BANK OF SOUTH SUDAN

Report of the Auditor General

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The Financial Statements for the Year Ending December 2012

29 August 2011- 31 December 2012

BANK OF SOUTH SUDAN

Report of the Auditor General
and Financial Statements
For the period, 29 August 2011 to 31 December 2012

FORWARD
to 2012 Audit Report

1. From August 2005 to August 2011, the Bank of South Sudan (BOSS) was a branch of the Central Bank of Sudan. Although it had administrative and managerial 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, 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 was left with no accounting system. Apparently the management had no contingency plans even when everyone long anticipated the secession of the South through the referendum of January 2011. Secondly, the Bank lost access to vital data including what should have constituted opening balances of assets, liabilities and equity. 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 observation.

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. This observation has further bearing on the conclusion of this report.

5. In June, 2013 the Audit Chamber engaged Deloitte and Company to perform the audit of the Central Bank on their behalf. Chamber staff was embedded in the Deloitte team. It took more than one year to begin the process of drafting a report. I had hoped that given more time, the Bank could reconcile ledger variances, obtain confirmation of balances in foreign banks, and clear the Suspense Account. These are the critical material matters that delayed the issuance of this report. I had to conduct an exit meeting with the Board of Directors on 4th July 2014 without settling the outstanding matters. This was necessary as the audit of 2013 was already overdue.

6. The Governor of the Bank of South Sudan has assured me that efforts to resolve the outstanding issues are making remarkable progress. These matters will be revisited in subsequent audits and audit reports.

7. I thank the Governor and his team for the cooperation during the audit engagement.

Ambassador Steven Wöndu
Auditor General

NATIONAL AUDIT CHAMBER
REPUBLIC OF SOUTH SUDAN

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

I have audited the accompanying financial statements of Bank of South Sudan ("the Bank"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in capital and reserves and statement of cash flows for the inception period, from 29 August 2011 to 31 December 2012, and a summary of significant accounting policies and other explanatory notes as set out in pages 6 to 32.

Director's responsibility for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of the Bank of South Sudan Act of 2011 and the Public Finance Management and Accountability Act of 2011. The Board is also responsible for instituting such internal controls as it deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Because of the matters described in the "Bases for Disclaimer of Opinion" paragraphs *infra*, I was not able to obtain sufficient appropriate audit evidence to provide an audit opinion.

Bases of Disclaimer of Opinion

The Bank has maintained a General Ledger for the period from 29 August 2011 to 31 December 2012. The Ledger did not fully capture the transactions of the period under audit. The financial statements were compiled based on the system balances adjusted with information collected from various sources and departments, which were not consistently supported by sufficient and appropriate documentary evidence. In the absence of adequate controls to ensure accuracy and completeness of accounting records, I was unable to satisfy myself by alternative means concerning the completeness and accuracy of assets and liabilities inherited at the establishment of the Bank. The amounts in the financial statements are subject to significant modification and ratifications based on fresh information which may be brought to light in the coming years.

Further, the reconciliations for significant accounts with foreign banks/correspondent banks in Note 5 are still in progress and the final impact will be given effect in future years as it is not quantifiable at the time of closure of audit.

In most cases confirmations for balances have not been obtained for the following:

i. Bank balances with foreign bank accounts/correspondent banks (Note 5);
ii. Deposits from banks and financial institutions (Note 12);
iii. Deposits from government institutions (Note 13); and
iv. Total currency printed during the inception period ended 31 December 2012 (Note 11).

The Bank has not accrued and / or paid interest on the deposits from government (Note 13) as prescribed by Article 67(4) of the Bank of South Sudan Act, 2011 which requires the Bank to pay interest on deposits at relevant market rates after deduction of applicable administration costs related to such deposits.

The following samples of possible material misstatement, among many others, are major bases for the disclaimer opinion.

a) The Trial Balance

- The Trial Balance at year end differs significantly with the Balance Sheet
- Material year-end adjustments were made without sufficient evidence

The causes of the differences are mainly due to lack of effective internal control system as demonstrated bellow:

1) Miss-posting of transactions by charging the wrong codes
2) No periodical reconciliations to match the booked balances
3) 2011and 2012 transactions were posted in year 2013
4) Detailed reconciliations of the balances to the adjustments passed are not available and if available, are not retrieved timely
5) Supporting schedules for the adjusted balances do not agree or reconcile to the adjusted Trial Balance.

Table 1 – Sample of Trial Balance adjustments

Correspondent Banks	Ledger Accounts #	Currency	Ledger Balances	Type	Adjustments	Adjusted Balances
TAIC	0011000001	EUR	1,013,689.56	Debit	(10,400,000.00)	11,413,689.56
STANBIC EURO 1	0011000003	EUR	68,991,568.74	Debit	(89,911,986.10)	158,903,554.84
COMMERSBANK 1	0011000004	EUR	105,313,631.55	Debit	98,949,318.61	6,364,312.94
Q.N.B	0011000006	EUR	120,000,000.00	Debit	115,000,000.00	5,000,000.00
TAIC	0011000001	USD	(46,086,476.38)	Credit	(47,615,472.53)	1,528,996.15
B.N.P. PARIBAS	0011000002	USD	(142,164.94)	Credit	(166,200.00)	24,035.06
STANBIC	0011000003	USD	247,966,614.04	Debit	(10,708,507.71)	258,675,121.75
COMMERSBANK	0011000004	USD	30,737,915.04	Debit	28,568,123.25	2,169,791.79
Q.N.B	0011000006	USD	316,148,011.14	Debit	(60,098,476.70)	376,246,487.84
STANBIC	0011000007	USD	(33,999,000.00)	Credit	(20,488,000.00)	(13,511,000.00)
Q.N.B	0011000006	GBP	-	Debit	(16,646,000.00)	16,646,000.00

b) Reconciliation of foreign banks (Nostro) accounts

These represent Bank of South Sudan (BSS) deposits with foreign banks abroad. These accounts are supposed to be reconciled against the Swift Statements weekly/monthly, but this exercise was not carried out even at year end.

The breakdown in the reconciling process over these material accounts is a significant concern from an audit perspective because it indicates a significant internal control weaknesses and potentially, material errors in external financial reporting. There is high risk that cash resources are susceptible to misstatement due to error or fraud.

Table 2 – Status of Foreign Banks Accounts

Institution	Currency	Trail Balance	Balance per statement of correspondent bank	Un-reconciled difference
Stanbic	USD	258,675,121.75	14,702,639.05	243,972,482.70
Stanbic	USD	(13,511,000)	*	*
Stanbic	EURO	158,903,544.84	2,232,143.11	156,671,401.73

Stanbic	UGX	82,242,585,000.10	*	*
Stanbic	USD	-	886.83	(886.83)
Stanbic	KSE	1,144,999,520.00	755,887,937.07	389,111,582.93
BNP Paribas	GBP	1.46	*	*
KCB Nairobi	GBP	2,330,542.28	*	*
TAIC	GBP	674,379.79	674,640.57	(260.78)
Stanbic	GBP	55,861.30	*	*
BNP Paribas	EURO	8,794.34	*	*
KCB Nairobi	EURO	529,724.01	*	*
Commerzbank	EURO	0.15	*	*
Stanbic	EURO	216,657,988.01	*	*
KCB Nairobi	USD	1,138,946.06	*	*
BNP Paribas	USD	24,035.06	*	*
BNP Paribas	USD	6,147.20	*	*
TAIC	USD	1,528,996.15	1,529,687.19	(691.04)

* Bank statement not received. Therefore the existence of the amounts cannot be confirmed.

c) Suspense Account

Ideally, the suspense and/or clearing accounts should have a nil balance at year end. Below are samples of suspense and clearing accounts which had balances at year end.
There is high risk that errors and fraud can go undetected if suspense and clearing accounts are not reconciled and cleared on a timely basis.

The value of un-cleared suspense accounts at year end is material and results in the misstatement of the financial statements.

Table 3- Suspense & Clearance Account

Acc #	Details	Currency	SSP – Debit	SSP - Credit
7049451	YEAR END CUST ACCT RECON - JUBA	SSP	771,103.85	-
7049452	YEAR END CUST ACCT RECON - WAU	SSP	141,058.00	-
7049453	YEAR END CUST ACCT RECON - MALAKAL	SSP	5.00	-
7049461	YEAR END CASH RECON ACCT - JUBA	SSP	3,535,625.64	-
7049463	YEAR END CASH RECON ACCT - MALAKAL	SSP	-	(86,450.81)
7049464	YEAR END CASH RECON ACCT - YEI	SSP	-	(2,553.16)
7049470	PRE LIVE RECON ACCOUNT CUST ACCOUNTS	SSP	-	(16,214,648.07)
7049470	PRE LIVE RECON ACCOUNT CUST ACCOUNTS	USD	1,449,795.44	-
7049471	PRE LIVE RECON ACCOUNT - CASH	EUR	773,231.19	-
7049471	PRE LIVE RECON ACCOUNT - CASH	GBP	371,911.80	-
7049471	PRE LIVE RECON ACCOUNT - CASH	SSP	12,344,503.62	-
7049471	PRE LIVE RECON ACCOUNT - CASH	USD	19,501,910.15	-
	Total		**38,889,144.69**	**(16,303,652.04)-**

Debit means the customer owes the Bank
Credit means the Bank owes the Customer

The Bank has not complied with the following provisions of the Bank of South Sudan Act, 2011;

i. Article 14(d): The Bank shall have a Chief Financial Officer.
ii. Article 67(4): The Bank shall pay interest on such deposits at relevant market rates after deduction of its administrative costs related to such deposits.
iii. Article 76(1): The Bank shall, within four months after the close of each of its financial years, submit to the Minister for transmission to the President a copy of its financial statements certified by the Auditor General.

The disclosure notes do not include disclosure of financial instruments (bonds, treasury bills, guarantees) as required by International Financial Reporting Standards Number 7, 24 and 32..

Disclaimer of Opinion

Because of the significance of the matters described in the "**Bases for Disclaimer of Opinion"** paragraphs *supra*, I have not been able to obtain sufficient appropriate audit evidence to provide an opinion. Accordingly, I do not express an opinion on Income Statement of the Bank of South Sudan for the period between August 2011 to December 2012 and the Financial Position on December 31 2012.

Signed: ....**Date**..7/11/2014..........

Amb. Steven Kiliona Wöndu
The Auditor General
National Audit Chamber
South Sudan

BANK OF SOUTH SUDAN

Statement of Financial Position
at 31 December 2012

	Notes	2012 SSP
ASSETS		
Reserve holdings	5	4,392,355,500
Government securities	6	2,367,373,480
Advances to Government	7	15,000,000
Intangible assets	8	7,645,856
Property and equipment	9	35,503,942
Other assets	10	28,506,146
Total assets		6,846,384,924
LIABILITIES		
Currency in circulation	11	2,184,933,174
Deposits and current accounts	12	2,847,014,798
Deposits from Government	13	1,783,488,091
Deferred revenue	14	18,093,630
Provision for end of service benefits	15	5,289,726
Other liabilities	16	2,164,531
Total liabilities		6,840,983,950
CAPITAL AND RESERVES		
Capital	17	15,000,000
Accumulated losses		(9,599,026)
Net capital and reserve		5,400,974
Total liabilities and capital and reserves		6,846,384,924

The financial statements on pages 3 to 29 were approved by the Board of Directors on 4 July 2014 and were signed on their behalf by :

Directorate of Administration & Finance Bank of South Sudan
Office of the Director General
4 JUL 2014
BSS

4/7
2014

Konelio Koriom Mayik
The Governor

Angamomo Ajigi Abton
Director General Finance and Administration

The accompanying notes on pages 10 to 32 form an integral part of these financial statements

Statement of Comprehensive Income
for the period since inception, 29 August 2011 to 31 December 2012

	Notes	2012 SSP
Interest and fees income	18	27,666,309
Commission income	19	86,325,310
Commission expenses	20	(7,422,150)
Net interest and commission income		**106,569,469**
Other income		
License and service fees		583,296
Grant income	14	5,413,520
Foreign exchange loss		(22,780,808)
Operating income		**89,785,477**
Operating expenses		
Staff costs	21	(60,398,311)
General and administration expenses	22	(30,457,961)
Depreciation and amortisation	8,9	(8,528,231)
Total operating expenses		**(99,384,503)**
Total loss / comprehensive loss for the period		**(9,599,026)**

Directorate of Administration & Finance Bank of South Sudan
Office of the Director General
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BANK OF SOUTH SUDAN

Statement of Changes in Capital and Reserves
for the period since inception, 29 August 2011 to 31 December 2012

	Capital SSP	Accumulated losses SSP	Total SSP
At 29 August 2011	-	-	-
Capital introduced by the Government	15,000,000	-	15,000,000
Total loss/comprehensive loss for the period	-	(9,599,026)	(9,599,026)
At 31 December 2012	**15,000,000**	**(9,599,026)**	**5,400,974**

Directorate of Administration & Finance Bank of South Sudan
Office of the Director General
4 JUL 2014
BSS

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Statement of Cash Flows
For the period since inception, 29 August 2011to 31 December 2012

	Notes	2012 SSP
Cash flows from operating activities		
Loss for the period		(9,599,026)
Adjustments for :		
Depreciation and amortization		8,528,231
Grant income		(5,413,520)
Provision for end of service		5,289,727
Unrealised foreign exchange loss on currency placements		424,405,250
Operating profit before changes in working capital		423,210,662
Changes in working capital:		
Advances to the Government		(15,000,000)
Other assets		(28,506,146)
Deposits and current accounts		2,847,014,798
Due to Government		1,783,488,091
Other liabilities		2,164,531
Net cash generated by operating activities		5,012,371,936
Cash flows from investing activities		
Payments for acquiring Government securities		(2,367,373,480)
Payments for acquiring property and equipment		(28,170,880)
Net cash used in investing activities		(2,395,544,360)
Cash flows from financing activities		
Proceeds from capital contribution		15,000,000
Currency in circulation		2,184,933,174
Net cash generated from financing activities		2,199,933,174
Net change in cash and cash equivalents		4,816,760,750
Effects of exchange rate fluctuation on cash held in foreign currencies		(424,405,250)
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	23	4,392,355,500

Directorate of Administration & Finance Bank of South Sudan
Office of the Director General
4 JUL 2014
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4/7
2014

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Director General Finance and Administration

The accompanying notes on pages 10 to 32 form an integral part of these financial statements

1. Legal status and principal activities

The Bank of South Sudan ("the Bank"), a Government entity, fulfils the central banking role in the Republic of South Sudan. The Bank was established on 29 August 2011 according to the presidential decree. Its functions are laid down in the Bank of South Sudan Act of 2011 and are principally as follows:

a) maintain monetary and domestic price stability
b) 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 the stability of the financial system as a whole
c) support the general economic policies of the Government, and promote sustainable economic growth
d) adopt and implement policies designed to maintain monetary stability
e) determine the features of banknotes and coins
f) hold and manage the official foreign exchange reserves of the state
g) oversee the development and sound functioning of the payment systems and systems for transfers of securities issued by the Government or the Bank
h) establish and enforce minimum bank reserve requirements
i) act as Banker and adviser to, and as fiscal agent of, the Government, and to such public agencies as may be determined by law
j) regulate and supervise banks and such other regulated entities as shall be submitted to its oversight in accordance with relevant legislation
k) 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
l) undertake foreign exchange operations at the request of the Government and on the Bank's own behalf
m) issue debt securities in accordance with policies approved by the Board
n) collect economic and financial data related to its objectives and tasks
o) 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
p) represent South Sudan in international affairs in accordance with this Act

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the period ended 31 December 2012, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations, and effective for period beginning 29 August 2011.

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 – *Disclosures – Transfer of Financial Assets*	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset
Amendments to IAS 12 – *Deferred Tax: Recovery of Underlying Assets*	The amendments to IAS 12 provide an exception to the general principal set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover a carrying amount of the asset. Specifically, the amendments established a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 *Investment Property* will be recovered entirely through sale.

Standards and Interpretations in issue but not yet effective

At the date of authorization of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
New IFRS and relevant amendments	
Financial Instruments	
IFRS 9: *Financial Instruments* (as revised in 2010 *to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)*	January 2015
Amendments to IFRS 9 and IFRS 7 : *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	January 2015
Consolidation, joint arrangements, associates and disclosures	
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: *Joint Arrangements*	January 2013
IFRS 12: *Disclosure of Interests in Other Entities*	January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosures in Other Entities : Transition Guidance and investments entities*	January 2013
IAS 27: *Separate Financial Statements (as revised in 2011)*	January 2013
IAS 27: *Separate Financial Statements amendments for investments entities*	January 2014
IAS 28: Investments in Associates, *reissued as IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*	January 2013

2. Adoption of new and revised International Financial Reporting Standards ("IFRS") (continued)

Standards and Interpretations in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
Fair value measurement	
IFRS 13: *Fair Value Measurement*	January 2013
Revised IFRS	
Employee benefits	
IAS 19: Employee Benefits *(as revised in 2011 for the post- employment benefits and termination benefits)*	January 2013
Amendments to IFRSs	
IFRS 1: *Government loans*	July 2012
IAS 1: *Presentation of items of other comprehensive income*	July 2012
IAS 32 : *Offsetting Financial Assets and Financial Liabilities*	January 2013
Annual improvements to IFRSs 2009 to 2011 Cycles	January 2013
IFRS 7 : *Disclosures – Offsetting Financial Assets and Financial Liabilities*	January 2013

The Board of Directors anticipates that the adoption of the standards will have no material impact on the financial statements of the Bank except for IFRS 9: Financial Instruments. The management is currently assessing this standard which may have an impact on the financial statements of the Bank.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with:

i) International Financial Reporting Standards (IFRS),
ii) The Bank of South Sudan Act of 2011 ("the Central Bank Law 2011");
iii) The Public Finance Management and Accountability Act of 2011; and

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

The Bank commenced operations on 29 August 2011, accordingly these financial statements present the first financial reporting period and there are no comparative figures.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Bank has no foreign branches abroad. The Board of Directors consider that the activities of the Bank constitute a single business conducted in the Republic of South Sudan and, accordingly, that no further analysis by business unit or geographic segment is appropriate for financial reporting purposes.

Financial instruments

Financial assets and financial liabilities are recognized when the Bank has become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, if any) are added to or deducted from fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

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 estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, if any.

Held-to-maturity investments

Held-to-maturity investments (including foreign currency placements, interest bearing bonds and treasury bills) are non-derivative financial assets with fixed or determinable payments and fixed maturity dates for which the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. Relevant accrued interests are included in "other assets" at the statement of financial position date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include balances with banks and financial institutions, advances to Government and other assets. After initial measurement, loans and receivables are subsequently measured at amortised cos using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL if any, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for such financial asset because of financial difficulties.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as loans and receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Bank's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets, other than investments at FVTPL is impaired. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

The Bank classifies its financial liabilities into financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability at amortised cost only (i.e. other financial liabilities).

Other financial liabilities

Other financial liabilities (including notes and coins issued, local banks' accounts and deposits, deposits from government, and other liabilities) are initially measured at their fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Expense is recognised on an effective interest basis, except for short-term payables when the recognition of interest would be immaterial.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of reporting the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including: cash on hand in foreign currencies, treasury bills, balances with banks and financial institutions.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is its purchase price together with any incidental expenses.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Depreciation is provided on all property and equipment on a straight line over the estimated useful life of the assets. Expected future cash flows are discounted to their present values in determining the recoverable amount of items of premises and equipment.

The estimated useful lives of the Bank's property and are as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property 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 property 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.

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets comprise of computer software that is not integral to computer hardware and are recognized at cost. Following initial recognition these intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets

The carrying amounts of the Bank's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

Consigned assets

Consigned assets are not considered part of the Bank's assets, therefore, not included in the financial statements of the Bank.

Currency in circulation

Currency in circulation balance in South Sudanese Pound represents a bank liability to the holders. Currency in circulation balance appears in the financial statement after deducting non-circulated cash from the nominal value of issued cash. The balance of non-circulated cash retained in the Bank's vaults is not a Bank liability until it is made available for circulation.

Grants

Grants recognised at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions, if any, will be complied with. Grants relating to services and goods which are not property and equipment or intangible asset recognised immediately in profit and loss. For grants relating to an asset, the fair value is credited to a deferred government grant account and is released to profit or loss over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation/amortization policy of the related asset. The deferred grant relating to items of property and equipment and intangible assets which have been derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset, is released to the profit and loss in that period.

3. Summary of significant accounting policies (continued)

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employees' end of service benefits

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

a) For service of one 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 services.
e) For service of more than twenty five years to thirty years, four and a third months shall be granted for each year of service.
f) For service of more than thirty years, four and a half months salary shall be granted for each year of services.

General reserve

Under the Central Bank Law 2011, 50% of any profit is transferred to the general reserve until the balance on the general reserve is equivalent to the amount of the required capital of the Bank. As the Bank incurred net loss during the period, no allocation was made to this reserve.

3. Summary of significant accounting policies (continued)

Income and expense recognition

Revenue is measured at the fair value of the consideration received or receivable.

Dividends and interest income

Dividend income from investments is recognised when right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Interest and fees income are recognized in the statement of comprehensive income in accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Commissions are generally recognized on an accrual basis hen service has been provided.

Leases

Finance lease contract is the contract in which lease transfer substantially all the risks and rewards of ownership to the lessee regardless of whether the assets' ownership was actually transferred at the end or not, whereas operating lease is any lease contract other than finance lease contract.

All leases which have been entered into by the Bank are operating leases. Rentals payable under operating lease are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Cost of printing and destruction of cash

Notes printing and coins minting expenses which include ordering, printing, minting, freight, carriage insurance and handling costs. All costs related to the printing and destruction of cash are charged to the same year in which printing and destruction of cash has been made.

Foreign currency transactions

Items included in the financial statements of the Bank are measured and presented in South Sudanese Pounds being the currency of the primary economic environment in which the Bank operates (the functional currency).

Foreign currency transactions are translated into South Sudan Pounds at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies at the reporting date are valued based on international market exchange rates at that date.

In accordance with the Central Bank Law 2011, profits or losses arising from the revaluation of the financial assets of the Bank denominated in foreign currencies are included in profit or loss.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of financial statements in conformity with Banking Law 2011 and IFRSs requires the use of certain critical accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The area requiring higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements is fair value measurement of financial instruments.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as, available-for-sale or held-to-maturity investments.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below :

Fair value estimation
The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of the quoted investments categorised as available-for-sale, if any, is based on market bid prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Useful lives of property and equipment
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5. Reserve holdings

The Bank's reserve holding consist of foreign currency cash holdings and placements in non-interest bearing foreign bank accounts.

	2012 SSP
Foreign currency holding	146,387,041
Accounts with foreign banks	4,245,968,459
	4,392,355,500

(a) The Bank's reserves of foreign currency cash holding and placements in foreign bank accounts consists of the following foreign currencies:

	Cash holding SSP	Bank accounts SSP	Total SSP
US Dollar	96,289,717	1,847,521,651	1,943,811,368
Euro	32,404,431	1,555,345,233	1,587,749,664
Pound Sterling	17,692,893	713,361,247	731,054,140
Kenyan Shilling	-	39,273,484	39,273,484
Ugandan Shilling	-	90,466,844	90,466,844
	146,387,041	**4,245,968,459**	**4,392,355,500**

(b) The Bank holds placements with approved counterparties subject to a system of credit risk evaluation. At 31 December, these placements were held with banks whose countries of origin were as follows:

	2012 %
Kenya	67
Qatar	28
Uganda	2
Switzerland	1
Bahrain	1
German	1
	100

6. Government securities

	2012 SSP
Interest bearing bonds (a)	**1,917,373,480**
Treasury bills (b)	**450,000,000**
	2,367,373,480

(a) The interest bearing bonds are payable from the Ministry of Finance and Economic Planning and have maturities between six months and seven years. The bonds were issued on 31 December 2012 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 this resolution, various assets with a recorded value of SSP 1,917,373,490 were transferred from the Bank to the Ministry of Finance and Economic Planning in exchange for the interest bearing bonds of the same amount.

(b) The treasury bills are issued by the Ministry of Finance and Economic Planning and have a maturity of three months expiring on 19 March 2013. The bonds were issued on 18 December 2012 as security against a loan to the Ministry of Finance and Economic Planning.

(c) The interest rates earned on securities issued by the Government of South Sudan are as follows:

Historical yield to maturity	**2012 %**
Interest bearing bonds	**3**
Treasury bills	**3**

7. Advances to Government

Advances to government	**15,000,000**

Advances to Government pertains to an advance to the Upper Nile State for SSP15,000,000 for a period of 90 days. The advance is secured by a letter of guarantee from the Ministry of Finance. The interest rate on the advance is 3 % per annum.

8. Intangible assets

	2012 SSP
Cost	
29 August 2011	-
Additions	**8,868,232**
31 December 2012	**8,868,232**
Amortization	
Charge for the period	**(1,222,376)**
Released on disposals	-
31 December 2012	**(1,222,376)**
Carrying value	
31 December 2012	**7,645,856**

Intangible assets of the Bank consist of banking and other computer software received through a grant received from the Capacity Building Trust Fund ("CBTF") as disclosed in the respective Note 14 below.

Notes to the financial statements
for the inception period, 29 August 2011 to 31 December 2012 (continued)

9. Property and equipment

	Land and buildings SSP	Furniture and fixtures SSP	Vehicles SSP	Office equipment SSP	Other SSP	Total SSP
Cost						
29 August 2011	-	-	-	-	-	-
Additions*	22,325,523	2,259,303	6,359,757	4,069,106	7,796,108	42,809,797
Disposals	-	-	-	-	-	-
31 December 2012	22,325,523	2,259,303	6,359,757	4,069,106	7,796,108	42,809,797
Depreciation						
29 August 2011	-	-	-	-	-	-
Charge for the period	(1,445,829)	(1,227,466)	(1,551,734)	(1,397,520)	(1,683,306)	(7,305,855)
Released on disposals	-	-	-	-	-	-
31 December 2012	(1,445,829)	(1,227,466)	(1,551,734)	(1,397,520)	(1,683,306)	(7,305,855)
Carrying value						
31 December 2012	20,879,694	1,031,837	4,808,023	2,671,586	6,112,802	35,503,942

* Includes property and equipment transferred to the Bank at net book value on inception date from the Central Bank of Sudan in line with existing inter-government agreements following the establishment of South Sudan as separate country and donated assets.

10. Other assets

	2012 SSP
Loans and advances to staff	3,589,255
Interest receivable	487,500
Other receivables	1,400,630
Suspense accounts	23,028,761
	28,506,146

11. Currency in circulation

Total printed currency	5,256,500,000
Less: Unissued currency in vault	(2,432,700,000)
Currency issued for circulation	2,823,800,000
Less: Currency in vault	(638,866,826)
Currency in circulation	2,184,933,174

Currency in circulation represents the total currency issued for circulation reduced for currency redeemed. In addition, the Bank holds currency printed but not issued for the purpose of meeting any liquidity requirements.

12. Deposits and current accounts

Deposits and current accounts have been placed with the Bank by local banks and other financial institutions.

	2012 SSP
Current accounts	2,660,075,307
Statutory deposits	92,205,935
Overnight deposits	58,546,435
Others	36,187,121
	2,847,014,798

No interest was paid on local banks capital deposits, current accounts and other balances held with the Bank.

12. Deposits and current accounts (continued)

The deposits current accounts held with the Bank are denominated in the following currencies:

	2012 SSP
South Sudanese Pound	**1,560,540,731**
US Dollar	**1,282,328,066**
Euro	**3,763,720**
Pound Sterling	**382,281**
	2,847,014,798

13. Deposits from Government

Deposits and current accounts have been placed with the Bank by the Ministry of Finance and Economic Planning and other Government institutions.

	2012 SSP
Ministry of Finance and Economic Planning	**1,446,817,416**
Other Government institutions	**336,670,675**
	1,783,488,091

No interest was paid on these Government deposits held with the Bank.

The Government deposits held with the Bank are denominated in the following currencies:

	2012 SSP
South Sudanese Pound	**1,197,552,850**
US Dollar	**460,044,371**
Euro	**111,887,637**
Pound Sterling	**14,003,233**
	1,783,488,091

14. Deferred revenue

	CBTF 2012 SSP	Ministry of Finance 2012 SSP	Total 2012 SSP
Grant received	15,593,394	7,913,756	23,507,150
Amortisation during the period	(4,140,664)	(471,928)	(4,612,592)
Disposals during the period	-	(800,928)	(800,928)
Movement during the period	(4,140,664)	(1,272,856)	(5,413,520)
	11,452,730	6,640,900	18,093,630

Deferred revenue represents unconditional amounts of grants received from the Ministry of Finance and from the CBTF. The CBTF is 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, and the procurement and contract management role is delegated to the Financial Management Agent. The grant from CBFT consists of information technology ("IT") and power equipment, accounting software and repairs and maintenance works to buildings. The grant from the Ministry of Finance consists of buildings, IT equipment and motor vehicles. The Bank recognised these granted assets at the time of receipt.

SSP 5,413,520 Grant income was recognized for the period in the statement of comprehensive income.

15. Provision for end of service benefits

	2012 SSP
Provision for end of service benefits	5,289,726

16. Other liabilities

Sundry payables	2,164,531

17. Capital

The capital account comprises the initial capital paid by the Government as per Article 33 of the Bank of South Sudan Act of 2011 (the "Act"). The Act states that, the authorised and paid up capital of the Bank is SSP 15,000,000. The capital of the Bank is solely held by the Government of the Republic of South Sudan, and is not transferable or subject to encumbrances.

18. Interest and fees income

	2012 SSP
Interest income	22,666,309
Government loan processing fees	5,000,000
	27,666,309

19. Commission income

Commission from foreign currency transactions	80,505,276
Other commission	5,820,034
	86,325,310

20. Commission expenses

Foreign bank charges	5,367,824
Other banking charges and commission	2,054,326
	7,422,150

21. Staff costs

Salaries	24,177,495
Allowances	36,220,816
	60,398,311

The number of employees as of 31 December 2012 was 465.

22. General and administration expenses

	2012 SSP
Staff travelling	6,203,592
Power and electricity	5,684,407
Currency transportation and insurance	3,379,780
Repair and maintenance	1,884,196
Communication	1,749,047
Directors' remuneration	1,404,466
Money market development	1,319,142
Training	1,028,383
Printing and stationery	577,505
Entertainment	232,434
Donations	229,263
Library, books and periodicals	196,313
Insurance	147,940
Cleaning and maintenance	36,958
Posters and public awareness	23,134
Audit fees and expenses	71,500
Accumulated depreciation written off	(1,051,442)
Other expenses	7,341,343
	30,457,961

23. Cash and cash equivalents

Foreign currency holdings	146,387,041
Accounts with foreign banks	4,245,968,459
	4,392,355,500

24. Related party transactions

The Bank is a Government entity as the Republic of South Sudan is the ultimate owner of the Bank. Related parties to the Bank include the Government of South Sudan's various department of the Government, Government controlled entities and enterprises.

Generally the Bank enters into the following transactions with the government and its related organizations:

a) The Bank acts as a depository of the government and or its agent or institutions and provide banking services to government, governmental organizations and enterprises;
b) Issue letters of credit on behalf of the Government, Governmental organisation and enterprises; and
c) Act as the agent of the government which manages the foreign reserves

The Bank enters into transactions with Government and its related organizations in the ordinary course of the business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

25. Capital commitments

There are no capital commitments to third parties including the Government at 31 December 2012.

26. Contingent liabilities

The Bank does not have any contingent liability outstanding at the balance sheet date.

29. Capital management

The Bank's objectives when managing capital are:

(a) to comply with the Central Bank Law 2011;
(b) to maintain sufficient capital to mitigate the risks associated with its activities and functions as the Bank of South Sudan; and
(c) to allow distributions to the Government of the Republic of South Sudan.

Article 33 and 36 of the Central Bank Law 2011 stipulates that the initial minimum share capital of the Bank shall be SSP 15 million and which will be increased each year by any net profit until it reaches a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the statement of financial position of the Bank at the end of that financial year.

29. Capital management (continued)

In addition, Article 34 of the Central Bank Law 2011 requires the Bank to maintain a General Reserve Fund through annual appropriations of the net profit until the balance of this Fund equals an amount equivalent to the amount of the required capital of the Bank. If at the conclusion of any annual accounting period the General Reserve Fund and other reserves are insufficient to cover the losses of the Bank for the previous year, the deficiency shall be allocated against the capital of the Bank.

Article 34 of the Central Bank Law 2011 states that whenever, on one of its monthly pro forma statement of financial positions, the value of the Bank's assets falls below the sum of its liabilities and required capital, the Minister of Finance and Economic Planning shall, within two months after submission of the notification to the President and Assembly as required by Article 76(4) of the Central Bank Law 2011, provide South Sudanese pounds or debt securities issued by the Government at a market rate of interest in such amount or amounts as shall be necessary to remedy this deficit.

30. Comparatives

The Bank commenced operations on August 29, 2011, accordingly these financial statements present the first financial reporting period 29 August 2011 to 31 December 2012 and there are no comparative figures.