

**AL SALAM BANK
(PUBLIC COMPANY)
FINANCIAL STATEMENTS**

DECEMBER 31, 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALSALAM BANK - SUDAN

We have audited the accompanying financial statements of Al Salam Bank - Sudan, which comprise the statements of financial position as at 31 December 2009 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards of the Accounting And Auditing Organization For Islamic Financial Institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with accounting standards of The Accounting and Auditing Organization For Islamic Financial Institutions - Bahrain, and are in compliance with the requirements of the Companies Act 1925.

Mubarak El-Awad Mohamed - Partner

Khartoum

24 March, 2010

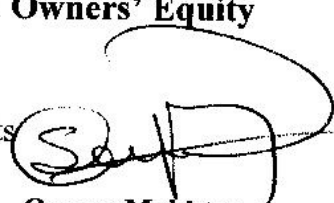
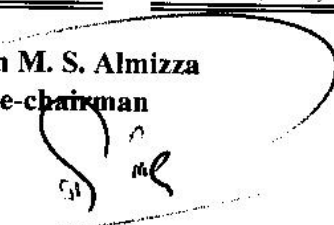
Mubarak Elawad & Co.

24 MAR 2010

Chartered Certified
Accountants

AL SALAM BANK**STATEMENT OF FINANCIAL POSITION**

At December 31, 2009

	<i>Notes</i>	<i>2009</i> <i>SDG</i>	<i>2008</i> <i>SDG</i>
Assets			
Cash and cash equivalents	4	132,074,970	78,213,656
Central Bank of Sudan - Statutory cash reserve	5	6,637,363	6,911,412
Sales receivables (net)	6	336,706,254	324,920,075
Investments in securities and shares held for trading	7	97,647,507	99,051,961
Investments in securities held to maturity	8	42,000,000	52,000,000
Investment in Mudaraba and Walaka financing	9	342,577,833	316,908,604
Investments in shares available for sale	10	12,925,677	11,893,802
Investments in real estates	11	50,462,200	30,531,300
Other Assets	12	27,379,863	46,107,695
Fixed assets	13	37,639,693	36,975,746
Total Assets		1,086,051,360	1,003,514,251
Liabilities, Unrestricted Investment Accounts and Owners' Equity			
Liabilities			
Current Accounts	14	117,299,565	79,810,934
Other Liabilities	15	22,163,312	25,406,570
Provisions	16	10,624,327	6,764,512
Total Liabilities		150,087,204	111,982,016
Equity of unrestricted investment account holders	17	623,666,800	582,671,116
Owners' Equity			
Paid up capital	18	254,000,000	254,000,000
Reserves	19	28,151,371	19,035,505
Retained earnings		30,145,986	35,825,614
Total Owners' Equity		312,297,357	308,861,119
Total Liabilities, Unrestricted Investment Accounts and Owners' Equity		1,086,051,360	1,003,514,251
Contra Accounts	29	903,317,276	898,770,527
 Osman Mokhtar General Manager		 Hussein M. S. Almizza Vice-chairman	

The attached notes from 1 to 44 form an integral part of these financial statements.

AL SALAM BANK**INCOME STATEMENT**

YEAR ENDED DECEMBER 31, 2009

	Note	2009 SDG	2008 SDG
Income			
Income from Deferred sales	20	38,598,966	35,381,328
Income from investments	21	23,385,503	35,637,606
(losses) from Investments revaluation	22	(472,968)	(17,227,329)
Total income from finance and investment		61,511,501	53,791,605
Less: Return on unrestricted investment accounts	17/23	(24,219,774)	(29,421,714)
Bank's share in income from investments (as Mudarib and fund owner)		37,291,727	24,369,891
Income from banking services	24	12,849,670	11,870,922
Gains on Sales and purchase of foreign currency		2,449,295	2,588,515
Other income	25	1,564,747	774,243
Total Bank's revenue		54,155,439	39,603,571
Expenses			
Staff cost	26	(12,097,043)	(13,084,102)
Operation expenses	27	(12,794,301)	(10,106,356)
Mudaraba Investment & Finance Provisions	6/1	(14,049,337)	(4,533,200)
Total Expenses		(38,940,681)	(27,723,658)
Net operating profit		15,214,758	11,879,913
Gains on foreign exchange valuation	41	13,390,784	12,392,790
Net income before provision for zakah		28,605,542	24,272,703
Zakah	42	(5,091,284)	(2,359,916)
Business Profit Tax	43	(903,327)	(566,843)
Net income for the year		22,610,931	21,345,944
Earnings per share	28	0.226	0.213

The attached notes from 1 to 44 form an integral part of these financial statements.

AL SALAM BANK**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2009

	<i>Note</i>	2009 <i>SDG</i>	2008 <i>SDG</i>
Operating activities			
Net income for the year		22,610,931	21,345,944
Adjusted by:			
Depreciation of fixed assets	13	2,633,117	2,095,662
Provisions	16	3,859,815	(2,737,996)
		29,103,862	20,703,610
Changes in operating assets, liabilities and unrestricted investment accounts			
Central Bank of Sudan - Statutory cash reserve	5	274,049	(808,918)
Sales receivables (net)	6	(11,786,179)	(161,663,318)
Investments		(35,227,550)	(21,066,678)
Other assets		18,727,832	(26,115,106)
Current accounts	14	37,488,631	25,905,961
Equity of unrestricted investment account holders	17	40,995,684	156,331,702
Dividends paid		(21,854,000)	-
Other liabilities	15	(3,243,258)	(19,134,791)
Prior year expenses		(4,175,466)	(4,565,836)
Cash used in operations		21,199,742	(51,116,984)
Net cash from/(used) in operating activities		50,303,605	(30,413,374)
Investing activities			
Purchases of fixed assets	13	(3,300,512)	(5,892,458)
Available for sale investments	10	-	(783,802)
Net cash (used in) investing activities		(3,300,512)	(6,676,260)
Financing activities			
Reserves	19	6,858,221	7,659,991
Net cash from financing activities		6,858,221	7,659,991
Increase / (Decrease) in cash and cash equivalents for the year		53,861,314	(29,429,644)
Cash at the beginning of the year	4	78,213,656	107,643,300
Cash and cash equivalents at the end of the year	4	132,074,970	78,213,656

The attached notes from 1 to 44 form an integral part of these financial statements.

AL SALAM BANK**STATEMENT OF CHANGES IN EQUITY**

YEAR ENDED DECEMBER 31, 2009

		Paid up capital	Retained earnings	Statutory reserve	Real Estate revaluation reserve	Foreign investments revaluation reserve	Total
	<i>NOTE</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Balance as at January 1, 2009	19/18	254,000,000	35,825,614	11,085,854	4,341,810	3,607,841	308,861,119
Paid dividends		-	(21,854,000)	-	-	-	(21,854,000)
Net income for the Year		-	22,610,931	-	-	-	22,610,931
Reserves	19	-	(2,261,093)	2,261,093	4,516,661	2,338,112	6,854,773
Prior years Adjustments		-	(4,175,466)	-	-	-	(4,175,466)
Balance as at December 31, 2009		254,000,000	30,145,986	13,346,947	8,858,471	5,945,953	312,297,357
Balance as at January 1, 2008	19	254,000,000	21,180,101	8,951,259	289,660	-	284,421,021
Net income for the Year		-	21,345,943	-	-	-	21,345,943
Reserves	19	-	(2,134,594)	2,134,594	4,052,150	3,607,841	7,659,991
Prior years Adjustments		-	(4,565,836)	-	-	-	(4,565,836)
Balance as at December 31, 2008		254,000,000	35,825,614	11,085,854	4,341,810	3,607,841	308,861,119

The attached notes from 1 to 44 form an integral part of these financial statements.

1- INCORPORATION AND ACTIVITIES

Al Salam Bank (the Bank) was established as a public company with a limited liability in Khartoum in December 28, 2004 under Companies Act 1925 with registration certificate No. 23335. The Bank is providing commercial banking services according to Islamic rules and principles.

The Bank started its commercial operations in May 2005, providing its services from its head office, which is located at Aljamhoria Street and Alhuria Street junction and Alsalam Rotana branch which is operating from Alsalam Rotana Hotel (Africa Street).

2- SIGNIFICANT ACCOUNTING POLICIES**i) Basis of preparation**

1. The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as required by the Central Bank of Sudan and Shari' a Supervisory Board (SSB) requirements.
2. The functional currency is Sudanese Geneih, financial statements have been presented in Sudanese Geneih (SDG) .
3. The Financial statement were prepared in compliance with the historical cost concept as amended, except for the revaluation of securities classified as held for trading , available for sale and real estates which are valued at fair value at the end of the year .
4. The Bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.
5. The Accounting policies used this year are consistent with those used last year.

ii) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any permanent impairment in value.

Depreciation of fixed assets is calculated on a straight line basis over their estimated useful lives based on Chamber of Taxation rates, as follows:

Motor vehicles	15%
Office equipment	10%
Furniture and fixtures	10%
Building	2.5%
IT equipment	20%

iii) Impairment of Financial assets

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

SIGNIFICANT ACCOUNTING POLICIES (continued)***iii) Impairment of financial assets***

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. 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.

The impairment determination :

a. ***Assets measured at amortised cost*** , the impairments is determine according to future cash flows discounted by relevant profit rate.

b. ***Assets measured at fair value*** , the impairments is the differences between the fair value and book value of the assets.

c. ***Assets measured at cost*** , the impairments is determine according to future cash flows discounted by active market price of similar financial asset, in the case of ***investment in shares 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.

iv) Uncertain estimations

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

Impairment losses on financing facilities

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

Estimated life for fixed assets and equipment

The Bank determines the estimated life of its fixed asset and equipments. These estimates are determined after taking into consideration the expected duration of the use of the asset, nature of depreciation and obsolescence. Fixed 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.

2. Significant accounting policies (continued)*Valuation of unquoted investments*

The fair values of unquoted equity investments are estimated by the managers of those funds. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost.

iii) Foreign currencies

All transactions in foreign currencies are recorded using the exchange rate at the date in which they were incurred. Assets and liabilities which were recorded in foreign currency are translated to Sudanese Geneih at the rate of exchange at the financial statements date. Exchange differences resulting from the bank investment balances and transactions in foreign currencies have been recognised in the foreign exchange investments reserve. Transfers differences resulted from bank transactions and other operation are treated in the income statement.

iv) Revenue recognition**a. Murabaha and Istisnaa**

The profits from Murabaha and Istisnaa transactions are recognized on a proportionate basis over the period of the credit.

b. Mudaraba Financing

Mudaraba financing is recognized in the Income Statement at the time of liquidation or to extent of profits being distributed or at declaration date or when such profits can reasonably be estimated.

c. Musharaka and Salam Financing

The profits from Musharaka and Salam transactions are recognized at the time of the liquidation.

d. Income from banking services

Income from banking services is recognized at the time the related services are provided and the amount of revenue can be measured reliably

h. Dividends income and Profit from Bonds

Dividend income and profit from bonds is recognized when declared or when such profits can reasonably be estimated.

v) Provision for doubtful debts

The provision for doubtful debt is based on the assessment of collectability of each debt and in accordance with the directives of the Central Bank of Sudan and the Banks policy.

vi) Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents consist of cash with banks (current accounts) and balances with Central Bank of Sudan and cash in hand

vii) Provisions

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

SIGNIFICANT ACCOUNTING POLICIES (continued)**viii) Employees end of service benefits**

End of service benefits payable to employees at the end of their services is provided for in accordance with Sudanese labour law.

ix) Measurement of investments & finance at the end of the period**a. Sales receivable**

Sales receivable are initially recorded at cost, at the end of the financial period sales receivables are measured at their net realizable value

b. Mudaraba

Mudaraba is measured by the amount paid or the amount placed under the disposition of the Mudarib less the portion of the Mudaraba capital recovered from the Mudarib (if any).

c. Musharaka

Musharaka is measured by the historical cost less Provision for finance losses (if any).

d. Available for sale investments

Available for sale investments are measured at fair value the difference (surplus or deficits) between the book value and fair value recognised at the revaluation reserve until its nil then any deficit will recognised at the income statement

g. Investments in securities and shares held for trading purposes

Investments which are classified “for trading” are initially recognized at cost, including acquisition charges associated with the investments. At the end of the period, held for trading securities and shares are re-measured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. The gains or losses resulting from the re-measurement at fair value are reported as “Re measurement gains or losses on investments” in the income statement.

h. Investments in securities held to maturity

Investments in securities held to maturity are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at cost less impairment in value if any.

x) Zakah and Tax treatment

The Bank is subject to the Zakah and Tax regulations prescribed by the Sudanese authorities. The Bank is subject to Business Profit Tax after excluding the Relieved profits from investments in Shahama's bonds and sudatel shares.

xi) Return on unrestricted investment account holders

The Return on unrestricted investment accounts is calculated on a yearly basis. The Bank allows the investment account holders to withdraw funds from their investment accounts before the agreed period with a condition of losing the right on profits, However at the mudaraba for fixed period the banks (as mudarib) have a right to not allow them to withdraw funds from their investment accounts until the end of agreed period.

Profits are allocated between the unrestricted investment account holders and the owners' equity according to the contribution of each of the two parties. Those profit added to their accounts after the approval of Shari'a Supervisory Board and the regulators.

xii) Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the income statement.

xiii) Liabilities

Liabilities are recognised for amounts to be paid in the future for materials and services received, whether billed by the supplier or not. These are carried at cost, which is the fair value of the consideration to be paid in the future for amounts payable.

3) Shari' a Supervisory Board (SSB)

The Bank's business activities are subject to the supervision of the Shari'a Supervisory Board, which has been appointed by the shareholders. The Shari'a Supervisory Board has the power to direct, review and supervise the activities of the Bank to ensure that they are in compliance with Shari'a rules and principles. This includes issuing an annual report to the shareholders.

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	SDG	SDG
4. Cash and cash equivalents		
Cash in hand & in ATM	5,753,154	3,742,637
Balances with Central Bank of Sudan	92,305,572	40,744,633
Cash with foreign correspondent banks	34,013,124	33,675,734
Current accounts with local banks	3,120	50,652
	132,074,970	78,213,656

	2009	2008
	SDG	SDG
5. Central Bank of Sudan - Statutory cash reserve		
Local currency	6,023,465	5,259,994
Foreign currency	613,898	1,651,418
	6,637,363	6,911,412

	2009	2008
	SDG	SDG
6. Sales receivables (net)		
Murabaha*	180,631,953	217,752,625
Istisnaa	201,532,855	166,374,283
Others	45,151,872	41,077,141
	427,316,680	425,204,049
Less: Deferred profits (note 6/1/1)	(81,321,647)	(94,649,206)
	345,995,033	330,554,843
Less : provision for doubtful debts (note 6/1/1)	(9,288,779)	(5,634,768)
Sales receivables (net)	336,706,254	324,920,075

* Murabaha

Murabaha balance includes a letter of guarantee amounting to USD 157,500 equivalent to SDG 374,188 relating to a client. The letter was confiscated on 14 February 2006 and as such was classified a deferred sales receivable. The banks' management has made frequent contacts with client that resulted in three posted dated cheques covering the whole receivable amount. The first cheque amounting to UAE Dirhims of 200.000 was collected on 4 January 2010, whereas the second Cheque amounting to UAE Dirhims of 200.000 was collected on 31 January 2010 and the final cheque for UAE Dirhims 179,128 is due for collection on 28 February 2010.

	2009	2008
	SDG	SDG
6/1/. Provisions for finance and investment doubtful debts		
<u>General provision :</u>		
Balance at 1 January	3,187,855	2,795,465
Provision for the year	173,290	392,390
Balance at 31 December	3,361,145	3,187,855
<u>Specific provision :</u>		
Balance at 1 January	5,721,435	1,580,625
Provision for the year	13,876,047	4,140,810
Recovered provision	(976,575)	-
Balance at 31 December	18,620,907	5,721,435
Total Provision (General + Specific) note 6/1/1	21,982,052	8,909,290
Total Provision expensed (General + Specific) for the year	14,049,337	4,533,200

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

6/1/1.Total Provisions for finance & investment doubtful debts (General +Specific)	2009 SDG	2008 SDG
Provision for doubtful debts (note 6)	9,288,779	5,634,768
Provision for finance losses (note 9)	12,693,273	3,274,522
	21,982,052	8,909,290

7. Investments in securities and shares held for trading	2009 SDG	2008 SDG
<u>Quoted investment</u>		
Shahama securities	54,250,000	53,500,000
Sudatel shares	4,400,990	5,804,993
AL Salam Bank - Bahrin	11,639,842	11,404,701
King Abdullah City shares	3,137,653	2,611,260
	73,428,484	73,320,954
<u>Unquoted investment</u>		
Aman –Dubai shares	2,629,958	2,419,189
Al salam First Real Estate Fund	20,504,579	18,861,313
Foreign Investment Funds	1,084,485	4,450,505
	24,219,023	25,731,007
Total Investments in securities and shares held for trading	97,647,507	99,051,961

8. Investments in securities held to maturity	2009 SDG	2008 SDG
Shahama Securities (note 8/1)	10,000,000	20,000,000
Shihab Securities (note 8/2)	2,000,000	2,000,000
Government Bonds (note 8/3)	30,000,000	30,000,000
	42,000,000	52,000,000

8/1. Shahama Securities

These are government certificates issued by Finance ministry on behalf of Sudan government and marketed by Sudan Financial Service Company based on Muahraka contract.They are exchanged at Khartoum Stock Market, The average annual return on these certificates is 15%.

8/2. Shihab Securities

These are sukuk issued by Sudan Financial Service Company to investors to invest in central bank building assets fund. The relation between the Sudan Financial Service Company and the investors is based on agency agreement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

8/3. Government Bonds

These bonds are issued by Ministry of Finance and National Economy and are marketed by Sudan Financial Service Company ,the average annual return on these bonds is around 15%.

	2009	2008
	SDG	SDG
9. Investment in Mudaraba		
Mudaraba with customers - Individuals*	13,304,480	13,406,037
Mudaraba with Banks	91,438,851	88,237,090
Wakala with Banks	250,527,775	218,540,000
	355,271,106	320,183,127
Less : provision for finance and investment risk losses (note 6/1/1)	(12,693,273)	(3,274,523)
	342,577,833	316,908,604

*Mudaraba with individuals

Mudaraba with individuals includes a defaulting mudaraba with a customer amounting to USD 5.3 million which defaulted on 25 September 2008. The bank sued the customer through a lawyers office and arbitration process started according to the terms of the Mudaraba contract. In compliance with the Central Bank of Sudan requirements relating to provisions, the bank has made a 100% provision of USD 5.3 million, equivalent to SDG 12,591,140.

10. Investments in shares available for sale	Share%	2009	2008
	Ownership %	SDG	SDG
Al Salam Bank-Algeria	5%	50,000	11,843,802
Al Salam Real Estate Company	50%	12,875,677	50,000
		12,925,677	11,893,802

11. Investments in real estates

Represent investments in lands fully owned by the Bank in Khartoum and Khartoum North cities (note 19/1).

	2009	2008
	SDG	SDG
12. Other assets		
Staff loans	313,246	130,811
Other receivables (note 12-1)	25,860,581	44,820,359
Prepayments	1,206,036	1,156,525
	27,379,863	46,107,695

	2009	2008
	SDG	SDG
12-1. Other receivables		
Accrued income on investments	-	30,867,256
Al salam First Real Estate Fund	22,735,488	13,938,103
Assets acquired for Murabaha financing	3,125,093	15,000
	25,860,581	44,820,359

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

13- Fixed Assets

	Motor Vehicles	Furniture and fixture	Office Equipment	IT equipment	Freehold Land and building	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
<u>Cost at :</u>						
January 1, 2009	413,705	2,710,219	1,750,345	7,073,113	28,559,215	40,506,597
Additions	-	2,194,564	90,906	1,015,042	-	3,300,512
Disposals	(6,215)	-	-	-	-	(6,215)
December 31, 2009	<u>407,490</u>	<u>4,904,783</u>	<u>1,841,251</u>	<u>8,088,155</u>	<u>28,559,215</u>	<u>43,800,894</u>
<u>Depreciation at :</u>						
January 1, 2009	86,482	352,715	135,281	2,235,919	720,454	3,530,851
For the period	61,690	341,221	177,352	1,452,782	600,072	2,633,117
Disposals	(2,767)	-	-	-	-	(2,767)
December 31, 2009	<u>145,405</u>	<u>693,936</u>	<u>312,633</u>	<u>3,688,701</u>	<u>1,320,526</u>	<u>6,161,201</u>
<u>Net book value at :</u>						
December 31, 2009	<u>262,085</u>	<u>4,210,847</u>	<u>1,528,618</u>	<u>4,399,454</u>	<u>27,238,689</u>	<u>37,639,693</u>
December 31, 2008	<u>327,223</u>	<u>2,357,504</u>	<u>1,615,064</u>	<u>4,837,194</u>	<u>27,838,761</u>	<u>36,975,746</u>

The attached notes from 1 to 44 form an integral part of these financial statements.

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	SDG	SDG
14. Current accounts		
Local currency	109,951,261	70,368,644
Foreign currency	7,348,304	9,442,290
	<u>117,299,565</u>	<u>79,810,934</u>
	2009	2008
	SDG	SDG
15. Other liabilities		
Other creditors	670,215	1,587,465
Accrued expenses	369,150	214,013
Outstanding cheques	2,448,411	17,519,527
Shareholders, Board of Directors and Shari' a board Remunerations Provision	17,631,601	1,865,028
Cash margin against letters of credit	687,425	3,974,420
Cash margin against letters of guarantee	356,510	246,117
	<u>22,163,312</u>	<u>25,406,570</u>
	2009	2008
	SDG	SDG
16. Provisions		
End of service benefits	227,137	317,250
Social Insurance	174,297	186,917
Provision for staff bonus	2,788,928	2,170,000
Board of directors remuneration	971,176	785,000
Income tax provision	468,177	513,586
Zakah provision (note 42)	5,091,284	2,359,916
Business profit tax provision (note 43)	903,327	431,843
	<u>10,624,327</u>	<u>6,764,512</u>
	2009	2008
	SDG	SDG
17. Equity of unrestricted investment account holders		
Unrestricted investment account balances	601,941,616	553,952,914
Return on unrestricted investment accounts	24,219,774	29,421,714
Advance payment	(2,494,590)	(703,512)
	<u>623,666,800</u>	<u>582,671,116</u>
	2009	2008
	SDG	SDG
18. Capital		
Authorized and paid up	<u>254,000,000</u>	<u>254,000,000</u>

The authorized share capital of the Bank comprises 100,000,000 shares of nominal value of SDG 2.54 each

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	<i>SDG</i>	<i>SDG</i>
19. Reserves		
Real Estate revaluation reserve (note 19/1)	8,858,471	4,341,810
Foreign exchange investments reserve (note 19/2)	5,945,953	3,607,841
Statutory Reserve (note 19/3)	13,346,947	11,085,854
	28,151,371	19,035,505

19/1.Real Estate revaluation reserve

The lands held for investment purposes by the Bank were revaluated by a Sudanese Consultancy Firm licensed by the Organizing Council for Consultancy Firms (OCCF) at 31 December 2009 resulting in a revaluation surplus for both the owners of unrestricted investment accounts and the shareholders each according to their share percentage of the investment portfolio.

19/2.Foreign exchange investments reserve

Gains of the foreign exchange from investments are excluded from income statements and included in the equity as Foreign exchange investments reserve.

19/3.Statutory Reserve

As required by the Banking Regulation Law of 2003 and the Central Bank of Sudan Circular dated 7 April 2007, 10% of net profit has been transferred to a statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 100% of the paid up share capital.

	2009	2008
	<i>SDG</i>	<i>SDG</i>
20. Income from Deferred sales		
Murabaha income	22,735,910	28,000,114
Istisnaa income	12,156,342	5,025,752
Other Finance income	3,706,714	2,355,462
	38,598,966	35,381,328

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	SDG	SDG
21. Income from investments		
Securities (Shahama)	10,022,639	12,095,905
Securities (Shihab)	228,000	228,000
Government bonds	4,500,000	3,104,000
Foreign investment funds	1,524,207	1,470,203
Shares (Sudatel)	-	1,398,575
Mudaraba	39,409	928,279
Musharaka	-	293,691
Investment accounts- Local banks	415,234	1,957,500
Investment accounts- Foreign banks	6,656,014	14,161,453
	23,385,503	35,637,606

	2009	2008
	SDG	SDG
22. Revaluation (losses) on investments		
Shahama securities	750,000	500,000
Sudatel Company shares	(1,984,501)	(1,980,815)
King Abdullah City shares	526,392	(3,555,556)
AL Salam Bank – Bahrain shares	235,141	(12,190,958)
	(472,968)	(17,227,329)

	2009	2008
	SDG	SDG
23. Return of Holders of unrestricted investment accounts		
Share of profits before Mudarib share	32,381,876	35,028,916
Mudarib share of profit	(20,258,367)	(17,778,663)
Net return after Mudarib share	12,123,509	17,250,253
The bank donated profit	12,096,265	12,171,461
Final balance after donation	24,219,774	29,421,714

The Mudarib percentage of net profit of mudaraba ranges between 25% to 80% whereas the percentage share of net Mudaraba profit ranges between 80% to 75%.

	2009	2008
	SDG	SDG
24. Income from banking services		
Ledger fees	359,659	324,708
Letters of credit	3,292,291	4,043,424
Letters of Guarantee	8,520,265	5,685,989
Transfers and acceptances	313,692	808,708
Administrative fees	316,303	945,030
SMS commission	28,500	63,063
After Sale Services commission	18,960	-
	12,849,670	11,870,922

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	SDG	SDG
25. Other Income		
Income from mail and communications	18,955	28,125
Others	1,545,792	746,118
	<u>1,564,747</u>	<u>774,243</u>
	2009	2008
	SDG	SDG
26. Staff cost		
Basic salary	4,533,712	5,458,012
Eids bonus	1,178,721	1,150,119
Type of work allowance	108,626	94,118
Cash and in-kind benefits	-	20,004
Cash, Accommodation and Lease allowance	-	3,068
End of service benefit	184,560	383,083
Additional Wages	4,491	40,986
Delegations and Trainings	87,670	83,492
Staff performance bonus	3,416,339	3,509,294
Board of directors and Shari' a board remuneration	814,878	785,000
Health Insurance	167,462	173,894
Social Insurance	889,834	602,685
Transportation	4,162	137,970
Annual Leave allownces	706,587	642,377
	<u>12,097,043</u>	<u>13,084,102</u>
	2009	2008
	SDG	SDG
27- Operation expenses		
Stationary & equipment	461,479	814,490
Maintenance &Repair	1,116,800	301,003
Telecommunications	693,005	329,083
Fuel and lubricant	23,896	17,996
Electricity & water	526,317	340,075
Insurance	338,106	252,227
Guarding	185,727	119,960
Cars rentals	3,684	9,630
Rent	1,804,791	1,616,895
Gardening	9,000	4,500
Legal consultancy fees	481,121	81,232
Expenses of General Assembly and opening of the head office	279,796	1,346,799
Audit fees	375,806	190,135
Sharia Supervisory Board expenses	179,671	97,607
Engineering consultancies	14,500	20,601
Subscriptions	421,102	732,238
Hospitality	47,581	103,778

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

	2009	2008
	SDG	SDG
27- Operation expenses (continued)		
Cleaning	336,578	239,714
Miscellaneous	43,648	122,138
Visas and Hotels expenses	605,859	103,542
Banks charges	15,554	18,236
Donations and gifts	277,400	120,738
Swift	86,185	39,808
Advertising	268,370	563,081
Deposits Guarantee Fund	1,406,451	325,127
National switch transfer Expenses	123,733	19,061
Central Bank of Sudan penalties	16,900	81,000
Depreciation (note 13)	2,633,117	2,095,662
	12,794,301	10,106,356

	2009	2008
	SDG	SDG
28- Earning Per Shares		
Net profit for the year	22,610,931	21,345,944
Number of share	100,000,000	100,000,000
Earning Per Share	0.226	0.213

	2009	2008
	SDG	SDG
29- Contra accounts		
Letters of credit	75,940,880	109,988,711
Letters of guarantee	827,376,396	788,781,816
	903,317,276	898,770,527

30 Concentration of investments – Economic sector

The total Investments for the 2009 amounted to SDG 346,817,461 (2008: SDG 338,084,791) and it was distributed according to economic sector as follows:

	2009	2008
Industry	49.00%	53.00%
Commercial	6.00%	4.00%
Transportation	4.00%	6.00%
Agriculture	4.00%	0.00%
Other segments	37.00%	37.00%
Total (note 33)	100.00%	100.00%

AL SALAM BANK

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

31. Social responsibility

With regard to the Bank's role in supporting the needy and poor people, the Bank has allocated Zakah for this year the amounting to SDG 5 Million (2008: SDG 2.3 Million) moreover, during the year the Bank has discharged its social responsibilities by training the employees and by donations payments.

32. Related party transactions

These represent transactions with related parties, i.e. shareholders , board of directors and senior management of the Bank, and companies of which they are principal shareholders. These transactions are conducted in an arm length basis.

2009

	Principles Shareholders & Board of Directors and their companies	Key Mangers	Total at December 31, 2009
	SDG	SDG	SDG
Balance sheet items :			
Murabaha	-	7,182,278	7,182,278
			-
Invetment accounts	475,160	-	475,160
Current accounts	457,724	477,898	935,622
Income statement Items :			
Murabha income	-	178,095	178,095
Remunration	784,014	847,639	1,631,653
Contra accounts :			
Letters of credit	72,844,467	-	72,844,467

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

32. Related party transactions (cont)

	2008		
	Principles Shareholders & Board of Directors and their companies	Key Mangers	Total at December 31, 2008
	SDG	SDG	SDG
Balance sheet items :			
Murabaha	416,000	2,453,948	2,869,948
Invetment accounts	410,000	-	410,000
Current accounts	460,562	-	460,562
Income statement Items :			
Murabha income	179,639	99,777	279,416
Mudaraba income	262,248	-	262,248
Remunration	721,182	464,556	1,185,738
Contra accounts :			
Letters of credit	66,393,187	-	66,393,187

33. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures continuously.

The Bank seeks to manage its credit risk exposure through the diversification of financing and investment activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate.

Analysis of investments concentration by economic sector is provided in note 30.

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

34. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

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 Bank's assets and liabilities is as follows:

For 2009

Assets	Within 3 months	3 to 6 months	6 to 12 months	Over one year	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Cash and cash equivalents	132,074,970	-	-	6,637,363	138,712,333
Sales receivable	16,774,994	564,002	33,244,284	286,122,974	336,706,254
Investments in securities and shares	97,647,507	-	42,000,000	-	139,647,507
Mudaraba	45,743,957	4,751,600	282,582,276	9,500,000	342,577,833
Investments in real estate	-	-	-	50,462,200	50,462,200
Other assets	1,585,932	-	16,631,942	9,161,989	27,379,863
Investments in affiliates	-	-	-	12,925,677	12,925,677
Fixed assets	-	-	-	37,639,693	37,639,693
Total Assets	293,827,360	5,315,602	374,458,502	412,449,896	1,086,051,360
Owner's equity and Liabilities					
Owner's equity	-	-	-	312,297,357	312,297,357
Current accounts	117,299,565	-	-	-	117,299,565
Other liabilities	20,080,011	-	-	2,083,301	22,163,312
Provisions	5,994,611	3,688,103	-	941,613	10,624,327
Equity of un-restricted investments account	105,651,620	120,575,402	397,404,377	35,400	623,666,799
Total liabilities and shareholders' equity	249,025,807	124,263,505	397,404,377	315,357,671	1,086,051,360

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

34. Liquidity risk (cont)

For 2008

Assets	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Cash and cash equivalents	78,213,656	-	-	6,911,412	85,125,068
Sales receivable	1,147,982	986,380	15,216,946	307,568,768	324,920,076
Investments in securities and shares	119,158,159	-	20,000,000	11,893,802	151,051,961
Mudaraba	9,643,357	218,540	307,046,706	-	316,908,603
Investments in real estate	-	-	-	30,531,300	30,531,300
Other assets	-	15,513,062	16,431,347	14,163,286	46,107,695
Investments in affiliates	-	-	-	11,893,802	11,893,802
Fixed assets	-	-	-	36,975,746	36,975,746
Total Assets	208,163,154	16,717,982	358,694,999	419,938,116	1,003,514,251
Owner's equity and Liabilities					
Owner's equity	-	-	-	308,861,119	308,861,119
Current accounts	79,810,934	-	-	-	79,810,934
Other liabilities	18,332,736	253,263	-	6,820,571	25,406,570
Provisions	-	3,972,753	2,791,759	-	6,764,512
Equity of un-restricted investments account	179,831,942	10,900,569	391,903,205	35,400	582,671,116
Total liabilities and	277,975,612	15,126,585	394,694,964	315,717,090	1,003,514,251

35. Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

The Board has established the acceptable risk limits which are monitored regularly by the banks assets and liabilities committee.

36. Shares prices risk

Shares prices risk is a risk that the value of the shares will fluctuate as a result of changes in the market prices of the shares. The Board of Directors of the Bank sets limits on the amounts and types of shares to be acquired for investments purposes. The investments committee of the Bank regularly monitors these limits.

37. Profit rate risk

As an Islamic institution the bank is exposed to fluctuation in profit rate on its assets and cost of its liabilities. The bank recognizes its financial assets profits on proportion basis. The Board has established limits on profit rate risks.

38. Currency risk

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

Currency risk is managed on the basis of limits determined by the Bank's Board of Directors. These limits are monitored continuously to ensure that the net exposure is kept to an acceptable level.

Assets and liabilities in foreign currency are mainly denominated in US Dollars and other Foreign currencies. The bank foreign currencies net position at 31 December was as follows:-

	2009	2008
	USD	USD
<i>Assets</i>	294,716,202	310,317,450
<i>Liabilities</i>	157,515,086	171,630,645
Net foreign Currency Position	137,201,116	138,686,805

AL SALAM BANK**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2009

39. Capital adequacy

The Bank monitors the adequacy of its capital using the ratios established by Central Bank of Sudan.

	2009	2008
	SDG	SDG
<i>Core capital</i>	289,916,424	283,052,395
<i>Total risk weighted assets</i>	368,535,916	277,557,203
The Bank's capital adequacy ratio	79%	102%
Minimum capital adequacy ratio required	12%	10%

40. Fund under managementAl Salam First Real Estate Fund

The bank manages Al Salam Real Estate Fund (the Fund) as fund manager (Mudarib) and ownership holder with share of 43,2% of total fund which amounted to \$20,000,000 equal to SDG 47,516, 000 at end of 2009, (2008: SDG 41,040,000).

The fund has invested in real estate locally and abroad.

Summary of net assets of the funds

	2009	2008
	SDG	SDG
Balance at the beginning of the year	43,072,440	41,040,000
Profit / (Loss) for the year	508,106	(1,668,937)
Profit distributions	(4,751,600)	(5,463,500)
Reserves (Resulting from revaluation of real estate investments)	14,438,480	9,164,877
Net assets at year end	53,267,426	43,072,440

The assets of the fund included receivable amount of USD 3.8 Million (SDG 8.8 Million) under collection.

41. Gains on foreign exchange

Represent gains on revaluation of foreign currency balances at year end.

42 Zakah

The bank paid its zakat liabilities up to 2008 and provided for 2009 zakat liability.

43. Business Profit Tax

The bank obtained final tax clearance certificates up to 2007 and paid its tax liability for 2008 and provided for 2009.

44. Comparative Figures

Certain of the comparative amounts have been reclassified to conform with 2009 classifications. These reclassifications did not affect the comparative year profits or equity.