

1. Accounting policies

The financial statements are prepared in accordance with Statements of Generally Accepted Accounting Practice in South Africa and conform to Islamic Standards issued by the Accounting and Auditing Organisations for Islamic Financial Institutions. They are drawn up on the historical cost basis and incorporate the following principal accounting policies which, have been applied on a basis consistent with that of the previous period except for the adoption of the accounting statement on recognition and measurement of financial instruments (AC 133).

1.1 Basis of consolidation

1.1.1 Investment in subsidiary

A subsidiary is that entity over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from its activities.

The Group Financial Statements incorporate the assets, liabilities and results of the operations of the Company and its subsidiary. The results of the subsidiary are included from the effective date of acquisition. Where necessary, the accounting policies of the subsidiary are changed to ensure consistency with the policies adopted by the Group.

1.1.2 Investment in associated company

An associate is an enterprise over whose financial and operating policies the Group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the Group.

The equity method of accounting for associates is adopted in the Group Financial Statements. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the Group's accounting policy for goodwill.

The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements, but in some instances, unaudited interim results are used. Dividends received from associates are included in income from investments.

Where the Group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil. Additional losses are only recognised to the extent that the Group has incurred obligations or made payments on behalf of the associate.

1.1.3 Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprises. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.2 Investments

Financial assets held for investment purposes are stated at carrying amount less any permanent diminution in value, and profits and losses are recognised on realisation.

1.3 Property, plant and equipment

Property, plant and equipment, other than leasehold improvements, computer equipment and land and buildings are depreciated on a reducing balance basis at the following rates:

Equipment	– 10% p.a.
Vehicles	– 20% p.a.
Computers	– 33.33% p.a.

Leasehold improvements are written off on the straight line method over the period of the lease. Computer equipment and software is written off on the straight line method over three years. Land and buildings are held for investment purposes and are stated at fair value.

Subsequent expenditure relating to an item of property and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Surpluses/(deficits) on the disposal of property and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.4 Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.



In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.5 Bad and doubtful advances

Loans and advances are stated after the deduction of specific and portfolio impairments.

Specific impairments represent the quantification of actual and expected losses from separately identified non-performing loans and advances. The amount of specific impairments raised is the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the underlying client and any security in place for the loans and advances. In assessing the net realisable value, the expected future cash flows from the loans and advances are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the loans.

Portfolio impairments cover losses which, although not specifically identified, are present in any portfolio of loans and advances. The amounts required to fund the assessed level of impairments are charged to the income statement.

In addition, a regulatory credit risk reserve, being the difference between the level of impairments required in terms of the banking regulation and the justified impairments required in terms of AC 133, is shown separately in the statement of changes in equity.

1.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.7 Contingencies and commitments

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events and principally consist of third party obligations underwritten by the Bank. Items are classified as commitments where the Group commits itself to future transactions that will normally result in the acquisition of an asset.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

Trade and other receivables

Trade and other receivables originated by the Group are stated at cost less provision for doubtful advances.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.



The industrial sector has been the backbone of the South African economy. A high percentage of semi-skilled people are employed in this sector and its potential in securing the future wealth of the nation is invaluable.

With gold, high grade diamonds, platinum, coal, natural gas and many other heavy metals and natural resources, South Africa is one of the richest nations in raw materials.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in operating income in the year in which the change arises.

Gains and losses from measuring the hedging instruments relating to a fair value hedge at fair value are recognised immediately in net profit or loss.

Gains and losses from remeasuring the hedging instruments relating to a cash flow hedge to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecast transaction affects profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.10 Revenue recognition

1.10.1 Income from Islamic activities

Income from Islamic activities comprises of :

- profits attributable to the purchase and sale of movable and immovable property, commodities, manufacturing materials and finished products. The profit is recognised over the period of each transaction either on the straight line or reducing balance basis, depending on the nature of the transaction; and
- income for services rendered is recognised when earned.

1.10.2 Non-Islamic income

The Group does not, as a policy, engage in any activities that involve usury. However, any non-Islamic income earned by the company, due to circumstances beyond its control, is transferred to the welfare and charitable fund.

1.10.3 Dividends

Dividends are recognised when the right to receive payment is received.

1.11 Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprises of short term negotiable securities, cash and short term funds.

2. Changes in accounting policies

The adoption of the AC 133 cash flow technique to calculate doubtful debt provisions has resulted in an increase in specific impairments to include a discount factor to adjust non-performing advances to the present value of future cash flows. Prior to AC 133, the general provision was based on prescribed percentages applied to the performing loan book. The new cash flow valuation technique indicates that the portfolio impairment should be lower than the amount determined under the previous methodology and a portion of the general provision has accordingly been released. A regulatory general credit risk reserve has been created in order to meet any additional regulatory require-



An increasingly skilled labour force and the support of private sectors is essential in overcoming poverty and unemployment. Job creation and economic growth go hand in hand and help ensure stability. Although the economic growth rate has increased in recent years, a considerably higher rate of growth would better insure future prosperity.

South African and foreign investors are ploughing investment into fertile areas of opportunity. Manufacturing and the resultant export of goods internationally has constituted an increasingly larger percentage of our GDP and will guarantee the success and growth of our new nation.

ments over and above the accounting impairments.

Loans and advances at off-market rates are required to be fair valued under AC 133. This gives rise to an initial loss on recognition, which gradually unwinds through the income statement over the life of the loan and advances. The Bank offers loans to staff at concessionary rates which are considered to be off-market.

The statements require that this change in accounting policy be applied prospectively and, as a result, adjustments to determine the new equity, assets and liability bases are treated as opening transitional adjustments in the statement of changes in equity.

The impact of complying with AC 133 on the opening shareholders' equity is as follows:

	Retained earnings R'000	Investment risk reserve R'000	Regulatory general credit risk reserve R'000	Total impact on shareholders' interest R'000
Adjustments to:				
Present value adjustments to specific provision	2 462			2 462
Present value adjustments to below market loans and advances	(2 369)			(2 369)
Reversal of general provision for doubtful advances		5 424		5 424
Creation of portfolio impairment		(3 846)		(3 846)
Creation of regulatory general credit risk reserve		(1 671)	1 671	-
	93	(93)	1 671	1 671

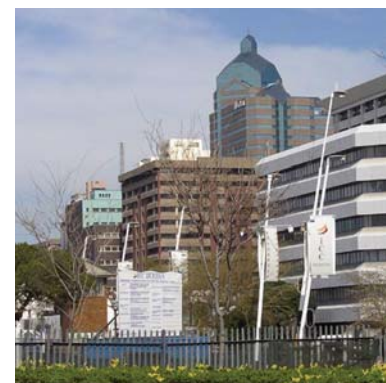
“Let freedom reign. The sun never set on so glorious a human achievement.”

Nelson Mandela

3. Property and equipment

Group	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
2003			
Land and buildings	4 193	-	4 193
Vehicles	901	398	503
Equipment and computers	12 134	7 614	4 520
Leasehold improvements	2 181	1 701	480
	19 409	9 713	9 696
2002			
Land and buildings	4 193	-	4 193
Vehicles	795	280	515
Equipment and computers	9 401	6 318	3 083
Leasehold improvements	1 895	1 500	395
	16 284	8 098	8 186

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Total R'000
2003					
Carrying amount at beginning of year	4 193	515	3 083	395	8 186
Additions	-	105	2 744	286	3 135
Disposals	-	-	(11)	-	(11)
Depreciation	-	(117)	(1 296)	(201)	(1 614)
Carrying amount at end of year	4 193	503	4 520	480	9 696
2002					
Carrying amount at beginning of year	4 193	643	3 845	437	9 118
Additions	-	-	555	102	657
Disposals	-	-	(19)	-	(19)
Depreciation	-	(128)	(1 298)	(144)	(1 570)
Carrying amount at end of year	4 193	515	3 083	395	8 186



Property and equipment (continued)

Company	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
2003			
Land and buildings	707	—	707
Vehicles	901	398	503
Equipment and computers	11 885	7 415	4 470
Leasehold improvements	1 965	1 485	480
	15 458	9 298	6 160

2002			
Land and buildings	707	—	707
Vehicles	795	280	515
Equipment and computers	9 152	6 125	3 027
Leasehold improvements	1 679	1 284	395
	12 333	7 689	4 644

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improve- ments R'000	Total R'000
2003					
Carrying amount at beginning of year	707	515	3 027	395	4 644
Additions	—	105	2 744	286	3 135
Disposals	—	—	(11)	—	(11)
Depreciation	—	(117)	(1 290)	(201)	(1 608)
Carrying amount at end of year	707	503	4 470	480	6 160

2002					
Carrying amount at beginning of year	707	643	3 782	437	5 569
Additions	—	—	555	102	657
Disposals	—	—	(19)	—	(19)
Depreciation	—	(128)	(1 291)	(144)	(1 563)
Carrying amount at end of year	707	515	3 027	395	4 644

Land and buildings are held for investment purposes and are not depreciated.

Land and buildings comprise of:

1. Remainder Erf number 9458 Cape Town with buildings thereon.
2. Lots 108 and 109 Dunns Grant situated in the City of Durban, Administrative District of Natal.
3. Portion 78 of Erf number 391 Springfield, Registration division FT, in the Durban entity, Province of KwaZulu-Natal.

The open market value of land and buildings of the Group as determined by the Directors at 31 December 2003 amounts to R4 193 000 (2002 – R4 193 000).

Although South Africa is an emerging market, it has a well-developed banking system on par with most developed countries. The diverse spectrum of customer needs, presents a difficult challenge to the banks which cover both the middle to high income market as well as the low income mass market. South African banks need to focus on all these segments and implement world class systems and solutions for customers from all walks of life. Both local and international entrepreneurs depend on a sophisticated and strong banking sector to finance developments and job creation. The banks will meet this ongoing challenge by playing a leadership role in the continuing miracle that is South Africa's transformation.

4. Investment in subsidiary

	Issued share capital	Percentage holdings		Shares at cost		Due by subsidiary	
		2003	2002	2003	2002	2003	2002
	R	%	%	R	R	R'000	R'000
Directly held							
Albaraka Properties (Proprietary) Limited	100	100	100	*	*	3 204	3 232

* Nominal amount

	Effective Group holding		Number of shares held	
	2003	2002	2003	2002
	%	%		
5. Investment in Associated Company				
Unlisted				
Cemdene Trading (Proprietary) Limited	50	50	1 000	1 000

	Group		Company	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
Carrying amount of Associated Company				
Shares at cost	1	1	1	1
Loans receivable	469	—	469	—
Equity accounted earnings of Associated Company	351	281	—	—
Carrying amount at end of year	821	282	470	1

6. Investments

6.1 Available for sale assets

Listed investments at market value	1 457	1 737	1 457	1 737
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6.2 Other

Tank containers at fair value	6 070	6 431	6 070	6 431
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Total investments, at fair value	7 527	8 168	7 527	8 168
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	Group		Company	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
7. Deferred tax asset				
Balance at beginning of year	5 288	4 639	5 288	4 639
Amount transferred from income statement	603	649	603	649
Balance at end of year	5 891	5 288	5 891	5 288
Comprising				
Impairments for doubtful advances	5 529	4 910	5 529	4 910
Other provisions	385	390	385	390
Prepaid expenses	(23)	(12)	(23)	(12)
	5 891	5 288	5 891	5 288
8. Advances and other receivables				
Trade	89 099	116 464	89 099	116 464
Property	321 317	298 231	321 317	298 231
Instalment sale	154 904	129 959	154 904	129 959
Qurdan Hasana (benevolent loans)	28	42	28	42
Musharaka investments	470	569	470	569
Total advances	565 818	545 265	565 818	545 265
Impairments for doubtful advances	24 653	20 014	24 653	20 014
Specific impairments	20 807	14 590	20 807	14 590
Balance at beginning of year	14 590	14 157	14 590	14 157
AC 133 adjustment	(93)	–	(93)	–
Charge to income statement	9 124	1 061	9 124	1 061
Bad debts written off	(3 275)	(348)	(3 275)	(348)
Net amount attributable to depositors	461	(280)	461	(280)
Portfolio impairment	3 846	5 424	3 846	5 424
Balance at beginning of year	5 424	4 183	5 424	4 183
AC 133 adjustment	(1 578)	–	(1 578)	–
Transfer from investment risk reserves	–	1 241	–	1 241
Net advances	541 165	525 251	541 165	525 251
Other receivables	2 120	1 703	2 095	1 664
Taxation prepaid	81	–	–	–
	543 366	526 954	543 260	526 915
Maturity analysis				
Within 1 month	66 092	56 748	66 092	56 748
From 1 month to 6 months	136 884	135 698	136 884	135 698
From 6 months to 1 year	51 313	52 215	51 313	52 215
More than 1 year	311 529	300 604	311 529	300 604
	565 818	545 265	565 818	545 265



In 2002 South Africa was confirmed as the fastest growing tourist destination in the world. As a natural barometer for peaceful transformation, tourism is a major generator of revenue and a growing source of job creation and social well-being.

The last decade has realised a genuine increase in black tourism enterprise ownership as well as the training of black tour guides. South Africa is blessed that it is a land of unspoilt scenic beauty, unparalleled cultural diversity and amazing adventure and that its transformed image gives it preferential treatment in the world's eye.

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
9. Short term negotiable securities				
Government and other stock	78 503	27 720	78 503	27 720
Fair value	78 503	27 720	78 503	27 720
10. Cash and short term funds				
Coin and bank notes	1 758	1 104	1 758	1 104
Funds at call	87 000	7 006	87 000	7 006
Balances with central bank	13 000	12 650	13 000	12 650
Placements with other banks	110 999	47 537	110 999	47 537
	212 757	68 297	212 757	68 297
Maturity analysis				
On demand	125 757	65 297	125 757	65 297
Within 1 month	87 000	3 000	87 000	3 000
	212 757	68 297	212 757	68 297
11. Share capital and premium				
11.1 Authorised share capital 6 000 000 (2002 – 5 000 000) ordinary shares of R10 each	60 000	50 000	60 000	50 000
11.2 Issued share capital 4 000 000 (2002 – 4 000 000) ordinary shares of R10 each	40 000	40 000	40 000	40 000
11.3 Share premium less share issue expenses				
Balance at beginning of year	960	1 012	960	1 012
Less: share issue expenses	110	52	110	52
Balance at end of year	850	960	850	960
Share capital and premium	40 850	40 960	40 850	40 960

The 2 000 000 (2002 - 1 000 000) unissued shares are under the control of the Directors until the next Annual General Meeting.



“There is nothing like returning to a place that remains unchanged to find the ways in which you yourself have altered.”

Nelson Mandela

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
12. Deposit accounts				
Participation Investment Accounts	427 481	295 844	427 481	295 844
Savings Accounts	184 048	145 560	184 048	145 560
Monthly Investment Plan	25 056	16 805	25 056	16 805
Haj Investment Scheme	26 936	23 426	26 936	23 426
Regular Income Provider	85 728	70 051	85 728	70 051
	749 249	551 686	749 249	551 686
Maturity analysis				
On demand	220 125	163 368	220 125	163 368
Within 1 month	139 715	99 327	139 715	99 327
From 1 month to 6 months	221 893	151 443	221 893	151 443
From 6 months to 1 year	167 516	137 548	167 516	137 548
	749 249	551 686	749 249	551 686
13. Welfare and charitable funds				
Non-Islamic activities at beginning of year	25 775	24 229	25 775	24 229
Non-Islamic activities for the year	12 233	6 169	12 233	6 169
Gross income for the year	17 476	8 844	17 476	8 844
Taxation thereon (see notes 1.9 and 16)	(5 243)	(2 675)	(5 243)	(2 675)
Donations and advances	(6 240)	(4 623)	(6 240)	(4 623)
	31 768	25 775	31 768	25 775
14. Other income				
Bad debts recovered	44	–	44	–
Dividends receivable	94	62	94	62
Fee income – structured trade finance	1 064	1 625	1 064	1 625
Investment income	894	725	894	725
Surplus on sale of listed investments	123	–	123	–
Management fees – subsidiary			550	510
Management fees – other	185	138	185	138
Rental income	733	768	105	114
	3 137	3 318	3 059	3 174



South Africa's new image is pivotal in the marketing of South Africa as a preferred, value-for-money conference, exhibition and events destination.

The rainbow nation can stand up with pride having notched major achievements in rugby, soccer and cricket to name but a few.

We have proved excellent hosts and shown the world the strength of our first world backbone and the quality of our venues and conference facilities.

Some 1.2 billion viewers saw us host the ICC Cricket World Cup – the longest and largest in history – We look forward to 2010 when we host the Soccer World Cup and to the day our Olympic bid is successful.



	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
15. Operating expenditure				
is arrived at after taking into account :				
Auditors' remuneration	963	395	957	389
Current provision	756	316	750	310
Under provision prior year	207	79	207	79
Depreciation of equipment	1 614	1 570	1 608	1 563
Directors' emoluments	1 359	1 133	1 359	1 133
Directors' fees	98	54	98	54
Executive services	1 261	1 079	1 261	1 079
Surplus arising on disposal of property and equipment	(11)	(52)	(11)	(52)
Management consultants fees	215	343	215	343
Operating lease charges – land and buildings	1 214	974	1 214	974
Provision for diminution in value of investment	360	714	360	714
Staff costs	10 092	8 240	10 092	8 240

16. Taxation expense

South African tax				
Normal tax	7 335	5 862	7 333	5 859
Attributable to income from non-Islamic activities (see notes 1.10.2 and 13)	(5 243)	(2 675)	(5 243)	(2 675)
Deferred tax	(603)	(649)	(603)	(649)
Total normal tax attributable to Islamic activities	1 489	2 538	1 487	2 535
Secondary tax on companies	239	108	239	108
Total taxation	1 728	2 646	1 726	2 643
Reconciliation of taxation charge	%	%	%	%
Normal taxation on Islamic activities	30,00	30,00	30,00	30,00
Adjustable items:				
Exempt income	(1,97)	(0,68)	(1,99)	(0,70)
Secondary tax on companies	4,95	1,18	5,03	1,22
Non-taxable income and non-deductible expenditure	3,26	0,27	3,3	0,25
Income from Associated Company	(0,43)	(0,95)	–	–
Effective tax rate	35,81	29,82	36,34	30,77

17. Earnings per share

Earnings per share is based on the after tax earnings attributable to ordinary shareholders and a weighted average number of ordinary shares of 4 000 000 (2002 – 3 168 132) in issue.

Headline earnings per ordinary share is derived from :

Net income for the year	3 097	6 228
Surplus on disposal of listed investments	(123)	–
Provision for diminution in value of investment	360	714
Surplus arising on disposal of property and equipment	(11)	(52)
	3 323	6 890

“For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others.”

Nelson Mandela



18. Dividends

There were no dividends declared or paid to the shareholders for the year under review (2002 - a final dividend of 50 cents per share, totalling R 2 000 000 was paid to the shareholders).

	Group		Company	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
19. Contingent liabilities				
Letters of credit	8 009	2 404	8 009	2 404
Guarantees and confirmations	36 655	13 161	36 655	13 161
	44 664	15 565	44 664	15 565
20. Capital commitments				
Amounts authorised and contracted for	515	1 830	515	1 830

The expenditure will be financed from funds on hand and internally generated.

21. Retirement benefit plan

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. This is registered under and governed by the Pension Funds Act, 1956 as amended. Employee benefits are determined according to each member's equitable share of the total assets of the Fund.

22. Related party information

The holding company of Albaraka Bank Limited at 31 December 2003 is Albaraka Investment and Development Company, (registered in Jeddah, Saudi Arabia), which holds 50% of the Company's ordinary shares.

DCD London & Mutual Plc, a company incorporated in England and Wales, holds 15% of the Company's ordinary shares.

The subsidiary of the Group is identified in note 4 and the Associated Company in note 5.

The Directors are listed in the Report of the Directors.

The Musharaka transactions are conducted on an arm's length competitive basis. See note 8 for the total amounts advanced.

	Group		Company	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
23. Financial instruments				
23.1 Credit risk management				
Significant credit exposures at 31 December 2003 are:				
Advances	565 818	545 265	565 818	545 265
Contingent liabilities	44 664	15 565	44 664	15 565
	610 482	560 830	610 482	560 830
23.2 Currency risk management				
The Group does not have any foreign currency exposures.				
23.3 Derivative instruments				
The Group did not trade in any derivative instruments during the year under review.				

South Africa has a violent history. The apartheid system was essentially a system of martial laws, controlling the movement of populations and their social and economic activities. Under apartheid even the legal system became increasingly compromised and less independent.

In the past ten years government has made tremendous strides in installing a civilian policing system and reforming South Africa's judicial and penal systems as a part of a thorough democratic overhaul.

The police and army have gone from the strong arm of apartheid to a respected part of our community.

23.4 Liquidity risk management

Group	Carrying amounts	Demand	Term to maturity	
			0 - 12 months	2-5 years
2003	R'000	R'000	R'000	R'000
Assets				
Investments	8 348	—	—	8 348
Advances and other receivables	543 366	—	254 289	289 077
Short term negotiable securities	78 503	—	78 503	—
Cash and short term funds	212 757	125 757	87 000	—
	842 974	125 757	419 792	297 425
Liabilities				
Deposit accounts	749 249	220 125	529 124	—
Accounts payable and other payables	19 933	—	19 933	—
Welfare and charitable funds	31 768	—	—	31 768
	800 950	220 125	549 057	31 768
Net liquidity gap	42 024	(94 368)	(129 265)	265 657



2002	Carrying amounts	Demand	Term to maturity	
			0 - 12 months	2 - 5 years
Assets	R'000	R'000	R'000	R'000
Investments	8 450	—	8 450	—
Advances and other receivables	526 924	—	226 320	300 604
Short term negotiable securities	27 720	17 515	10 205	—
Cash and short term funds	68 297	65 297	3 000	—
	631 391	82 812	247 975	300 604
Liabilities				
Deposit accounts	551 686	163 368	388 318	—
Accounts payable and other payables	12 639	—	12 639	—
Welfare and charitable funds	25 775	—	—	25 775
	590 100	163 368	400 957	25 775
Net liquidity gap	41 291	(80 556)	(152 982)	274 829



“Our common humanity transcends the oceans and all national boundaries . . . Let it never be asked of any of us – what did we do when we knew another was oppressed.”

Nelson Mandela

	Group		Company	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
24. Cash flow information				
24.1 Cash generated from/(utilised by) operations				
Net income before taxation	4 825	8 874	4 749	8 584
Adjustments for				
Depreciation of property and equipment	1 614	1 570	1 608	1 563
Surplus arising on disposal of property and equipment	(11)	(52)	(11)	(52)
Surplus arising on disposal of investments	(123)	–	(123)	–
Income from Associated Company	(70)	(281)	–	–
Provision for diminution in value of investments	361	714	361	714
Operating income before working capital changes	6 596	10 825	6 584	10 809
Increase in operating liabilities	199 745	103 085	199 739	103 083
Deposit accounts	197 563	99 878	197 563	99 878
Accounts payable and other payables	2 182	3 207	2 176	3 205
Increase in operating assets	(14 660)	(126 184)	(14 674)	(126 168)
Advances and other receivables	(16 238)	(124 943)	(16 252)	(124 927)
Decrease/ (increase) in portfolio impairments	1 578	(1 241)	1 578	(1 241)
Increase in welfare and charitable funds	11 229	4 220	11 229	4 220
	202 910	(8 054)	202 878	(8 056)
24.2 Taxation paid				
Amount (outstanding)/ prepaid at beginning of year	(719)	1 047	(799)	967
Amount charged to the income statement	(2 331)	(3 295)	(2 329)	(3 292)
Amount charged to welfare and charitable funds	(5 243)	(2 674)	(5 243)	(2 674)
Amount outstanding at end of year	6 208	719	6 290	799
	(2 085)	(4 203)	(2 081)	(4 200)
24.3 Dividends paid				
Amount outstanding at beginning of year	(450)	–	(450)	–
Amount paid as per statement of changes in equity	(2 001)	(901)	(2 001)	(901)
Amount outstanding at end of year	–	450	–	450
	(2 451)	(451)	(2 451)	(451)
24.4 Additions to property and equipment				
Vehicles	105	–	105	–
Furniture, equipment and computers	2 744	555	2 744	555
Leasehold improvements	286	102	286	102
	3 135	657	3 135	657
24.5 Cash and cash equivalents at end of year				
Short term negotiable securities	78 503	27 720	78 503	27 720
Cash and short term funds	212 757	68 297	212 757	68 297
	291 260	96 017	291 260	96 017

