AL SALAM BANK

UNAUDITED

FINANCIAL STATEMENTS

30 September 2009

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

مــبــارك
للمحاسبة والمراجعة والإستشارات المالية
محاسبون قانونيون
مكتب مستقل، مراسلون
إرنِست وَيَونغ

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

We have reviewed the accompanying balance sheet of ALSALAM BANK (*the Bank*). as of 30th of September 2009, and the related statements of income, cash flows and changes in equity 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.

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.

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 Ali Ibrahim – CPA

Partner

October 30, 2009

Mubarak For Accounting, Auditing & financial Consultancy ★
Date :

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مبنى الهيئة العربية للاستثمار والإنماء الزراعي – الطابق الثالث – شارع البلدية – الخرطوم
ص.ب ٦٥٥٦ – السودان
بريد إلكتروني : info@maafc.com

AL SALAM BANK

INTERIM STATEMENT OF FINANCIAL POSITION

AS AT September 30, 2009

		September 2009	December 2008
		US$	***US$***
Assets			
Cash and cash equivalents		**20,817,769**	35,789,172
Cash reserve with central bank		**2,833,399**	3,162,539
Sales receivables		**145,506,732**	148,552,034
Investments in securities held for trading	3	**40,710,873**	45,324,408
Investments in securities held to maturity	4	**20,883,953**	23,794,271
Mudaraba financing	5	**150,246,162**	144,938,734
Investments in shares security for sale		**5,439,484**	5,442,391
Investments in real estate		**18,372,457**	13,970,577
Other Assets		**14,808,177**	21,098,057
Fixed assets		**17,214,193**	17,167,224
Total assets		**436,833,198**	459,239,407
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		**35,858,761**	36,520,056
Other liabilities		**8,819,183**	11,625,593
Provisions		**3,543,010**	3,095,320
Total liabilities		**48,220,954**	51,240,969
Equity of unrestricted investment account holders		**258,796,816**	266,619,894
Owners' equity			
Paid up capital		**100,000,000**	100,000,000
Reserves		**12,388,239**	23,626,412
Retained earnings		**17,427,189**	17,752,132
Total owners' equity		**129,815,429**	141,378,544
Total liabilities, unrestricted investment accounts and owners' equity		**436,833,198**	459,239,407

Mr. Abdul Basit Hamza El Hassan — **Member of The Board Of Director**

Mr. Osman Mokhtar — **General Manager**

The attached notes 1 to 9 form an integral part of the financial statements.

AL SALAM BANK

INTERIM INCOME STATEMENT

FOR THE PERIOD ENDED September 30, 2009

	For Three months ended		For Nine months ended	
	September 2009	*September 2008*	***September 2009***	*September 2008*
	US$	*US$*	***US$***	*US$*
Income				
Deffered sales	**5,131,332**	5,732,924	**12,791,235**	12,667,808
Income from investments	**2,207,545**	3,054,748	**8,465,530**	12,303,012
Gains / (losses) from Investments revaluation	**(1,165,450)**	(5,556,428)	**705,991**	(1,624,670)
	6,173,427	3,231,244	**21,962,757**	23,346,150
Less: Return on unrestricted investment accounts	**(1,058,953)**	(3,527,919)	**(9,157,595)**	(10,725,690)
Bank's share in income from investments (as Mudarib and as fund	**5,114,474**	(296,675)	**12,805,162**	12,620,460
Income from banking services	**204,444**	2,042,172	**2,139,342**	4,871,387
Gain/ loss on sale of foreign currency	**121,505**	-	**817,168**	-
Other income	**83,174**	93,710	**402,675**	291,338
Total Bank's revenue	**5,523,597**	1,839,207	**16,164,346**	17,783,185
Less:				
Staff cost	**(1,318,314)**	(2,777,644)	**(3,113,887)**	(5,132,050)
Opration expenses	**(1,092,268)**	(252,426)	**(4,409,093)**	(3,412,188)
Investment & Finance Provisions	**(3,302,427)**	-	**(4,948,421)**	-
Total expenses	**(5,713,008)**	(3,030,070)	**(12,471,401)**	(8,544,238)
Net operating profit	**(189,411)**	(1,190,863)	**3,692,945**	9,238,947
Gain/ loss from revaluation of foreign Currencies	**1,790,266**	913,164	**11,411,932**	2,152,685
Net income before provision for zakah and tax	**1,600,855**	(277,699)	**15,104,878**	11,391,632
Zakah provision	**(592,516)**	(366,595)	**(1,710,808)**	(2,099,738)
Business Profit Tax provision	**(302,418)**	(181,229)	**(1,003,391)**	(268,103)
Net income for the period	**705,921**	(825,523)	**12,390,678**	9,023,791
Earning (Loss)per share	**0.007**	**0.008 -**	**0.124**	**0.090**

The attached notes 1 to 9 form an integral part of the financial statements.

AL SALAM BANK

INTERIM STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED September 30, 2009

	For Nine months ended	
	September 2009	*September 2008*
	US$	***US$***
Operating activities		
Net income for the period	**12,390,678**	9,023,791
Adjustments for:		
Depreciation of fixed assets	**839,098**	716,028
Provisions	**447,690**	(307,048)
	13,677,465	9,432,771
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	**329,140**	(967,331)
Sales receivables	**3,045,302**	(71,542,602)
Investments	**(2,182,546)**	(17,039,775)
Other assets	**6,289,880**	(3,940,240)
Current accounts	**(661,295)**	9,679,276
Equity of unrestricted investment accounts	**(7,823,078)**	60,549,465
Other liabilities	**(2,806,410)**	(15,236,577)
prior year expenses	**(1,476,553)**	(2,211,058)
Cash from/(used in) operations	**(5,285,560)**	(40,708,842)
Net cash from/(used in) operating activities	**8,391,906**	(31,276,071)
Investing activities		
Purchases of fixed assets	**(886,068)**	(2,111,656)
Investments in affiliates	**-**	-
Net cash from/(used in) investing activities	**(886,068)**	(2,111,656)
Financing activities		
Reserves	**(12,477,240)**	(1,721,954)
Profit Distriution	**(10,000,000)**	
Net cash from financing activities	**(22,477,240)**	(1,721,954)
Increase / Decrease in cash and cash equivalents for the period	**(14,971,403)**	(35,109,681)
Cash at the beginning of the period	**35,789,172**	52,508,927
Cash and cash equivalents at the end of the period	**20,817,769**	17,399,246

The attached notes 1 to 9 form an integral part of the financial statements.

AL SALAM BANK

INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE PERIOD ENDED September 30, 2009

	Paid up capital	Retained earnings	Statutory reserve	Property revaluation reserve	Investement revaluation reserve	Translation reserve	Total
	US$	*US$*	*US$*	*US$*		*US$*	*US$*
For theNine months ended September 30. 2009							
Balance as at January 1, 2009	100,000,000	17,752,132	4,252,074	1,995,489	1,650,883	15,727,966	141,378,544
Prior year adjustments	-	(1,476,553)	-	-	-	-	(1,476,553)
Net income for the period	-	12,390,678	-	-	-	-	12,390,678
Reserves	-	(1,239,068)	1,239,068	-	2,126,936	(14,604,177)	(12,477,240)
Profit Distripution	-	(10,000,000)	-	-	-	-	(10,000,000)
Balance as aSeptember 30, 2009	**100,000,000**	**17,427,189**	**5,491,142**	**1,995,489**	**3,777,819**	**1,123,789**	**129,815,429**
For theNine months ended September 30. 2008							
Balance as at January 1, 2008	100,000,000	10,410,485	3,196,776	141,298	-	24,269,099	138,017,658
Prior year adjustments	-	(2,211,058)	-	-	-	-	(2,211,058)
Net income for the period	-	9,023,791	-	-	-	-	9,023,791
Reserves	-	(902,379)	902,379	-	-	(1,721,955)	(1,721,955)
Profit Distripution		-	-	-			
Balance as aSeptember 30, 2008	**100,000,000**	**16,320,839**	**4,099,155**	**141,298**	**-**	**22,547,144**	**143,108,436**

The attached notes 1 to 9 form an integral part of the financial statements.

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

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).

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 2008.

The interim condensed financial statements should be read with financial statements as at December 31.2007 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 30 june 2009 are not indicative of the results that may be expected for the year ended 31 December 2009.

The functional currency is Sudanese Pound.

The interim condensed financial statements have been presented in US Dollar.

	September 2009	December 2008
3) Investments in securities and shares held for trading	***US$***	***US$***
Shahama securities	**20,080,725**	24,480,644
Sudatel shares	**1,810,876**	2,656,261
AL Salam bank – Bahrain shares	**5,733,720**	5,218,587
King Abdalla city shares	**1,311,738**	1,194,866
Investment funds	**2,036,430**	1,106,978
Aman –Dubai shares	**1,106,956**	8,630,600
Al salam first real estate fund	**8,630,427**	2,036,472
	40,710,873	45,324,408

4) Investments in securities and shares held to maturity	September 2009 US$	December 2008 US$
Shahama securities	**8,032,289**	9,151,643
Ijara securities (shihab)	**803,229**	915,164
Government securities	**12,048,435**	13,727,464
	20,883,953	23,794,271

5) Mudaraba financing	September 2009 US$	December 2008 US$
Mudaraba with corporate & customers	**8,812,803**	6,134,363
Mudaraba with financial institutions	**146,768,381**	140,375,716
	155,581,184	146,510,079
Less : provision for finance losses	**(5,335,023)**	(1,571,345)
	150,246,162	144,938,734

6) Investments Analysis	September 2009 US$	December 2008 US$
Local Investments (note 6/1)	**73,011,434**	73,794,215
Investments in GCC counties (note 6/2)	**157,222,091**	154,256,654
Forgin Investments (Al Salam Bank - Algeria)	**5,419,403**	5,419,512
	235,652,928	233,470,382

6/1 Local Investments	September 2009	December 2008
Investments in securities and shares held for trading purposes	US$	US$
Shahama securities	**20,080,725**	24,480,644
Sudatel shares	**1,810,876**	2,656,261
Al salam first real estate fund	**8,630,427**	8,630,600
	30,522,028	35,767,505
Investments in securities and shares held to maturity		
Shahama securities	**8,032,289**	9,151,643
Ijara securities (shihab)	**803,229**	915,164
Government securities	**12,048,435**	13,727,464
	20,883,953	23,794,271
Investments with banks		
Fisal Islamic bank -sudan	**-**	238,982
Mudarabat with Customers (net)	**3,212,916**	-
	3,212,916	238,982
Investments in shares available for sale		
Al Salam real estate company	**20,081**	22,879
	20,081	22,879
Investments in real estate		
Local land	**18,372,457**	13,970,577
Total	**73,011,434**	73,794,215

6/2 Investments in GCC countries	September 2009	December 2008
Investments in securities and shares held for trading purposes	*US$*	*US$*
AL Salam bank – Bahrain shares	**5,733,720**	5,218,587
King Abdalla city shares	**1,311,738**	1,194,866
Investment funds	**2,036,430**	2,036,472
Aman –Dubai shares	**1,106,956**	1,106,978
	10,188,845	9,556,903
investment with banks		
Emirates Islamic bank	**26,640,578**	26,636,734
AL Salam bank – Bahrain	**4,999,900**	10,000,000
Abudahabi Islamic bank	**105,497,882**	103,500,000
MashrqBank	**9,431,575**	-
	146,569,935	140,136,734
Mudarabat with Customers (net)	**463,311**	4,563,018
	147,033,246	144,699,752
Total	**157,222,091**	154,256,654

7) Segmental infromation

The total finance for the period is amounting to USD 193,374,997 and it was distributed according to economic sector as follows:

Agricultural	3%
Manufacturing	54%
Trading	4%
Transportation	6%
Other sectors	33%
Total	100%

8) 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 50% of the paid up share capital. 10% from the profit of the period was transfered to the statutory reserve .

9) Contra accounts

The contra accounts which are not included in the balance sheet.

	September 2009	December 2008
	US$	*US$*
Letters of credit	**32,524,695**	50,328,869
Letters of guarantee	**358,200,227**	360,932,468
	390,724,921	411,261,338

The attached notes 1 to 9 form an integral part of the financial statements.