



# **BANK OF SOUTH SUDAN**

## **Reports of the Auditor General & The Financial Statements for the Year Ended December 2014**

**31 DECEMBER 2014**



## BANK OF SOUTH SUDAN

### REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGE
Forward	1
Bank information	2
Report of the Directors	3 - 10
Statement of Directors' responsibilities	11
Independent auditor's report	12 - 15
Financial statements:	
Statement of profit or loss and other comprehensive income	16
Statement of financial position	17
Statement of changes in equity and reserves	18
Statement of cash flows	19
Notes to the financial statements	20 - 65








## BANK OF SOUTH SUDAN

### FORWARD TO 2014 AUDIT REPORT

1. From August 2005 to August 2011, the then Bank of Southern Sudan (BoSS) was a Branch of the Central Bank of Sudan. Although it had administrative and management autonomy, it did not have an independent financial accounting system. Nor did it operate a separate monetary policy (currency, money supply, interest rate) regime in Southern Sudan.
2. When Southern Sudan declared independence and became the Republic of South Sudan in July 2011, the Bank of Southern Sudan became the Central Bank of the new Republic and was accordingly renamed Bank of South Sudan (BSS), hereafter referred to as the Bank.
3. The Central Bank of Sudan cut off the electronic connection with the Bank of South Sudan with two very serious accounting consequences. Firstly, the Bank of South Sudan, by then, did not complete the development of its Core Banking System. Secondly, the Bank operated manual system, which caused miss-posting and loss of some vital data. This constituted a massive accounting risk which the National Audit Chamber had no means of measuring and evaluating. The conclusion of this audit report is significantly influenced by the above observations.
4. For the period between August 2011 and August 2012, the Bank operated on a manual basis. This exposed the Bank to risks of errors, omissions and commissions. The Bank issued no cheque books until March 2014. Government agencies transacted withdrawal transactions through letters, some of them difficult to authenticate. This constituted an additional risk which could not be measured or evaluated by audit. The observation has further bearing on the conclusion of this report.
5. The first audit report and financial statements of the Bank of South Sudan were concluded in July 2014 and presented to the National Legislative Assembly.
6. Financial statements for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 were not produced in time. The explanations given were the security challenges/circumstances of the country at the time.
7. As a result of the matters in paragraph 6 above the audit of the Bank for those years could not be performed on schedule.
8. In May 2017, I appointed Deloitte & Touche as technical auditor for the Bank, working with the auditors of the National Audit Chamber. I retain full responsibility for the conduct of the audits and contents of the audit reports.

  
**Amb. Steven Kiliona Wondur**  
**The Auditor General**  
**Republic of South Sudan**





## BANK OF SOUTH SUDAN

### BANK INFORMATION

#### **Registered office**

Bank of South Sudan Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

#### **Governor**

Hon. Dier Tong Ngor  
Bank of South Sudan, Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

#### **Secretary to the Bank**

Mr. Chol Atem Diing  
Bank of South Sudan Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

#### **Branches**

Yei Branch  
Bank of South Sudan Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

Malakal Branch  
Bank of South Sudan Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

Wau Branch  
Bank of South Sudan Head Office  
P.O. Box 136  
Juba, Republic of South Sudan

#### **Principal Auditor**

Auditor General  
National Audit Chamber  
P.O. Box 210  
Juba, Republic of South Sudan

#### **Delegated Auditors**

Deloitte & Touche  
3<sup>rd</sup> Floor, Aris House  
Plot 152, Haile Selassie Road, Oysterbay  
P.O. Box 1559  
Dar es Salaam, Tanzania



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. INTRODUCTION

The Directors present this annual report together with the audited financial statements for the financial year ended 31 December 2014, which disclose the state of affairs of the Bank of South Sudan ("the Bank").

During the year, the Bank continued to implement its mandate as provided in the Bank of South Sudan Act, 2011. The Bank operated 3 branches in the country.

#### ESTABLISHMENT

The Bank of South Sudan was established under the Bank of South Sudan Act, 2011 ("the Act").

#### BANK'S VISION

Aspiring to be a credible Central Bank in fostering and ensuring price and financial system stability by 2028.

#### BANK'S MISSION

To foster price stability, sustainable economic growth and sound financial system in the Republic of South Sudan through excellent regulatory framework, monetary and exchange rate operations advisory and banking services.

#### 2. STATUTE AND PRINCIPAL ACTIVITIES

Bank of South Sudan, the Central Bank of the Republic of South Sudan is wholly owned by the Government of the Republic of South Sudan. Its operations are governed by the aforementioned Act.

The primary objective of the Bank is to maintain monetary and domestic price stability.

Other functions and objectives of the Bank are to:

- Foster the liquidity, solvency and effective functioning of a stable market based financial system, and to promote a safe, sound and efficient national payment system which aims to maintain stability of the financial system as a whole;
- Support general economic policies of the Government and promote sustainable economic growth;
- Adopt and implement policies designed to maintain monetary stability;
- Determine the features of banknotes and coins in consultation with the Minister of Finance and Planning and approval of the Council of Ministers, and the terms and conditions of any currency recall in accordance to requirements of the Act;
- Hold and manage the official foreign exchange reserves of the State;
- Oversee the development and sound functioning of the payment systems for transfers of securities issued by the Government or the Bank, and for the clearing and settlement of payment transactions and transactions in such securities;
- Establish and enforce minimum bank reserve requirements;
- Act as banker and adviser to, and as fiscal agent of, the Government, and to such public agencies as may be determined by law, provided, however, that any transaction carried out by the Bank that may serve to extend financial assistance to or for the benefit of the Government or any such public agency, may be undertaken only pursuant to Section 65 of the Act;
- Regulate and supervise commercial banks and such other regulated entities as shall be submitted to its oversight in accordance with relevant legislation;



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 2. STATUTE AND PRINCIPAL ACTIVITIES (CONTINUED)

- Receive deposits from, and maintain accounts on its books for, regulated entities, units of Government, foreign central banks and international financial institutions on such terms and conditions as may be prescribed by account agreement or regulation of the Bank;
- Undertake foreign exchange operations at the request of the Government and on the Bank's own behalf;
- Issue debt securities in accordance with policies approved by the Board;
- Collect economic and financial data related to its objectives and tasks under the requirement of the Act;
- Open and maintain on its books, accounts for the administration of funds provided by foreign parties to the Government or to a Government Agency in accordance with the terms and conditions set out in trust account agreements, provided that:
  - The assets and liabilities of any such account shall be segregated from the other assets and liabilities of the Bank;
  - The assets of each such account shall be available only to meet liabilities of that account;
  - No other assets of the Bank shall be available to meet liabilities of such accounts; and
  - The Bank shall charge fees for the administration of such accounts to cover its costs; and
- Represent the Republic of South Sudan in international affairs in accordance with the Act.

#### 3. RESOURCES AND STRENGTH

Resources and strengths that facilitate the Bank's endeavour in achieving its strategic objectives include human, financial and technological resources.

In terms of human capital, the Bank has well-qualified and committed staff dedicated to a long-term career in the Bank. Likewise, the management adheres to good governance and promotes labour relations. From its strategic perspective, the Bank enhances its financial sufficiency by improving management of its resources through prioritization of initiatives, implementing initiatives within the available financial envelope and prudently managing its sources of income. On technological side, the Bank has made significant efforts of adopting modern technology to improve its day-to-day operations. Further, the Bank has strategically located Branches, which facilitate efficient banking services.



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 4. CORPORATE GOVERNANCE

The Board shall be composed of nine voting members, as follows:

- a) The Governor as Chairman of the Board;
- b) The two deputy Governors, who shall be designated by the Governor as 1<sup>st</sup> Deputy and 2<sup>nd</sup> Deputy Governor, respectively of the Board;
- c) Six non-executive members, who shall not be employees of the Bank;
- d) The Governor and Deputy Governors shall be appointed by the President; and
- e) The Board shall be proposed by the Governor and appointed by the President.

The Directors at the date of this report and who served since 1 January 2014, except where otherwise stated, are:

No.	Name	Position	Date of appointment
1	Hon. Kornelio Koriom Mayik	Governor	Appointed in November 2011 <sup>1</sup>
2	Hon. Othom Rago Ajak	Governor	Appointed in January 2017 <sup>2</sup>
3	Hon. Dier Tong Ngor	Governor	Appointed in May 2018 <sup>3</sup>
4	Hon. Albino Dak Othow	First Deputy Governor	Appointed in May 2018 <sup>3</sup>
5	Hon. Odera Innocent Ochan	Second Deputy Governor	Appointed in August 2014 <sup>3</sup>
6	Hon. John Dor Majok	First Deputy Governor	Appointed in November 2011 <sup>1</sup>
7	Hon. Jamal Abdalla Wani	Second Deputy Governor	Appointed in November 2011 <sup>2</sup>
8	Hon. Joseph Ajuong Mayuol	Non-Executive Member	Appointed in November 2011 <sup>5</sup>
9	Dr. Abraham Matoc Dhal	Non-Executive Member	Appointed in November 2011 <sup>5</sup>
10	Hon. Charles Abdu Ngamunde	Non-Executive Member	Appointed in November 2011 <sup>5</sup>
11	Hon. Rogato Ohide Kusang	Non-Executive Member	Appointed in November 2011 <sup>5</sup>
12	Hon. Yithaya Ayuel Deng	Non-Executive Member	Appointed in November 2011 <sup>5</sup>
13	Dr. Kimo Aban Adibo	Non-Executive Member	Appointed in November 2011 <sup>4</sup>
14	Hon. Agoyom Akomjo Musellam	Non-Executive Member	Appointed in August 2014 <sup>3</sup>
15	Hon. Hellen Pita Taban	Non-Executive Member	Appointed in November 2018 <sup>3</sup>
16	Hon. Prof. Samson Samuel	Non-Executive Member	Appointed in November 2018 <sup>3</sup>
17	Hon. Prof. Nyiel Gordon Kuol	Non-Executive Member	Appointed in November 2018 <sup>3</sup>
18	Hon. Dr. Adil Atanasio Surur	Non-Executive Member	Appointed in November 2018 <sup>3</sup>
19	Hon. John Maciek Acuoth	Non-Executive Member	Appointed in November 2018 <sup>3</sup>

#### KEY:

<sup>1</sup> Retired in January 2017

<sup>2</sup> Retired in May 2018

<sup>3</sup> In-office

<sup>4</sup> Retired in August 2014

<sup>5</sup> Retired in November 2018

Bank of South Sudan ascribes to the highest standards of corporate governance. The Bank through the Board of Directors and Management upholds and practices the principles of sound corporate governance.

To this end, the Bank of South Sudan Act, 2011, has provided a framework for ensuring application of sound corporate governance principles and best practices by the Bank's Board of Directors and its Committee and Management in the course of managing the day to day affairs/operations of the Bank as summarized below:

- (i) In terms of the provisions of Section 16(1) of the Bank of South Sudan Act, 2011, the Bank's Board of Directors shall be charged with the adoption of the principal policies of the Bank and the supervision of the administration and operation of the Bank.
- (ii) In terms with provisions of Section 24(2) of the Bank of South Sudan Act, 2011 the Audit Committee shall assist the Board in fulfilling its oversight responsibilities for matters relating to the integrity of the Bank's financial statements; the Bank's compliance with legal and regulatory requirements; the annual external audit of the Bank; and the performance of the Bank's Internal Audit Department.



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 4. CORPORATE GOVERNANCE (CONTINUED)

##### The Audit Committee

Established under the provisions of Section 24(1) the Act, the Audit Committee consists of three non-executive voting members of the Board. The Audit Committee shall select one of its members to serve as Chairperson of the Audit Committee in accordance with the Charter of the Audit Committee approved by the Board. The Terms of Reference for the Audit Committee cover four major areas, namely, Internal Control, Financial Reporting, Internal Audit and External Audit.

The Audit Committee's mandate under Internal Control covers evaluation of control environment and culture; the adequacy of the internal control systems and compliance with IFRS in the preparation of financial statements; the overall effectiveness of the internal control and risk management framework; The Committee also reviews requests for write off/ back of items from the books of accounts and reviews the effectiveness of the system for monitoring compliance with laws and regulations.

The mandate relating to financial reporting requires the Audit Committee to review significant accounting and reporting issues and their impact on the financial reports and ensure current financial risk areas are being managed appropriately. The Committee also ensures the adequacy of the financial reporting process and reviews the Bank's annual accounts before approval and adoption by the Board.

With regard to external audit, the Audit Committee reviews and approves the external auditors' proposed audit scope, approach and audit deliverables, draft financial statements before submission to the External Auditors for audit; and also reviews and approves the proposed audit fee.

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function; effectiveness, standing and independence of internal audit function within the Bank; review of the internal audit plan; and follow up on implementation of internal audit findings and recommendations. The Audit Committee reports to the Board of Directors.

The Members of the Audit Committee at the date of this report and who served since 1 January 2014, except where otherwise stated, are:

No.	Name	Position	Discipline	Nationality
1	Joseph Ajuong Mayuol	Chairman	Accountant	South Sudanese <sup>1</sup>
2	Dr. Abraham Matoc Dhal	Member	Economist	South Sudanese <sup>1</sup>
3	Charles Abdu Ngamunde	Member	Accountant	South Sudanese <sup>1</sup>
4	Hon. John Maciek Acuoth	Chairman	Accountant	South Sudanese <sup>2</sup>
5	Hon. Hellen Pita Taban	Member	Sociologist	South Sudanese <sup>2</sup>
6	Hon. Prof. Nyiel Gordon Kuol	Member	Economist	South Sudanese <sup>2</sup>
7	Hon. Agoyom Akomjo Musellam	Member	Lawyer	South Sudanese <sup>2</sup>

##### KEY:

<sup>1</sup>Retired in November 2018

<sup>2</sup>In-office





## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 5. MEETINGS

The Board held 4 meetings during the year ended 31 December 2014, 3 ordinary meetings and 1 extraordinary meeting. There were no committee meetings held during the year. All members of the Board were able to devote their time required for the Board and Audit Committee meetings.

Below is a summary indicating the number of meetings attended by members of the Board from 1 January 2014 to 31 December 2014.

No.	Number of meetings Names	Number of meetings		KEY
		Board	AC	
				<b>Board:</b> Board of Directors
1	Hon. Kornelio Korium Mayik	4	Nil	<b>AC:</b> Audit Committee
2	Hon. John Dor Majak	4	Nil	
3	Hon. Jamal Abdahlla Wani	4	Nil	
4	Hon. Joseph Ajoung	4	8	
5	Hon. Charles Abdul Ngamunde	4	8	
6	Dr. Abraham Matoc Dhal	4	8	
7	Hon. Rogato Ohide Kusang	4	8	
8	Prof. Yithaya Ayuel Deng	4	8	
9	Dr. Kimo Ban	4	8	

The Board and its committees meet every quarter with additional meetings convened as and when necessary. During the year, the Board met to discuss and decide on various business activities.

#### 6. INDEPENDENCE

All Non-executive Directors are considered by the Board to be independent both in character, judgment and free of relationships or circumstances, which could affect their judgment.

#### 7. CAPITAL STRUCTURE

Section 33 of the Act provides the level of authorized capital of the Bank to be fifteen million South Sudanese Pounds. This amount may be increase as a result of allocations from net profits/losses pursuant to Section 36 and 37 of the Act. The capital of the Bank is subscribed and held only by the Government of the Republic of South Sudan.

Due to the nature of the Bank's business and statutory requirements the whole capital is held in the form of equity. Different classes of reserves have been prescribed under Section 34 of the Act and Note 25 to these financial statements. The movement of the capital during the year is reflected under the Statement of Changes in Equity.

#### 8. RELATIONSHIP WITH STAKEHOLDERS

The Bank recognizes the importance of addressing the needs of its key stakeholders in order to add value, satisfy their needs and expectations to fulfill its mission. The Bank's key stakeholders include: the Government, banking institutions, other financial institutions, development partners, general public and staff. The Bank is committed to delivering value to its stakeholders through better services and good customer care while maintaining good relationship in its engagements.

Accordingly, the Bank fulfills its mandate by delivering the following services to meet its stakeholders' needs and expectations:

- (a) Issuance of Notes and Coins: The Bank provides secure, adequate, durable and portable bank notes and coins; ensure prompt circulation of currency through its branch network throughout the country; and promote public awareness on the currency handling and security features.
- (b) Banking Services: The Bank promptly facilitate payments, settlements and clearing of payment instruments for the Government and financial institutions. Further, the Bank provides safe deposit custody for the Government and financial institutions.





## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### **8. RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)**

- (c) Price Stability: The Bank formulates and executes monetary policy that leads to stable domestic prices; provide policy advice to the governments; disseminate economic reports; ensure stable exchange rates; and conduct government securities auctions.
- (d) Financial Stability: The Bank promotes the stability of the financial system through effective regulation and supervision of banking system; provide safe and efficient payment systems; and promote public access to the financial services.
- (e) Internal Customer requirements: The Bank attracts and retains high caliber staff with integrity, competency and accountability and provides conducive working environment and career development opportunities to its staff.

#### **9. MANAGEMENT**

Section 14 of the Act vests the management of the Bank and the direction of its business and affairs to the Governor. The Governor is required to discharge such functions and direction, in conformity with the policies and other decisions made by the Board.

The law further provides that the Governor to be assisted by two Deputy Governors. The Deputy Governors head various functions under them.

#### **10. RESULTS AND DIVIDENDS**

During the year, the Bank operations registered a net profit of SSP 222 million (2013: SSP 140 million). The Bank did not pay any dividends to the government during the year (2013: Nil)

#### **11. FINANCIAL PERFORMANCE FOR THE YEAR**

##### **11.1 Financial results**

The performance of the Bank is measured on the basis of the achievements in implementing its core functions as detailed in the Act. The Bank needs to generate adequate resources in order to support its operations and maintain its independence.

In the course of its operations, the Bank made a total comprehensive income of SSP 222 million (2013: SSP 140 million). The income was mainly attributed to increase in interest and similar income, gains arising from dealings in foreign currencies, increase in interest income and decline in operating expenses.

##### **11.2 Financial position**

The financial position of the Bank is as set out in the statement of financial position shown on page 16. During the year, total assets of the Bank increased to SSP 9,778 million (2013: SSP 8,509 million). The increase in assets is the result of the net increase in advances to Government and commercial banks amounting to SSP 3,539 million. At the same time there was also a decrease in cash and cash equivalents by SSP 2,281 million; and decrease in other loans and receivables by SSP 18 million.

On the other hand total equity and liabilities increased by the same amount to SSP 9,778 million (2013: SSP 8,509 million). Major areas of increase include deposits from commercial banks and currency in circulation amounting to SSP 2,171 million and SSP 580 million respectively. The net increase was however reduced mainly by decrease in deposits due to Government and its agencies by SSP 1,641 million.



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 12. SOLVENCY

The Board of Directors confirms that International Financial Reporting Standards (IFRS) applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank has adequate resources to continue carrying out its statutory activities for the foreseeable future.

#### 13. EMPLOYEES WELFARE

##### (a) Management and employees relationship

The relationship between the Bank and its employees continued to be good. Employees complaints raised during the year were resolved mainly through the use of consultative meetings/forums involving the management, trade union and employees through workers council. As a result, healthy relationship continued to exist between management and the trade union.

Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. The Bank provides a number of facilities aiming at improving the working environment and living standards of its employees. Such facilities include medical services, transport to and from work, house allowance, employee training and development, leave travel assistance, long service awards for employees as stipulated in the Bank's Employees Terms of Service Regulation, 2012.

#### 13. EMPLOYEES WELFARE (CONTINUED)

##### (b) Medical Assistance

All members of staff with a maximum number of five beneficiaries for each employee were availed with medical insurance guaranteed by the Bank as per terms of employment

##### (c) Financial assistance to staff

The Bank provides various loans to employees in accordance with the Bank's Employees Terms of Service Regulation, 2012. These include house loans, motor vehicle loans and personal loans.

##### (d) Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

##### (e) Gender Parity

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2014 and 2013 the Bank had the following distribution of employees by gender.

<b><u>Gender</u></b>	<b><u>2014</u></b>	<b><u>%</u></b>	<b><u>2013</u></b>	<b><u>%</u></b>
Male	225	53	218	71
Female	200	47	89	29
<b>Total</b>	<b>425</b>		<b>307</b>	



## BANK OF SOUTH SUDAN

### REPORT OF THE DIRECTORS (CONTINUED)

#### 14. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 31 to these financial statements. The Directors' emoluments and key management personnel have been disclosed in Note 31 to the financial statements.

#### 15. SERIOUS PREJUDICIAL MATTERS

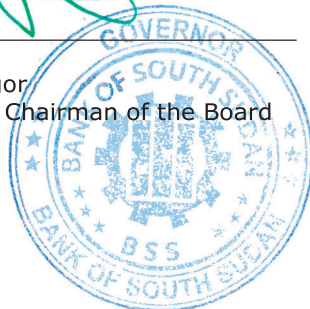
During the year ended 31 December 2014, there was no serious prejudicial matters to report (2013: Nil).

#### 16. AUDITORS

The Auditor General is the statutory auditor for the Bank of South Sudan pursuant to the provisions of Section 75(1) of the Bank of South Sudan Act, 2011. Deloitte & Touche were appointed by the Auditor General to audit the Bank's financial statements on his behalf, pursuant to Section 27 (1) of the South Sudan Audit Chamber Act, 2011.

Approved by the Board of Directors on 15/1/2019 2019, and signed on its behalf by:

Hon. Dier Tong Ngor  
The Governor and Chairman of the Board



Hon. Odera Innocent Ochan  
Deputy Governor for Administration and Finance



## BANK OF SOUTH SUDAN

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

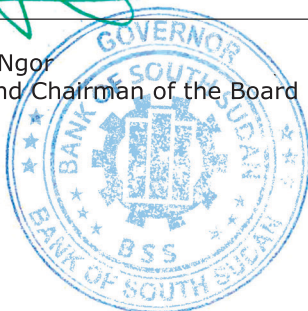
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the requirements of the Bank of South Sudan Act, 2011, Public Finance Management and Accountability Act, 2011 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for these financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank of South Sudan Act, 2011 and Public Finance Management and Accountability Act, 2011. The Directors are of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Bank and its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Directors on 15/1/2019 2019, and signed on its behalf by:

Hon. Dier Tong Ngor  
The Governor and Chairman of the Board



Hon. Odera Innocent Ochan  
Deputy Governor for Administration and Finance



REPUBLIC OF SOUTH SUDAN  
**NATIONAL AUDIT CHAMBER**  
**OFFICE OF THE AUDITOR GENERAL**



Head office Juba

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF BANK OF SOUTH SUDAN FOR THE YEAR ENDED 31 DECEMBER 2014**

**Report of the Auditor General to  
The President of South Sudan  
The Transitional National Legislative Assembly  
The Board of Directors, Bank of South Sudan**

I audited the accompanying financial statements of the Bank of South Sudan (the "Bank") set out on pages 16 to 65 which comprise the statement of financial position as at 31 December 2013, statement of profit or loss and other comprehensive income, statement of changes in equity and reserve and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Legal Basis***

The audit was conducted pursuant to and in accordance with Section 186(7) of the Transitional Constitution of the Republic of South Sudan, the National Audit Chamber Act, 2011 and the Bank of South of Sudan Act, 2011.

***Directors' responsibility for the financial statements***

The Directors are responsible for the preparation of the financial statements that give true and fair view in accordance with International Financial Reporting Standards, the requirements of the Bank of South Sudan Act, 2011 and the Public Finance Management and Accountability Act, 2011. 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.

***Responsibility of the Auditor General***

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing and such other audit procedures I considered necessary in the circumstances. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

***1. Balances due to Government and its agencies, commercial banks and financial institutions***

The Bank reports deposits that are due to Government and its agencies, commercial banks and financial institutions amounting to SSP 5,707.5 million that I am unable to verify their existence and accuracy. None of the Government agencies, a significant number of commercial banks financial institutions responded to my request of balance confirmation. I was unable to satisfy myself if any adjustment would have been required to the balance.



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Basis for Disclaimer of Opinion (continued)***

#### ***2. Cash and cash equivalents***

NOSTRO accounts with total balance amounting to SSP 461.5 million were either not reconciled against the Swift statements, as at year end or I was unable to confirm validity of the reconciling items included in the reconciliations. In addition, cashbook balance used in four NOSTRO account reconciliations did not agree to the general ledger balances. Furthermore, 12 out of 21 of the foreign banks that hold the Bank's NOSTRO accounts, did not independently confirm the balances with me. Because of significance of the above issues, I was unable to satisfy myself about the existence of NOSTRO account balances amounting to SSP 461.5 million included in the statement of financial position of the Bank. Consequently, I was unable to determine if any adjustment would have been required to the balances.

#### ***3. Other loans and receivables***

I was not provided with the schedule showing the breakdown of overdrawn accounts with Government and its agencies, commercial banks and financial institutions. The overdrawn accounts were migrated from the computerized system when separated from the Central Bank of Sudan. Subsequent to system migration, unsupported reconciling items from the balance reconciliation with the counterparts have been posted in these accounts. As at 31 December 2014, Directors were unable to provide evidence to support existence and recoverability of the recorded balances. Consequently, I am unable to confirm or verify by alternative means the existence and recoverability of the balance reported in other loans and receivables amounting to SSP 64.5 million.

#### ***4. Other assets***

Other asset balance is made up of suspense accounts with a total debit balance of SSP 21.0 million and a total credit balance of SSP 3 million. Directors could not provide evidence to support existence and recoverability of the balances in the suspense accounts.

#### ***5. Government securities***

The Bank reports securities due from the Government amounting to SSP 1,917.4 million that I am unable to verify their existence and accuracy. I did not receive a response to my request of balance confirmation from the Ministry of Finance and Economic Planning. I was unable to satisfy myself if any adjustment would have been required to the balance.

#### ***6. Property, equipment and intangible assets***

I was not provided with the fixed asset register that reconciles to the general ledger and movement schedule as at 31 December 2014. Consequently, I am unable to confirm or verify by alternative means the existence and ownership of the tangible and intangible assets reported amounting to SSP 73.1 million and SSP 23.8 million.

#### ***7. Provisions and other liabilities***

##### ***a. Staff retirement benefit obligations***

Section 95 of the Bank's Employee's Terms of Service Regulation, 2012 stipulates end of service gratuity as one of post-employment benefits payable to Bank's staff. However, Directors have excluded the effects, of applying International Accounting Standard (IAS) 19: Employee benefits that I believe should have been considered in these financial statements for the Bank, to conform to that standard. As a result, I was unable to determine whether any adjustments were necessary in respect of SSP 5.3 million included in the provision and other liabilities balance reported.

##### ***b. Other liabilities***

I was not provided with sufficient appropriate evidence to support other liabilities amounting to SSP 10.6 million reported. I was not able to alternatively satisfy myself on the existence and rights and obligation relating to the balance, consequently I was unable to determine whether any adjustments were necessary in respect of other liabilities reported.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Basis for Disclaimer of Opinion (continued)***

#### ***8. Deferred grant and income from amortization of deferred grant***

The Bank reported a deferred grant liability amounting SSP 12.4 million and income recognized from amortization of the deferred grant amounting to SSP 2.9 million. I did not receive contract indicating the amount granted and related terms, and evidence of receipt of the grant. Without such documentation, I was not able to obtain assurance on the existence of the recorded deferred grant balance and accuracy on how the grant is accounted for in the Bank financial statements.

#### ***9. Interest income and commission income***

Included in the reported income is SSP 173.0 million and SSP 89.1 million relating to interest income from overnight facilities and commission income respectively that Directors were unable to provide sufficient and appropriate evidence to support their accuracy and validity. Because of the significant deficiencies, in general information technology controls and controls around the business process I was unable to satisfy myself by any alternative procedures on the accuracy and occurrence of the reported income.

#### ***10. Foreign exchange gains***

The Bank reported foreign exchange gains of SSP 84.9 million for which Directors were unable to provide origination documentations that determine the computation of transactions making up the balance. Due to the significant deficiencies, in general information technology controls and business process controls I was unable to satisfy myself on the occurrence, accuracy and completeness of the reported loss by substantive procedures alone.

#### ***11. Unsupported expenses***

I was unable to obtain sufficient appropriate audit evidence to determine if expenses reported under fees and commission, general and administration and personnel expenses amounting to SSP 17.1 million, SSP 34.1 million and SSP 73.5 million respectively, were complete, accurate and valid.

### ***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

### ***Report on Other Legal Requirements***

*Compliance with Bank of South Sudan Act, 2011 and the Public Finance Management and Accountability Act, 2011*

In view of my responsibility to assess Bank's compliance with the Bank of South Sudan Act, 2011, I noted the following instances of non-compliance with the requirements of the Act;

1. Non-compliance with Section 65(2) (a) of the Act. which requires credit accommodations not to be in excess of 5% of the gross recurrent revenue of the Government and related entities. As at 31 December 2014, credit accommodations amounting to SSP 1,100 million to the Government and related entities exceeded five percent of the gross recurrent revenue of SSP 9,871 million as per the approved government budget;
2. Non-compliance with Section 65(3) (a) and (b) of the Act. which requires all credit accommodations to have a credit period of 3 months (i.e. settled within 3 months) and be secured by negotiable securities issued by the Government and related entities. I noted that credit accommodations exceeded the tenure of 3 months and none of the credit accommodations were secured by negotiable securities issued by the Government and related institutions; and
3. Non-compliance with Section 65(4) of the Act, Which requires for at least 6 months of every calendar year, there must be no outstanding liabilities of the Government to the Bank. I noted the credit accommodations kept on increasing.

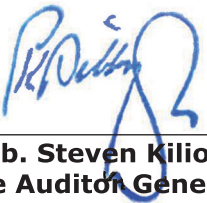
## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Report on Other Legal Requirements (continued)***

I also noted the following divergence by the Directors from the requirement of the Public Financial Management and Accountability Act of 2011.

#### *Procurement Unit*

1. According to section 12(1) of the Public Financial Management and Accountability Act, 2011, the Bank is required to have a procurement officer who shall be responsible for conducting the Bank's procurement activities in accordance with the public procurement law. I was not availed with evidence of properly constituted procurement unit that complies with the Act.

  
**Amb. Steven Kilonia Wondur**  
**The Auditor General**  
**Republic of South Sudan**



17/01/2019





# BANK OF SOUTH SUDAN

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 SSP '000	31 December 2013 SSP '000
Interest income	5	173,034	109,671
Commission income	6	89,122	63,669
Commission expense	7	(17,055)	(56,995)
Net interest and commission income		245,101	116,345
Gains arising from dealings in foreign currencies		84,881	104,197
Other operating income		6,097	9,398
Income from donations and grants	22	2,855	2,855
<b>Net operating income</b>		<b>338,934</b>	<b>232,795</b>
<b>Operating expenses</b>			
Personnel expenses	8	(73,503)	(57,377)
General and administrative expenses	9	(34,121)	(29,708)
Amortisation	17	(2,672)	(1,313)
Depreciation	18	(6,557)	(4,172)
Total operating expenses		(116,853)	(92,570)
<b>Net profit before tax</b>		<b>222,081</b>	<b>140,225</b>
Income tax expense	24	-	-
<b>Profit for the year</b>		<b>222,081</b>	<b>140,225</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>222,081</b>	<b>140,225</b>



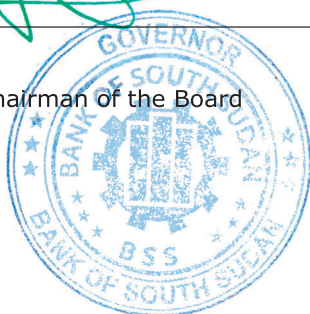
# BANK OF SOUTH SUDAN

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>Assets</b>			
Cash and cash equivalents	10	584,426	2,865,217
Holding of Special Drawing Rights (SDR's)	11	525,705	558,794
Quota of International Monetary Fund (IMF)	11	329,703	350,474
Government securities	12	1,917,373	1,917,373
Advances to the Government	13	6,209,804	2,619,464
Advances to commercial banks	14	28,500	79,767
Other loans and receivables	15	64,469	46,266
Other assets	16	21,030	14,477
Intangible assets	17	23,814	15,246
Property and equipment	18	73,056	42,416
<b>Total assets</b>		<b>9,777,880</b>	<b>8,509,494</b>
<b>Liabilities</b>			
Currency in circulation	19	2,822,728	2,242,989
Deposits from the Government and its agencies	20	1,059,218	2,699,768
Deposits from banks and financial institutions	21	4,648,310	2,476,863
Deferred grant	22	12,384	15,239
Other liabilities	23	10,572	18,545
Staff retirement benefit obligations		5,288	5,288
IMF related liabilities	11	399,532	424,680
Allocation of Special Drawing Rights (SDR's)	11	450,505	478,860
<b>Total liabilities</b>		<b>9,408,537</b>	<b>8,362,232</b>
<b>Equity</b>			
Capital account	25	285,376	147,262
General reserve		83,967	-
<b>Total equity and reserves</b>		<b>369,343</b>	<b>147,262</b>
<b>Total equity and liabilities</b>		<b>9,777,880</b>	<b>8,509,494</b>

The financial statements on page 16 to 65 were approved and authorised for issue by the Board of Directors on .....15/11.....2019 and signed on its behalf by:

Hon. Dier Tong Ngor  
The Governor and Chairman of the Board



Hon. Odera Innocent Ochan  
Deputy Governor for Administration and Finance



# BANK OF SOUTH SUDAN

## STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2014

	<b>Capital account SSP '000</b>	<b>General reserve SSP '000</b>	<b>Total SSP '000</b>
At 1 January 2013	15,000	(7,963)	7,037
Total comprehensive income for the year	-	140,225	140,225
Allocation of profit to Capital Account	<u>132,262</u>	<u>(132,262)</u>	<u>-</u>
<b>At 31 December 2013</b>	<u>147,262</u>	<u>-</u>	<u>147,262</u>
At 1 January 2014	147,262	-	147,262
Total comprehensive income for the year	-	222,081	222,081
Allocation of profit to Capital Account	<u>138,114</u>	<u>(138,114)</u>	<u>-</u>
<b>At 31 December 2014</b>	<u>285,376</u>	<u>83,967</u>	<u>369,343</u>



# BANK OF SOUTH SUDAN

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>Cash flows from operating activities</b>			
Net profit for the year		222,081	140,225
<b>Adjustment for:</b>			
Depreciation	18	6,557	4,172
Amortisation	17	2,672	1,313
Income from donations and grants	22	(2,855)	(2,855)
<b>Operating profit before working capital</b>		<u>228,455</u>	<u>142,855</u>
<b>Changes in working capital</b>			
Increase in advances to the Government		(3,590,340)	(2,154,195)
Decrease/(increase) in advances to commercial banks		51,267	(79,767)
(Increase)/decrease in other loans and receivables		(18,203)	(41,056)
Decrease in other assets		(6,553)	8,550
(Decrease)/increase in deposits and other current accounts due to government		(1,640,550)	916,280
Increase/(decrease) in deposits and other current accounts due to financial institutions		2,171,447	(334,071)
Decrease in other liabilities		<u>(7,973)</u>	<u>(19,703)</u>
<b>Net changes in working capital</b>		<u>(3,040,905)</u>	<u>(1,703,962)</u>
<b>Cash utilised in operations</b>		<u>(2,812,450)</u>	<u>(1,561,107)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	17	(11,240)	(8,913)
Purchase of property and equipment	18	(37,197)	(11,084)
Decrease/(increase) in quota in International Monetary Fund (IMF)	11	20,771	(1,118)
Decrease/(increase) in holding of SDR's	11	<u>33,089</u>	<u>(4,781)</u>
<b>Cash generated from/(utilized in) investing activities</b>		<u>5,423</u>	<u>(25,896)</u>
<b>Cash flows from financing activities</b>			
Currency in circulation	19	579,739	58,056
(Decrease)/increase in IMF related liabilities	11	(25,148)	850
(Decrease)/increase in allocation of SDRs	11	<u>(28,355)</u>	<u>958</u>
<b>Cash generated from financing activities</b>		<u>526,236</u>	<u>59,864</u>
<b>Net (decrease)/increase in cash and cash equivalent</b>		<u>(2,280,791)</u>	<u>(1,527,139)</u>
Cash and cash equivalents:			
<b>At the beginning of the year</b>		<u>2,865,217</u>	<u>4,392,356</u>
<b>At the end of the year</b>		<u>584,426</u>	<u>2,865,217</u>



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. REPORTING ENTITY

The Bank of South Sudan ("the Bank") is the Central Bank of the Republic of South Sudan. Established in July 2011, by an Act of Parliament (The Bank of South Sudan Act, 2011), it replaced the now defunct branch of the Bank of Sudan, which had served as the branch of the Central Bank in Southern Sudan from February 2005 to July 2011. The Bank is fully owned by the Government of the Republic of South Sudan. It is headed by the Governor, assisted by two deputy governors, 1st Deputy Governor for Policy and Banking and 2nd Deputy Governor for Administration and Finance.

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

##### ***(a) New standards and amendments to published standards effective for the year ended 31 December 2014***

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 7  
Disclosures - Offsetting  
Financial Assets and Financial  
Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendment had no effect on the Bank's financial statements as the Bank did not have any offsetting arrangements in place.

New and revised standards  
on consolidation joint  
arrangements, associates  
and disclosures

In May 2011, a package of five standards in consolidation joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the Bank does not have subsidiaries, joint arrangements and associates.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

##### *a) New standards and amendments to published standards effective for the year ended 31 December 2014 (Continued)*

##### IFRS 13 Fair Value Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. In addition, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Bank has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

##### Amendments to IAS 1 presentation of items of profit or loss and other comprehensive income

The amendments to IAS 1 introduce new terminology for the statement of profit or loss and other comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of profit or loss and other comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of profit or loss and other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of profit and loss and other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of profit and loss and other comprehensive income before either tax or net of tax.

The Bank has applied amendments to IAS 1 presentation of profit and loss and other comprehensive income for the first time in the current year. Other than the changes in terminology, the application of the amendments did not have any impact on the amounts or disclosure in the financial statements.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

##### *a) New standards and amendments to published standards effective for the year ended 31 December 2014 (Continued)*

Amendments to IAS 1  
Presentation of Financial  
Statements  
(as part of the Annual  
Improvements to IFRSs 2009  
- 2011 Cycle issued in May  
2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Bank are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

IAS 19 Employee Benefits  
(as revised in 2011)

The adoption of the standard did not have any impact on the financial statements.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through profit or loss and other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the Bank's financial statements as the Bank does not have defined benefit obligations and plan assets.

Annual Improvements 2009 -  
2011 Cycle

Makes amendments to the following standards:

IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets

IAS 1 - Clarification of the requirements for comparative information

IAS 16 - Classification of servicing equipment

IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes

IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

The application of these improvements did not have any impact on the amounts or disclosures in the financial statements.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

##### ***b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2014***

	Effective for annual periods beginning on or after
<i>New and Amendments to standards</i>	
IFRS 9, Financial Instruments - Classification and Measurement (2010)	1 January 2018
IFRS 10, IFRS 12 and IAS 27, Investment Entities	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36, Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39, Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Annual improvements 2010 – 2012 cycle	1 January 2014
Annual improvements 2011 – 2013 cycle	1 January 2014
<i>Amendment to interpretations</i>	
IFRIC 21 Levies	1 January 2014

##### ***c) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods***

#### **IFRS 9 Financial Instruments**

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in profit and loss and other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in profit and loss and other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in profit and loss and other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Directors anticipate that IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2018 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

##### *c) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods (Continued)*

###### **Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures**

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

###### **Amendments to IFRS 10, IFRS 12, and IAS 27 investment entities**

The amendments to IFRS 10 defines the investment entity and require reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in consolidated and separate financial statements.

The Directors of the Bank do not anticipate that the investment entities amendments will have any effect on the financial statements, as the Bank is not an investment entity.

###### **Annual Improvements 2010-2012 Cycle**

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 - Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

##### *c) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods (Continued)*

##### **Annual Improvements 2011-2013 Cycle**

Makes amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements

##### **d) Early adoption of standards**

The Bank did not early-adopt any new or amended standards in 2014.

The available new and revised IFRSs are effective from annual periods beginning on or after 1 January 2016. The Bank has not early adopted any of the IFRSs. However, the Management has noted the editorial corrections made on various IFRSs and applied immediately, where applicable.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs); the requirements of the Bank of South Sudan Act, 2011; and the Public Finance Management and Accountability Act, 2011.

##### **Basis of measurement**

The financial statements have been prepared on a historical cost basis except where otherwise stated or as required by International Financial Reporting Standards and Interpretations to those Standards for assets and liabilities to be stated at their fair value as disclosed in the accounting policies hereafter.

##### **Functional and presentation currency**

These financial statements are presented in South Sudanese Pounds ("SSP"), which is the Bank's functional currency and presentation currency.

##### **Interest income**

Interest income is recognized within the profit or loss basis using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Fees and commission income**

Fees and commission income that is integral to the effective interest rate on a financial asset or financial liability is included in the measurement of the effective interest rate. Other fees and commission income - including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

##### **Gains arising from dealings in foreign currencies**

Gains arising from dealings in foreign currencies comprises gains less losses related to trading assets and liabilities, and includes all realised fair value changes, interest, dividends and foreign exchange differences.

##### **Other income**

Other income is recognised in the period in which it is earned.

##### **Employees' benefits including post-employment benefits**

Short-term employment benefits such as salaries and overtime, allowances and staff training are recognized in profit or loss when they fall due.

##### **Retirement benefits**

Accrual is made for amounts payable under the Bank's Employees Terms of Service Regulation, applicable to employees' accumulated periods of services as of the reporting date. End of service gratuity of employees shall be calculated in the following manner:

- a) For service of on year to ten years, two months' salary shall be granted for each year of service;
- b) For service of more than ten years to fifteen years, two and a half months salary shall be granted for each year of service;
- c) For service of more than fifteen years to twenty years, three one fifth months' salary shall be granted for each year of service;
- d) For service of more than twenty years to twenty five years, four months' salary shall be granted for each year of service;
- e) For service of more than twenty five years to thirty years, four and a third months' salary shall be granted for each year of service; and
- f) For service of more than thirty years, four and a half months salary shall be granted for each year of service.

##### **Other employee benefits**

The Bank provides free medical treatment to staffs and their dependants through medical insurance scheme. Exclusions are met by the Bank as medical expenses. The cost is charged to profit or loss. The estimated monetary liability for employees' earned but not taken leave entitlement at the end of the reporting period is recognized as an accrued expense.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Expenses**

These are losses and other expenses that arise in the course of Bank's ordinary activities. They include interest and administrative expenses. Generally, expenses are recognised in the income statement when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

##### *Interest expenses*

Interest expense is the cost of debt that has accrued during a specified accounting period regardless of the time of spending the cash. These include interests on liquidity papers, repurchase agreements and IMF drawings.

Since interest on debt is not paid daily, the Bank passes adjusting entries periodically to recognise interest expense within the accounting period that the expense has been accrued. Interest expenses are recorded using the effective interest rate method.

##### *Administrative expenses*

This includes expenses that produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Such expenses are recognised immediately in the income statement in the accounting period that the cost has been incurred. These include maintenance, transport and travelling, meetings, conference and seminars, water and electricity, fees, rates and security expenses, telecommunication and postage, board expenses, audit fees, budget and annual accounts preparation, loss on disposal of property and equipment, hospitality, legal and investigation expenses.

In addition, administrative expenses include expenses whose economic benefits are expected to arise over several accounting periods and the association with benefit can only be broadly or indirectly determined. Such expenses are recognised in the income statement in the accounting period in which the economic benefits are consumed or have expired. They may include stationery and office supplies.

##### *Other expenses*

Other expenses are recognised in the income statement when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

##### **Taxes**

No provision for income tax was made in the financial statements as Section 9 of the Bank of South Sudan Act, 2011 exempts the Bank from paying all taxes and duties.

##### **Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Foreign currency translation**

###### *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in South Sudanese Pounds, which is the Bank's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

###### *Transactions and balances*

Foreign currency transactions are translated into South Sudanese Pounds using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end are recognised in profit or loss.

##### **Financial assets and financial liabilities**

###### **Recognition**

The Bank initially recognises cash and cash equivalents, government securities, loans and receivables, other assets, currency in circulation, deposits – Government and its agencies, Deposits – Banks and non-financial institutions, deferred grant and other liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

###### **Financial assets**

The Bank classifies its financial assets into one of the following categories: at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale. Management determines the classification of its investments at initial recognition.

###### *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also recognized as held for trading.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value'.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial assets and financial liabilities (Continued)

##### Financial assets (continued)

###### *Held - to - Maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Ministry of Finance and Planning on behalf of the Government of Republic of South Sudan. Treasury bills and bonds are classified as held to maturity and are stated at amortised cost.

###### *Available-for-sale financial assets*

Available-for-sale assets are financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date - the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are charged through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized as other comprehensive income.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Financial assets and financial liabilities (Continued)**

##### **Financial assets (continued)**

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

##### **Financial liabilities and equity instruments**

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss. Currency in circulation, deposits of Government and its agencies, deposits from banks and non-financial institutions, other liabilities and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### *Currency in circulation*

This represents South Sudan Pounds that have been issued into the South Sudanese economy by the Bank since inception. Currency in circulation is measured at the face value of notes and coins issued. Currency in circulation is determined by netting off notes and coins issued against the balance held in the Bank of South Sudan vaults. The currency in circulation is measured at amortized cost.

##### *Deposits*

Deposits from Government and its agencies and banks and non-financial institutions are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits from Government and its agencies and banks and non-financial institutions are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Financial assets and financial liabilities (Continued)**

##### **Financial liabilities and equity instruments (Continued)**

##### *Financial guarantee contracts liabilities*

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

##### **De-recognition**

##### *Financial assets*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Financial assets and financial liabilities (Continued)**

###### *Financial liabilities*

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

###### **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

###### **Amortised cost measurement**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

###### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

###### **Fair value measurement**

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 measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial assets and financial liabilities (Continued)

##### Fair value measurement (Continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

##### Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Financial assets and financial liabilities (Continued)**

##### **Identification and measurement of impairment (Continued)**

The Bank considers evidence of impairment for loans and advances and held-to-maturity government securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event, occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Bank Credit determines that there is no realistic prospect of recovery.

##### **Valuation reserve account under the legal framework**

In accordance with Section 36 and 37 of the Bank of South Sudan Act, 2011 unrealised gains or losses on foreign exchange are transferred to this reserve account. In accounting for unrealised gains or losses, the Bank complies with the requirements of both IFRS and the Bank of South Sudan Act, 2011. Pursuant to the requirements of the International Accounting Standard (IAS - 21) the Effects of Changes in Foreign Exchange Rates, all realised and unrealised foreign exchange valuations are taken to the profit or loss.

##### **Property and equipment**

###### *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

###### *Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial assets and financial liabilities (Continued)

##### Identification and measurement of impairment (Continued)

###### *Derecognition*

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of premises and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### Property and equipment

###### *Depreciation*

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	40 years
Furniture and fixtures	5 years
Vehicles	5 years
Office equipment	5 years
Other	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

###### *Capital work in progress*

Capital work in progress relates to property and equipment under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project less any recognised impairment losses. The amounts are transferred to the appropriate property and equipment categories once the project is completed and the asset is available for use.

###### *Leased hold premises*

Leased premises refurbishment represents costs incurred by the Bank in refurbishment of leased banking premises.

##### Intangible assets

Intangible assets consist of computer application software and computer application licence packages. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment at the reporting date to ascertain if there is an indication that the intangible asset may be impaired. Generally, cost associated with developing computer software programmes are recognised as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally developed intangible assets are not capitalised unless they meet certain criteria.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Impairment of non-financial assets**

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than investment properties) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

##### **Leases**

###### *Lease payments - lessee*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

###### *Lease assets - lessee*

Assets held by the Bank under leases that transfer to the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Bank's statement of financial position.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Capital grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released as income in equal instalments over the expected useful life of the related asset.

When the Bank receives non-monetary grants, the asset and the grant are recorded at gross amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by Governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional Government grants.

##### **Other liabilities**

Other liabilities are stated at their nominal value/cost, which approximates fair value due to the short-term nature of the obligation.

##### **Loans, receivables, and other assets**

These are measured at carrying amounts which approximates their fair value due to the short period between reporting date and settlements of these assets.

##### **Cash and cash equivalent**

Cash and cash equivalent comprise of demand and time deposit with central banks and commercial banks and holding of notes denominated in foreign currency. Cash and cash equivalent is carried at amortised cost in the statement of financial position. Due to their short-term nature, the carrying amount approximates the fair value.

##### **International Monetary Fund (IMF) related balances**

###### *Relationship*

The Bank is the fiscal and depository agent of Republic of South Sudan for transactions with the International Monetary Fund (IMF). Financial resources availed to South Sudan by the Fund are channelled through the Bank. Repayment of the IMF loans as well as charges is the responsibility of the Bank.

###### *Currency of Transactions with the IMF*

Borrowings from and repayments to the IMF are denominated in Special Drawings Rights (SDRs). The SDR balances in IMF accounts are translated into SSP and any unrealised gains or losses are accounted for in profit and loss account in accordance with IAS 21 – Effects of changes in foreign exchange rates.

###### *Quota in IMF, Interest and Charges*

Borrowings from the related South Sudan's quota are non-interest bearing with no stated maturity, while borrowings from the General Resources Account of the IMF bears interest at rates set by the IMF on a weekly basis and are repayable according to the repayment schedules of the agreement.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant use of judgement and estimates are as follows:

##### (a) Going concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern. Management is satisfied that the Bank has resources to continue in operation for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

##### (b) Impairment of assets carried at amortised cost

*Impairment losses on items in cash and cash equivalents, government securities, loans and receivables and other assets.*

The Bank reviews its financial assets measured at amortised cost at each reporting date to assess whether an impairment loss should be recognised in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the impairment.

The Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

##### (c) Impairment of other financial assets

The Bank adopted an incurred loss approach to impairment. Impairment losses are incurred only if there is objective evidence of impairment as a result of occurrence of one or more past events since initial recognition.

Impairment exists when the carrying amount exceeds its recoverable amount and the asset is written down to the recoverable amount. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONTINUED)

##### (d) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives and discount rates. Details have been provided under Note 28 to these accounts.

##### (e) Useful lives of property and equipment

Pursuant to the requirements of IAS 16 (Property, Plant and Equipment) the Bank makes accounting estimation of the useful lives of assets based on the expected pattern of consumption of the future economic benefits.

##### (f) Retirement benefits

Under IAS 19 measurement of scheme liabilities must be calculated under the projected unit credit method, which requires certain demographic, financial and future salary growth assumptions. A degree of judgement is required in establishing market yields, long-term expectations, the notional contribution rate and other inputs used in the actuarial valuation.

##### (g) Contingent liabilities

The Bank has provided for the liabilities arising out of contractual obligations. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgments than other types of provisions. When cases are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases. Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgments and estimates as appropriate.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>5. INTEREST INCOME</b>		
Interest income	<u>173,034</u>	<u>109,671</u>
<b>6. COMMISSION INCOME</b>		
Commission from foreign transactions	<u>89,122</u>	<u>63,669</u>
<b>7. COMMISSION EXPENSES</b>		
Foreign bank charges	12,179	26,183
Other banking charges and commission expenses	<u>4,876</u>	<u>30,812</u>
	<u>17,055</u>	<u>56,995</u>
<b>8. PERSONNEL EXPENSES</b>		
Salaries	25,950	20,422
Allowances	<u>47,553</u>	<u>34,955</u>
	<u>73,503</u>	<u>55,377</u>
<b>9. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Staff travelling	4,274	4,579
Power and electricity	2,370	5,431
Currency transportation and insurance	4,730	1,138
Repair and maintenance	2,472	1,792
Communication	2,208	1,722
Director's remuneration	2,800	2,648
Money market development	-	883
Printing and stationary	-	547
Entertainment	910	252
Donations	452	653
Library, books and periodicals	668	41
Insurance	59	24
Posters and public awareness	3,645	-
Audit fees	354	354
Other expenses	<u>9,179</u>	<u>9,644</u>
	<u>34,121</u>	<u>29,708</u>



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. CASH AND CASH EQUIVALENTS

	31 December 2014 SSP '000	31 December 2013 SSP '000
Cash in hand	29,039	57,124
Cash in transit	-	171,826
Balances with foreign banks	461,577	1,782,262
Investment deposits with foreign banks	93,810	854,005
	<u>584,426</u>	<u>2,865,217</u>

### 11. INTERNATIONAL MONETARY FUND (IMF) RELATED BALANCES

	31 December 2014		31 December 2013	
	SDR '000	Equivalent SSP '000	SDR '000	Equivalent SSP '000
<b>Assets</b>				
Holdings of SDR's	123,000	525,705	123,000	558,794
Quota in IMF	77,142	329,703	77,146	350,474
	<u>200,142</u>	<u>855,408</u>	<u>200,146</u>	<u>909,268</u>
<b>Liabilities</b>				
IMF Account No.1	302	1,292	310	1,411
IMF Account No.2	1	4	1	5
IMF Securities Account	91,608	391,532	94,079	427,399
CVA Account	1,569	6,704	(910)	(4,135)
	<u>93,480</u>	<u>399,532</u>	<u>93,480</u>	<u>424,680</u>
IMF related liabilities	<u>93,480</u>	<u>399,532</u>	<u>93,480</u>	<u>424,680</u>
Allocation of SDR's	<u>105,406</u>	<u>450,505</u>	<u>105,406</u>	<u>478,860</u>

	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>12. GOVERNMENT SECURITIES</b>		
Interest bearing bond	<u>1,917,373</u>	<u>1,917,373</u>

This bond was issued by the Ministry of Finance and Economic Planning and purchased by the Bank as part of the Capital Restoration Plan as approved by the Council of Ministers of the Republic of South Sudan - Resolution No. 211/2012 dated 7 December 2012. Under the Resolution, various assets with a record value of SSP 1,917,373,490 were transferred from the Bank to the Ministry of Finance and Economic Planning in exchange for this interest-bearing bond of the same amount. This bond pay interest at the agreed rate of 3%. Accrued interest with respect to the bond has been disclosed under Note 13.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>13. ADVANCES TO THE GOVERNMENT</b>		
Advances to the Government	5,948,634	2,528,467
Interest receivable from advances to the Government	93,728	2,486
Interest receivable from Government securities	167,442	88,511
	<u>6,209,804</u>	<u>2,619,464</u>

These represent advances to the Government of South Sudan during the year. The advances were repayable in 6 months and attracts an interest rate of 3% per annum.

	31 December 2014 SSP '000	31 December 2013 SSP '000
<b>14. ADVANCES TO COMMERCIAL BANKS</b>		
Advances	28,500	37,200
Overdrawn accounts	-	42,567
	<u>28,500</u>	<u>79,767</u>

<b>15. OTHER LOANS AND RECEIVABLES</b>		
Loans and advances to staff	41,420	44,657
Other loans and advances	-	1,402
Other receivables	23,049	207
	<u>64,469</u>	<u>46,266</u>

<b>16. OTHER ASSETS</b>		
Suspense accounts	<u>21,030</u>	<u>14,477</u>

## 17. INTANGIBLE ASSETS

### COST

As at 1 January	17,781	8,868
Addition during the period	<u>11,240</u>	<u>8,913</u>
As at 31 December	<u>29,021</u>	<u>17,781</u>

### AMORTISATION

As at 1 January	2,535	1,222
Charge for the period	<u>2,672</u>	<u>1,313</u>
As at 31 December	<u>5,207</u>	<u>2,535</u>

<b>NET BOOK VALUE</b>	<u>23,814</u>	<u>15,246</u>
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Intangible assets of the Bank represents Core Banking System and other computer software received through a grant from the Capacity Building Trust Fund (CBTF).



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. PROPERTY AND EQUIPMENT

	Land and buildings SSP '000	Furniture and fixtures SSP '000	Motor vehicles SSP '000	Computer and IT equipment SSP '000	Other office equipment SSP '000	Work-in-progress SSP '000	Total SSP '000
<b>COST</b>							
At 01 January 2013	22,326	2,259	6,360	4,069	7,796	-	42,810
Additions	6,351	937	1,467	293	2,036	-	11,084
Disposals	(547)	(495)	(474)	(479)	(297)	-	(2,292)
Reclassification	(7,168)	-	-	812	(812)	7,168	-
At 31 December 2013	20,962	2,701	7,353	4,695	8,723	7,168	51,602
At 01 January 2014	20,962	2,701	7,353	4,695	8,723	7,168	51,602
Additions	5,315	1,337	1,626	543	2,760	25,616	37,197
At 31 December 2014	26,277	4,038	8,979	5,238	11,483	32,784	88,799
<b>DEPRECIATION</b>							
At 01 January 2013	(1,446)	(1,227)	(1,552)	(1,398)	(1,683)	-	(7,306)
Charge for the year	(454)	(414)	(879)	(368)	(2,057)	-	(4,172)
Eliminated on disposals	547	495	474	479	297	-	2,292
At 31 December 2013	(1,353)	(1,146)	(1,957)	(1,287)	(3,443)	-	(9,186)
At 01 January 2014	(1,353)	(1,146)	(1,957)	(1,287)	(3,443)	-	(9,186)
Charge for the year	(615)	(440)	(1,871)	(215)	(3,416)	-	(6,557)
At 31 December 2014	(1,968)	(1,586)	(3,828)	(1,502)	(6,859)	-	(15,743)
<b>NET BOOK VALUE</b>							
At 31 December 2014	24,309	2,452	5,151	3,736	4,624	32,784	73,056
At 31 December 2013	19,609	1,555	5,396	3,408	5,280	7,168	42,416





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 19. CURRENCY IN CIRCULATION

	31 December 2014 SSP '000	31 December 2012 SSP '000
Total printed Currency	5,256,500	5,256,500
Bank notes ex-mint (unissued)	<u>(2,162,587)</u>	<u>(2,432,700)</u>
	3,093,913	2,823,800
Bank notes and coins at the vault of the bank	<u>(271,185)</u>	<u>(580,811)</u>
Currency in circulation	<u>2,822,728</u>	<u>2,242,989</u>

Currency in circulation represents the face value of notes and coins in circulation. Notes and coins held by the Bank as cash in main vault, intermediary vault and cashier/teller at the end of financial year have been netted off against the liability for notes and coins in circulation because they do not represent currency in circulation.

#### 20. DEPOSITS FROM GOVERNMENT AND ITS AGENCIES

	31 December 2014 SSP '000	31 December 2013 SSP '000
Ministry of Finance and Economic Planning	444,015	1,236,132
Other Government institutions	<u>615,203</u>	<u>1,463,636</u>
	<u>1,059,218</u>	<u>2,699,768</u>

All these accounts are non-interest bearing.

#### 21. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

Current accounts	4,257,383	2,079,007
Cash statutory reserves	390,927	245,756
Other deposits	<u>-</u>	<u>152,100</u>
	<u>4,648,310</u>	<u>2,476,863</u>

All balances are due to local banks and financial institutions and are non-interest bearing.

Cash statutory reserve balances are maintained by the commercial banks with the Bank as per the requirement of the Bank of South Sudan Act, 2011.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 22. DEFERRED GRANT

Deferred grant represents the amount of grants received from the Capacity Building Trust Fund (CBTF), a pooled funding mechanism for supporting capacity building and public service reform in the Government of the Republic of South Sudan (RSS), financed by Governments of Canada, Denmark, Netherlands (acting as 'lead donor'), Norway, Sweden, Spain, and the United Kingdom. The fund is managed by the Technical Secretariat to the Joint Donor Office (JDO) in Juba.

The grant consist of Information Technology and power equipment and accounting software. The Bank recognised these granted assets at the time of receipt (excluding the fair value of professional assistance provided by the United States Agency for International Development (USAID) through Deloitte LLP (USA). The recognition of deferred grant and grant income in accordance with the policy of the Bank in note 3(o) is summarised below.

The grant is recognised at fair value as described at the date of acquisition. The software and other IT and power equipment were put to use in mid-November 2011 and is amortised over a period of five years on a straight-line basis starting January 2012.

	<b>31 December 2014</b> <b>SSP '000</b>	<b>31 December 2013</b> <b>SSP '000</b>
As at 1 January	15,239	18,094
Amortisation during the period	(2,855)	(2,855)
Disposals during the period	-	-
<b>As at 31 December</b>	<b>12,384</b>	<b>15,239</b>

#### 23. OTHER LIABILITIES

Financial affairs	9,886	2,894
Personnel affairs	-	11,284
Return funds	686	4,367
	<b>10,572</b>	<b>18,545</b>

#### 24. INCOME TAX

No provision for income tax was made in the financial statements as Section 9 of the Bank of South Sudan Act, 2011 exempts the Bank from paying all taxes and duties.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 25. CAPITAL ACCOUNT

	31 December 2014 SSP '000	31 December 2013 SSP '000
Authorised and paid up share capital	15,000	15,000
Allocation from the general reserve account	<u>270,376</u>	<u>132,262</u>
	<u>285,376</u>	<u>147,262</u>

The authorized and paid up share capital is the initial capital paid by the Government as per Section 33 of the Bank of South Sudan Act of 2011 ("the Act"). The Act states the authorised and paid up capital of the Bank to be SSP 15 million. This capital is solely held by the Government of the Republic of South Sudan, and shall not be transferable or subject to encumbrances.

During the year, the Bank allocated SSP 138.1 million (2013: SSP 132.3 million) from the general reserve account to the capital account. The transfer is in accordance with the requirement of Section 36 of the Act, which requires net profit earned by the Bank during the financial year to be allocated to the capital account of the Bank. The allocation to capital account as required to increase the capital of the Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the statement of financial position at the end of that year.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 26. RISK MANAGEMENT

##### 26.1 Financial risks

##### (a) Credit risk

In its financial operations, the Bank is exposed to credit risk, defined as the probability of a complete or partial failure of a counterpart to fulfil its obligations arising from a financial transaction.

Total assets of the Bank exposed to credit risk as of 31 December 2014 and 31 December 2013 are presented in the table below:

Total assets of the Bank exposed to credit risk as of 31 December 2014 and 31 December 2013 are presented in the table below:

	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>SSP '000</b>	<b>%</b>	<b>SSP '000</b>	<b>%</b>
<b>Credit exposures</b>				
Cash and cash equivalents	555,387	5%	2,808,093	33%
Holding of Special Drawing Rights (SDR's)	525,705	6%	558,794	7%
Quota of International Monetary Fund (IMF)	329,703	3%	350,474	4%
Government securities	1,917,373	20%	1,917,373	23%
Advances to the Government	6,209,804	64%	2,619,464	31%
Advances to commercial banks	28,500	1%	79,767	1%
Other loans and receivables	41,420	1%	46,266	1%
	<u>9,607,892</u>	<u>100</u>	<u>8,380,231</u>	<u>100</u>

The above represents the worst-case scenario of credit exposure for both years, without taking account of any collateral held or other credit enhancements attached.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (a) Credit risk (continued)

##### *Credit quality per class of financial assets*

The credit quality per class of financial assets is managed by the Bank using internal ratings. The table below shows the quality by class of asset for all financial assets exposed to credit risk, based on the Bank's credit rating system. The amount presented is gross of impairment allowances.

	<b>Total SSP '000</b>	<b>Fully performing SSP '000</b>	<b>Past due but not impaired SSP '000</b>	<b>Past due and impaired SSP '000</b>
<b>31 December 2014</b>				
Cash and cash equivalents (excluding cash in hand)	555,387	555,387	-	-
Holding of Special Drawing Rights (SDR's)	525,705	525,705	-	-
Quota of International Monetary Fund (IMF)	329,703	329,703	-	-
Government securities	1,917,373	1,917,373	-	-
Advances to the Government	6,209,804	-	6,209,804	-
Advances to commercial banks	28,500	28,500	-	-
Other loans and receivables	41,420	41,420	-	-
<b>Total</b>	<b>9,607,892</b>	<b>3,398,088</b>	<b>6,209,804</b>	<b>-</b>
<b>31 December 2013</b>				
Cash and cash equivalents (excluding cash in hand)	2,808,093	2,808,093	-	-
Holding of Special Drawing Rights (SDR's)	558,794	558,794	-	-
Quota of International Monetary Fund (IMF)	350,474	350,474	-	-
Government securities	1,917,373	1,917,373	-	-
Advances to the Government	2,619,464	-	2,619,464	-
Advances to commercial banks	79,767	79,767	-	-
Other loans and receivables	46,266	46,266	-	-
	<b>8,380,231</b>	<b>5,760,767</b>	<b>2,619,464</b>	<b>-</b>

The Bank does not hold collateral for financial liabilities pledged as security.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (a) Credit risk (continued)

*Credit quality per external credit rating agencies*

Description	31 December 2014		31 December 2013	
	Balance	Share (%)	Balance	Share (%)
Cash and cash equivalents (excluding cash in hand)				
NR	555,387	5%	2,808,093	33%
Balances with IMF-NR				
Holding of Special Drawing Rights (SDR's)	525,705	6%	558,794	7%
Quota of International Monetary Fund (IMF)	329,703	3%	350,474	4%
Government securities				
NR	1,917,373	20%	1,917,373	23%
Loans and Advances to the Government				
NR	6,209,804	64%	2,619,464	31%
Loans and Advances to Banks				
NR	28,500	1%	79,767	1%
Other Loans, Advances and Receivables				
NR	41,420	1%	46,266	1%
Total	9,607,892	100%	8,380,231	100%





# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

##### (a) Credit risk (continued)

The sectoral classification of the Bank's credit exposure as at 31 December 2014 is as follows:

#### 31 December 2014

	Supranational Institutions SSP '000	Domestic Financial Institutions SSP '000	Foreign Financial Institutions SSP '000	Government of South Sudan SSP '000	Others SSP '000	Total SSP '000
Cash and cash equivalents (excluding cash in hand)	-	-	555,387	-	-	555,387
Holding of Special Drawing Rights (SDR's)	525,705	-	-	-	-	525,705
Quota of International Monetary Fund (IMF)	329,703	-	-	-	-	329,703
Government securities	-	-	-	1,917,373	-	1,917,373
Advances to the Government	-	-	-	6,209,804	-	6,209,804
Advances to commercial banks	-	28,500	-	-	-	28,500
Other loans and receivables	-	-	-	-	41,420	41,420
Total	855,408	28,500	555,387	8,127,177	41,420	9,607,892



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (a) Credit risk (continued)

The sectoral classification of the Bank's credit exposure as at 31 December 2013 is as follows:

31 December 2013	Supranational Institutions SSP '000	Domestic Financial Institutions SSP '000	Foreign Financial Institutions SSP '000	Government of South Sudan SSP '000	Others SSP '000	Total SSP '000
Cash and cash equivalents (excluding cash in hand)	-	-	2,808,093	-	-	2,808,093
Holding of Special Drawing Rights (SDR's)	558,794	-	-	-	-	558,794
Quota of International Monetary Fund (IMF)	350,474	-	-	-	-	350,474
Government securities	-	-	-	1,917,373	-	1,917,373
Advances to the Government	-	-	-	2,619,464	-	2,619,464
Advances to commercial banks	-	79,767	-	-	-	79,767
Other loans and receivables	-	-	-	-	46,266	46,266
Total	909,268	79,767	2,808,093	4,536,837	46,266	8,380,231



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (a) Credit risk (continued)

Geographical analysis of concentrations of assets and liabilities of the Bank as at 31 December 2014 is as follows:-

31 December 2014	South Sudan SSP '000	USA SSP '000	Other East African countries SSP '000	European Countries SSP '000	Other Countries SSP '000	Total SSP '000
Cash and cash equivalents (excluding cash in hand)	-	94,418	215,237	35,851	209,881	555,387
Holding of Special Drawing Rights (SDR's)	-	525,705	-	-	-	525,705
Quota of International Monetary Fund (IMF)	-	329,703	-	-	-	329,703
Government securities	1,917,373	-	-	-	-	1,917,373
Advances to the Government	6,209,804	-	-	-	-	6,209,804
Advances to commercial banks	28,500	-	-	-	-	28,500
Other loans and receivables	41,420	-	-	-	-	41,420
Total	8,197,097	949,826	215,237	35,851	209,881	9,607,892



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

##### (a) Credit risk (continued)

Geographical analysis of concentrations of assets and liabilities of the Bank as at 31 December 2013 is as follows:-

31 December 2013	South Sudan SSP '000	USA SSP '000	Other East African countries SSP '000	European Countries SSP '000	Other Countries SSP '000	Total SSP '000
Cash and cash equivalents (excluding cash in hand)	-	482,429	1,115,008	324,968	885,688	2,808,093
Holding of Special Drawing Rights (SDR's)	-	558,794	-	-	-	558,794
Quota of International Monetary Fund (IMF)	-	350,474	-	-	-	350,474
Government securities	1,917,373	-	-	-	-	1,917,373
Advances to the Government	2,619,464	-	-	-	-	2,619,464
Advances to commercial banks	79,767	-	-	-	-	79,767
Other loans and receivables	46,266	-	-	-	-	46,266
Total	4,662,870	1,391,697	1,115,008	324,968	885,688	8,380,231

##### (b) Liquidity risk

This arises from inability of the Bank to meet its own foreign exchange and government obligations without incurring huge price concession. The table below analyses the assets and liabilities of the Bank into relevant maturity based on the remaining period at statement of financial position date to contractual maturity date.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

##### (b) Liquidity risk (continued)

By contractual maturity analysis of financial instruments:

	Up to 1 Month SSP '000	From 1 to 12 Months SSP '000	From 1 to 5 Years SSP '000	Over 5 Years SSP '000	Total SSP '000
<b>31 December 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	584,426	-	-	-	584,426
Holding of Special Drawing Rights (SDR's)	525,705	-	-	-	525,705
Quota of International Monetary Fund (IMF)	329,703	-	-	-	329,703
Government securities	-	-	-	1,917,373	1,917,373
Advances to the Government	6,209,804	-	-	-	6,209,804
Advances to commercial banks	28,500	-	-	-	28,500
Other loans and receivables	5,468	-	35,952	-	41,420
<b>Total</b>	<b>7,683,606</b>	<b>-</b>	<b>35,952</b>	<b>1,917,373</b>	<b>9,636,931</b>
<b>Financial liabilities</b>					
Currency in circulation	2,822,728	-	-	-	2,822,728
Deposits from government and its agencies	1,059,218	-	-	-	1,059,218
Deposits from banks and financial institutions	4,648,310	-	-	-	4,648,310
Other liabilities	10,572	-	-	-	10,572
IMF related liabilities	399,532	-	-	-	399,532
Allocation of Special Drawing Rights (SDR's)	450,505	-	-	-	450,505
<b>Total liabilities</b>	<b>9,390,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,390,865</b>
<b>Net liquidity gap</b>	<b>(1,707,259)</b>	<b>-</b>	<b>35,952</b>	<b>1,917,373</b>	<b>246,066</b>



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (b) Liquidity risk (Continued)

By contractual maturity analysis of financial instruments:-

#### 31 December 2013

##### Financial assets

Cash and cash equivalents	2,865,217	-	-	-	-	2,865,217
Holding of Special Drawing Rights (SDR's)	558,794	-	-	-	-	558,794
Quota of International Monetary Fund (IMF)	350,474	-	-	-	-	350,474
Government securities	-	-	-	-	1,917,373	1,917,373
Advances to the Government	2,619,464	-	-	-	-	2,619,464
Advances to commercial banks	79,767	-	-	-	-	79,767
Other loans and receivables	9,564	-	36,702	-	-	46,266
<b>Total</b>	<b>6,483,280</b>	<b>-</b>	<b>36,702</b>	<b>-</b>	<b>1,917,373</b>	<b>8,437,355</b>

##### Financial liabilities

Currency in circulation	2,242,989	-	-	-	-	2,242,989
Deposits from Government and its agencies	2,699,768	-	-	-	-	2,699,768
Deposits from banks and financial institutions	2,476,863	-	-	-	-	2,476,863
Other liabilities	18,545	-	-	-	-	18,545
IMF related liabilities	424,680	-	-	-	-	424,680
Allocation of Special Drawing Rights (SDR's)	478,860	-	-	-	-	478,860
<b>Total liabilities</b>	<b>8,341,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,341,705</b>
<b>Net liquidity gap</b>	<b>(1,858,425)</b>	<b>-</b>	<b>36,702</b>	<b>-</b>	<b>1,917,373</b>	<b>95,650</b>



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

##### (c) Market risk

The objective of market risk management process is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile as a provider of financial products and services. Market risk has been sub-divided into interest rate risk and foreign exchange risk.

##### i. Interest rate risk

Details	Up to 1 month SSP '000	From 1 to 12 months SSP '000	From 1 to 5 years SSP '000	Over 5 years SSP '000	Non-interest bearing SSP '000	Total SSP '000
<b>2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	584,426	584,426
Holding of Special Drawing Rights (SDR's)	-	-	-	-	525,705	525,705
Quota of International Monetary Fund (IMF)	-	-	-	-	329,703	329,703
Government securities	-	-	-	1,917,373	-	1,917,373
Advances to the Government	-	6,209,804	-	-	-	6,209,804
Loans and advances to banks	-	28,500	-	-	-	28,500
Other loans and receivables	-	-	-	-	41,420	41,420
<b>Total</b>	<b>-</b>	<b>6,238,304</b>	<b>-</b>	<b>1,917,373</b>	<b>1,481,254</b>	<b>9,636,931</b>
<b>Financial liabilities</b>						
Currency in circulation	-	-	-	-	2,822,728	2,822,728
Due to the Government and its agencies	-	-	-	-	1,059,218	1,059,218
Due to banks and financial institutions	-	-	-	-	4,648,310	4,648,310
Other liabilities	-	-	-	-	10,572	10,572
IMF related liabilities	-	-	-	-	399,532	399,532
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	450,505	450,505
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,390,865</b>	<b>9,390,865</b>





# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (Continued)

##### (c) Market risk (continued)

##### i. Interest rate risk (continued)

The table below summarises the exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of either contractual reprising or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

#### 31 December 2013

##### Financial assets

	Up to 1 month SSP '000	From 1 to 12 months SSP '000	From 1 to 5 years SSP '000	Over 5 years SSP '000	Non-interest bearing SSP '000	Total SSP '000
Cash and cash equivalents	-	-	-	-	2,865,217	2,865,217
Holding of Special Drawing Rights (SDR's)	-	-	-	-	558,794	558,794
Quota of International Monetary Fund (IMF)	-	-	-	-	350,474	350,474
Government securities	-	-	-	1,917,373	-	1,917,373
Advances to the Government	-	2,619,464	-	-	-	2,619,464
Advances to commercial banks	-	79,767	-	-	-	79,767
Other loans and receivables	-	-	-	-	46,266	46,266
<b>Total</b>	-	<b>2,669,231</b>	-	<b>1,917,373</b>	<b>3,820,751</b>	<b>8,437,355</b>

##### Financial liabilities

Currency in circulation	-	-	-	-	2,242,989	2,242,989
Deposits from the Government and its agencies	-	-	-	-	2,699,768	2,699,768
Deposits from banks and financial institutions	-	-	-	-	2,476,863	2,476,863
Other liabilities	-	-	-	-	18,545	18,545
IMF related liabilities	-	-	-	-	424,680	424,680
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	478,860	478,860
<b>Total liabilities</b>	-	-	-	-	<b>8,341,705</b>	<b>8,341,705</b>



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### **26. RISK MANAGEMENT (CONTINUED)**

##### **26.1 Financial risks (Continued)**

##### **(c) Market risk (Continued)**

##### **ii. Foreign exchange risk**

The exchange rate risk (or currency risk) refers to the loss of the portfolio value or purchasing power of the portfolio occasioned by adverse foreign exchange rate movements. The Bank foreign reserves portfolio is denominated in a number of currencies whose exchange rates are subject to fluctuation on international foreign exchange market.

The currency positions of the Bank as of 31 December 2014 and 2013 that provides the Bank's assets, liabilities and equity at carrying amounts, categorized by currency is summarized below.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

#### (c) Market risk (continued)

#### ii. Foreign exchange risk (continued)

The Bank's currency position:-

#### 31 December 2014

#### Financial assets

Cash and cash equivalents	-	547,777	30,331	6,318	-	-	-	-	584,426
Holding of Special Drawing Rights (SDR's)	-	-	-	-	-	-	-	-	525,705
Quota of International Monetary Fund (IMF)	-	-	-	-	-	-	-	-	329,703
Government securities	1,917,373	-	-	-	-	-	-	-	1,917,373
Advances to Government	6,209,804	-	-	-	-	-	-	-	6,209,804
Advances to commercial banks	28,500	-	-	-	-	-	-	-	28,500
Other loans and receivables	41,420	-	-	-	-	-	-	-	41,420
<b>Total</b>	<b>8,197,097</b>	<b>547,777</b>	<b>30,331</b>	<b>6,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>855,408</b>	<b>9,636,931</b>

#### Financial liabilities

Currency in circulation	2,822,728	-	-	-	-	-	-	-	2,822,728
Deposits from Government and its agencies	703,868	347,996	65	7,289	-	-	-	-	1,059,218
Deposits from banks and financial institutions	3,930,550	690,186	4,615	22,959	-	-	-	-	4,648,310
Other liabilities	10,572	-	-	-	-	-	-	-	10,572
IMF related liabilities	-	-	-	-	-	-	-	399,532	399,532
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	-	-	-	450,505	450,505

#### Total

	7,467,718	1,038,182	4,680	30,248	-	-	-	850,037	9,390,865
<b>Net exposure</b>	<b>729,379</b>	<b>(490,405)</b>	<b>25,651</b>	<b>(23,930)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,371</b>	<b>246,066</b>



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. RISK MANAGEMENT (CONTINUED)

#### 26.1 Financial risks (continued)

#### (c) Market risk (continued)

#### iii. Foreign exchange risk (continued)

The Bank's currency position:-

Details	SSP '000	USD SSP '000	GBP SSP '000	EURO SSP '000	UGX SSP '000	SDR SSP '000	Total SSP '000
<b>31 December 2013</b>							
<b>Financial assets</b>							
Cash and cash equivalents	-	2,460,283	97,440	303,454	4,040	-	2,865,217
Holding of Special Drawing Rights (SDR's)	-	-	-	-	-	558,794	558,794
Quota of International Monetary Fund (IMF)	-	-	-	-	-	350,474	350,474
Government securities	1,917,373	-	-	-	-	-	1,917,373
Advances to Government	2,619,464	-	-	-	-	-	2,619,464
Advances to commercial banks	79,767	-	-	-	-	-	79,767
Other loans and receivables	46,266	-	-	-	-	-	46,266
<b>Total</b>	<b>4,662,870</b>	<b>2,460,283</b>	<b>97,440</b>	<b>303,454</b>	<b>4,040</b>	<b>909,268</b>	<b>8,437,355</b>
<b>Financial liabilities</b>							
Currency in circulation	2,242,989	-	-	-	-	-	2,242,989
Deposits from the Government and its agencies	1,265,689	1,316,014	2,125	115,940	-	-	2,699,768
Deposits from banks and financial institutions	1,959,951	495,550	7,566	13,796	-	-	2,476,863
Other liabilities	18,545	-	-	-	-	-	18,545
IMF related liabilities	-	-	-	-	-	424,680	424,680
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	-	478,860	478,860
<b>Total</b>	<b>5,487,174</b>	<b>1,811,564</b>	<b>9,691</b>	<b>129,736</b>	<b>-</b>	<b>903,540</b>	<b>8,341,705</b>
<b>Net exposure</b>	<b>(824,304)</b>	<b>648,719</b>	<b>87,749</b>	<b>173,718</b>	<b>4,040</b>	<b>5,728</b>	<b>95,650</b>



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### **27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. A summary of significant accounting policies in Note 3 describes how classes of financial instruments are measured and how income and expenses, including fair value gains are recognised.

#### **28. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all-significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation technique includes net present value and discount cash flow model, comparison with similar instruments for which market observable price exist. Assumptions and inputs used in valuation technique include risk-free and benchmark interest rate, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.



# BANK OF SOUTH SUDAN

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Details	Level 1 SSP '000	Level 2 SSP '000	Level 3 SSP '000	Total carrying amount SSP '000
<b>31 December 2014</b>				
<b>Assets</b>				
Cash and cash equivalents	-	584,426	-	584,426
Holding of Special Drawing Rights (SDR's)	-	525,705	-	525,705
Quota of International Monetary Fund (IMF)	-	329,703	-	329,703
Government securities	-	1,917,373	-	1,917,373
Advances to Government	-	6,209,804	-	6,209,804
Advances to commercial banks	-	28,500	-	28,500
Other loans and receivables	-	41,420	-	41,420
	-	9,636,931	-	9,636,931
<b>Liabilities</b>				
Currency in circulation	-	2,822,728	-	2,822,728
Deposits from the Government and its Agencies	-	1,059,218	-	1,059,218
Deposits from banks and financial institutions	-	4,648,310	-	4,648,310
Other liabilities	-	10,572	-	10,572
IMF related liabilities	-	399,532	-	399,532
Allocation of Special Drawing Rights (SDR's)	-	450,505	-	450,505
<b>Total liabilities</b>	-	9,390,865	-	9,390,865



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 SSP '000	Level 2 SSP '000	Level 3 SSP '000	Total carrying amount SSP '000
<b>31 December 2013</b>				
<b>Assets</b>				
Cash and cash equivalents	-	2,865,217	-	2,865,217
Holding of Special Drawing Rights (SDR's)		558,794		558,794
Quota of International Monetary Fund (IMF)		350,474		350,474
Government securities	-	1,917,373	-	1,917,373
Advances to the Government	-	2,619,464	-	2,619,464
Advances to commercial banks	-	79,767	-	79,767
Other loans and receivables	-	46,266	-	46,266
Total assets	-	<u>8,437,355</u>	-	<u>8,437,355</u>
<b>Liabilities</b>				
Currency in circulation	-	2,242,989	-	2,242,989
Deposits from the Government and its agencies	-	2,699,768	-	2,699,768
Deposits from banks and financial institutions	-	2,476,863	-	2,476,863
Other liabilities	-	18,545	-	18,545
IMF related liabilities	-	424,680	-	424,680
Allocation of Special Drawing Rights (SDR's)	-	478,860	-	478,860
Total liabilities	-	<u>8,341,705</u>	-	<u>8,341,705</u>

#### 29. CONTINGENT LIABILITIES

Contingent liabilities arise in the normal course of the Bank's business activities. In order to meet the financial needs of the government, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The Bank did not have any outstanding contingent liabilities as at 31 December 2014 (2013: Nil).

#### 30. OUTSTANDING COMMITMENTS

##### CAPITAL COMMITMENTS

As at 31 December 2014, the Bank's capital commitments in respect of, Property and Equipment, Intangible Assets and major capital projects aggregated to SSP 55 million (2013: SSP 83 million). The major capital expenditure commitments item is as reflected herewith below:

	31 December 2014 SSP '000	31 December 2013 SSP '000
Rumbek Currency Centre Project	<u>55,000</u>	<u>83,000</u>

The above commitments have been included and approved for payment in accordance with the 2013/2014 Budget Estimates.





## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 31. RELATED PARTY DISCLOSURES

In the course of its operations, the Bank enters into transactions with related parties, which include the Government of the Republic of South Sudan, the ultimate shareholder of the Bank and key management personnel. The related party transactions during the year are as follows:

##### (a) Loans and emoluments to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank's key management personnel are the Governor, Deputy Governors', Non-Executive Directors and Directors.

The Bank extends loans facilities to the Governor, the Deputy Governors and its members of staff. Other loans and receivables (Note 15) included advances to employees that as at 31 December 2014 amounted to SSP 41,420,000 (2013: SSP 44,657,000). The advances are granted at interest rates determined by the Bank over the period of the loan. The following is the breakdown of loans and emoluments granted to key management personnel except Non-Executive Directors.

	2014 SSP '000	2013 SSP '000
<b>i Loans to Senior Management (Governor, Deputy Governors and Directors)</b>		
At start of the year	7,608	-
Loans granted during the year	293	7,966
Loans repaid during the year	<u>(1,094)</u>	<u>(358)</u>
<b>Balance end of the year</b>	<u>6,807</u>	<u>7,608</u>
<b>ii Emoluments to Senior Management Personnel (Governor, Deputy Governors and Directors)</b>		
Salaries, allowances and benefits	<u>4,269</u>	<u>4,117</u>

In accordance with Section 18 of the Bank of South Sudan Act, 2011, remuneration of the Governor and Deputy Governors is determined by the Minister of Finance and Planning and Council of ministers of the Republic of South Sudan; plus an additional amount determined by a resolution of the non-executive Board members. As at 31 December 2014, the number of key management personnel was 25 (2013: 23).

##### (b) Directors' remunerations

During the year ended 31 December 2014, emoluments paid to the members of the Board amounted to SSP 2,799,833 (2013: SSP 2,648,499). These emoluments include benefits of Non - Executive Directors. Non-Executive Directors are not entitled to loans and advances.



## BANK OF SOUTH SUDAN

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 31. RELATED PARTY DISCLOSURES (CONTINUED)

##### (c) Government of the Republic of South Sudan

Transactions entered into with the Government include:

- (a) Financial accommodation on temporary short falls in Government revenue;
- (b) Receipt of deposits from government bodies including ministries and agencies
- (c) Other duties including agency of the Government as provided under the Bank of South Sudan Act, 2011.

##### Balances due from the government of Republic of South Sudan

	<b>2014</b>	<b>2013</b>
	<b>SSP '000</b>	<b>SSP '000</b>
Government securities (note 12)	1,917,373	1,917,373
Advances to the Government (note 13)	6,209,804	2,619,464
	<u>8,127,177</u>	<u>4,536,837</u>

##### Balances due to the government of Republic of South Sudan

	<b>2014</b>	<b>2013</b>
	<b>SSP '000</b>	<b>SSP '000</b>
Deposits from Ministry of Finance and Economic Planning (note 20)	444,015	1,236,132
Deposits from other Government institutions (note 20)	615,203	1,463,636
	<u>1,059,218</u>	<u>2,699,768</u>

#### 32. COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified to conform to changes in presentation in the current year

#### 33. EVENTS AFTER THE REPORTING DATE

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Bank and results of its operations.