

Blue Nile Mashreg Bank

Audited financial statements

Dec.31, 2005

إزالدین جبال وشركاه

IZZ EL DIN JUBAL & CO.
CERTIFIED ACCOUNTANTS

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عزالدین جبال وشركاه
محاسبون ومراجعون قانونيون

الخريطة - السودان
ص.ب : ٣٨٠٧
تلفون : ٧٧٧٨٠٦ - ٧٧٧٧٩٩ (١١) +٢٤٩
فاکس : ٧٧٧٨٠٦ (١١) +٢٤٩

Auditors Report

To: Members

Blue Nile Mashreg Bank

We have audited the financial statement of Blue Nile Mashreg Bank on pages 2 to 12 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 bank's state of affairs as at 31/12/2005 and the results of it's activities for the year then ended, and have been properly prepared in accordance with the companies' ordinance 1925 and other relevant regulatory laws.


IZZELDIN ABD ALLA JUBAL
Certified Accountant
Izzeldin Jubal & Co



Date: 16 /2/2006

Blue Nile Mashreg Bank
Balance sheet
As at 31 Dec 2005

	Note	2005 S.D	2004 S.D
Assets:-			
Cash & Cash equivalents	(3)	9,625,232,869	9,156,210,965
Sales receivable	(4)	488,373,679	786,044,702
Investments	(5)	12,995,710,365	5,880,672,037
Sundry Debtors	(6)	2,417,469,753	1,568,953,457
Other assets	(7)	9,790,214	14,919,406
Capitalized expenditure	(8)	189,927,002	96,205,731
Long term investments	(9)	6,615,930	6,615,930
Fixed assets (net book value)	(10)	593,305,496	435,354,544
Total Assets		<u>26,326,425,308</u>	<u>17,944,976,772</u>
Liabilities :-			
Deposits - demand, saving & investment	(11)	16,249,751,424	12,687,759,024
Sundry Deposits	(12)	428,632,567	388,613,459
Sundry Creditors	(13)	756,974,622	599,186,855
Provision for taxation & zakat		229,660,771	198,308,039
Payables	(14)	5,286,161,091	1,581,575,139
Total liabilities		<u>22,951,180,475</u>	<u>15,455,442,516</u>
Owners' Equity :-			
Share capital	(15)	1,531,815,138	1,531,815,138
Statutory reserve		543,710,330	277,716,911
Retained profit (loss)	(16)	1,299,719,365	680,002,207
Total owners' equity		<u>3,375,244,833</u>	<u>2,489,534,256</u>
Total liabilities & owners' equity		<u>26,326,425,308</u>	<u>17,944,976,772</u>
Contra accounts :-			
Letters of credit			
Letters of guarantee		1,776,767,357	873,718,376
Others		944,853,951	1,272,373,590
Total Contra Accounts	(17)	<u>2,721,621,308</u>	<u>2,146,091,966</u>

The attached notes form an integral part of these statements

Mohammed Esmael Mohammed
Chairman



Abdel Khalig Elsammani
Managing Director

Blue Nile Mashreg Bank
Income Statement
For the year Ended 31 Dec 2005

	Note	2005 S.D	2004 S.D
Income:-			
Deferred sales		346,913,428	261,781,135
Income from Investments		774,516,430	625,389,760
		<u>1,121,429,858</u>	<u>887,170,895</u>
Less			
Profit paid to Investment depositors		(28,833,995)	(12,968,948)
		<u>1,092,595,863</u>	<u>874,201,947</u>
Add:-			
Revenue from banking service	(18)	1,010,874,711	689,410,762
Other revenue	(19)	37,722,854	70,236,915
Total Income		<u>2,141,193,428</u>	<u>1,633,849,624</u>
Expenses :-			
Staff cost	(20)	230,203,978	206,208,857
General & administrative expenses	(21)	545,230,590	287,337,477
Depreciation		49,474,468	37,361,719
Amortization		22,649,945	13,364,008
Total expenses		<u>847,558,981</u>	<u>544,272,061</u>
Net profit (loss) before tax & zakat		<u>1,293,634,447</u>	<u>1,089,577,563</u>
Less :-			
Provision for zakat		73,799,176	55,142,012
Provision for business profit tax		155,861,595	143,166,027
Net profit (loss) after tax & zakat for the year		<u>1,063,973,676</u>	<u>891,269,524</u>
Less:-			
Statutory reserve		(265,993,419)	(222,817,381)
Net profit (loss) C/F		<u>797,980,257</u>	<u>668,452,143</u>

The attached notes form an integral part of these statements


Mohammed Esmael Mohammed
Chairman




Abdel Khalig Elsammani
Managing Director

Blue Nile Mashreg Bank
Cash Flow Statement
For the year Ended 31 Dec 2005

	Note	2005 S.D
<u>Cash flows from operations:-</u>		
Net income (loss)		797,980,257
<u>Adjustments to reconcile net income</u>		
Net cash provided by operating activities:-		
Depreciation		49,474,468
Amortization		22,649,945
Provision for zakat		73,799,176
Provision for Tax		155,861,595
Zakat paid		(55,142,012)
Tax paid		(143,166,027)
Provision for doubtful debts		161,086,000
Profit on sale of fixed assets		(102,480)
Purchase of fixed assets		(208,825,666)
Capitalized expenditure		(116,371,216)
Net cash flows provided by operations		<u>737,244,040</u>
<u>Cash flows from Investing activities:-</u>		
Increase in investment activities		(4,434,821,573)
Purchase of financial investments		(2,800,000,000)
Increase in payables		3,704,585,953
Decrease in receivables		256,368,267
Sale of fixed assets		1,502,726
Net cash flows from (used in) investing activities		<u>(3,272,364,627)</u>
<u>Cash flows from financing activities:-</u>		
Increase in other assets		(843,387,104)
Increase in current accounts		3,561,992,400
Dividend paid		(178,263,099)
Increase in sundry deposits		40,019,108
Increase in other credit balances		157,787,767
Increase in reserves		265,993,419
Increase (decrease) in share capital		-
Net cash flows provided by financing activities	(22)	<u>3,004,142,491</u>
Increase (decrease) in cash & cash equivalents		469,021,904
Cash and cash equivalents at beginning of the year		9,156,210,965
Cash and cash equivalents at end of the year		<u>9,625,232,869</u>

Blue Nile Machraa Bank
Statement of changes in Owners' Equity
For the year Ended 31 Dec 2005

Description	Paid up Capital	legal Reserve	Statutory Reserve	Other Reserve	Retained Earnings	Total
Balance as at 1/1/2005	1,531,815,138	-	277,716,911	-	680,002,207	2,489,534,256
Issue of shares						
Statutory reserve						
Legal reserve						
Revaluation reserve						
Other reserve						
Retained earnings						
Dividened					(178,263,099)	(178,263,099)
Balance as at 1/1/2005	1,531,815,138	-	277,716,911	-	501,739,108	2,311,271,157
Issue of shares						
Statutory reserve			265,993,419			265,993,419
Legal reserve						
Retained earnings					797,980,257	797,980,257
Net profit (loss)						
Balance as at 31/1/2005	1,531,815,138	-	543,710,330	-	1,299,719,365	3,375,244,833

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,

Mashreg Bank Khartoum started with an authorized and fully paid share capital of US\$ 10,000,000 where as Blue Nile Bank started with an authorized share capital of US\$ 20,000,000 of which US \$ 17,114,000 was paid on commencement of business and the remainder during 2002.

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,laws and instructions.

2/SIGNIFICANT ACCOUNTING POLICE :-

The significant accounting polices adopted in the preparation of financial statements are:-

2-1/Basis of preparation:-

These financial statements are prepared under the historical cost convention and in accordance with international accounting standards (IAS)issued by the international standards board (IASB) and the guidelines issued by central bank (Bank of Sudan) and in accordance with accounting standards for organization for Islamic Banks and financial institutions.

2-2/ Cash &cash equivalents :-

Cash & cash equivalents comprise cash (foreign & local) on hand and balance with other financial institutions.

2-3/Revenue recognition :-

Income from Islamic modes of finance is recognized when actually received except Egara income , which is recognized on accrual basis. Income from other banking operations & other income are recognized when accrued.

2-4/ Fixed assets :-

Fixed assets are valued at cost less accumulated depreciation.Routine repairs and maintenance are accounted for as expenses when incurred.

2-5/ Depreciation :-

Depreciation of Fixed assets is calculated on the basis of the straight-line method applying depreciation rates as per (note10).Half of the relevant rate is applied in case of additions Irrespective of the date of acquisition.

2-6/ Foreign- cuurrency translation:-

Transactions in foreign currency are recorded at the exchange rate ruling at the date they took place. Assets and liabilities in foreign currenices at balance sheet date are translated into Sudanese Dinars at the exchang rate ruling at that date and any differences in exchange are transferred to the profit and loss account for the period.

	2005 S.O	2004 S.O
3/ Cash in hand & Cash equivalents:		
Local Currency	261,865,472	105,158,642
Foreign Currency	577,766,092	360,799,598
Bank of Sudan Current A/Cs (local)	1,202,312,263	203,502,160
Bank of Sudan Current A/Cs (foreign)	762,116,090	2,665,229,286
Bank of Sudan statutory reserve (local)	1,315,400,000	662,400,000
Bank of Sudan statutory reserve (foreign)	1,180,557,807	906,148,726
Foreign Banks	4,325,215,145	4,252,972,553
	<u>9,625,232,869</u>	<u>9,156,210,965</u>

4/ Sales receivable: -

	Self financed	Co financed	Total	Self financed	Co financed	Total
Murabaha	530,095,241	46,095,238	576,190,479	765,954,046	66,604,700	832,558,746
Less: provision for doubtful receivables			(87,816,800)			(46,514,044)
			<u>488,373,679</u>			<u>786,044,702</u>

5/ Investments: -

	Self financed	Co financed	Total	Self financed	Co financed	Total
Other investments	6,858,437,680	596,385,885	7,454,823,565	2,800,976,794	243,563,199	3,044,539,993
Less: provision for doubtful receivables			(195,463,200)			(100,217,956)
			<u>7,259,360,365</u>			<u>2,944,322,037</u>
Shahama			2,936,350,000			2,936,350,000
G.I.C			300,000,000			-
Shahab			2,500,000,000			-
Total Investment			<u>12,995,710,365</u>			<u>5,880,672,037</u>

6/ Sundry Debtors:-

Accrued profit	423,322,725	337,115,900
Net clearing	1,217,954,372	547,060,946
Advance payments	61,837,281	25,573,003
Other debtors	212,681,307	296,115,078
Loans to staff	127,032,623	135,905,661
Income tax paid in advance	121,000,000	78,000,000
Cheques purchase	149,289,194	40,692,210
Loans bills negotiated under credit (BND)	25,722,500	25,722,500
After service benefits	78,629,751	82,768,159
	<u>2,417,469,753</u>	<u>1,568,953,457</u>

	2005 S.D	2004 S.D
7/ Other Assets:-		
Stock of stationery	9,790,214	14,919,406
	<u>9,790,214</u>	<u>14,919,406</u>
8/ Capitalized Expenditure :-		
Pre operating expenses	96,205,731	83,775,494
Addition	116,371,216	25,794,245
Less: Amortization	<u>(22,649,945)</u>	<u>(13,364,008)</u>
	<u>189,927,002</u>	<u>96,205,731</u>
9/ Long Term investment:-		
Juba Insurance Co.	2,500	2,500
Blue Nile Co.Ltd.	100,000	100,000
Electronic Banking Services (E.B.S)	<u>6,513,430</u>	<u>6,513,430</u>
	<u>6,615,930</u>	<u>6,615,930</u>

10/Fixed Assets:-

Particulars	Land	Motor vehicles	Office furniture	Computer	Generators	Building	Total
Cost:-							
Balance 1/1/2005	261,599,500	107,134,911	97,701,879	87,365,591	24,636,710	4,158,010	582,596,601
Additions	72,934,001	22,388,000	15,900,939	94,981,976	2,620,750	-	208,825,666
Disposal	-	-	1,838,747	-	2,043,000	-	4,483,247
Balance 31/12/2005	334,533,501	129,522,911	111,764,871	182,347,567	24,612,460	4,158,010	786,939,020
Depreciation:-							
Balance 1/1/2005	-	-	-	-	-	-	-
Dep. on additions	-	41,448,434	42,413,428	40,761,661	12,125,557	1,478,777	147,241,857
Dep. on cost	-	1,679,100	747,928	6,193,295	131,038	-	8,751,360
Dep. on disposals	-	15,712,331	10,241,617	13,104,839	1,343,584	103,950	40,506,321
Balance 31/12/2005	-	58,839,865	50,830,490	69,059,795	13,320,647	1,582,727	193,633,524
Net book value at 31/12/2005	334,533,501	70,683,046	60,934,081	113,287,772	11,291,813	2,575,283	593,205,496
Net book value at 31/12/2004	261,599,500	65,686,477	55,288,451	37,603,930	12,497,153	2,679,233	435,354,544

	2005 S.D	2004 S.D
11/ Deposits Demand & Saving :-		
Current A/Cs (local)	7,570,908,150	6,224,502,809
Saving A/Cs (local)	112,088,250	89,997,733
Current A/Cs (foreign)	8,023,461,958	6,025,392,094
Saving A/Cs (foreign)	14,028,714	9,352,542
Customers investment A/Cs (local)	360,499,400	125,093,587
Customers investment A/Cs (foreign)	15,270,830	35,426,862
Importers special F.C A/Cs	103,693,454	116,641,389
Exporters special F.C A/Cs	49,800,668	61,352,008
	<u>16,249,751,424</u>	<u>12,687,759,024</u>
12/ Sundry Deposits :-		
Margin on L/ Cs	362,289,433	299,053,506
Margin on L/ Gs	66,343,134	89,559,953
	<u>428,632,567</u>	<u>388,613,459</u>
13/ Sundry Creditors :-		
Finance profit under collection	548,740,624	427,961,647
Accruals	3,836,548	1,542,787
Provision for after service benefits	68,962,699	68,533,049
Clearance drafts	7,622,654	47,446,286
Unallocated transfers	5,000,000	-
Other provision	73,604,687	15,049,425
Others	30,456,006	16,661,093
Unclaimed payables	1,218,904	3,375,068
Old reconciliation items	11,532,500	12,617,500
Audit fees	6,000,000	6,000,000
	<u>756,974,622</u>	<u>599,186,855</u>
14/ Payables :-		
Bills payable	1,903,294,918	1,066,239,371
BROWING (TAIC)	2,016,849,763	-
Inter branch accounts	1,366,016,410	515,335,768
	<u>5,286,161,091</u>	<u>1,581,575,139</u>
15/ Share Capital :-		
Authorized:-		
Blue Nile Bank (16,073,725 shares of S.D 186,64 each)	3,000,000,000	3,000,000,000
Mashreq Bank	\$10,000,000	\$10,000,000
Blue Nile Mashreq Bank		
Paid Up:-		
Blue Nile Bank (5,357,917) shares of S.D 186,64 each)		
Mashreq Bank Khartoum (in Sudanese Dinars)	1,531,815,138	1,531,815,138
Blue Nile Mashreq Bank	1,531,815,138	1,531,815,138

	2005	2004
	S.D	S.D
16/Retained profit (loss) :-		
Balance B/F	680,002,207	164,698,590
Less: Dividened	<u>(178,263,099)</u>	<u>(153,148,526)</u>
Add:Net profit for the year	501,739,108	11,550,064
	<u>1,063,973,676</u>	<u>891,269,524</u>
less:	1,565,712,784	902,819,588
Transfer to statutory reserve	<u>(265,993,419)</u>	<u>(222,817,381)</u>
Retained profit (loss)	<u>1,299,719,365</u>	<u>680,002,207</u>
17/Others :-		
Foreign inward documentary bills of collection (FIDBC)not availed by banks	99,259,356	186,467,137
Foreign outward documentary bills of collection (FODBC)	<u>8,872,988</u>	<u>36,702,564</u>
	<u>108,132,344</u>	<u>223,169,701</u>
18/Revenue from Banking Service:-		
Comm received from out ward remittance	61,001,312	114,768,699
Comm received from overseas banks	47,680,618	89,714,935
Comm received -on credits	180,905,160	79,395,935
Comm received on guaranties	35,178,211	15,405,699
Comm received on drafts(transfers)	96,362,453	74,904,693
Comm received on bills negotiated	134,101,584	44,700,011
Comm received on returned cheques	1,515,023	1,920,070
Comm received on cheque books & counter cheques	21,296,316	11,847,380
Ledger fees	46,847,990	30,780,268
Current A/Cs statement fees	2,120,253	2,345,892
Exchange received	<u>383,865,791</u>	<u>223,627,180</u>
	<u>1,010,874,711</u>	<u>689,410,762</u>
19/ Other Revenue :-		
Comm received on insurance	376,389	739,436
Comm received on telex & fax & postage & courier service	31,264,892	9,236,772
Profit on sale of fixed assets	102,480	-
Other commissions	<u>5,979,093</u>	<u>60,260,707</u>
	<u>37,722,854</u>	<u>70,236,915</u>

	2005	2004
	S.D	S.D
20/Staff Cost :-		
Salaries & Wages	91,752,562	111,812,911
Uniform	604,995	1,204,080
Medical exp	22,504,877	18,870,229
Staff travelling	16,777,851	16,318,741
Post service benefits	11,150,591	9,903,499
Staff social insurnsnc	9,317,932	6,474,160
Staff fund	115,500	320,687
Clothing allowance	12,082,345	13,867,101
Staff training & seminars	4,100,959	2,194,240
Marriage grant & bonus	33,889,345	9,186,938
Overtime	5,264,360	2,950,253
Special grants & benefits	22,642,661	13,106,018
	<u>230,203,978</u>	<u>206,208,857</u>

21/General & Administrative Expenses :-

Traveling exp	15,662,616	5,004,916
Transportation	3,405,950	2,956,337
Audit fees	8,025,000	8,125,000
Repairs& Maintenance	10,368,223	37,282,979
Insurance	20,232,875	7,480,363
Stationery& Computer exp	30,445,839	28,377,013
Motor Vehicles & motorcycle exp	16,654,582	11,648,631
Subscriptions	23,152,291	18,019,778
Entertainment & Refreshments	9,506,959	8,010,287
Miscellaneous exp	9,693,381	8,862,908
Light & Water	23,941,761	21,778,087
Security exp	8,539,300	6,192,968
Rent & Rates	54,738,031	45,492,947
Comm.paid to other banks	10,852,201	8,749,519
Advertising exp	1,817,891	1,359,296
Provision for doubtful debts	161,086,000	12,349,000
Comm.fees paid sundry	6,217,068	5,022,177
Post,Telex,Telephones,Swift & Internet	34,663,826	29,084,305
Cleaning exp	978,900	1,468,090
Legal & Consultancy fees	4,813,455	6,248,101
Book & Newspaper	1,000,958	595,966
Porterage	348,400	387,200
Generator exp	2,425,001	1,597,226
Kht.Stock Exchange subscription	50,000	50,000
Management Remuneration (B.O.D fees)	76,454,627	3,775,650
Bank of Sudan penalties	557,415	788,633
Loss on exchange	849,692	-
Cash short & over	50,000	9,500
Comm.& fees paid to B.O.S	7,313,948	4,047,500
Gifts	1,384,400	105,800
Loss on sale of Assets	-	167,300
Bad debts written off	-	2,300,000
	<u>545,230,590</u>	<u>287,337,477</u>

22/Increase (decrease) Cash and Cash Equivalent :-

Cash and cash equivalent at end of the year	9,625,232,869	9,156,210,965
Cash and equivalent at beginning of the year	<u>9,156,210,965</u>	<u>8,786,596,630</u>
	<u>469,021,904</u>	<u>369,614,335</u>