

**CAPITAL BANK**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

# MUBARAK

For Accounting, Auditing & Financial Consultancy  
Certified Public Accountants

Independent Firm, Correspondent of  
ERNST & YOUNG

# مبارك

للمحاسبة والمراجعة والإستشارات المالية  
محاسبون قانونيون

مكتب مستقل، مراسلون  
إرنست ويونغ

## AUDITORS' REPORT TO THE SHAREHOLDERS OF CAPITAL BANK KHARTOUM - SUDAN

We have audited the accompanying statement of financial position of Capital Bank as of December 31, 2006 and the related statement of income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital Bank as of December 31, 2006 and the results of its operations and its cash flows for the period then ended in accordance with the Shari'a Rules and Principles as determined by the Shari'a Board of the Bank and the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions



**Mubarak Ali Ibrahim – Partner**

March 18, 2007



## CAPITAL BANK

### STATEMENT OF FINANCIAL POSITION

As at December 31, 2006

	<u>Note</u>	<u>2006</u> <u>SDD 000</u>
<b>Assets</b>		
Cash and balances with banks and financial institutions	3	1,588,817
Investments with banks and financial institutions	4	13,210,963
Investments in securities available for sale	5	1,781,673
Finance to customers and investment portfolios, net	6	1,771,255
Other assets	7	489,218
Fixed assets, net	8	<u>555,421</u>
<b>Total Assets</b>		<b><u>19,397,347</u></b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Customers' deposits	9	6,964,158
Other liabilities	10	<u>542,580</u>
<b>Total Liabilities</b>		<b><u>7,506,738</u></b>
<b>Shareholders' equity</b>		
Issued share capital	11	13,000,000
Receivable from shareholders ( unpaid shares )	11 & 23	<u>(943,500)</u>
Paid up capital		12,056,500
Reserves	12	100,923
Accumulated loss		<u>(266,814)</u>
<b>Total Shareholders' equity</b>		<b><u>11,890,609</u></b>
<b>Total liabilities and Shareholders' equity</b>		<b><u>19,397,347</u></b>

The financial statements were authorized for issue in accordance with a resolution of the directors on March 18, 2007.

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**Mr. Saad Al Wazzan**  
Chairman and Managing Director

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**Mr. Kamal El Zubair**  
General Manager

The accompanying notes from 1 to 23 form an integral part of these financial statements

## CAPITAL BANK

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### INCOME STATEMENT

Period ended December 31, 2006

	<u>Note</u>	<u>2006</u> <u>SDD 000</u>
<b>Income</b>		
Income from investments with banks and financial institutions, net	13	604,110
Income from investments in securities	14	124,788
Income from finance to customers		37,650
Income from banking services	15	<u>51,966</u>
		<b><u>818,514</u></b>
<b>Expenses</b>		
Staff cost		267,320
General and administrative expenses	16	339,853
Depreciation	8	50,266
Provision for finance losses	6	<u>12,867</u>
<b>Total operating expenses</b>		<b><u>670,306</u></b>
<b>Operating Profit</b>		<b>148,208</b>
Exchange loss	17	<u>(262,044)</u>
<b>Net loss before zakat</b>		<b>(113,836)</b>
Provision for zakat		<u>(152,978)</u>
<b>Net loss</b>		<b><u>(266,814)</u></b>

The accompanying notes from 1 to 23 form an integral part of these financial statements

## CAPITAL BANK

### STATEMENT OF CASH FLOWS

Period ended December 31, 2006

	<u>Note</u>	<u>2006</u> <u>SDD 000</u>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period		(266,814)
Adjustments for:		
Depreciation	8	50,266
Zakat provision	10	152,978
Provision for finance losses	6	12,867
Provision for end of service benefits	10	21,234
Provision for staff bonus	13	32,208
		<u>269,553</u>
Operating cash flows before working capital changes:		<u>2,739</u>
Changes in:		
Statutory cash reserve	3	(619,787)
Cash margin on letters of credit	3	(237,615)
Finance to customers	6	(1,784,122)
Other assets	7	(489,218)
Customer deposits	9	6,964,158
Other liabilities	10	336,160
Cash provided from operations		4,169,576
<b>Net cash from operating activities</b>		<b><u>4,172,315</u></b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments		(1,680,750)
Purchase of fixed assets	8	(605,687)
<b>Net cash used in investing activities</b>		<b><u>(2,286,437)</u></b>
<b>FINANCING ACTIVITIES</b>		
Payment of share capital	11	12,056,500
<b>Net cash from financing activities</b>		<b><u>12,056,500</u></b>
<b>Increase (Decrease) in cash ad cash equivalents</b>		<b>13,942,378</b>
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	18	<b><u>13,942,378</u></b>

The accompanying notes from 1 to 23 form an integral part of these financial statements



## CAPITAL BANK

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### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Period ended December 31, 2006

	<u>Capital</u>	<u>Reserves</u>	<u>Accumulated loss</u>	<u>Total</u>
	<u>SDD 000</u>	<u>SDD 000</u>	<u>SDD 000</u>	<u>SDD 000</u>
Payment of Share capital	12,056,500	—	—	12,056,500
Investments fair value reserve	—	100,923	—	100,923
Net loss for the period	<u>—</u>	<u>—</u>	<u>(266,814)</u>	<u>(266,814)</u>
<b>Balance at December 31,2006</b>	<b><u>12,056,500</u></b>	<b><u>100,923</u></b>	<b><u>(266,814)</u></b>	<b><u>11,890,609</u></b>

The accompanying notes from 1 to 23 form an integral part of these financial statements

## CAPITAL BANK

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### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

#### 1. Incorporation and activities

Capital Bank (the Bank) is a private limited liability company registered and incorporated in the Republic of Sudan on August 8, 2005 under the Companies' Act of 1925 with registration certificate number 25575. The Bank is engaged in providing full range of Islamic banking services to corporate and institutional customers. The bank commenced its banking operations on August 1, 2006. The bank performs all its banking activities in accordance with the Islamic Sharia rules.

The Central Bank of Sudan requires the bank to undertake initial public offering (IPO) within two years from the date of registration.

Capital Bank's registered office is located at Building No. 5, Square 9, Street 25, New Extension, PO Box 8210, Alamarat Area, and Khartoum, Sudan. Fax no. 249-83-587000, web site : [www.bankalmal.com](http://www.bankalmal.com)

#### 2. Significant Accounting Policies

##### 2/1 Basis of preparation

- 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.
- The financial statements are presented in Sudanese Dinars (SDD).
- The financial statements are prepared for the period from August 8, 2005 through December 31, 2006.

##### 2/2 Accounting convention

The Bank uses the historical cost concept except for the remeasurement at fair value of securities classified as available for sale. The Bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

##### 2/3 Fixed assets

Fixed assets and intangible assets are stated at cost less accumulated depreciation, amortization and any impairment loss.

Depreciation is calculated on a straight line basis over the estimated useful lives, as follows:

IT equipment and computer software	4 years
Office equipments, Furniture and fixtures	5 years
Motor vehicles	4 years

The cost of leasehold land is amortized over the lease term of 50 years.

Capital work in progress is not depreciated.

##### 2/4 Impairment and uncollectibility of financial 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.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2006

**2/5 Fair values**

**Investment:**

For investments traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the market value of similar investments, or is based on other acceptable valuation models. Investments with no reliable measures of their fair values or for which fair value information could not be obtained are carried at their initial cost less impairment losses, if any.

**Financial assets and liabilities:**

For financing to customers, fair value is approximately equal to their net book value, after deduction of deferred profit and provision for impairment.

For the other financial assets and financial liabilities, fair value is determined based on expected future cash flows or management's estimate of the amount at which this asset could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

**2/6 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash, current account balances and investment accounts with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

**2/7 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.

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.

**2/8 Taxation**

The Bank is subject to business profit tax at the rate of 35% of taxable profit. However, there is no taxable income for the period due to losses incurred.

**2/9 Zakat**

Zakat is calculated and provided for in accordance with the regulations of the Chamber of Zakat. Zakat is allowed as deduction for income tax purposes.

**2/10 Employees' 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.



