UNITED CAPITAL BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2007

MUBARAK
For Accounting, Auditing & Financial Consultancy
Certified Public Accountants
Independent Firm
Correspondent of ERNST & YOUNG

مبـــارك
للمحاسبة والمراجعة والإستشارات المالية
محاسبون قانونيون
مكتب مستقل
مراسلون إرنست وَيَونغ

AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED CAPITAL BANK (Public Company)

We have audited the accompanying financial statements of United Capital Bank, which comprise the statement of financial position as at December 31, 2007 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards of The Accounting And Auditing Organization For Islamic Financial Institutions. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards for Islamic Financial Institution. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with accounting standards of The Accounting And Auditing Organization For Islamic Financial Institutions.

Mubarak Ali Ibrahim – Partner
March 4, 2008

Mubarak For Accounting, Auditing & Financial Consultancy
Date : ....

Tel: 00249 183 779392 Fax:00249 183 787665
Elshaikh Mustafa Elamin Building - 1st floor - Paliament St.
Khartoum - P.O.Box 6556 - Sudan
E-mail: maafc@sudanmail.net

تلفون: ٠٠٢٤٩ ١٨٣ ٧٧٩٣٩٢ – فاكس: ٠٠٢٤٩ ١٨٣ ٧٨٧٦٦٥
عمارة الشيخ مصطفى الأمين – الطابق الأول – شارع البرلمان
الخرطوم – ص.ب ١٥٥٦ – السودان
بريد الكتروني : maafc@sudanmail.net

STATEMENT OF FINANCIAL POSITION

At December 31, 2007

	Notes	2007 SDG	2006 SDG
ASSETS			
Cash and balances with banks and financial institutions	4	40,255,447	15,888,177
Investments with banks and financial institutions	5	152,747,205	132,109,625
Investments in securities	6	50,623,680	17,816,732
Finance to customers, net	7	130,501,962	17,712,550
Other assets	8	8,090,129	4,892,178
Fixed Assets, net	9	6,421,106	5,554,206
TOTAL ASSETS		388,639,529	193,973,468
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY			
Liabilities			
Customer deposits	10	112,033,368	69,641,577
Other Liabilities	11	14,630,563	5,425,799
TOTAL LIABILITIES		126,663,931	75,067,376
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		5,109,546	-
Shareholders' equity			
Issued share capital	12	240,000,000	130,000,000
Receivable from shareholders (unpaid shares)		-	(9,435,000)
Paid up capital		240,000,000	120,565,000
Share premium	12 & 13	4,500,000	-
Statutory reserve	14	1,120,457	-
Fair value reserve	15	1,161,480	1,009,226
Retained earnings (loss)		10,084,115	(2,668,134)
TOTAL SHAREHOLDERS' EQUITY		256,866,052	118,906,092
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		388,639,529	193,973,468

The financial statements were authorised for issue in accordance with a resolution of the directors on February 20, 2008.

Saad Al Wazzan
Chairman and Managing Director

Kamal El Zubeir
General Manager

The attached notes 1 to 28 form an integral part of these financial statements.

UNITED CAPITAL BANK

INCOME STATEMENT

For the year ended December 31, 2007

	Notes	*2007 SDG*	*2006 SDG*
INCOME			
Income from investments with banks and financial institutions	16	9,712,778	6,659,380
Income from securities available for sale	17	2,516,086	1,247,878
Income from securities held for trading	18	2,021,488	-
Income from financing to customers		9,726,702	376,504
Total income from investments and financing		23,977,054	8,283,762
Less: Return on unrestricted investment accounts		(1,422,566)	(618,282)
Net income from investment and financing		22,554,488	7,665,480
Fee income	19	8,574,844	519,666
Total income		31,129,332	8,185,146
EXPENSES			
Staff cost		(4,987,400)	(2,673,204)
Other operating expenses	20	(4,162,623)	(3,398,528)
Depreciation	9	(1,041,346)	(502,661)
Provision for finance losses	7-1	(1,902,500)	(128,670)
Total operating expenses		(12,093,869)	(6,703,063)
Operating profit		19,035,463	1,482,083
Exchange loss		-	(2,620,440)
Net profit (loss) before zakat and tax		19,035,463	(1,138,357)
Provision for zakat		(4,059,609)	(1,529,777)
Provision for income tax		(1,103,148)	-
Net profit (loss)		13,872,706	(2,668,134)
Earnings (loss) per share	21	0.94	(0.40)

The attached notes 1 to 28 form an integral part of these financial statements.

UNITED CAPITAL BANK

STATEMENT OF CASH FLOWS

Year ended December 31, 2007

	Notes	2007 SDG	2006 SDG
Operating activities			
Net profit (Loss) for the year		**13,872,706**	(2,668,134)
Adjustment for:			
Depreciation		**1,041,346**	502,661
Provision for zakat		**4,059,609**	1,529,777
Provision for income tax		**1,103,148**	-
Provision for staff end of service benefits		**243,669**	212,340
Provision for finance losses		**1,902,500**	128,670
Provision for staff bonus		**593,442**	322,080
Loss on disposal of fixed asset		**62,577**	-
Operating profit before working capital changes		**22,878,997**	27,394
Decrease (Increase) in statutory cash reserve		**1,718,262**	(6,197,870)
Decrease (Increase) in cash margin on sight L/C		**1,331,466**	(2,376,145)
Increase in finance to customers		**(114,691,912)**	(17,841,220)
Increase in other assets		**(3,197,951)**	(4,892,179)
Increase in customer deposits		**42,391,791**	69,641,577
Increase in other liabilities		**3,204,896**	3,361,602
Cash from (used in) operations		**(69,243,448)**	41,695,765
Net cash from (used in) operating activities		**(46,364,451)**	41,723,159
Investing Activities			
Purchase of investments		**(38,163,189)**	(16,807,506)
Proceeds from sale of investments		**5,508,500**	
Purchase of fixed assets		**(2,244,324)**	(6,056,870)
Proceeds from sale of fixed assets		**273,497**	-
Net cash used in investing activities		**(34,625,516)**	(22,864,376)
Financing Activities			
Issue of share capital		**119,435,000**	120,565,000
Receipt from share premium		**4,500,000**	-
Increase in unrestricted investment accounts		**5,109,546**	-
Net cash from financing activities		**129,044,546**	120,565,000
Increase (decrease) in cash & cash equivalents		**48,054,579**	139,423,783
Cash and cash equivalents at beginning of the year		**139,423,783**	-
Cash and cash equivalents at end of the year	**22**	**187,478,362**	139,423,783

The attached notes 1 to 28 form an integral part of these financial statements.

UNITED CAPITAL BANK

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2007

	Notes	Share Capital	Share premium	Statutory Reserve	Fair value Reserve	Retained earnings (loss)	Total
		SDG	*SDG*	*SDG*	*SDG*	*SDG*	*SDG*
Issue of share capital		65,000,000	-	-	-	-	65,000,000
Issue of additional shares	12	55,565,000	-	-	-	-	55,565,000
Net loss for the period		-	-	-	-	(2,668,134)	(2,668,134)
Unrealized gain from available for sale investements		-	-	-	1,009,226	-	1,009,226
Balance at December 31, 2006		120,565,000	-	-	1,009,226	(2,668,134)	118,906,092
Issue of additional shares	12	119,435,000	4,500,000	-	-	-	123,935,000
Net Profit for the year		-	-	-	-	13,872,706	13,872,706
Transfer to statutory reserve	14	-	-	1,120,457	-	(1,120,457)	-
Unrealized gain from available for sale investements		-	-	-	152,254	-	152,254
Balance at December 31, 2007		240,000,000	4,500,000	1,120,457	1,161,480	10,084,115	256,866,052

The attached notes 1 to 28 form an integral part of these financial statements.

1- INCORPORATION AND ACTIVITIES

United Capital Bank (the Bank) is a Public limited Company registered in the Republic of the Sudan under the Companies' Ordinance of 1925. The Bank was initially registered in August 8, 2005 as a Private Limited Liability Company and was required by the Central Bank of Sudan to undertake initial public offering (IPO) within two years from the date of initial registration. The Bank has changed its name from Capital Bank to United Capital Bank on June 11, 2007.

The Bank undertook initial public offering in August 2007 within the timeframe prescribed by the Central Bank of Sudan (see note 12 : share capital).

The Bank obtained registration certificate as a Public Limited Company under the number 25575 dated August 8, 2007. The Bank's shares were listed for trading in the Khartoum Stock Exchange with effect from November 25, 2007.

The Bank is engaged in providing full range of Islamic banking services to corporate and institutional customers.

United Capital Bank's registered office is located at Building no. 499, Square 65, Obaid Khatim Street, Khartoum East. Post Office Box 8210, Alamarat Area, Khartoum, Sudan. Fax no.00249 183235000, website: www.capitalbank-sudan.com.

2- SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as required by the Central Bank of Sudan .

Functional currency

The financial statements are presented in Sudanese Pounds (SDG) which became the official currency of the Sudan with effect from July 1, 2007. The comparative financial statements at and for the period ended December 31, 2006 have been converted from Sudanese Dinar (SDD) to Sudanese Pound (SDG).

Financial year/period

The financial statements are prepared for the year from January 1, 2007 through December 31, 2007.

The comparative financial statements are prepared for the period from date of incorporation on Auguast 8, 2005 through December 31, 2006 .

2.2 Accounting convention

The Bank uses the historical cost concept except for the re-measurement at fair value of securities classified as held for trading and available for sale. The Bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and amortization and any impairment loss.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

• IT equipment and computer software	4 years
• Office equipment, furniture and fixtures	5 years
• Motor vehicles	4 years

The cost of leasehold land is amortized over the lease term of 50 years.

Capital work in progress is not depreciated.

2.4 Impairment and uncollectibility of financial and tangible assets

The carrying amounts of the Bank's financial assets and tangible assets are reviewed at each balance sheet date to determine whether there is any indication or objective evidence of impairment. If any such indication or evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized in the income statement.

In addition , in accordance with the Centeral Bank of Sudan instructions , minimum general provision of 1% is made on all finance facilities not subject to specific provisions.

2.5 Fair Values

2.5.1 Investments

For investments traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the market value of similar investments, or is based on other acceptable valuation models.
Investments with no reliable measures of their fair values or for which fair value information could not be obtained are carried at their initial cost less impairment losses, if any.

2.5.2 Financail assets and liabilities

For financing to customers, fair value is approximately equal to their net book value, after deduction of deferred profit and provisions for finance losses.

For the other financial assets and financial liabilities, fair value is determined based on expected future cash flows or management’s estimate of the amount at which an asset could be exchanged for cash on an arm’s length basis or a liability settled to the satisfaction of creditors.

2.6 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash, current account balances and investment deposits with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provisions

Provisions are recognized when the Bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the expenditure required to settle the obligation at the balance sheet date.

2.8 Taxation

The Bank is subject to business profit tax at the rate of 15% of taxable profit.

2.9 Zakat

Zakat is calculated and provided for, in accordance with the regulations of the Chamber of Zakat. Zakat is allowed as deduction for income tax purposes.

2.10 Employees' end of service benefits

A provision is made for amounts payable to employees for end-of-service benefits, which is calculated in accordance with the provisions of the Labour Law.

2.11 Investments in securities and shares held for trading

Investments which are classified "for trading" are initially recognized at cost, including acquisition charges associated with the investments.

At the end of the period, securities and shares held for trading are re-measured at fair value, unless fair value can not be reliably determined, in which case they are measured at cost less impairment, if any.

The unrealized gains or losses resulting from the re-measurement at fair value are reported as "unrealized re-measurement gains or losses on investments" in the income statement. When the investments are sold or otherwise disposed of, the realized gain or loss thereon are recognized in the income statement.

2.12 Investments in securities available for sale

Investments which are classified as available for sale are initially recognized at cost. These investments are subsequently measured at fair value unless fair value cannot be determined. Available for sale investments where fair value cannot be reliably measured are carried at cost less impairment in value, if any.

Measurement gains and losses on available for sale investments are recognized as fair value reserve under shareholders' equity until the investments are sold or impaired, at which time the cumulative gain or loss previously recognized in equity is included in the income statement for the period.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Finance to customers

Financing activities such as Murabaha, Salam and Istisna are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and deferred profit, if any.

Syndicated financing based on the Mudaraba contract with banks is stated at cost less impairment , if any.

2.14 Investments with banks and financial institutions

Placements in investment accounts based on the Mudaraba contract with banks and financial institutions are stated at cost less provision for impairment, if any.

2.15 Revenue recognition

*Income from Murabaha, Ijara and Istisna post contracting finance is recognized on a time proportion basis over the period of the contract based on the outstanding balance.

*Income from Istisnaa arises from financing the contracting and post-contracting phases of project. Profit from financing the contracting phase of the Istisnaa project is recognized on the percentage of completion method. No profit is recognized on this phase until the project has progressed to the point where the estimate of realizable profit can be reasonably determined.

*Revenue from Salam transaction is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

*Income from participation in syndicated facilities managed by banks under the Mudaraba contracts is accrued if profit can be reliably estimated.

* Profit from Mudaraba investments with banks and other financial institutions is recognized in the income statement based on profit rates declared at maturity dates, or accrued if profit can be relaibily estimated.

* Fee and exchange income from banking services and foreign exchange transactions are recognized when contractually earned at the time the related services are provided.

* Dividend income is recognized when declared.

2.16 Settlement date accounting

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date on which the asset is delivered to the counterparty. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.17 Return on unrestricted investment accounts

Return on unrestricted investment accounts is calculated based on the income generated from all financing and investment assets after deducting the expenses related to investment pool “Mudarib expenses”. Mudarib expenses include all expenses directly attributed to the investment and financing activities and specific and general provisions required to write down financing and investment assets to fair value. All general and administrative expenses of the Bank are charged to revenue allocated to the shareholders’ equity. The Bank’s “Mudarib Profit” is deducted from depositors’ share of income before distribution.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Return on unrestricted investment accounts (continued)

The financing and investment income is allocated between the unrestricted investment account holders and the shareholders'equity according to the contribution of each of the two parties in the invested funds according to the Bank's standard policies approved by the Bank's Sharia committee.

2.18 Restricted investment accounts

Restricted investment accounts represent funds belonging to the Bank's customers for which it has assumed investment management responsibility. Such funds are invested on behalf of the customers by the Bank acting as mudarib, agent or a trustee or the funds may be invested by the Bank in its own name under the terms of a specific Mudaraba contract with the customers.

Restricted investment accounts and the attributable investment income or loss are not included in the Bank's financial statements and are directly paid to the customers after deduction of the Bank's stated commission as agent or profit share as Mudarib.

2.19 Contingencies and commitments

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements, but is disclosed when an inflow of economic benefits is probable.

2.20 Foreign currencies

The financial statements are denominated in Sudanese Pounds (SDG). Transactions in foreign currencies are translated into SDG at exchange rate prevailing on the transaction date . Monetary assets and liabilities at balance sheet date, denominated in foreign currencies, are translated into SDG at the exchange rates prevailing at the balance sheet date.

Realized and unrealized gains or losses on foreign exchange are credited or charged to income statement.

3- KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

3- KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.
The Bank classifies investments as held for trading if they are acquired primarily for the purpose of short term profit making. All other investments that are not designated as another category of financial assets, are classified as available for sale.

Key sources of estimation uncertainty

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

Impairment losses on financing facilities

The Bank reviews its financing portfolio to assess impairment on a monthly basis to establish whether a provision for impairment should be recorded and the amount of that provision. Considerable judgment is made by the Bank's management in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgments and uncertainty, such as adverse change in the payment status of the financing receivables, or national or economic conditions that correlate with defaults on the Bank's assets. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

Impairment of available for sale equity investments

The Bank exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates other factors including the normal volatility in securities price, the financial health of the investee, industry and sector performance and cash flows.

Fair value of unquoted equity investments

The fair values of unquoted equity investments are determined by using valuation techniques such as:
- recent arm's length market transactions;
- current fair value of an instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk; and
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less provision for impairment.

4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS	*2007* *SDG*	*2006* *SDG*
Cash in hand	**1,652,735**	638,835
Central Bank of Sudan - Current account	**28,252,714**	6,161,094
Central Bank of Sudan - Statutory cash reserve	**4,479,612**	6,197,873
Balances with foreign correspondent banks	**5,870,386**	2,890,375
	40,255,447	15,888,177

5- INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

These represent investment accounts placed with banks and financial institutions according to the Mudaraba contract for renewable periods not exceeding one month. Partial and total withdrawals are allowed without significant cost. The account balances are subject to immaterial change in value.

Balances at December 31, 2007 are as follows :-

Local banks	**96,043,763**	68,805,608
Foreign banks and financial institutions	**56,703,442**	63,304,017
	152,747,205	132,109,625

6- INVESTMENTS IN SECURITIES		*2007* *SDG*	*2006* *SDG*
Investments in securities comprise:			
Securities held for trading	6-1	**27,042,200**	15,816,732
Securities available for sale	6-2	**23,581,480**	2,000,000
		50,623,680	17,816,732

6.1- SECURITIES HELD FOR TRADING

Discription	Cost	Market value at Dec 31, 2007	Unrealized gains	Carrying valueat Dec 31, 2007
	SDG	SDG	SDG	SDG
Government Investment Certificates (GIC)	25,699,200	25,699,200	-	25,699,200
Shares held for trading	1,000,000	1,343,000	343,000	1,343,000
Total	**26,699,200**	**27,042,200**	**343,000**	**27,042,200**

* GIC represent government securities of two and six years tenor, issued by the Ministry of Finance and are based on the Mudaraba contract. The underlying assets of the seurities portfolio are leased assets under the Ijara contract which distribute rental income to investors on a quarterly basis. The securities are traded at Khartoum Stock Exchange.

*Shares held for trading are ordinary shares issued by Sudanese Telecom Company (Sudatel - a public company) .These shares are traded at Khartoum Stock Exchange.

6.2- SECURITIES AVAILABLE FOR SALE

Discription	Cost	Market value at Dec 31, 2007	Unearned remeasurement gains	Carrying valueat Dec 31, 2007
	SDG	SDG	SDG	SDG
Quoted government securities	20,420,000	21,581,480	1,161,480	21,581,480
Units in non-government listed investment fund	2,000,000	-	-	2,000,000
Total	**22,420,000**	**21,581,480**	**1,161,480**	**23,581,480**

* Governmrnt Securities represent securities issued by the Ministry of Finance and are based on the Musharaka contract.The Certificates are traded in the Khartoum Stock Exchange. They consistently recorded not less than 12% per annum yield since their inception in 1999.

* Units in non-government fund represent units a private fund of five years tenor, issued and managed by a local bank based on the Mudaraba contract. The securities are listed in the Khartoum Stock Exchange with return distributable annually for five periods effective from December 2007 (return for year ended December 31, 2007 was 13.5%).

7- FINANCE TO CUSTOMERS

a) By type

	Note	*2007* *SDG*	*2006* *SDG*
Sales receivable :			
Murabaha receivables		**80,881,136**	13,063,136
Istisna receivables		**32,423,321**	345,950
Salam		**26,633,350**	-
Ijara		**3,789,341**	-
LCs financing		**1,592,752**	-
Subtotal		**145,319,900**	**13,409,086**
Less : deferred profit		**(24,868,452)**	(1,567,866)
Less : provision for finance losses	7.1	**(1,909,536)**	(8,670)
Receivables from deferred sales , net		**118,541,912**	11,832,550
Mudaraba and Musharaka financing :			
Syndicated financing with banks (Mudaraba)		**12,000,000**	6,000,000
Musharaka financing with a bank		**81,684**	-
Subtotal		**12,081,684**	6,000,000
Less : provision for finance losses		**(121,634)**	(120,000)
Mudaraba and Musharaka financing , net		**11,960,050**	5,880,000
Total finance to customers , net		**130,501,962**	17,712,550

7/1- PROVISION FOR FINANCE LOSSES

	Specific	General	Total
Balance at beginning of the year	-	128,670	128,670
Provided during the year	487,297	1,415,203	1,902,500
Balance at end of the year	487,297	1,543,873	2,031,170

On December 31, 2007 total finance facilities subject to specific provision amounted to SDG 3,094,046 (2006: nil) while total past-due instalments amounted to SDG 1,469,512 (2006: nil).

The analysis of specific and general provision stated above is based on the Central Bank of Sudan requirements. In accordance with the Central Bank of Sudan guidelines, a general provision of 1% has been accounted on finance to customers not subject to specific provision, net of certain collaterals.

The fair value of finance to customers' balances does not differ from their respective book values.

b) By Industry

	2007 SDG	*2006 SDG*
Trading	22,441,586	7,639,355
Manufacturing	52,023,663	4,454,046
Contracting	66,640,712	-
Agriculture	10,569,620	4,000,000
Transportation	5,701,629	3,315,685
Other	24,374	-
Total	157,401,584	19,409,086
Less: Deferred profit	(24,868,452)	(1,567,866)
less: Provision for finance losses	(2,031,170)	(128,670)
	130,501,962	17,712,550

8- OTHER ASSETS

	2007 SDG	*2006 SDG*
Assets acquired for Murabaha financing	11,888	1,882,772
Accrued income on investments	5,869,419	2,246,680
Staff finance	1,005,956	343,666
Prepaid expenses	1,097,948	171,710
Other	104,918	247,350
	8,090,129	4,892,178

9- FIXED ASSETS

	Leasehold land and capital work in progress	IT equipment and computer software	Office equipments, Furniture and fixtures	Motor vehicles	Total
	SDG	SDG	SDG	SDG	SDG
Cost					
Balance at beginning of the year	2,550,047	2,406,884	615,684	484,252	6,056,867
Additions	783,910	737,002	413,106	310,306	2,244,324
Disposals	(98,188)	-	(393,806)	(2,950)	(494,944)
At December 31, 2007	**3,235,769**	**3,143,886**	**634,984**	**791,608**	**7,806,247**
Depreciation					
Balance at beginning of the year	32,621	284,803	98,515	86,722	502,661
Charge for the year	141,812	609,320	120,422	169,792	1,041,346
Disposals	(26,531)	-	(131,597)	(738)	(158,866)
At December 31, 2007	**147,902**	**894,123**	**87,340**	**255,776**	**1,385,141**
Net book value at December 31, 2007	**3,087,867**	**2,249,763**	**547,644**	**535,832**	**6,421,106**
Net book value at December 31, 2006	2,517,426	2,122,081	517,169	397,530	5,554,206

Capital work in progress represents amounts paid in connection with the construction of the bank's office building .

10- CUSTOMER DEPOSITS	*2007* *SDG*	*2006* *SDG*
Current accounts	**100,269,059**	69,602,296
Margin on letters of credit and guarantees	**11,764,309**	39,281
	112,033,368	69,641,577

11- OTHER LIABILITIES	*2007* *SDG*	*2006* *SDG*
Bills payable	**4,567,701**	1,741,140
Zakat	**4,059,609**	1,529,777
Business profit tax	**1,103,148**	-
Escrow accounts	**1,158,971**	-
Deferred LCs commission	**742,086**	-
Accounts payable to suppliers	**656,469**	707,791
Staff end of service benefits	**456,009**	212,340
Margin on L/C Murabaha	**-**	404,497
Accounts payable - Restricted investment depositor	**112,500**	-
Audit fees	**61,458**	27,260
Staff performance bonus	**593,442**	322,080
Board of directors remuneration	**194,133**	-
Stamp duty	**421,453**	9,244
Other	**503,585**	471,670
	14,630,563	5,425,799

12- SHARE CAPITAL

Authorized, issued and subscribed	**240,000,000**	130,000,000
24 million shares of SDG 10 each		
(2006: 13 million shares of SDG 10 each)		
Paid up Capital	**240,000,000**	120,565,000
24 million shares of SDG 10 each		
(2006: 12.0565 million shares of SDG 10 each)		

At the extraordinary general meeting of the shareholders of the Bank held on March 18, 2007, the shareholders resolved to : a) increase the share capital of the Bank from SDG 130 million to SDG 150 million which was subscribed to and fully paid up by the registered shareholders at their ownership percentages by June 28, 2007 and b) to undertake an initial public offering (IPO) to increase share capital from SDG 150 million to SDG 200 million within the timeframe prescribed by the Central Bank of Sudan.

The Bank offered 5 million ordinary shares at par value of SDG 10 each plus 5% premium to the public in an IPO to increase share capital to SDG 200 million. The IPO was oversubscribed by SDG 78.6 million (39.3%). The Bank's General Assembly and the regulatory authorities approved to increase the Bank's share capital from SDG 200 million to SDG. 240 million in order to absorb SDG 40 million out of the SDG 78.6 million oversubscription. The IPO subscribed shares were alloted to subscribers on pro-rata basis.

The attached notes 1 to 28 form an integral part of these financial statements.

13- SHARE PREMIUM

The share premium is not available for distribution and is subject to the rule governing the statutory reserve.

14- STATUTORY RESERVE

In accordance with the requirements of the Central Bank of Sudan, a minimum of 10% of the Bank's net income for the year is transferred to statutory reserve until this reserve equals the paid up capital of the Bank.

This reserve is not available for distribution .

15- FAIR VALUE RESERVE

Fair value reserve represents the net unrealized gains of available for sale investments (note 6.2). This reserve is not available for distribution.

	2007	*2006*
16- INCOME FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	***SDG***	*SDG*
Realized income from deposits with banks & financial institutions		
Local banks	**4,704,991**	5,836,789
Foreign banks	**2,021,833**	343,720
	6,726,824	6,180,509
Accrued income from deposits with banks & financial institutions		
Local banks	**2,979,189**	478,871
Foreign banks	**6,765**	-
	2,985,954	478,871
Income from investments with banks and financial institutions	**9,712,778**	6,659,380

	2007	*2006*
17- INCOME FROM SECURITIES AVAILABLE FOR SALE	***SDG***	*SDG*
Realized income from liquidated Shahama securities :		
Revenue from liquidated Shahama securities	**2,196,086**	1,876,002
Premium	**-**	(628,124)
Realized income from government securities	**2,196,086**	1,247,878
Realized income from private securities :		
Emaar fund	**320,000**	-
Realized income from securities available for sale, net	**2,516,086**	1,247,878

18- INCOME FROM SECURITIES HELD FOR TRADING	***2007 SDG***	*2006 SDG*
Dividends declared by Sudatel	**158,717**	-
Income from Government Investment Certificates (GIC)	**1,519,771**	-
Subtotal	**1,678,488**	-
Gain from re-measurement at fair value of Sudatel shares	**343,000**	-
	2,021,488	-

19- FEE INCOME	***2007 SDG***	*2006 SDG*
Letters of credit commissions	**3,068,259**	202,711
Foreign exchange gain, net	**2,761,817**	100,795
Commission received on guarantees	**1,422,817**	-
Adminstration fees	**544,521**	425
Draft cheques, transfers and remittances	**359,485**	121,072
Income from funds under management	**126,557**	30,164
Fee from other banking services	**291,388**	64,499
	8,574,844	519,666

20- OTHER OPERATING EXPENSES	***2007 SDG***	*2006 SDG*
Bank Premises	**820,705**	881,281
Communications	**243,899**	180,066
Maintenance of equipment, furniture & motor vehicles	**92,232**	97,751
Computer expenses	**35,848**	125,174
Marketing & promotion	**125,414**	109,871
Office supplies	**73,890**	60,418
Business travel	**138,479**	262,308
Legal, audit and consultants expenses	**610,704**	648,017
Training	**82,188**	36,928
Subscriptions	**194,391**	83,081
Board and general assembly expenses	**412,805**	231,655
Government dues	**391,740**	408,066
Bank charges	**27,608**	30,795
IPO expenses	**703,726**	-
Other	**208,994**	243,117
	4,162,623	3,398,528

21- EARNINGS PER SHARE	***2007 SDG***	*2006 SDG*
Net income (loss) for the year / period	**13,872,706**	(2,668,134)
Weighted average number of shares outstanding (shares)	**14,836,640**	6,591,340
Earnings (loss) per share (SDG)	**0.94**	(0.40)

The Bank did not issue any instruments which would have a dilutive impact on earnings per share when exercised. Therefore the calculation of diluted earnings per share is not applicable to the Bank.

22 CASH AND CASH EQUIVALENTS	***2007 SDG***	*2006 SDG*
Cash and balances with banks and financial institutions	**34,731,157**	7,314,158
Investments with banks and financial institutions	**152,747,205**	132,109,625
	187,478,362	139,423,783

Cash and balances with banks and financial institutions are stated net of statutary cash reserve and margin deposits.

23- RELATED PARTY TRANSACTIONS

The Bank entered into transactions in the ordinary course of business with related parties. In the opinion of the Bank's management and the board the related party transactions are performed on an arm's length basis. The related party transactions are governed by the regulations issued by the Central Bank of Sudan. Balances with related parties at the balance sheet date are as follows:

2007

	Shareholders, board members and their affiliated entities	**Senior Management**	**Total at December 31, 2007**
Balance sheet items:	**SDG**	**SDG**	**SDG**
Financing	**30,214,675**	-	**30,214,675**
Customer deposits	**40,549,986**	-	**40,549,986**
Funds under management (restricted investment deposits)	**18,096,748**	-	**18,096,748**
Contingent liabilities, guarantees and other commitments	**25,717,760**	-	**25,717,760**
Statement of income items:		-	**-**
Profit from financing	**7,779,184**	-	**7,779,184**
Fees and commissions	**1,614,361**	-	**1,614,361**

23- RELATED PARTY TRANSACTIONS (continued)

2006

	Shareholders, Board members and their affiliated entities	Senior Management	Total at December 31, 2007
Balance sheet items:	SDG	SDG	SDG
Financing	5,944,800	-	**5,944,800**
Customer deposits	60,606,550	-	**60,606,550**
Funds under management (restricted investment deposits)	2,877,570	-	**2,877,570**
Contingent liabilities, guarantees and other commitments	9,328,950	-	**9,328,950**
Statement of income items:			
Profit from financing	42,870	-	**42,870**
Fees and commissions	135,290	-	**135,290**

24- COMMITMENTS AND CONTINGENCIES

Capital commitments

At December 31, 2007 the Bank has capital expenditure commitments of SDG 18.5 million in respect of the Bank's Head Office building contract and equipment purchases (2006: SDG 490 thousand).

Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third part to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principaly in the form of financing to customers, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments.

However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

24- COMMITMENTS AND CONTINGENCIES (continued)

The maturity structure of the Bank's commitments and contingencies is as follows:

2007	within 3 months	3-12 months	1-5 years	over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	38,785,430	10,221,131	13,149,812	-	**62,156,373**
Letters of guarantee	21,809,019	1,565,351	-	-	**23,374,370**
Acceptances	-	-	-	-	**-**
Irrevocable commitments to extend credit	41,532,374	1,234,494	-	-	**42,766,868**
Total	**102,126,823**	**13,020,976**	**13,149,812**	**-**	**128,297,611**

2006	within 3 months	3-12 months	1-5 years	over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	25,750,110	-	-	-	**25,750,110**
Letters of guarantee	-	-	-	-	**-**
Acceptances	-	-	-	-	**-**
Irrevocable commitments to extend credit	1,666,860	-	-	-	**1,666,860**
Total	**27,416,970**	**-**	**-**	**-**	**27,416,970**

Tax exposure

During 2007, the Tax authorities reviewed the Bank's Tax Return based on the financial statements for the period ended December 31, 2006 which resulted in excluding administrative expenses of SDG 169 thousand and exchange loss of SDG 2.6 million incurred in connection with the transfer of the Bank's capital from USD to the local currency, as not eligible for tax deduction.The Bank has appealed to the Tax Authorities to recognize the exchange loss as valid deduction for tax calculation purposes.

The management of the Bank considers the chances of success in this appeal to be more than probable. Therefore, the Bank has deducted the 2006 loss, excluding the rejected administrative expenses, but including the exchange loss, from taxable income for the purpose of calculating the tax provision/ liability at December 31, 2007 and for the year then ended.

Funds under management

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 39,279,833 at December 31, 2007 (2006: SDG 22,877,568). These transactions are governed by the regulations of the Central Bank of Sudan.The financial statements of these funds , and assets held in trust or in a fiduciary capacity, are not included in the financial statements of the Bank.

25. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using the ratios and weights established by the Central Bank of Sudan. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and commitments at a weighted amount to reflect their relative risks.

Description	Regulatory Capital		Capital adequacy ratio	
	2007	2006	**2007**	2006
	SDG	SDG		
Core capital (Tier 1)	**255,704,572**	117,896,860	**417.04%**	391.67%
Core and supplementary capital(Tier 2)	**258,409,925**	118,479,680	**421.46%**	393.61%

Tier 1capital comprises share capital, statutory reserve and retained earnings at the priod/year end.

Tier 2 capital comprises fair value reserve and a prescribed amount of eligible portfolio provisions.

Description	2007		2006	
	Balance sheet Amount	**Risk weighted Amount**	Balance sheet Amount	Risk weighted Amount
	SDG	**SDG**	SDG	SDG
Cash and balances with banks & financial institutions	**40,255,447**	**1,174,077**	15,888,177	578,075
Investments with banks and financial institutions	**152,747,205**	**11,340,688**	132,109,625	12,660,803
Investments in securities	**50,623,680**	**1,343,000**	17,816,732	-
Finance to customers and investment portfolios	**130,501,962**	**18,403,608**	17,712,550	1,273,300
Other assets	**8,090,130**	**7,877,968**	4,892,179	4,892,179
Fixed assets	**6,421,106**	**6,421,106**	5,554,206	5,554,206
Contingent liabilities and commitments	**85,530,744**	**14,753,287**	25,750,110	5,142,166
Total risk weighted assets		**61,313,734**		30,100,729

The minimum accepted Capital adequacy ratio is 8 % under Central Bank of Sudan requirements which is in line with Basel requirements.

26- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

26 / 1 Financial instruments

Financial instruments cover all financial assets and liabilities of the Bank. Financial assets include cash balances, placements with banks and other financial institutions, financial investments and financing to customers and banks. Financial liabilities include customers' current accounts and other liabilities. Financial instruments also include unrestricted investment accounts and contingent liabilities and commitments included in off balance sheet items.

26 / 2 Risk management

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers for various periods and seeks to earn profit by investing these funds in quality assets. The Bank also seeks to increase its profit spread by making investments in diversified products and services and by consolidating short and long-term investment strategies while maintaining sufficient liquidity to meet all claims that might fall due.

26- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

26 / 2 Risk Management (continued)

a) Profit rate risk

The profit rate risk refers to the risk due to change of profit rates, which might affect the future earnings of the Bank. Exposure to profit rate risk is managed by the Bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.
In line with the policy approved by the Board of Directors, the Assets and Liabilities Committee performs regular reviews of the assets and liabilities situation of the Bank in order to ensure that the maturity gap between assets and liabilities is maintained at minimum level and also to ensure that financing and investments are made for quality assets at higher rate of return.

b) Credit risk

The Bank attempts to manage its credit risk exposure through diversification of its financing and investment activities to avoid undue concentration of risk with individuals or group of customers in specific locations or businesses. The Bank pursues its policies to safeguard its interest and in a prudent manner obtains tangible or intangible security and collaterals for financing, investments and contingent commitments.

The Bank controls the credit risk arising from it's financing and investment activities through its risk management and the approval process and use of risk control limits and monitoring procedures.

The exposure to any one customer including banks and other financial institutions is controlled by set limits for each major customer covering on and off balance sheet exposures. Actual exposure of the customers is regularly monitored against the limits approved for such customers. Credit risk exposure is also managed through regular analysis of the ability of the customer to meet the repayment obligations and by making appropriate changes to the limits where needed.

Note 7-b discloses the economic sector distribution of financing to customers.

c) Liquidity risk

Liquidity risk is the risk that a bank will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Bank has diversified its sources of funding and maintained a diversified portfolio of high quality liquid assets, and readily marketable securities.

The maturity profile of the assets and liabilities of the Bank are disclosed below. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

The maturity profile of the assets and liabilities at December 31, 2007 is as follows:

Assets	**2007**				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	40,255,447	-	-	-	**40,255,447**
Investments with banks and financial institutions	56,703,442	58,034,800	38,008,963	-	**152,747,205**
Investment in securities	3,493,527	7,112,021	12,318,932	27,699,200	**50,623,680**
Finance to customers	20,065,121	18,130,623	45,464,939	46,841,279	**130,501,962**
Other assets	6,134,225	680,448	621,584	653,872	**8,090,129**
Fixed assets	-	-	-	6,421,106	**6,421,106**
Total assets	**126,651,762**	**83,957,892**	**96,414,418**	**81,615,457**	**388,639,529**

Liabilties and Equity

Customer deposits	112,033,368	-	-	-	**112,033,368**
Other liabilities	12,273,451	1,158,971	329,855	868,286	**14,630,563**
Equity of unrestricted investment account holders	5,109,546	-	-	-	**5,109,546**
Shareholders' equity	230,528	612,020	318,932	255,704,572	**256,866,052**
Total liabilities and Equity	**129,646,893**	**1,770,991**	**648,787**	**256,572,858**	**388,639,529**

Assets	**2006**				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	15,888,170	-	-	-	**15,888,170**
Investments with banks and financial institutions	132,109,630	-	-	-	**132,109,630**
Investment in securities	4,189,040	6,235,240	5,392,450	2,000,000	**17,816,730**
Finance to customers	5,031,440	7,110,520	4,900,070	670,520	**17,712,550**
Other assets	4,592,940	44,430	44,430	210,380	**4,892,180**
Fixed assets	-	-	-	5,554,210	**5,554,210**
Total assets	**161,811,220**	**13,390,190**	**10,336,950**	**8,435,110**	**193,973,470**

Liabilties and Equity

Customer deposits	69,641,580	-	-	-	**69,641,580**
Other liabilities	5,425,800	-	-	-	**5,425,800**
Equity of unrestricted investment account holders	-	-	-	-	**-**
Shareholders' equity	439,036	494,740	75,450	117,896,864	**118,906,090**
Total liabilities and Equity	**75,506,416**	**494,740**	**75,450**	**117,896,864**	**193,973,470**

d) Foreign currency risk

The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the Sudanese Pound. The Bank has a set of limits to the level of exposure by currency and in total which are monitored on a daily basis to ensure that the net exposure is kept at an acceptable level.

The Bank has the following significant net exposure of assets denominated in Sudanese Pound equivalents:

Currency	December 31, 2007	December 31, 2006
US Dollar	(2,077,622)	7,102,120
Euro	5,604,272	19,760
Other currencies	217,632	2,744

e) Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in

The Bank is not exposed to any risk in terms of the re-pricing of its liabilities since in accordance with Islamic Shariah the Bank does not provide contractual rates of return to its depositors.

g) Risk of managing customers' investment

The Bank provides custody and corporate administration services to third parties in relation to funds provided by them. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures to ensure compliance.

h) Operational and other risks

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an impact on the operations. The Bank seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that are approved by its Board of Directors and are applied to identify, assess, control and manage operational risk in addition to other types of risks to which the Bank is exposed such as regulatory risk, legal risk, and reputation risk. Regulatory risk is controlled through the framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisors. Reputation risk is controlled through regular examinations of issues that are considered to have reputation repercussions for the bank, with guidelines and policies being issued as appropriate.

The operational risk function of the Bank is in line with the Central Bank of Sudan instructions regarding the general guidelines for internal controls and sound practices for managing and supervising operational risk in banks.

27. SHARIA SUPERVISORY COMMITTEE

The bank activities are subject to supervision of the Shari'a Supervisory Committee which is appointed by the General Assembly. The committee supervises all the bank's transactions to ensure compliance with Shari'a rules, prepares and submits annual report to the General Assembly.

28. COMPARATIVE FINANCIAL STATEMENTS

The comparative financail statements were prepared for a period more than a year, therefore are not comparable.

Certain 2006 comparative figures were reclassified to conform with current year's presentation.