

AL SALAM BANK - Sudan

(Public Company)

UNAUDITED

FINANCIAL STATEMENTS

31 MARCH 2010

**Review report and interim Financial Statements
for the period ended 31 March 2010**

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REVIEW REPORT TO THE SHAREHOLDERS OF ALSALAM BANK (Public Company).

Introduction

We have reviewed the accompanying statement of financial position of ALSALAM BANK (the Bank). as of 31th of March 2010, and the related statements of income, cash flows and changes in equity and the related notes for the quarter then ended.

The Bank's management is responsible for the preparation and presentation of these financial statements in accordance with the Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34 which addresses the interim financial reporting in accordance with the Shariah requirements. Our responsibility is to issue a report on these financial statements based on our review.

Review Scope

We conducted our review in accordance with the International Standard on Review Engagements 2410. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free to material misstatement. A review is limited primarily to enquiries of bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with the Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34.

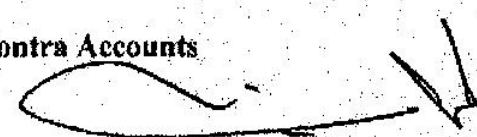


Mubarak El-Awad Mohamed – FCCA, FCMA
Partner
Khartoum
11 May 2010

AL SALAM BANK**INTERIM STATEMENTS OF FINANCIAL POSITION**

AS AT MARCH 31, 2010

		<i>March 2010</i> <i>SDG</i>	<i>December 2009</i> <i>SDG</i>
Assets			
Cash and cash equivalents		115,278,161	132,074,970
Cash reserve with central bank		10,792,160	6,637,363
Sales receivables		342,465,419	336,706,254
Investments in securities and shares held for trading	3	98,267,584	97,647,507
Investments in securities and shares held to maturity	4	53,000,000	42,000,000
Mudaraba financing	5	360,506,105	342,577,833
Musharaka financing	6	436,727	-
Investments in shares available for sale	7	12,843,300	12,925,677
Investments in real estate		50,462,200	50,462,200
Other Assets		42,456,233	27,379,863
Fixed assets		37,198,979	37,639,693
Total assets		1,123,706,868	1,086,051,360
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		137,065,143	117,299,565
Other liabilities		35,936,241	22,163,312
Provisions		12,373,056	10,624,327
Total liabilities holders		185,374,440	150,087,204
Owners' equity		621,698,763	623,666,800
Paid up capital		254,000,000	254,000,000
Reserves		28,271,786	28,151,371
Retained earnings		34,361,880	30,145,985
Total owners' equity		316,633,665	312,297,356
Total liabilities, unrestricted investment accounts and owners' equity		1,123,706,868	1,086,051,360
Contra Accounts		857,050,024	898,770,527


 Mr. Abd Albaseet Hamza El Hassan

Member Of The Board Of Director


 Mr. Malik Hamid Kisha

Acting General Manager

The attached notes 1 to 11 from an integral part of these condensed financial statements

AL SALAM BANK

INTERIM CONDENSED INCOME STATEMENT

FOR THE PERIOD ENDED MARCH 31, 2010

	<i>MARCH 2010</i>	<i>MARCH 2009</i>
	<i>SDG</i>	<i>SDG</i>
Income	Unaudited	Unaudited
Deffered sales	10,965,007	7,682,243
Income from investments	5,352,802	5,682,232
Unrealized re-measurement gains on investments	885,719	(900,502)
	<u>17,203,528</u>	<u>12,463,973</u>
Less: Return on unrestricted investment accounts	(6,484,127)	(9,999,265)
Bank's share in income from investments (as Mudarib and as fund owner)	<u>10,719,401</u>	<u>2,464,708</u>
Income from banking services	2,879,522	3,750,564
Gain/ loss on sale of foreign currency	193,232	1,436,046
Other income	695,571	184,762
Total Bank's revenue	<u>14,487,726</u>	<u>7,836,080</u>
Less:		
Staff cost	(2,294,245)	(1,571,123)
Opration expenses	(3,662,263)	(4,310,617)
Total expenses	<u>(5,956,509)</u>	<u>(5,881,740)</u>
Net operation profits	8,531,217	1,954,340
Gain/ loss from revaluation of foreign currencies	(2,385,024)	11,049,025
Net income before provision for zakah and tax	<u>6,146,193</u>	<u>13,003,365</u>
Zakah provision for the period	(1,356,668)	(1,750,676)
Business Profit Tax provision for the period	(105,199)	(375,826)
Net income for the period	<u>4,684,327</u>	<u>10,876,863</u>
Basic earning per share	<u>0.047</u>	<u>0.109</u>

The attached notes 1 to 11 form an integral part of these condensed financial statements.

AL SALAM BANK
INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2010

	<i>March 2010</i> <i>SDG</i> Unaudited	<i>March 2009</i> <i>SDG</i> Unaudited
Operating activities		
Net income for the period	4,684,327	10,876,863
Adjustments for:		
Depreciation of fixed assets	733,056	629,659
Provisions	1,748,729	2,361,216
	7,166,112	13,867,738
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	(4,154,797)	1,088,922
Sales receivables	(5,759,165)	(21,364,815)
Investments	(29,902,699)	(4,436,509)
Other assets	(15,076,370)	(3,909,370)
Current accounts	19,765,578	(675,077)
Equity of unrestricted investment accounts	(1,968,037)	17,674,669
Other liabilities	13,772,929	(15,792,609)
Cash from/(used in) operations	(23,322,561)	(27,414,789)
Net cash from/(used in) operating activities	(16,156,449)	(13,547,051)
Investing activities		
Purchases of fixed assets	(292,342)	(183,460)
Investments in affiliates	-	(597,230)
Net cash from/(used in) investing activities	(292,342)	(780,690)
Financing activities		
Reserves	(348,018)	2,933,868
Net cash from financing activities	(348,018)	2,933,868
Increase / Decrease in cash and cash equivalents for the period	(16,796,809)	(11,393,873)
Cash at the beginning of the period	132,074,970	78,213,656
Cash and cash equivalents at the end of the period	115,278,161	66,819,783

AL SALAM BANK**INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY**

FOR THE PERIOD ENDED MARCH 31, 2010

	Paid up capital	Retained earnings	Statutory reserve	Property revaluation reserve	Investment revaluation reserve	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Balance as at January 1, 2010	254,000,000	30,145,986	13,346,947	8,858,471	5,945,953	312,297,357
Net income for the period	-	4,684,327	-	-	-	4,684,327
Reserves	-	(468,433)	468,433	-	-	-
Balance as At March 31, 2010	254,000,000	34,361,880	13,815,380	8,858,471	5,945,953	316,981,684
Balance as at January 1, 2009	254,000,000	35,825,614	11,085,854	4,341,810	3,607,841	308,861,119
Net income for the period	-	10,876,863	-	-	-	10,876,863
Reserves	-	(1,087,686)	1,087,686	-	2,933,868	2,933,868
Balance as31 March2009	254,000,000	45,614,791	12,173,540	4,341,810	6,541,709	322,671,850

AL SALAM BANK

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2010

1) Incorporation and activities

Al Salam Bank (the Bank) was established as a public company with a limited liability in Khartoum on December 28, 2004 under companies law 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 on May 2005, Providing its services from the head office, which is located at Aljamhoria street and Alhuria street junction and Alsalam Rotana branch which is placed in Alsalam Rotana Hotel (Africa street).

2) Basis of preparation

a) Accounting Standards

The interim condensed financial statements have been prepared in accordance with the Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the international Accounting Standard no (34) and the requirements of the the Central Bank of Sudan and the banks' Shari'a Supervisory Board (SSB).

b) Accounting Policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

The interim condensed financial statements should be read with financial statements as at December 31, 2009 and its attached notes. The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and also the results for the period ended 31 March 2010 are not indicative of the results that may be expected for the year ended 31 December 2010.

c) Functional and Presentation currency

The functional currency is Sudanese Geneih (SDG).

	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
3) Investments in securities and shares held for trading		
Quated Investments		
Shahama securities	56,300,000	54,250,000
Sudatel shares	3,280,492	4,400,990
AL Salam bank – Bahrain shares	11,386,801	11,639,842
King Abdalla city shares	3,236,218	3,137,653
	74,203,511	73,428,485
Unquated Investments		
Investment funds	1,077,546	1,084,485
Aman –Dubai shares	2,613,132	2,629,958
Al salam first real estate fund	20,373,395	20,504,579
	24,064,073	24,219,022
	98,267,584	97,647,507

AL SALAM BANK**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED MARCH 31, 2010

	March 2010	December 2009
4) Investments in securities and shares held to maturity	SDG	SDG
	Unaudited	Audited
Shahama securities	21,000,000	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	53,000,000	42,000,000
5) Mudaraba Investment and Agencies	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Mudaraba with corporate & customers	12,511,180	13,304,480
Mudaraba with financial institutions	110,747,700	91,438,851
Wakala with financial institutions	249,858,405	250,527,775
	373,117,285	355,271,106
Less : provision for finance losses	(12,611,180)	(12,693,273)
	360,506,105	342,577,833
6) Musharka financing	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Musharaka	441,138	-
Less : provision for finance losses	(4,411)	-
	436,727	-
7) Investments in shares available for sale	March 2010	December 2009
Ownership percentage	SDG	SDG
	Unaudited	Audited
Alsalam Algeria Bank 5%	12,793,300	12,875,677
Al Salam Real Estate Company 50%	50,000	50,000
	12,843,300	12,925,677
8) Investments Analysis	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Local Investments (note 8/1)	193,802,814	181,661,370
Investments in GCC counties (note 8/2)	368,919,802	351,569,771
Forgin Investments (Al Salam Bank - Algeria)	12,793,300	12,875,677
	575,515,916	546,106,818
8/1 Local Investments	March 2010	December 2009
Investments in securities and shares held for trading purposes	SDG	SDG
	Unaudited	Audited
Shahama securities	56,300,000	54,250,000
Sudatel shares	3,280,492	4,400,990
Al salam First Real Estate Fund	20,373,395	20,504,579
	79,953,887	79,155,569

AL SALAM BANK**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED MARCH 31, 2010

	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held to maturity		
Shahama securities	21,000,000	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	53,000,000	42,000,000
Mudaraba investment		
Mudaraba with Local Banks	9,900,000	9,993,601
	March 2010	December 2009
	Unaudited	Audited
	SDG	SDG
Musharka financing		
Net Musharaka	436,727	-
Investments in shares available for sale		
Al Salam Real Estate Company	50,000	50,000
Investments in real estate		
Local land	50,462,200	50,462,200
Total	183,852,814	171,667,769
8/2 Investments in GCC countries	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held for trading purposes		
AL Salam Bank – Bahrain shares	11,386,801	11,639,842
King Abdalla city shares	3,236,218	3,137,653
Investment funds	1,077,546	1,084,485
Aman –Dubai shares	2,613,132	2,629,958
	18,313,697	18,491,938
investment with banks		
Emirates Islamic Bank	88,944,700	70,059,851
AL Salam Bank – Bahrain	11,803,000	11,879,000
Abu Dhabi Islamic Bank	249,858,405	250,527,775
	350,606,105	332,466,626
Mudaraba with Customers (net)	-	611,207
	350,606,105	333,077,833
Total	368,919,802	351,569,771

9) Contra accounts

The contra accounts which are not included in the statement of financial position were as follows:

	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Letters of credit	70,306,132	75,940,880
Letters of guarantee	786,743,892	827,376,396
	857,050,024	903,317,276

AL SALAM BANK**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED MARCH 31, 2010

10) Segmental information

The total finance for the period ending 31 March 2010 amounted to SDG 352,802,145 (December 2009: SDG 346,817,461) and it was distributed according to economic sector as follows:

	March 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Manufacturing	50%	49%
Transportation	5%	6%
Trading	3%	4%
Agriculture	4%	4%
Other sectors	38%	37%
Total	100%	100%

11) Statutory reserve

As required by the Central Bank of Sudan, 10 % of net profit attributable to the shareholders for the period 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. 10% from the profit of the period was transferred to the statutory reserve .