

UNITED CAPITAL BANK

(Public Limited Company)

CONSOLIDATED

FINANCIAL STATEMENTS

December 31, 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED CAPITAL BANK

We have audited the accompanying consolidated financial statements of United Capital Bank, which comprise the balance sheet as at 31 December 2008 and the income statement, cash flows statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Accounting Standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 management, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008 and 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
February 26, 2009



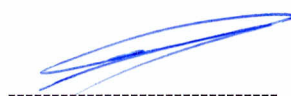
UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2008

	<i>Notes</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
ASSETS			
Cash and balances with banks and financial institutions	4	69,762,482	40,255,447
Investments with banks and financial institutions	5	89,974,815	152,747,205
Investments in securities	6	67,831,038	50,623,680
Finance to customers, net	7	271,238,134	130,501,962
Other assets	8	11,880,712	8,090,129
Fixed Assets, net	9	18,019,656	6,421,106
TOTAL ASSETS		<u><u>528,706,837</u></u>	<u><u>388,639,529</u></u>
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposits	10	119,014,139	112,033,368
Other Liabilities	11	13,683,281	14,630,563
TOTAL LIABILITIES		<u><u>132,697,420</u></u>	<u><u>126,663,931</u></u>
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	12	<u><u>115,611,213</u></u>	<u><u>5,109,546</u></u>
Shareholders' equity			
Share capital	13	240,000,000	240,000,000
Share premium	14	4,500,000	4,500,000
Statutory reserve	15	3,392,426	1,120,457
Fair value reserve	16	1,967,672	1,161,480
Retained earnings		16,131,834	10,084,115
Proposed dividends	17	14,400,000	-
		<u>280,391,932</u>	<u>256,866,052</u>
Minority interest		6,272	-
TOTAL SHAREHOLDERS' EQUITY		<u><u>280,398,204</u></u>	<u><u>256,866,052</u></u>
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		<u><u>528,706,837</u></u>	<u><u>388,639,529</u></u>

The financial statements were authorised for issue in accordance with a resolution of the directors on February 19, 2009.



Saad Al Wazzan
Chairman and Managing Director



Kamal El Zubeir
General Manager

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2008

	<i>Notes</i>	<i>2008 SDG</i>	<i>2007 SDG</i>
REVENUE FROM			
Investments with banks and financial institutions	18	7,056,727	9,712,778
Investments in securities available for sale	19	3,570,137	2,516,086
Investments in securities held for trading	20	4,107,710	2,021,488
Financing to customers	21	23,797,465	9,726,702
Total revenue from investments and financing		38,532,039	23,977,054
Less: Return to unrestricted investment account holders	22	(3,086,738)	(1,422,566)
Net revenue from investment and financing		35,445,301	22,554,488
Fee and foreign exchange income	23	17,864,609	8,574,844
Total operating revenue		53,309,910	31,129,332
EXPENSES			
Staff cost		(7,646,301)	(4,987,400)
Other operating expenses	24	(6,522,670)	(4,162,623)
Depreciation	9	(1,637,476)	(1,041,346)
Provision for finance losses	7.1	(6,519,057)	(1,902,500)
Total operating expenses		(22,325,504)	(12,093,869)
Net operating profit before zakat and tax		30,984,406	19,035,463
Provision for zakat		(5,576,341)	(4,059,609)
Provision for income tax		(2,684,605)	(1,103,148)
Net profit		22,723,460	13,872,706
Net profit attributable to minority interest		(3,772)	-
Net profit attributable to equity holders of the parent		22,719,688	13,872,706
Earnings per share	25	0.95	0.94

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2008

	<i>Notes</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
OPERATING ACTIVITIES			
Net profit for the year		22,719,688	13,872,706
Adjustments for:			
Depreciation of fixed assets		1,637,476	1,041,346
Provision for zakat		5,576,341	4,059,609
Provision for income tax		2,684,605	1,103,148
Provision for staff end of service benefits		304,168	243,669
Provision for finance losses		6,519,057	1,902,500
Provision for staff bonus		415,009	593,442
Loss on disposal of fixed assets		73,649	62,577
Operating profit before working capital changes		<u>39,929,993</u>	<u>22,878,997</u>
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(3,245,903)	1,718,262
Cash margin on sight L/C		(9,238,165)	1,331,466
Finance to customers		(147,255,229)	(114,691,912)
Other assets		(3,790,582)	(3,197,951)
Net increase/(decrease) in operating liabilities:			
Customer deposits		6,980,771	42,391,791
Other liabilities		(9,927,406)	3,204,896
Net cash from (used in) operating activities		<u>(126,546,521)</u>	<u>(46,364,451)</u>
INVESTING ACTIVITIES			
Purchase of investments		(16,401,166)	(38,163,189)
Proceeds from sale of investments		-	5,508,500
Purchase of fixed assets		(14,271,364)	(2,244,324)
Proceeds from sale of fixed assets		961,688	273,497
Payments to unrestricted investment account holders		1,664,172	-
Net cash used in investing activities		<u>(28,046,670)</u>	<u>(34,625,516)</u>
FINANCING ACTIVITIES			
Increase in share capital		-	119,435,000
Share premium received		-	4,500,000
Net movement in minority interest		6,272	-
Increase in unrestricted investment accounts		108,837,495	5,109,546
Net cash from financing activities		<u>108,843,767</u>	<u>129,044,546</u>
Increase (decrease) in cash & cash equivalents		<u>(45,749,424)</u>	<u>48,054,579</u>
Cash and cash equivalents at beginning of the year		<u>187,478,362</u>	<u>139,423,783</u>
Cash and cash equivalents at end of the year	26	<u>141,728,938</u>	<u>187,478,362</u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended at December 31, 2008

	Note	Attributable to shareholders' of the parent company						Minority interest	Total Shareholders' equity	
		Share capital	Share premium	Statutory reserve	Fair value reserve	Retained Earnings	Proposed dividends			Total
		SDG	SDG	SDG	SDG	SDG	SDG			SDG
Balance at January 1, 2008		240,000,000	4,500,000	1,120,457	1,161,480	10,084,115	-	256,866,052	-	256,866,052
Minority shareholding in subsidiary		-	-	-	-	-	-	-	2,500	2,500
Net Profit for the year		-	-	-	-	22,719,688	-	22,719,688	3,772	22,723,460
Transfer to statutory reserve	15	-	-	2,271,969	-	(2,271,969)	-	-	-	-
Unrealized gain on available for sale investment		-	-	-	806,192	-	-	806,192	-	806,192
Proposed dividends	17	-	-	-	-	(14,400,000)	14,400,000	-	-	-
Balance at December 31, 2008		240,000,000	4,500,000	3,392,426	1,967,672	16,131,834	14,400,000	280,391,932	6,272	280,398,204
Balance at January 1, 2007		120,565,000	-	-	1,009,226	(2,668,134)	-	118,906,092	-	118,906,092
Issue of additional shares		119,435,000	4,500,000	-	-	-	-	123,935,000	-	123,935,000
Net Profit for the year		-	-	-	-	13,872,706	-	13,872,706	-	13,872,706
Transfer to statutory reserve		-	-	1,120,457	-	(1,120,457)	-	-	-	-
Unrealized loss on available for sale investment		-	-	-	152,254	-	-	152,254	-	152,254
Proposed dividends		-	-	-	-	-	-	-	-	-
Balance at December 31, 2007		240,000,000	4,500,000	1,120,457	1,161,480	10,084,115	-	256,866,052	-	256,866,052

The attached notes form an integral part of these financial statements

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

1. INCORPORATION AND ACTIVITIES

United Capital Bank (the Bank) is a Public Limited Company registered in the Republic of the Sudan on November 25, 2007 under the Companies' Ordinance of 1925 . The bank was initially registered on August 8, 2005 as a private limited company and commenced banking operations on August 1, 2006.

The Bank's shares are 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.

The bank operates through two branches (2007: one branch) in the Republic of the Sudan. It'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 183 235 000, web site : www.capitalbank-sudan.com.

In March 2008, the Bank acquired 99% interest in Al Siddig for Stock Exchange Company Limited (Al-Siddig). The Bank and a 1% shareholder paid SDG 30,000 to acquire net assets of SDG 6,500. The excess consideration paid of SDG 23,500 is recognized as acquired goodwill.

In April 2008, the name of the acquired company (Al-Siddig) was changed to “ Almal United Company Limited “ and paid-up capital was increased to SDG 250,000.

The acquired company, which is fully consolidated in the Bank's financial statements at December 31, 2008, provides financial investment and brokerage services and is a licensed dealer in the Khartoum Stock Exchange.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated 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 .

2.2 Basis of measurement

The consolidated financial statement are prepared on 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.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Sudanese Pounds (SDG) which is the bank's functional and presentation currency.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary , Almal United Company limited. The financial statements of the subsidiary are prepared for the same reporting year as that of the Bank , using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions that are recognized in assets, are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Bank and are presented separately in the

income statement and within equity in the consolidated statement of financial position, separate from parent shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

2. BASIS OF PREPARATION (continued)

2.5 Key accounting judgments 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 consolidated financial statements:

2.5.1 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.

2.5.2 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.

2.5.3 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.

2.5.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

2. BASIS OF PREPARATION (continued)

2.5 Key accounting judgments and sources of estimation uncertainty (continued)

2.5.5 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant policies adopted in the preparation of these consolidated financial statements are set out below:

3.1 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.

3.2 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 Central Bank of Sudan instructions, minimum general provision of 1% is made on all finance facilities not subject to specific provisions.

3.3 Investment in securities

All investment securities are financial assets which are initially recognized at cost, being the fair value of the consideration given.

For securities 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 securities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment in securities (continued)

3.3.1 Investments in securities and shares held for trading

Investments which are classified "for trading" are initially recognized at cost.

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.

3.3.2 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.

3.4 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.

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

Financing through Musharakah is stated at gross principal amount less any liquidation and provision for impairment.

3.6 Other financial assets and liabilities

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 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.

3.8 Provisions

Provisions, other than impairment or finance loss 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.

3.9 Taxation

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

3.10 Zakat

Zakat is calculated and provided for, in accordance with the regulations of the Chamber of Zakat which is a government agency responsible for collection and distribution of Zakat. Zakat is allowed as deduction for income tax purposes.

3.11 Staff 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.

3.12 Revenue recognition

*Income from Murabaha 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 reliably 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 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.

3.14 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.

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.

3.15 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.

3.16 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.

3.17 Foreign currencies

The financial statements are denominated in Sudanese Pounds (SDG). Transactions in foreign currencies are translated into SDG at the 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 the income statement.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS		
Cash in hand	1,175,773	1,652,735
Central Bank of Sudan - Current account	35,365,656	28,252,714
Central Bank of Sudan - Statutory cash reserve	7,725,515	4,479,612
Balances with foreign correspondent banks	25,495,538	5,870,386
	<u>69,762,482</u>	<u>40,255,447</u>

5- INVESTMENT 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, are as follows :-

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
Local banks	45,185,557	96,043,763
Foreign banks and financial institutions	44,789,258	56,703,442
	<u>89,974,815</u>	<u>152,747,205</u>

6- INVESTMENTS IN SECURITIES

Investments in securities comprise:

		<i>2008</i>	<i>2007</i>
		<i>SDG</i>	<i>SDG</i>
Securities held for trading	6.1	32,915,751	27,042,200
Securities available for sale	6.2	34,915,287	23,581,480
		<u>67,831,038</u>	<u>50,623,680</u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

6- INVESTMENTS IN SECURITIES (continued)

6.1- SECURITIES HELD FOR TRADING

Description	Cost	Market value at	Unrealized	Carrying value
	SDG	Dec 31, 2008	Loss	at Dec 31, 2008
	SDG	SDG	SDG	SDG
Government Investment Certificates (GIC)	30,699,200	30,699,200	-	30,699,200
Private investment securities (Alaman)	1,000,000	1,000,000	-	1,000,000
Shares held for trading	1,417,715	1,216,551	(201,164)	1,216,551
Total	33,116,915	32,915,751	(201,164)	32,915,751

* 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 securities 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.

* Alaman private securities are issued and managed by Global Investment House-Sudan and an investment subsidiary of the Central Bank. The securities represent investment of 3 year-tenor in closed-ended fund, which is listed in the Khartoum Stock Exchange. The fund invests primarily in quoted government securities.

* 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

Description	Cost	Market value at	Unearned	Carrying value
	SDG	Dec 31, 2008	remeasurment	at Dec 31, 2008
	SDG	SDG	gains	SDG
Quoted government securities	30,947,615	32,915,287	1,967,672	32,915,287
Units in non-government listed Investment fund	2,000,000	-	-	2,000,000
Total	32,947,615	32,915,287	1,967,672	34,915,287

* Government 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 in 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, 2008 was 15% (2007 : 13.5%).

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

	2008	2007
	<i>SDG</i>	<i>SDG</i>
7- FINANCE TO CUSTOMERS		
<i>a) By type</i>		
<i>Sales receivable :</i>		
Murabaha receivables	216,512,696	84,670,477
Istisna receivables	49,696,782	32,423,321
Salam	31,070,275	26,633,350
LCs financing	2,411,451	1,592,752
Subtotal	<u>299,691,204</u>	<u>145,319,900</u>
Less : deferred profit	(29,913,768)	(24,868,452)
Less : provision for finance losses	7.1 (8,450,021)	(1,909,536)
Receivables from deferred sales , net	<u><u>261,327,415</u></u>	<u><u>118,541,912</u></u>
 <i>Mudaraba and Musharaka financing :</i>		
Syndicated financing with banks (Mudaraba)	8,150,000	12,000,000
Musharaka financing with a bank	1,861,910	81,684
Subtotal	7.1 <u>10,011,910</u>	<u>12,081,684</u>
Less : provision for finance losses	(101,191)	(121,634)
Mudaraba and Musharaka financing , net	<u>9,910,719</u>	<u>11,960,050</u>
Total finance to customers , net	<u><u>271,238,134</u></u>	<u><u>130,501,962</u></u>
	2008	2007
7.1- PROVISION FOR FINANCE LOSSES	<i>SDG</i>	<i>SDG</i>
General Provision:		
Balance at beginning of the year	1,544,858	128,670
Provided during the year	a <u>922,692</u>	<u>1,415,203</u>
Balance at the end of the year	<u>2,467,550</u>	<u>1,543,873</u>
Specific Provision:		
Balance at beginning of the year	487,297	-
Provided during the year, net of recoveries	b <u>5,596,365</u>	<u>487,297</u>
Balance at the end of the year	<u>6,083,662</u>	<u>487,297</u>
Total accumulated provision at end of the year	<u><u>8,551,212</u></u>	<u><u>2,031,170</u></u>
Total provision expense for the year (a+b)	<u><u>6,519,057</u></u>	<u><u>1,902,500</u></u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

7- FINANCE TO CUSTOMERS (CONTINUED)

7.1- Provision for finance losses (continued)

On December 31, 2008 the total finance facilities subject to specific provision is amounted to SDG 61,216,464 (2007: SDG 3,094,046) while total past-due installments amounted to SDG 8,153,629 (2007: SDG 1,469,512).

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.

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

<i>b) By Industry</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Trading	19,556,046	22,441,586
Manufacturing	202,740,847	52,023,663
Contracting	59,585,193	66,640,712
Service	5,684,822	-
Agriculture	3,066,444	10,569,620
Transportation	18,769,342	5,701,629
Other	300,420	24,374
Total finance, gross	<u>309,703,114</u>	<u>157,401,584</u>
Less: Deferred profit	<u>(29,913,768)</u>	<u>(24,868,452)</u>
Total finance, net of deferred profit	279,789,346	132,533,132
less: Provision for finance losses	7.1 (8,551,212)	(2,031,170)
	<u><u>271,238,134</u></u>	<u><u>130,501,962</u></u>

8- OTHER ASSETS

	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Assets acquired for Murabaha financing	1,338,021	11,888
Accrued income on investments	7,223,157	5,869,419
Staff finance	1,702,655	1,005,956
Prepaid expenses	1,506,043	1,097,948
Other	110,836	104,918
	<u><u>11,880,712</u></u>	<u><u>8,090,129</u></u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

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
<u>Cost</u>					
Balance at beginning of the year	3,235,769	3,143,887	634,984	791,608	7,806,248
Additions	12,574,364	806,918	534,832	355,250	14,271,364
Disposals	(1,000,306)	(44,752)	(50,759)	-	(1,095,817)
At December 31, 2008	14,809,827	3,906,053	1,119,057	1,146,858	20,981,795
<u>Depreciation</u>					
Balance at beginning of the year	147,902	894,123	87,340	255,777	1,385,142
Charge for the year	246,377	785,972	111,656	197,902	1,341,907
Additions	99,369	83,206	45,209	67,786	295,570
Disposals	(48,844)	-	(11,636)	-	(60,480)
At December 31, 2008	444,804	1,763,301	232,569	521,465	2,962,139
Net book value at December 31, 2008	14,365,023	2,142,752	886,488	625,393	18,019,656
Net book value at December 31, 2007	3,087,867	2,249,764	547,644	535,831	6,421,106

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

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
10- CUSTOMERS' DEPOSITS		
Current accounts	84,417,393	100,269,059
Margin on letters of credit and guarantees	34,596,746	11,764,309
	<u>119,014,139</u>	<u>112,033,368</u>
	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
11- OTHER LIABILITIES		
Bills payable	362,013	4,567,701
Zakat	5,576,341	4,059,609
Business profit tax	2,684,605	1,103,148
Escrow accounts	837,685	1,158,971
Deferred LCs commission	451,249	742,086
Accounts payable to suppliers	973,001	656,469
Staff end of service benefits	760,177	456,009
Provision for deposits Guarantee	290,883	-
Accounts payable - Restricted investment depositor	-	112,500
Audit fees	120,891	61,458
Staff performance bonus	656,735	593,442
Board of directors remuneration	240,098	194,133
Stamp duty	363,792	421,453
Other	365,811	503,585
	<u>13,683,281</u>	<u>14,630,564</u>
12. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		
<i>a) By type:</i>		
Investment accounts	112,775,418	4,745,239
Return to unrestricted investment account holders	3,086,738	1,422,566
Annual subscriptions to Deposits Guarantee Fund	(89,416)	-
Payment on account against the profits for the year	(161,527)	(1,058,260)
Total	<u>115,611,213</u>	<u>5,109,545</u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

12- EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (continued)

b) By Sector:

Corporations	52,961,181	4,745,239
Banks	51,276,450	-
Quasi-government	1,999,793	-
Non-governmental organizations	166,987	-
Individuals	6,371,007	-
Return to unrestricted investment account holders	3,086,738	1,422,566
Annual subscriptions to Deposits Guarantee Fund	(89,416)	-
Payment on account against the profits for the year	(161,527)	(1,058,260)
Total	<u>115,611,213</u>	<u>5,109,545</u>

13- SHARE CAPITAL

Authorized, issued and paid up share capital	<u>240,000,000</u>	<u>240,000,000</u>
24 million shares of SDG 10 each		
(2007: 24 million shares of SDG 10 each)		

14- SHARE PREMIUM

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

15- 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 .

16- FAIR VALUE RESERVE

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

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	2008	2007
	SDG	SDG
17- PROPOSED DIVIDENDS		
Cash dividends of SDG 0.60 per share of SDG 10 each	14,400,000	-

The Board of Directors on February 19, 2009 resolved to recommend to the annual general meeting scheduled to take place on March 11, 2009 to distribute cash dividends equal to 6% of the Bank's paid up capital as at December 31, 2008 , subject to approval by the Central Bank of Sudan.

	2008	2007
	SDG	SDG
18- REVENUE FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS		
<i>Realized income from deposits with banks & financial institutions</i>		
Local banks	2,633,548	4,704,991
Foreign banks	1,379,128	2,021,833
	4,012,676	6,726,824
<i>Accrued income from deposits with banks & financial institutions</i>		
Local banks	2,733,577	2,979,189
Foreign banks	310,474	6,765
	3,044,051	2,985,954
Revenue from investment deposits with banks	7,056,727	9,712,778

	2008	2007
	SDG	SDG
19- INCOME FROM INVESTMENTS IN SECURITIES AVAILABLE FOR SALE		
<i>Realized income from liquidated Shahama securities :</i>		
Revenue from liquidated Shahama securities	3,270,137	2,196,086
<i>Realized income from private securities :</i>		
Emaar fund	300,000	320,000
Realized income from investment in securities available for sale, net	3,570,137	2,516,086

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
20- INCOME FROM INVESTMENT IN SECURITIES HELD FOR TRADING		
Dividends declared by Sudatel	81,180	158,717
Income from Government Investment Certificates (GIC)	3,930,472	1,519,771
Income from Government Investment Certificates (Shihab)	227,222	-
Income from private securities (Alaman Global Fund)	70,000	-
Subtotal	<u>4,308,874</u>	<u>1,678,488</u>
Gain (loss) from re-measurement at fair value of Sudatel shares	(201,164)	343,000
	<u><u>4,107,710</u></u>	<u><u>2,021,488</u></u>
	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
21- FINANCING TO CUSTOMERS		
Revenue from finance to customers:		
Murabaha	14,323,264	8,149,928
Salam	3,493,800	-
Istisnaa/ Mugawala	4,495,494	591,042
Syndicated Mudarabah with Banks	1,236,013	985,732
Musharakah	248,894	-
Total	<u><u>23,797,465</u></u>	<u><u>9,726,702</u></u>
	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
22- Return to unrestricted investment account holders		
Unrestricted accounts share of profit before the bank's share as Mudarib	4,115,650	1,896,755
Bank's share as Mudarib	(1,028,912)	(474,189)
Return to unrestricted investment account holders	<u><u>3,086,738</u></u>	<u><u>1,422,566</u></u>

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	2008 SDG	2007 SDG
23- FEE AND FOREIGN EXCHANGE INCOME		
Letters of credit commissions	5,780,243	3,068,259
Commission received on guarantees	372,097	1,422,817
Administration fees	1,593,344	544,521
Draft cheques, transfers and remittances	3,025,044	359,485
Income from management of restricted investment accounts	403,253	126,557
Brokerage fees (Almal United Co.)	575,235	-
Fee from other banking services	811,600	291,388
	<u>12,560,816</u>	<u>5,813,027</u>
Foreign exchange gain, net	5,303,793	2,761,817
	<u><u>17,864,609</u></u>	<u><u>8,574,844</u></u>

	2008 SDG	2007 SDG
24- OTHER OPERATING EXPENSES		
Bank premises expense (note 24/1)	2,083,386	820,705
Communications	346,741	243,899
Maintenance of equipment, furniture & motor vehicles	174,016	92,232
Computer expenses	287,446	35,848
Marketing & promotion	399,477	125,414
Office supplies	169,756	73,890
Business travel	251,356	138,479
Legal, audit and consultants expenses	691,325	610,704
Training	230,859	82,188
Subscriptions	412,049	194,391
Board and general assembly expenses	501,130	412,805
Government dues	298,671	391,740
Bank charges	74,955	27,608
IPO expenses	-	703,726
Other	601,503	208,994
	<u>6,522,670</u>	<u>4,162,623</u>

24.1- Bank premises expense

This include rent in addition to expenses related to security, watrer, electricity, cleaning and maintenance.

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	2008 SDG	2007 SDG
25- EARNINGS PER SHARE		
Net income for the year	<u>22,719,688</u>	<u>13,872,706</u>
Weighted average number of shares outstanding (shares)	<u>24,000,000</u>	<u>14,836,640</u>
Earnings per share (SDG)	<u>0.95</u>	<u>0.94</u>

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.

	2008 SDG	2007 SDG
26- CASH AND CASH EQUIVALENTS		
Cash and balances with banks and financial institutions	51,754,123	34,731,157
Investments deposits with banks and financial institutions	<u>89,974,815</u>	<u>152,747,205</u>
	<u>141,728,938</u>	<u>187,478,362</u>

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

27- RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Major shareholders are those holding more than 5% of the Bank's issued share capital. Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Bank, directly or indirectly including board members. The related party transactions are governed by the regulations issued by the Central Bank of Sudan. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial statement captions:

	<u>2008</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2008
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Financing	59,928,859	-	59,928,859
Customer deposits	16,487,634	-	16,487,634
Restricted investment deposits	8,086,748	-	8,086,748
Minority interest	-	6,272	-
Commitments and contingent liabilities.	41,419,260	-	41,419,260
Statement of income items:		-	-
Profit from financing	4,433,801	-	4,433,801
Fees and commissions	1,414,945	-	1,414,945
Key Management Personnel compensation:		-	-
Salaries and other benefits	-	2,220,983	2,220,983
Post-employment benefits	-	362,251	362,251

The attached notes 1 to 34 form an integral part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

27- RELATED PARTY TRANSACTIONS (continued)

	<u>2007</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2007
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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
Key Management Personnel compensation:		-	-
Salaries and other benefits	-	1,466,179	1,466,179
Post-employment benefits	-	279,306	279,306

28- COMMITMENTS AND CONTINGENCIES

28.1 Capital and other non-financing related commitments

At December 31, 2008 the Bank has capital expenditure commitments of SDG 16.8 million (2007: SDG 18.5 million) in respect of the Bank's Head Office building contract and equipment purchases.

28.2 Financing 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, principally 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.

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

28- COMMITMENTS AND CONTINGENCIES (continued)

The contractual structure of the Bank's financing-related commitments and contingencies is as follows:

2008	within 3 months	3-12 months	1-5 years	Over 5 years	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Letters of credit	93,965,330	-	-	-	93,965,330
Letters of guarantee	8,396,950	27,683,300	-	-	36,080,250
Acceptances	59,819,160	37,326,590	10,698,660	-	107,844,410
Irrevocable commitments to extend credit	-	-	-	-	-
Total	-	65,009,890	10,698,660	-	237,889,990

2007	within 3 months	3-12 months	1-5 years	over 5 years	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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

The outstanding unused portion of commitments which can be revoked unilaterally at any time by the Bank ,as at December , 2008 amounted to SDG 163,313,319 (2007: SDG 99,297,641.58)

29. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 16,747,933 at **December 31, 2008** (2007: SDG 39,279,833). These transactions are governed by the regulations of the Central Bank of Sudan. The financial statements of these accounts , and assets held in trust or in a fiduciary capacity, are not included in the financial statements of the Bank.

These accounts are invested individually as specified by the account holders and are not organized in the form of mutual fund.

Changes in restricted investment accounts and the assets in which they are invested for the year ended December 31, 2008 are as follows:

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

29. RESTRICTED INVESTMENT ACCOUNTS (Continued)

	2008 SDG	2008 SDG
a) By movement during the year		
Balance at beginning of the year	39,279,833	22,877,568
Additions	3,267,118	49,509,859
Withdrawals	(25,799,019)	(33,107,595)
Balance at end of the year	<u>16,747,932</u>	<u>39,279,832</u>
b) By type of investment		
Investment deposits with local banks	-	6,000,000
Investment in quoted government securities	-	10,089,500
Salam finance	10,253,833	15,103,585
Musharakah finance	6,494,099	8,086,748
Total	<u>16,747,932</u>	<u>39,279,833</u>

30. 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	
	2008	2007	2008	2007
	SDG	SDG		
Core capital (Tier 1)	279,012,857	255,704,572	163.05%	417.04%
Core and supplementary capital (Tier 2)	283,520,370	258,409,925	165.69%	421.46%

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

Tier 2 capital comprises fair value reserve and general portfolio provisions.

Description	2008		2007	
	Balance sheet Amount	Risk weighted Amount	Balance sheet Amount	Risk weighted Amount
	SDG	SDG	SDG	SDG
Cash and balances with banks & financial institutions	69,762,482	-	40,255,447	1,174,077
Investments with banks and financial institutions	89,974,815	14,056,959	152,747,205	11,340,688
Investments in securities	67,831,038	67,831,038	50,623,680	1,343,000
Finance to customers and investment portfolios	271,238,134	40,239,423	130,501,962	18,403,608
Other assets	11,880,712	11,857,210	8,090,130	7,877,968
Fixed assets	18,019,656	18,043,156	6,421,106	6,421,106
Contingent liabilities and commitments	95,449,001	19,089,800	85,530,744	14,753,287
Total risk weighted assets		171,117,586		61,313,734

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

The attached notes 1 to 34 form an integral part of these financial statements.

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

31.1 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.

31.2 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.

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 its 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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2008 is as follows:

Assets	2008				
	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	69,762,482				69,762,482
Investments with banks and financial institutions	47,892,000	37,082,815	5,000,000		89,974,815
Investment in securities	19,184,038	4,948,000	30,000,000	13,699,000	67,831,038
Finance to customers	91,003,478	56,738,968	53,318,783	70,176,905	271,238,134
Other assets	4,226,235	5,890,984	439,338	1,324,155	11,880,712
Fixed assets				18,019,656	18,019,656
Total assets	232,068,233	104,660,767	88,758,121	103,219,716	528,706,837

Liabilities and Equity

Customer deposits	119,014,139				119,014,139
Other liabilities	4,162,123	8,596,103	106,250	818,805	13,683,281
Equity of unrestricted investment account holders	87,216,213	7,483,000	20,912,000		115,611,213
Minority interest				6,272	6,272
Shareholders' equity	834,093	742,794	390,785	278,424,260	280,391,932
Total liabilities and Equity	211,226,568	16,821,897	21,409,035	279,249,337	528,706,837

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assets	2007				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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

Liabilities 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

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.

Currency	31 December 2008	31 December 2007
Euro	2,793,505	5,604,272
US Dollar	10,637,649	(2,077,622)
Other currencies	1,886,829	217,632

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 fair value.

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.

The attached notes 1 to 34 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

g) Risk of managing customers' investment

The Bank provides investment 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.

32. SEGMENTAL INFORMATION

For the year ended at December 31, 2008 the bank principally provided banking services, including financing and deposit taking to corporate and institutional customers with insignificant portion of its business directed to individual customers mainly having employment relationship with the Bank's institutional customers.

Therefore no primary segment information is presented since the Bank's total assets, liabilities, operating income and expenses, commitments and contingencies as reported in the consolidated financial statements at December 31, 2008 are principally derived from the Bank's corporate and institutional business.

Also, no secondary segment information is presented as the Bank operates only in the Republic of the Sudan and does not conduct operation in other geographical segments.

33. 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.

34 COMPARATIVE FINANCIAL STATEMENTS

Certain 2007 comparative figures were reclassified to conform with current year's presentation.