

UNITED CAPITAL BANK
(Public Limited Company)
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2014

UNITED CAPITAL BANK

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of United Capital Bank (public limited company)

We have audited the accompanying consolidated financial statements of United Capital Bank , which comprise the consolidated statement of financial position as at December 31st, 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Financial Reporting Standards for items not covered by AAOIFI standards and Central Bank of Sudan regulations. 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 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures. 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 consolidated 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 consolidated financial position of the Bank as of 31st December 2014 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Financial Reporting Standards for items not covered by AAOIFI standards, the general principles as determined by the Bank's Shari'a Supervisory Committee and Central Bank of Sudan regulations.

Sheikh & Co
Sheikh & Co
Chartered Accountants

February 22, 2015

Sheikh & Co

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	<i>Notes</i>	2014 <i>SDG</i>	2013 <i>SDG</i>
ASSETS			
Cash and balances with banks and financial institutions	4	376,444,349	338,341,571
Investments with banks and financial institutions	5	75,000,000	86,618,516
Investments in securities	6	260,297,945	192,401,619
Finance to customers, net	7	1,137,191,005	959,620,883
Other investments	8	5,037,873	6,461,000
Other assets	9	62,625,972	38,657,206
Property and equipment, net	10	67,228,431	63,191,258
TOTAL ASSETS		<u><u>1,983,825,575</u></u>	<u><u>1,685,292,053</u></u>
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and financial institutions	11	380,428,365	428,123,967
Customers' deposits	12	358,158,323	293,952,687
Other Liabilities	13	173,006,774	100,558,102
TOTAL LIABILITIES		<u><u>911,593,462</u></u>	<u><u>822,634,756</u></u>
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Investment deposits of banks and financial institutions	14	335,719,380	313,624,583
Other Investment deposits	15	281,659,316	129,048,774
TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		<u><u>617,378,696</u></u>	<u><u>442,673,357</u></u>
Shareholders' equity			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Statutory reserve	18	32,775,949	26,071,006
Foreign currencies revaluation reserve	19	56,478,927	48,247,343
Retained earnings		82,681,086	67,547,110
Proposed dividends	20	38,400,000	33,600,000
Total Shareholders' equity of the parent company		<u><u>454,835,962</u></u>	<u><u>419,965,459</u></u>
Non-controlling interest		<u><u>17,455</u></u>	<u><u>18,481</u></u>
TOTAL SHAREHOLDERS' EQUITY		<u><u>454,853,417</u></u>	<u><u>419,983,940</u></u>
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		<u><u>1,983,825,575</u></u>	<u><u>1,685,292,053</u></u>
COMMITMENTS AND CONTINGENCIES	31	<u><u>1,387,679,732</u></u>	<u><u>1,210,670,995</u></u>

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Feb 19, 2015.



Mohammed Khalifa Aladsani
Chairman and Managing Director



Mansour Qaiser Bteish
Vice-Chairman



Kamal Ahmed Elzubeir
General Manager

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK


CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2014

	<i>Notes</i>	2014 SDG	2013 SDG
INCOME FROM :			
Investments with banks and financial institutions	21	5,573,421	4,903,258
Investments in securities	22	26,177,813	24,477,869
Finance to customers	23	118,277,754	112,075,670
Income from other investments		1,818,331	-
Total income from financing and investments		151,847,319	141,456,797
Less: Return to unrestricted investment account holders	24	(35,503,048)	(35,600,541)
Less : Finance Cost		(9,103,491)	(14,734,709)
Net income from investments and financing		107,240,780	91,121,547
Fee income	25	25,665,260	33,911,776
Foreign exchange gain, net	26	8,622,319	2,620,592
Total operating income		141,528,359	127,653,915
EXPENSES			
Staff cost		(26,904,684)	(21,290,982)
General and administrative expenses	27	(20,591,052)	(16,368,460)
Depreciation	10	(5,804,977)	(5,059,390)
Provision for finance losses	7.1.3	3,916,115	7,456,132
Provision for impairment		(79,738)	(10,626,347)
Total operating expenses		(49,464,336)	(45,889,047)
Net operating profit before zakat and income tax		92,064,023	81,764,868
Zakat expense		(9,225,817)	(3,114,423)
Income tax expense		(14,366,229)	(18,105,117)
Net profit		68,471,977	60,545,328
Less: net profit attributable to non-controlling interest		(1,474)	(2,933)
Net profit attributable to equity holders of the parent company		68,470,503	60,542,395
Earnings per share	28	2.85	2.52


Mohammed Khalifa Aladsani
 Chairman and Managing Director


Mansour Qaiser Bteish
 Vice-Chairman


Kamal Ahmed Elzubeir
 General Manager

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UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	<i>Notes</i>	2014 <i>SDG</i>	2013 <i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		68,470,503	60,542,395
Adjustments for non-cash items:			
Depreciation and amortization		5,804,977	5,059,390
Zakat		9,225,817	3,114,423
Income tax		14,366,229	18,105,117
Provision for staff end of service benefits		1,311,901	(1,322,787)
Provision for finance losses		(3,836,377)	(7,456,132)
Unrealized gain from securities		(6,923,306)	(4,139,228)
Gain on disposal of property and equipment		(546,948)	(814,999)
Operating profit before working capital changes		<u>87,872,796</u>	<u>73,088,179</u>
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(8,668,677)	12,202,510
Cash margin on LCs & LGs		(19,117,941)	37,793,540
Finance to customers		(173,733,745)	(222,213,225)
Other assets		(17,045,460)	(16,407,186)
Net increase/(decrease) in operating liabilities:			
Due to banks and financial institutions		(47,695,602)	164,619,956
Customers deposits		64,205,636	(47,178,366)
Other liabilities		47,548,467	(55,123,339)
Net cash used in operating activities		<u>(66,634,526)</u>	<u>(53,217,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(97,975,826)	(51,561,403)
Proceeds from sale of investment		31,502,627	39,708,941
Acquisition of property and equipment		(9,845,784)	(16,542,033)
Proceeds from sale of property and equipment		550,582	1,269,481
Net cash used in investing activities		<u>(75,768,401)</u>	<u>(27,125,014)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		(1,026)	2,933
Dividends paid		(33,603,742)	(21,383,360)
Net increase in equity of unrestricted investment accounts		174,705,339	60,340,466
Net cash from financing activities		<u>141,100,571</u>	<u>38,960,039</u>
Net decrease in cash & cash equivalents		(1,302,356)	(41,382,906)
Cash and cash equivalents at beginning of the year		366,102,120	407,485,026
Cash and cash equivalents at end of the year	29	<u>364,799,764</u>	<u>366,102,120</u>



Mohammed Khalifa Aladsani
Chairman and Managing Director



Mansour Qaiser Bteish
Vice-Chairman



Kamal Ahmed Elzubeir
General Manager

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UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Attributable to shareholders' of the parent company								Non-controlling interest SDG	Total Shareholders' equity SDG
	Share capital	Share premium	Statutory reserve	Fair value reserve	F. currencies revaluation reserves	Retained earnings	Proposed dividends	Total		
	Note SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG		
Balance at January 1, 2014	240,000,000	4,500,000	26,071,006	-	48,247,343	67,547,110	33,600,000	419,965,459	18,481	419,983,940
Net Profit for the year	-	-	-	-	-	68,470,503	-	68,470,503	1,474	68,471,977
Transfer to statutory reserve	18	-	6,704,943	-	-	(6,704,943)	-	-	-	-
Net change in fair value reserve	-	-	-	-	-	-	-	-	-	-
Foreign Currencies revaluation	19	-	-	-	8,231,584	(8,231,584)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(33,600,000)	(33,600,000)	(2,500)	(33,602,500)
Proposed dividends	20	-	-	-	-	(38,400,000)	38,400,000	-	-	-
Balance at December 31, 2014	240,000,000	4,500,000	32,775,949	-	56,478,927	82,681,086	38,400,000	454,835,962	17,455	454,853,417
Balance at January 1, 2013	240,000,000	4,500,000	20,045,800	56,791	46,313,188	48,564,076	21,600,000	381,079,855	15,548	381,095,403
Net Profit for the year	-	-	-	-	-	60,542,395	-	60,542,395	2,933	60,545,328
Transfer to statutory reserve	18	-	6,025,206	-	-	(6,025,206)	-	-	-	-
Net change in fair value reserve	-	-	-	(56,791)	-	-	-	(56,791)	-	(56,791)
Foreign Currencies revaluation	19	-	-	-	1,934,155	(1,934,155)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(21,600,000)	(21,600,000)	-	(21,600,000)
Proposed dividends	20	-	-	-	-	(33,600,000)	33,600,000	-	-	-
Balance at December 31, 2013	240,000,000	4,500,000	26,071,006	-	48,247,343	67,547,110	33,600,000	419,965,459	18,481	419,983,940



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Kamal Ahmed Elzubeir
General Manager

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

1. INCORPORATION AND ACTIVITIES

United Capital Bank (the Bank) is a public limited company registered in the Republic of 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 were listed for trading at the Khartoum Stock Exchange with effect from November 25, 2007.

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

The Bank operates through four branches (2013: Three branches) in the Republic of Sudan. Its registered office is located at Building No. 411, Square 65, Mamoun Behairy Street, Khartoum East, Post Office Box 8210, Al-Amaarat, Khartoum, Sudan. Fax no. 00249 183 235 000, web site : www.bankalmal.net.

The Bank owns 99% of the shares of Al-Mal United for Securities Company Limited (Al-Mal), which was registered with the Company Registrar and started operations in April 2008. Al-Mal provides financial investment and brokerage services and is a licensed dealer at the Khartoum Stock Exchange. The Bank also owns 99% of the shares of Al-Mawarid Investment Company Limited (Al-Mawarid), which was registered with the Company Registrar in January 2009 and started operations in April 1, 2009. Al-Mawarid is licensed to invest in real estate development and various other economic sectors.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank and the applicable regulations of the Central Bank of Sudan. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Bank applies the relevant International Financial Reporting Standards (IFRS).

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical cost concept except for the re-measurement at fair value of investment securities carried at fair value through income statement and equity.

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 subsidiaries , Almal United Company Limited and AlMawarid Investment Co. Ltd. The financial statements of the subsidiaries 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 continues to be consolidated until the date that such control ceases.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Year ended December 31, 2014

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

All inter-company balances, transactions, income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interest represent the portion of profit or loss and net assets not owned 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.

2.5 Critical accounting judgments and estimates

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.

2.5.1 Impairment losses on financing portfolio

The Bank reviews its financing portfolio on a monthly basis in terms of the collection from customers to determine if there is any delay in payments or any decrease in the value of the portfolio or the future cash flows which requires the establishment of a specific provision.

The amount of provision is calculated in accordance with the directives of the Central Bank of Sudan.

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

2.5.2 Impairment of equity-type instruments through equity

The Bank exercises judgment to consider impairment on equity-type instruments through equity. 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 sector performance and cash flows.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

2. BASIS OF PREPARATION (continued)

2.5.3 Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in an active market 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 characteristics.

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

3.1 Change in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except for Shahama certificates which the Bank has chosen to be classified at cost with income recognition calculated on the minimum rate of profit distributed within the last three years, instead of being classified at fair value through income statement.

The main reason behind this reclassification is that Khartoum Stock of Exchange is no longer an active market, so it is not reflecting the real value for these certificates.

Also the Bank is not generally selling these certificates in the secondary market as it abides to the mechanism of the Central Bank of Sudan in covering any defeat in liquidity – if any.

There is no material effect due to the change in accounting policy of Shahama certificates classification.

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

3.2 Property and Equipment

Property and equipment 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 follow:

	<u>Useful life (years)</u>
• Leasehold land	50
• Bank's Building	50
• Leased Buildings (Lease tenor)	10
• IT equipment	4
• Office equipment, furniture and fixtures	5
• Motor vehicles	4
• Computer software	5

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at the date of each statement of financial position. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 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.

3.4 Investment in securities

According to FAS 25, investments in securities are broadly classified into debt-type instruments where the investment is managed on a contractual yield basis; and equity-type investments which include instruments that evidence a residual interest in the net assets of the investee entity.

The investment securities held by the Bank fall into the equity-type category which are subject to the following policies:

3.4.1 Equity-type instruments at fair value through income statement:

These include instruments held for the purpose of generating profit from the short term market fluctuations. These are initially recognized at cost, being the fair value of the consideration given, and are subsequently re-measured at fair value. All related realized and unrealized gains or losses are included in the consolidated income statement.

3.4.2 Equity-type instruments at fair value through equity:

Equity-type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity. These are initially recognized at cost, being the fair value of the consideration given, plus transaction costs. Subsequent to acquisition, these are re-measured at fair value on individual basis. Unrealized gains or losses arising from a change in the fair value are recognized directly in owner's equity under "fair value reserve" until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognized in the consolidated income statement.

3.4.3 Equity-type instruments carried at cost:

Instruments which do not have a quoted market price as it is not listed in the market or do not have an active market or its fair value cannot be determined in any other appropriate method, are recognized at cost less any impairment in value –if any.

Any gain on such investment is calculated on the lowest profit's rate distributed in the last three years.

Gain or Loss on these investments is recognized when these investments are disinvested.

3.5 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.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Finance to customers

Deferred receivables from Murabaha, Salam, Ijarah and Istisna are stated net of deferred profit, provision for impairment and profit in suspense, if any.

Participation in syndicated financing with other 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, if any.

3.7 Other financial assets and liabilities

With regard to 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.

3.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as cash, balances with the Central Bank of Sudan excluding statutory cash reserve, balances and investment deposits with banks and other financial institutions that are readily convertible to known amounts of cash within ninety days.

3.9 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.

3.10 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 paid in full to the Chamber of Zakat.

3.11 Taxation

The Bank is subject to business profit tax at the rate of 30% of taxable profit. Zakat is allowed as deduction for income tax purposes.

3.12 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 and the Bank's internal HR policy.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Year ended December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue recognition

Income from Murabaha finance is recognized on a time-apportioned basis over the period of the contract based on the outstanding balance.

Income from Istisnaa arises from financing the contract and post-contract phases of the project. Profit from financing the contract 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. Profit from financing the completed project is recognized on a time-apportioned basis over the period.

Ijarah income is recognized on a time-apportioned basis over the lease period.

Profit or loss from Salam finance is recognized when Salam commodity has been received and the significant risks and rewards of ownership of the Salam inventory have passed to a buyer and the amount of profit or loss is realized or can be measured reliably.

Income from participation in syndicated facilities managed by other banks under Mudaraba contracts is recognized on an accrual basis.

Profit from Mudaraba investments with banks and other financial institutions is recognized on an accrual basis.

Income from Musharakah financing is recognized on cash basis if such income cannot be reliably measured.

In cases where income can be reliably measured (e.g. where the Musharakah activities are in the form of deferred sales such as Murabaha and Ijarah) then the Bank's income from such Musharakah is recognized on the accrual basis.

Income from equity-type investment carried at cost is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

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

3.14 Settlement date accounting

All regular 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 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.

3.15 Return to Unrestricted Investment Account holders

Return to Unrestricted Investment Account holders is calculated based on the income generated from all financing and investment assets after deducting the expenses related to the investment pool "Mudarib expenses". Mudarib expenses include all expenses directly attributed to the investment and financing activities and the general provision for finance losses. All general and administrative expenses of the Bank including the specific provisions for finance losses are charged to revenue allocated to the shareholders' equity. The Bank's "Mudarib Profit" is deducted from depositors' share of income before distribution.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Return to Unrestricted Investment Account holders (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 Supervisory Committee.

3.16 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 or agent, 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 consolidated financial statements and are directly paid to the customers after deduction of the Bank's stated commission as agent or profit share as Mudarib.

3.17 Commitments and Contingencies

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed in the notes only unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

3.18 Foreign currency transactions

The consolidated 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 denominated in foreign currencies, at balance sheet date, 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 consolidated income statement.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

	<i>Notes</i>	2014 <i>SDG</i>	2013 <i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	10,228,835	9,143,155
Central Bank of Sudan - Current account	4.1	206,753,398	156,278,946
Local Banks -Current accounts		9,188	1,898,858
Foreign correspondent banks – Current accounts	4.1	<u>72,808,343</u>	<u>112,162,645</u>
Sub-total		289,799,764	279,483,604
Central Bank of Sudan - Statutory Cash Reserve	4.1	59,458,398	50,789,721
Cash margin on letters of credit with correspondent banks	4.1	<u>27,186,187</u>	<u>8,068,246</u>
Total		<u>376,444,349</u>	<u>338,341,571</u>
		2014 <i>SDG</i>	2013 <i>SDG</i>
4.1 Foreign currency balances included in the above balances are as follows:			
Cash in hand		1,413,257	330,756
Central Bank of Sudan - Current account		109,719,159	140,134,780
Foreign correspondent banks – Current accounts		<u>72,808,343</u>	<u>111,959,347</u>
Sub-total		183,940,759	252,424,883
Central Bank of Sudan - Statutory cash reserve		25,417,617	23,994,758
Cash margin on letters of credit with correspondent banks		<u>27,186,187</u>	<u>8,068,246</u>
Total		<u>236,544,563</u>	<u>284,487,887</u>

5- INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

These represent investment accounts placed with banks and financial institutions according to Mudaraba contracts for renewable periods not exceeding one month. Partial and total withdrawals are allowed without significant cost.

Balances at December 31, are as follows:

	2014 <i>SDG</i>	2013 <i>SDG</i>
Local banks	75,000,000	83,000,000
Foreign banks and financial institutions	-	3,618,516
Total	<u>75,000,000</u>	<u>86,618,516</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	Note	2014 SDG	2013 SDG
Securities at fair value through equity			
Liquidity Management Fund- Not listed	6.1	56,999,945	-
Securities carried at cost			
Shahama Certificates - Listed	6.2	129,455,500	95,841,619
Shihab Certificates - Listed	6.3	-	16,170,000
Shasha Certificates - Listed	6.4	73,242,500	79,790,000
Sudan Academy Fund - Not listed	6.5	600,000	600,000
Total		<u>260,297,945</u>	<u>192,401,619</u>

Investment securities at fair value through equity:

6.1 Liquidity Management Fund: This is a fund concerned with the liquidity management among banks , where all Banks operating in Sudan are contributing in. The Fund is managed by Financial Investment Bank with a capital of SDG 750 Million divided into 750,000 Share (*Sukuk*) with nominal value of one thousand SDG .These *Sukuk* are not traded in Khartoum Stock Exchange Market (KSE).The objective of this fund is to recover the over draft current account with Central Bank of Sudan in local currency for all the participating banks with specific regulations ,not only but also the Fund invests excess money in Shahama certificates.

The Shares (*Sukuk*) invested in this fund are valued on daily basis and profits are distributed on annual basis.

Investment securities carried at cost:

6.2 Shahama Certificates: Represents securities issued by the Ministry of Finance and are based on the Musharaka contract. The certificates are traded at Khartoum Stock Exchange (KSE). They consistently recorded a yield not less than 14% per annum since their inception in 1999. Current year yield for redeemed securities ranged between 16% to 20%.

6.3 Shihab Certificates: Represent investment based on the Mudaraba contract, in closed-ended fund operated in favor of the Central Bank of Sudan (CBOS) maturing on May 31, 2015. The fund, being a liquidity management instrument of the CBOS, invests in properties acquired from and leased back to the CBOS. Certificates of the fund are available only to banks, government and quasi-government funds and financial institutions through the CBOS. Rental income is distributed monthly and is expected to yield between 10% to 12% per annum.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

6- INVESTMENTS IN SECURITIES (continued)

Investment securities carried at cost (continued):

6.4 Shasha Certificates: The Bank acquired these securities on December 2012 and March 2013 in settlement of past-due financing collateralized by promissory notes issued by the Ministry of Finance. The securities represent investment based on the Mudarabah contract in closed-ended renewable fund managed by the Sudan Financial Services Co. Ltd. The fund's contributions are allocated to acquire certain assets of Sudan Electricity Distribution Co. which are then leased back to the Ministry of Finance under operating lease contract for a tenor of four years. At the end of the lease term the fund's assets are liquidated at market prices prevailing on liquidation date. These securities are trading in the secondary and inter-bank market. Lease rentals at 5% p.a. are expected to be distributed annually.

6.5 Sudan Academy for Financial and Banking Studies Fund: Represents the Bank's contribution together with all commercial banks operating in Sudan in addition to the Central Bank of Sudan in a 5 year closed ended fund managed by Financial Investment Bank. The fund resources will be invested in securities quoted at the Khartoum Stock Exchange with expected return ranging from 12% to 14% per annum. It has been agreed to allocate 55% of the fund's return as donation to the Sudan Academy for Financial and Banking Studies and 45% to be distributed to the fund owners.

7- FINANCE TO CUSTOMERS, NET

		2014	2013
<i>7.1 By type</i>	<i>Notes</i>	<i>SDG</i>	<i>SDG</i>
Deferred sales receivables :			
Murabaha receivables		1,025,663,604	890,770,842
Istisna receivables		22,054,713	25,416,900
Ijara	7.1.1	166,463,259	195,414,244
Salam		28,717,122	6,981,319
LCs financing		-	1,916,419
Syndicated Mudaraba financing with banks		15,720,719	17,615,969
Musharaka financing		22,704,972	-
Staff Financing		3,334,800	2,684,407
Subtotal		<u>1,284,659,189</u>	1,140,800,100
Less : deferred profit		<u>(127,731,911)</u>	<u>(156,025,099)</u>
Total finance, net of deferred profit		1,156,927,278	984,775,001
Less : Income suspense-past-due accounts		(304,260)	(1,805,990)
Less : provision for finance losses	7.1.2	<u>(19,432,013)</u>	<u>(23,348,128)</u>
Total finance to customers, net		<u>1,137,191,005</u>	<u>959,620,883</u>
7.1.1 Ijara comprise:			
Cost of leased property		119,495,918	135,478,501
Cost of leased motor vehicles		25,816,605	19,999,254
Deferred rental		<u>21,150,736</u>	<u>39,936,489</u>
Total		<u>166,463,259</u>	<u>195,414,244</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

7- FINANCE TO CUSTOMERS (continued)

7.1.2 Movements in the provision for finance losses:	2014	2013
The accumulated provision for finance losses is as follows:	<i>SDG</i>	<i>SDG</i>
General Provision:		
Balance at beginning of the year	9,024,229	6,439,475
Provided during the year	<u>1,900,518</u>	<u>2,584,754</u>
Balance at the end of the year	<u>10,924,747</u>	<u>9,024,229</u>
Specific Provision:		
Balance at beginning of the year	14,323,899	24,364,785
Provided during the year	1,299,943	3,723,408
Recoveries of amounts previously provided	<u>(7,116,576)</u>	<u>(13,764,294)</u>
Balance at the end of the year	<u>8,507,266</u>	<u>14,323,899</u>
Total accumulated provision at end of the year	<u>19,432,013</u>	<u>23,348,128</u>

7.1.3 Net charge (recovery) of provision for credit losses for the year in the consolidated income statement

	<i>Notes</i>	2014	2013
		<i>SDG</i>	<i>SDG</i>
General Provision:			
Total charge of general provision	a	<u>1,900,518</u>	<u>2,584,754</u>
Specific Provision:			
Addition during the year		1,299,943	3,723,408
Recoveries of amounts previously provided		<u>(7,116,576)</u>	<u>(13,764,294)</u>
Total recovery of specific provision		<u>(5,816,633)</u>	<u>(10,040,886)</u>
Net recovery of the provision expense for the year (a+b)		<u>(3,916,115)</u>	<u>(7,456,132)</u>

The above provisions for finance losses are calculated in accordance with the guidelines of the Central Bank of Sudan which require a general provision of 1% to be accounted for finance to customers not subject to specific provision.

At December 31, 2014 total past due installments, including profit margins is SDG 46,630,804 (2013: 8,216,487).

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

7- FINANCE TO CUSTOMERS (continued)

	2014	2013
<i>7.2 By Industry</i>	<i>SDG</i>	<i>SDG</i>
Manufacturing	742,108,324	743,825,379
Trading	131,622,089	101,824,776
Contracting	22,984,487	15,752,517
Services	26,241,946	30,074,700
Agriculture	280,811,640	184,010,897
Transportation	56,645,255	1,656,286
Other	24,245,448	63,655,545
Total finance, gross	<u>1,284,659,189</u>	1,140,800,100
Less: Deferred profit	<u>(127,731,911)</u>	(156,025,099)
Total finance, net of deferred profit	1,156,927,278	984,775,001
Less Income suspense-past-due accounts	(304,260)	(1,805,990)
less: Provision for finance losses	7.1.2 (19,432,013)	(23,348,128)
Finance to customers, net	<u>1,137,191,005</u>	<u>959,620,883</u>

Notes

7.3 By Portfolio

	2014	2013
	<i>SDG</i>	<i>SDG</i>
Performing finance to customers	1,238,028,385	1,132,583,613
Non-performing finance to customers	7.3.1 46,630,804	8,216,487
Total finance to customers	<u>1,284,659,189</u>	1,140,800,100
Less : Deferred profit	<u>(127,731,911)</u>	(156,025,099)
Total finance to customers, net of deferred profit	1,156,927,278	984,775,001
Income suspense -past-due accounts	(304,260)	(1,805,990)
General provision	7.1.2 (10,924,747)	(9,024,229)
Specific provision	7.1.2 (8,507,266)	(14,323,899)
Total provision & income suspense	<u>(19,736,273)</u>	(25,154,118)
Finance to customers, net	<u>1,137,191,005</u>	<u>959,620,883</u>

7.3.1 For the purpose of determining the percentage of past-due financing to total financing portfolio the CBOS defines past due financing as the total of past-due installments excluding profit margin. At December 31, 2014 the total of past-due installments excluding profit margins amounted to SDG 35,691,002 (2013: 7,669,565).

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

8. OTHER INVESTMENTS		2014	2013
		<i>SDG</i>	<i>SDG</i>
Investments in companies			
Al-Hadah Grain Silos for Investments	8.1	10,705,738	10,626,000
Less: Provision for Impairment		(10,705,738)	(10,626,000)
Subtotal		-	-
Equity participation	8.2	5,037,873	6,461,000
Total		5,037,873	6,461,000

8.1 Al-Hadah Grain Silos for Investments : Represents equity shares in a private company acquired in exchange of debt.

8.2 Represents equity participation in private limited companies fully owned by the two consolidated subsidiaries of the Bank. In the opinion of management the fair value of these investments is not less than their carrying value at December 31, 2014.

9- OTHER ASSETS		2014	2013
		<i>SDG</i>	<i>SDG</i>
Cotton Inventory		23,561,247	-
Commission receivable (Gezira Scheme Syndication)		6,522,247	8,226,929
Accrued income		17,249,583	18,960,100
Assets acquired for Murabaha financing		-	4,801,362
Prepaid expenses		3,262,439	1,799,935
Deferred expenses		3,748,045	821,028
Sundry receivables - SEEN for Millls		7,857,309	3,389,441
Sundry receivables - others		354,304	586,328
Other		70,798	72,083
Total		62,625,972	38,657,206

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

10- PROPERTY AND EQUIPMENT, NET

	Land and Buildings	IT equipment	Office equipment, Furniture & fixtures	Motor vehicles	Intangible assets: Computer Software	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
<u>Cost</u>						
Balance at January 1, 2014	62,142,246	5,208,000	4,478,064	3,277,698	10,479,738	85,585,746
Acquisitions	4,324,685	881,640	1,449,948	3,189,511	–	9,845,784
Disposals	–	(655)	(21,228)	(593,115)	–	(614,998)
Balance at December 31, 2014	66,466,931	6,088,985	5,906,784	5,874,094	10,479,738	94,816,532
<u>Accumulated depreciation</u>						
Balance at January 1, 2014	6,296,330	3,983,587	2,698,771	1,395,343	8,020,457	22,394,488
Depreciation expense for the year	1,797,001	646,348	840,487	925,986	1,595,155	5,804,977
Disposals	–	(654)	(17,600)	(593,110)	–	(611,364)
Balance at December 31, 2014	8,093,331	4,629,281	3,521,658	1,728,219	9,615,612	27,588,101
Net book value at December 31, 2014	58,373,600	1,459,704	2,385,126	4,145,875	864,126	67,228,431
Net book value at December 31, 2013	55,845,916	1,224,413	1,779,293	1,882,355	2,459,281	63,191,258

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

	<i>Notes</i>	2014	2013
11- DUE TO BANKS AND FINANCIAL INSTITUTIONS		<i>SDG</i>	<i>SDG</i>
Local banks		214,790,190	134,628,798
Foreign banks		70,162,260	128,322,511
Payable for foreign banks	11.1	<u>95,475,915</u>	<u>165,172,658</u>
Total		<u><u>380,428,365</u></u>	<u><u>428,123,967</u></u>
11.1 Represents Murabaha financing payable to foreign financial institutions.			
12- CUSTOMERS' DEPOSITS		<i>SDG</i>	<i>SDG</i>
Current accounts - Individuals		38,605,777	30,979,064
Current accounts - Corporates		<u>274,468,685</u>	<u>197,349,858</u>
Total current accounts	12.1	313,074,462	228,328,922
Margins - LCs, LGs & other deposits	12.1	<u>45,083,861</u>	<u>65,623,765</u>
Total		<u><u>358,158,323</u></u>	<u><u>293,952,687</u></u>
12.1- Foreign currency deposits included in customers' deposits:		<i>SDG</i>	<i>SDG</i>
Current accounts		67,871,862	73,621,645
Margins - LCs, LGs & other deposits		<u>42,553,316</u>	<u>52,801,133</u>
Total		<u><u>110,425,178</u></u>	<u><u>126,422,778</u></u>
13- OTHER LIABILITIES		<i>SDG</i>	<i>SDG</i>
Bills payable		3,798,560	10,048,600
Zakat payable		9,225,817	3,114,423
Business profit tax payable		20,866,229	18,734,783
Provision for Staff end of service benefits		4,054,787	2,742,886
Board of Directors remuneration		2,561,078	1,869,830
FX differences under settlement		-	2,750,744
Unearned commissions		5,304,307	7,216,822
Accounts payable and accrued expenses		41,197,527	11,785,391
Funds collected form syndications managed by the Bank		85,958,035	42,223,228
Others		40,434	71,395
Total		<u><u>173,006,774</u></u>	<u><u>100,558,102</u></u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

14. INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS	2014	2013
	<i>SDG</i>	<i>SDG</i>
Local banks and financial institutions	260,038,481	256,639,047
Foreign banks and financial institutions	59,643,060	44,608,978
Sub-total	319,681,541	301,248,025
Return to Unrestricted Investment Account holders	25,983,980	22,579,460
Payments on account of profit during the year	(9,946,141)	(10,202,902)
Total	335,719,380	313,624,583
15. OTHER INVESTMENT DEPOSITS		
Corporations	228,407,224	73,628,972
Individuals	40,368,474	38,010,089
Quasi-government	7,282,179	7,203,179
Sub-total	276,057,877	118,842,240
Return to Unrestricted Investment Account holders	10,357,090	13,021,437
Payments on account of profit during the year	(4,622,346)	(2,742,614)
Annual subscriptions to Deposits Guarantee Fund	(133,305)	(72,289)
Total	281,659,316	129,048,774

All investment deposits include balances in foreign currencies equivalent to SDG 129,671,425 (2013: 123,853,708)

16- SHARE CAPITAL	2014	2013
	<i>SDG</i>	<i>SDG</i>
Authorized, issued and paid up share capital :		
24 million shares of SDG 10 each (2013: 24 million shares of SDG 10 each)	240,000,000	240,000,000

17- SHARE PREMIUM

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

18- 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 .

19- FOREIGN CURRENCIES REVALUATION RESERVES

In accordance with the requirements of the Central Bank of Sudan, the foreign currencies revaluation gains must be deducted from the retained earnings and be disclosed in a separate line in the statement of financial position.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

	2014	2013
	<i>SDG</i>	<i>SDG</i>
20- PROPOSED DIVIDENDS		
Cash dividends of SDG 1.6 per share of SDG 10 each	<u>38,400,000</u>	<u>33,600,000</u>

The Board of Directors have resolved, to recommend to the Annual General Meeting of the shareholders to approve distribution of cash dividends equal to 16% of the Bank's paid up capital as at December 31, 2014 (2013: 14%), from 2014 profits available for distribution and to supplement shortage, if any, from prior years retained earnings, subject to the approval of Central Bank of Sudan.

	2014	2013
	<i>SDG</i>	<i>SDG</i>
21- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS		
Realized income from deposits with banks & financial institutions:		
Local banks	5,106,194	1,953,283
Foreign banks	3,105	124,240
	<u>5,109,299</u>	<u>2,077,523</u>
Accrued income from deposits with banks & financial institutions:		
Local banks	464,122	2,825,735
Total Income from investment with banks and financial institutions	<u>5,573,421</u>	<u>4,903,258</u>

	2014	2013
	<i>SDG</i>	<i>SDG</i>
22- INCOME FROM INVESTMENT IN SECURITIES		
Realized income (loss) from redeemed securities:		
Shahama certificates	14,948,076	14,048,227
Shasha certificates	3,843,373	3,817,953
Government Investment Certificates (GIC)	-	(7,205)
Shihab certificates	286,748	1,843,380
Liquidity Management Fund	116,070	-
Global Housing Investment Fund	-	360,664
Sudan Academy for Financial and Banking Studies Fund	60,240	36,142
Sudatel shares	-	239,480
Total realized income from redeemed securities	<u>19,254,507</u>	<u>20,338,641</u>
Unrealized gain/(loss) from unliquidated securities		
Shahama securities	<u>6,923,306</u>	<u>4,139,228</u>
Total	<u>26,177,813</u>	<u>24,477,869</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

	2014	2013
	<i>SDG</i>	<i>SDG</i>
23- INCOME FROM FINANCE TO CUSTOMERS		
Murabaha	88,419,391	90,179,613
Istisnaa/ Mugawala	3,208,226	8,079,692
Ijarah	24,734,486	12,101,382
Salam	1,600,297	-
Syndicated Mudaraba with banks	(169,831)	381,252
Musharakah	485,185	1,333,731
Total	118,277,754	112,075,670
	<i>Notes</i>	
24- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	<i>SDG</i>	<i>SDG</i>
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	46,879,174	47,080,493
Bank's share as Mudarib	(14,045,689)	(11,870,209)
Unrestricted Investment Account holders' share of profit after the Bank's share as Mudarib	32,833,485	35,210,284
Support provided by the Bank from its share as Mudarib	2,669,563	390,257
Unrestricted Investment Account holders' share of profit after the Bank's support	35,503,048	35,600,541
Average profit distribution rates :		
Investment accounts in local currency (SDG)	9.85%	10.33%
Investment accounts in foreign currencies	4.32%	4.95%
	2014	2013
25- FEE INCOME	<i>SDG</i>	<i>SDG</i>
Letters of credit	6,714,035	20,492,059
Letters of guarantees	2,927,666	3,819,819
Administration fees	1,919,290	2,658,185
Draft cheques, transfers and remittances	2,289,659	1,592,457
Management of restricted investment accounts	1,531,975	269,687
Brokerage fees	340,600	445,462
Investment advisory services	7,747,172	2,257,826
Fee from other banking services	2,194,863	2,376,281
Total	25,665,260	33,911,776
	2014	2013
26- FOREIGN EXCHANGE GAIN, NET	<i>SDG</i>	<i>SDG</i>
Transaction gain , net	306,285	686,437
Revaluation gain	8,316,034	1,934,155
Total	8,622,319	2,620,592

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

	<i>Notes</i>	2014	2013
		<i>SDG</i>	<i>SDG</i>
27- GENERAL AND ADMINSTRATIVE EXPENSES			
Bank premises expense	27.1	4,084,806	3,192,273
Communications		619,482	559,215
Maintenance of equipment, furniture & motor vehicles		1,344,236	1,154,381
Computer expenses		2,679,602	2,409,079
Marketing & promotion		1,351,361	886,156
Office supplies		519,392	375,000
Business travel		237,257	318,697
Legal and consultants expenses		1,352,304	749,958
Training		894,145	1,308,911
Subscriptions		1,067,974	819,771
Board and General Assembly expenses		4,379,036	3,080,391
Bank charges		57,353	2,459
Donations		146,129	165,808
Cash Insurance		724,902	346,069
Central Bank of Sudan penalties		-	3,000
Catering Service		584,284	379,178
Loss on disposal of fixed assets		-	34,598
Other		548,789	583,516
Total		<u>20,591,052</u>	<u>16,368,460</u>

27.1- Bank premises expense

This item includes rent in addition to expenses related to security, water, electricity, cleaning and maintenance.

	2014	2013
	<i>SDG</i>	<i>SDG</i>
28- EARNINGS PER SHARE		
Net income for the year	<u>68,470,503</u>	<u>60,542,395</u>
Weighted average number of shares outstanding	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share (in SDG)	<u>2.85</u>	<u>2.52</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.

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

	<i>Notes</i>	2014	2013
29- CASH AND CASH EQUIVALENT		SDG	SDG
Cash and balances with banks and financial institutions	4	376,444,349	338,341,571
Investment deposits with banks and financial institutions	5	75,000,000	86,618,516
Total		451,444,349	424,960,087
Central Bank of Sudan - Statutory cash reserve	4	(59,458,398)	(50,789,721)
Cash margin on letters of credit with correspondent		(27,186,187)	(8,068,246)
		364,799,764	366,102,120

30- RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, members of the 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 consolidated financial statement captions:

2014

	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2014
<u>Balance sheet items:</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	549,591	-	549,591
Financing and investing assets	414,482	-	414,482
Due to banks and financial institutions	34,368,975	-	34,368,975
Current and investments deposits	101,575,568	93,535	101,669,103
Non-controlling interest	-	17,455	17,455
<u>Income statement items:</u>			
Profit from financing	449,838	-	449,838
Bank charges	-	-	-
<u>Key Management Personnel compensation:</u>			
Salaries and other benefits	-	4,852,882	4,852,882
Post-employment benefits	-	699,376	699,376

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

30- RELATED PARTY TRANSACTIONS (continued)

	<u>2013</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2013
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
<u>Balance sheet items:</u>			
Cash and balances with banks and financial institutions	14,015,944	-	14,015,944
Financing and investing assets	149,849	-	149,849
Due to banks and financial institutions	89,423,705	-	89,423,705
Current and investments deposits	34,894,525	1,414,473	36,308,998
Non-controlling interest	-	18,481	18,481
<u>Income statement items:</u>			
Profit from financing	24,578	-	24,578
Bank charges	3,179,605	-	3,179,605
<u>Key Management Personnel compensation:</u>			
Salaries and other benefits	-	4,346,382	4,346,382
Post-employment benefits	-	2,360,088	2,360,088

31- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follow:

	<i>Notes</i>	2014 SDG	2013 SDG
31.1.Financing - related commitments and contingencies :			
Letters of credit		47,316,984	74,527,172
Letters of guarantees		105,997,713	95,672,608
Acceptances		303,436,896	<u>484,328,182</u>
Total financing - related commitments and contingencies		456,751,593	654,527,962
31.2 Non-financing related commitments :			
Restricted investment accounts	32	930,928,139	556,143,033
Total commitments and contingencies		<u>1,387,679,732</u>	<u>1,210,670,995</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

31- COMMITMENTS AND CONTINGENCIES (continued)

Financing related commitments and contingencies

Financing-related commitments and contingencies mainly comprise letters of credit, guarantees, acceptance and irrevocable commitments to extend credit.

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 party 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.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of the approved credit limits, principally in the form of direct financing, guarantees and letters of credit. The Bank is not exposed to loss on these commitments since it maintains the contractual right to revoke these commitments at its sole discretion at any time.

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

2014	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>
Letters of credit	14,111,808	5,620,776	27,584,400	-	47,316,984
Letters of guarantee	13,800,280	85,607,633	6,589,800	-	105,997,713
Acceptances	303,436,896	-	-	-	303,436,896
Total	331,348,984	91,228,409	34,174,200	-	456,751,593

2013	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>
Letters of credit	73,370,069	1,157,103	-	-	74,527,172
Letters of guarantee	59,577,696	176,377	381,405	35,537,130	95,672,608
Acceptances	219,211,012	29,471,261	235,645,909	-	484,328,182
Total	352,158,777	30,804,741	236,027,314	35,537,130	654,527,962

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

32. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 930,928,139 as at December 31, 2014 (2013 : SDG 556,143,033). 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 consolidated financial statements of the Bank.

The maximum Bank's risk exposure is limited to its profit share as Mudarib receivable in return for the management of the accounts. The Bank does not guarantee the account holders equities & liabilities other than operational risk represented by the non-compliance with investment conditions.

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 and classification by sector as at 31 December are as follows:

	2014 SDG	2013 SDG
a) Movement during the year :		
Balance at beginning of the year	465,738,596	465,738,596
Additions	465,189,543	90,404,437
Balance at end of the year	930,928,139	556,143,033
b) By type of assets :		
Murabaha finance	366,823,718	403,226,006
Istisnaa finance	32,968,633	68,358,794
Salam finance	71,448,511	37,273,154
Cotton Stock	354,521,963	-
Musharaka finance	450,000	-
Shahama Securities	103,607,735	46,177,500
Sudatel Shares	1,107,579	1,107,579
Total	930,928,139	556,143,033
c) By sector :		
Banks and financial institutions	930,478,139	556,143,033
Individuals	450,000	-
Total	930,928,139	556,143,033

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

33. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using the ratios and weights established by the Central Bank of Sudan which are in line with the requirements of the Islamic Financial Services Board (IFSB) and Basel Committee. 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.

	Eligible Capital		Capital Adequacy Ratio	
	2014	2013	2014	2013
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	449,802,557	331,657,116	54%	49%
Core and supplementary capital (Tier 2)	460,727,304	340,681,345	56%	51%

The Central Bank of the Sudan Circular No. 6/2009 issued at March 11, 2009 requires all banks operating in the Sudan to maintain a Risk Weighted Asset Ratio (the 'Basel Ratio') at a minimum of 12% (Basel II : 8 %)

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

Tier 2 Capital comprises the elements of Tire1 in addition to fair value revaluation and a prescribed amount of eligible portfolio (general) provisions less prescribed deductions.

The Bank has implemented the capital adequacy standard issued by the Islamic Financial Services Board (IFSB) (which is in line with Basel II) effective January 1, 2009 as required by the Central Bank of Sudan. The Bank uses the standardized approach of Basel II, as stipulated by the IFSB standard and the Central Bank of Sudan to calculate the Risk Weighted Assets and required Regulatory Capital for Pillar 1 (including credit risk, market risk and operational risk). Quarterly prudential returns are submitted to the Central Bank of Sudan showing the Capital Adequacy Ratio.

	Risk Weighted Assets	
	2014	2013
	<u>SDG</u>	<u>SDG</u>
Credit Risk	1,316,687,803	918,618,457
Operational risk	165,821,020	136,447,332
Market risk	112,188,388	96,812,172
Total Pillar 1 - Risk Weighted Assets	<u>1,594,697,211</u>	<u>1,151,877,961</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Year ended 31 December 2014

34- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

34.1 Financial instruments

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

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.

34.2 Risk management

Risk is an integral part of the Bank's business and is critical to the Bank's continuing success and profitability. The essence of effective risk management is to strike an optimal balance between return and risk that lead to enhance depositors and shareholders value through business profits commensurate with the risk appetite of the Bank.

The authority of risk management of the Bank is vested in the Risk and Audit Committees, whose members are nominated by the Board. The Risk Committee assists the Board of Directors and the senior management in performing their risk management oversight function. The Committee is responsible to ensure that the Bank adopts, maintains and applies appropriate risk management policies and procedures. The process of risk management is carried out by the Risk Management Department which is mandated with identifying, quantifying and assessing all risks and setting appropriate prudential limits within the parameters of the overall risk strategy approved by the Board.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework. The Audit Committee is assisted in these functions by the Internal Audit and Compliance Departments.

The risk management strategy in respect of each of these types of risks is set out below:

34.2.1 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 Bank's Assets and Liabilities Management Committee (ALCO) 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 rates of return.

Year ended 31 December 2014

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss.

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 economic sectors. The Bank pursues its policies to safeguard its interest and in a prudent manner obtains tangible or intangible securities 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 financial institutions is controlled by a set off 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 7.2 discloses the economic sector distribution of financing to customers.

34.2.3 Liquidity risk

Liquidity risk is the risk of a bank being 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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2014 is as follows:

	2014				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Assets					
Cash and balances with banks and financial institutions	355,650,726	10,638,153	10,155,470	-	376,444,349
Investments with banks and financial institutions	60,000,000	15,000,000	-	-	75,000,000
Investments in securities	88,204,945	31,041,000	124,494,000	16,558,000	260,297,945
Finance to customers, net	176,560,848	435,654,584	216,858,855	308,116,718	1,137,191,005
Other investments	-	-	-	5,037,873	5,037,873
Other assets	10,531,451	3,476,227	34,265,017	14,353,277	62,625,972
Property and equipment, net	-	-	-	67,228,431	67,228,431
TOTAL ASSETS	690,947,970	495,809,964	385,773,342	411,294,299	1,983,825,575

Liabilities and Shareholders' Equity

Due to banks and financial institutions	106,505,048	216,376,412	57,546,905	-	380,428,365
Customers' deposits	358,158,323	-	-	-	358,158,323
Other Liabilities	54,092,287	6,631,198	65,701,015	46,582,274	173,006,774
Equity of unrestricted investment account holders	478,669,159	39,850,470	97,368,559	1,490,508	617,378,696
Non-controlling interest	-	-	-	17,455	17,455
Shareholders' equity	-	-	-	454,835,962	454,835,962
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	997,424,817	262,858,080	220,616,479	502,926,199	1,983,825,575

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2013 is as follows:

Assets	2013				
	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	336,972,339	1,369,232	-	-	338,341,571
Investments with banks and financial institutions	56,618,516	20,000,000	10,000,000	-	86,618,516
Investments in securities	31,232,958	6,885,229	57,723,432	96,560,000	192,401,619
Finance to customers, net	114,655,143	167,004,180	196,485,770	481,475,790	959,620,883
Other investments	-	-	-	6,461,000	6,461,000
Other assets	28,367,011	9,117,337	546,449	626,409	38,657,206
Property and equipment, net	-	-	-	63,191,258	63,191,258
TOTAL ASSETS	567,845,967	204,375,978	264,755,651	648,314,457	1,685,292,053

Liabilities and Shareholders' Equity

Due to banks and financial institutions	248,180,400	15,406,334	144,581,624	19,955,609	428,123,967
Customers' deposits	293,952,687	-	-	-	293,952,687
Other Liabilities	73,747,127	14,649,794	9,364,455	2,796,726	100,558,102
Equity of unrestricted investment account holders	245,315,502	81,860,616	73,634,683	41,862,556	442,673,357
Non-controlling interest	-	-	-	18,481	18,481
Shareholders' equity	-	-	-	419,965,459	419,965,459
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	861,195,716	111,916,744	227,580,762	484,598,831	1,685,292,053

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.2.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Bank is exposed to 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.

At year end the Bank had the following significant net exposure denominated in foreign currencies in equivalence to SDG:

Currency	Dec. 31, 2014	Dec. 31, 2013
	Long (short)	Long (short)
Euro	26,574,464	(17,596,425)
US Dollar	95,705,365	109,646,886
Other currencies	4,761,337	(11,468,568)

Long position indicates that the assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

34.2.5 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 material risk in terms of the re-pricing of its liabilities since, in accordance with Islamic Shariah, the Bank does not provide a guaranteed contractual rate of return to its depositors.

34.2.6 Risk of managing customers' investments

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.

Year ended 31 December 2014

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.2.7 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. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. 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.

35. SEGMENTAL INFORMATION

For the years ended at December 31, 2014 and 2013 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, 2014 and 2013 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 operations in other geographical segments.

36. SHARIAH SUPERVISORY COMMITTEE

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

37. COMPARATIVE FINANCIAL STATEMENTS

Certain 2013 comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not have an impact on the previously reported net profit or retained earnings.