits or losses in the income statement.*

#### 3-2 Revenue recognition :-

*Income from islamic modes of Finance is recognized when actually received except eगरa Income which is recognized on accrual basis. Income from other banking operation & other income is recognized when accrued.*

#### 3-3 / Financial Investment held at statement of financial position date :-

*Financial Investment held at statement of financial position date including those managed by others in forex are valued at fair value i.e market value exchange difference are treated in the income statement.*

### **3-4/ Contingent liabilities :-**

*Contingent liabilities are kept off balance sheet because they don't represent real liabilities for the balance sheet date.*

### **3-5/ Cash and cash equivalent :-**

*For the purpose of the cash flows statement cash equivalents include cash relevance cash at Central Bank of Sudan and cash at other commercial Banks.*

### **3-6/ Fixed Assets**

*Fixed Assets are valued at cost less accumulated depreciation. Routine repairs and maintenance are accounted for as expenses when incurred, Depreciation of Fixed assets is Calculated the basis of the straight- Line method applying rates between 10 % and 33.3%.*

*Additions during the year are depreciated at 50% of cost.*

### **3-7 /Doubtful Receivables:-**

*The provision for doubtful debts are charged according to the bank of sudan instruction.*

### **3-8 Deferred, Instalment sales and Murabaha Receivable:-**

*Its Recorded at the time of occurrence at their fair value and at their cash equivalent at the end of the financial period.*

### **3-9 Zakat & Tax Treatments :-**

*The bank is subject to the zakat & tax regulations prescribed by sudanese fiscal regulations.*

### **3-10 / Employees benefits :-**

*The bank provides for end of service benefits to the Employees Entitled to these benefits is usually based up on the Employees length of services and the completion of minimum services period.*

### **3-11 / Shari'a supervision:-**

*The Bank's business activities are subject to the supervision of Shari'a supervision board.*

## **4 Financial investments and risk management:-**

### **A-credit Risk:-**

*loans to customers and banks, investment in bonds , current account balances ,deposits due from banks and rights from others are financial assets exposed to credit risk which is expressed in ability of these parties to settle part or all of due amounts in due date:-*

*- Preparing credit studies about potential customers dealing with them and determining credit risk related there to.*

*- Obtaining adequate guarantees to reduce the risks resulting from defaulting of customers and banks.*

*- Monitoring and preparing period studies on customers in order to evaluate their financial and credit position and estimate the required provision for non - performing loans.*

*- Distribute the loans portfolio over the various sectors.*

### **B - Foreign currencies Risk:-**

*The nature of banks activity requires the bank to deal in many foreign currencies, which Exposes the bank to the risk of fluctuation in exchange rates. To minimize this risk, the bank monitors balancing of foreign currencies positions according to the Central Bank of Sudan instructions in that respect.*



## 5 -Cash and Cash equivalents

	<u>Dec</u> <u>2011</u> <u>SDG</u>	<u>Dec</u> <u>2010</u> <u>SDG</u>
Local Currency	13,024,893	10,282,107
Foreign Currency	11,471,740	3,922,111
Bank of Sudan Current A/Cs (local)	45,898,372	61,650,286
Bank of Sudan Current A/Cs (foreign)	25,369,546	33,507,211
Bank of Sudan statutory reserve (local)	50,455,331	32,146,103
Bank of Sudan statutory reserve (foreign)	10,758,025	14,611,395
Foreign Banks	95,628,504	156,096,186
	<u>252,606,411</u>	<u>312,215,399</u>

## 6-Sales receivables :-

	<u>Self</u> <u>financed</u>	<u>Jointly</u> <u>financed</u>	<u>2011</u> <u>SDG</u>	<u>Self</u> <u>financed</u>	<u>Jointly</u> <u>financed</u>	<u>2010</u> <u>SDG</u>
Murabhat	9,086,694	13,630,041	22,716,735	956,274	11,398,682	12,354,956
(-)Provision for doubtful receivables	-	-	(1,281,113)	(23,259)	(277,249)	(300,508)
Profit under collection	-	-	(337,197)	(114,753)	(1,367,842)	(1,482,595)
Total sales receivables	9,086,694	13,630,041	21,098,425	818,262	9,753,591	10,571,853
<b><u>7/ Short term Investments :-</u></b>						
Musharakat	7,439,636	11,159,454	18,599,090	3,119,888	37,188,739	40,308,627
(-) Provision for doubtful receivable	-	-	(375,183)	(133,742)	(1,594,180)	(1,727,922)
Total of Musharakat	7,439,636	11,159,454	18,223,907	2,986,146	35,594,559	38,580,705
<b><u>Others</u></b>						
L/Cs	142,282	213,423	355,705	-	-	-
Ejara	22,553,670	33,830,504	56,384,174	4,028,133	48,014,923	52,043,056
Mudarba	157,905,962	236,858,942	394,764,904	13,024,532	155,251,079	168,275,611
Bill purchase	1,895,205	2,842,807	4,738,012	644,514	7,682,541	8,327,055
Mugawalat	-	-	-	12,771	152,226	164,997
Total of other	182,497,119	273,745,676	456,242,795	17,709,950	211,100,769	228,810,719
(-) Provision for doubtful receivable	-	-	(7,813,654)	(424,483)	(5,059,793)	(5,484,276)
(-) profit under collection	-	-	(16,737,980)	(1,059,670)	(12,631,156)	(13,690,826)
Total	140,047,136	210,070,704	431,691,161	16,225,797	193,409,820	209,635,617
<b><u>Investment Securities</u></b>						
Shahama	59,616,200	89,424,300	149,040,500	5,165,250	61,569,250	66,734,500
Skok	9,440,000	14,160,000	23,600,000	820,440	9,779,560	10,600,000
Shahab	-	-	-	1,006,200	11,993,800	13,000,000
Total Investment Securities	69,056,200	103,584,300	172,640,500	6,991,890	83,342,610	90,334,500
Total Investment	216,542,972	324,814,458	622,555,568	26,203,833	312,346,989	338,550,822

	<u>Dec</u> <u>2011</u> <u>SDG</u>	<u>Dec</u> <u>2010</u> <u>SDG</u>
<b><u>8/ Long term investment :-</u></b>		
Juba Investment Co.	25	25
Blue Nile Co. ltd.	1,000	1,000
Electronic Banking Services	250,902	250,902
Nile Mashreg Financial Services	150,000	150,000
	<u>401,927</u>	<u>401,927</u>

**9/ Other assets :-**

Accrued profits	21,815,869	12,582,264
Advance payments	513,871	1,620,620
Loans to staff	1,369,457	1,304,251
Stock of stationery	30,712	55,547
Inter branch A/cs	331	-
Others	807,345	168,173
	<u>24,537,585</u>	<u>15,730,855</u>

**10/ Capitalized Expenditure :-**

Balance on 1/1	1,979,025	2,310,421
Blance 1/1 for Defferred computer software	1,423,172	1,656,978
Total on 1/1	<u>3,402,197</u>	<u>3,967,399</u>
Add of Pre operating expenses	551,806	-
Add of Computer Software	163,949	-
Less: Amortization	(644,857)	(565,202)
	<u>3,473,095</u>	<u>3,402,197</u>

**11/ Fixed assets :**

Particulars	Land	Motor Vehicles	Office furniture	Computer	Generators	Buildings	Total
<b>Cost :</b>							
Balance 1/1/2011	23,517,662	2,651,603	3,532,495	1,812,367	547,602	20,657,245	52,718,974
Additions	2,570,791	1,526,002	4,933,054	842,216	232,000	132,172	10,236,235
Disposals	-	(456,254)	(41,884)	-	-	(6,591,477)	(7,089,615)
Balance 31/12/2011	26,088,453	3,721,351	8,423,665	2,654,583	779,602	14,197,940	55,865,594
<b>Depreciation :-</b>							
Balance 1/1/2011	-	1,313,235	1,881,235	1,705,115	252,580	12,134	5,164,299
Dep. on year	-	317,984	341,587	313,994	54,760	351,645	1,379,970
Dep. Additions	-	114,450	319,708	126,332	11,600	1,652	573,742
Dep. Disposals	-	(255,041)	-	-	-	-	(255,041)
Balance 31/12/2011	-	1,490,628	2,542,530	2,145,441	318,940	365,431	6,862,970
<b>Net book value at 31/12/2011</b>	26,088,453	2,230,723	5,881,135	509,142	460,662	13,832,509	49,002,624
<b>Net book value at 31/12/2010</b>	23,517,662	1,338,368	1,652,061	107,252	295,022	20,645,111	47,555,476



