

Management is responsible to the Directors for the preparation and the integrity of the financial statements and all other financial information included in this report. The external auditors are responsible for reporting on the financial statements.

The financial statements have been prepared in accordance with the provisions of the Companies Act and the Banks Act, and comply with generally accepted accounting practice.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews the Bank's operations primarily through the Audit Committee and various other risk monitoring committees.

The Directors rely on documented risk-based internal control systems and administrative controls, designed to provide reasonable assurance that the Bank's assets are secured, and that transactions are conducted in accordance with prudent banking and business practice as well as the Bank's policy guidelines.

These controls are implemented by trained and skilled personnel with an appropriate segregation of duties which are monitored by management, and include a comprehensive budgeting and reporting system operating within strict deadlines and appropriate controls.

The Bank's internal audit function, which operates independently and unimpaired, has unrestricted access to the Audit Committee. It appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices based on audit plans which take cognisance of the relevant degrees of risk of each function or aspect of business.

The Group is exposed to a number of risks, the most significant being the market, credit, liquidity, operational and compliance risks. These risks are managed by policies and procedures approved by the Board of Directors.

The Directors are of the opinion, based on the information and explanations given by management and the internal auditor, that the accounting controls are adequate and that the financial records may be relied upon in the preparation of the financial statements.

The Annual Financial Statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company and the Group will not remain a going concern until the next reporting date. Subsequent to the year end the shareholders have undertaken to increase the share capital to meet the revised capital adequacy ratio required by the South African Reserve Bank.

The Annual Financial Statements for the year ended 31 December 2003 set out on pages 17 to 34 have been approved by the Board of Directors and are signed on its behalf by:

Adv A B Mahomed SC
Director

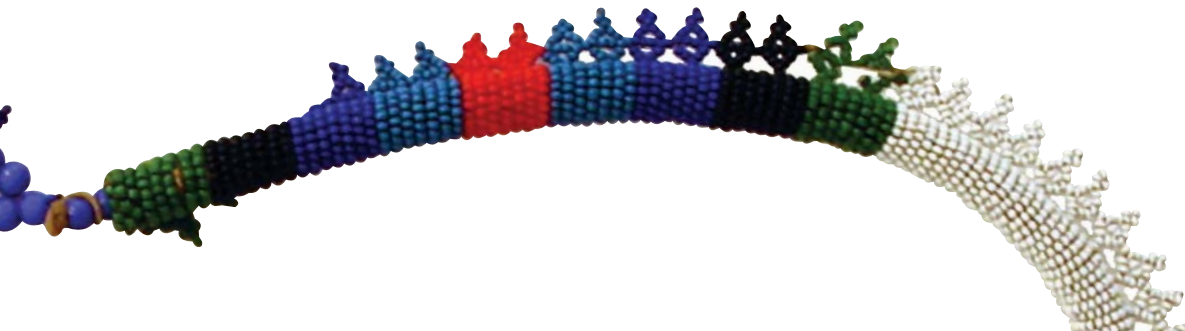
M G McLean
Acting Chief Executive Officer

Durban, 25 June 2004



Every silver lining has a cloud, and South Africa's cloud is Aids. It is an epidemic which affects an estimated 5 million people. The decimation of family units, the resultant population of Aids orphans, and the effect on communities and the workforce in South Africa is the toll we pay.

With hospitals and clinics already stretched to their limits, the next decade challenges the government to develop a nationwide Aids policy while still maintaining standards of primary health care.



To the members of Albaraka Bank Limited

We have audited the Annual Financial Statements and Group Annual Financial Statements set out on pages 17 to 34 for the year ended 31 December 2003. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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.
- Assessing the accounting principles used and significant estimates made by management.
- Evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, these financial statements fairly present, in all material respects, the financial position of the Company and Group at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg, 25 June 2004

Secretary's Declaration

The Secretary certifies that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No. 61 of 1973 as amended, and that all such returns are true, correct and up to date.

Adv M A Vahed
Company Secretary

Durban, 25 June 2004



“Education is the most
powerful weapon which
you can use
to change the world.”

Nelson Mandela



The Directors have pleasure in presenting their report for the year ended 31 December 2003.

Nature of the business

Albaraka Bank Limited is a registered bank which has as its principal objective the operation of its business according to Islamic banking precepts. The Bank serves the public through branches in Durban, Laudium (Pretoria), Fordsburg (Johannesburg), Athlone (Cape Town) and Lenasia (Johannesburg).

Share capital

In terms of a special resolution dated 19 June 2003 the authorised share capital of the Company was increased from 5 million to 6 million ordinary shares of R10 each. The issued share capital is R40 million (2002 - R40 million) comprising of 4 million ordinary shares of R10 each.

Financial results

The results of the Company and the Group for the year ended 31 December 2003 are set out on pages 18 to 34.

Dividends

No dividends have been declared during the year under review (2002 - 50c per share).

Directors

The directors of the Company are:

- A A Sabbahi, Chairman (Saudi Arabian)
- E E Vawda, Chief Executive Officer
(Retired 23 March 2004)
- M G McLean, Deputy Chief Executive Officer
- Y D Asmall
- I A Kalla (Resigned 19 June 2003)
- Adv A B Mahomed SC
- C R Moosa (Resigned 6 October 2003)
- S Nackvi (British), (Resigned 19 June 2003)
- N Osman (Resigned 19 June 2003)
- Y M Paruk (Appointed 14 February 2003)
- SA Randeree (British), (Appointed 14 February 2003)
- O A Suleiman (Sudanese)
- E Y Varachia
- M Youssef (Egyptian)

Secretary

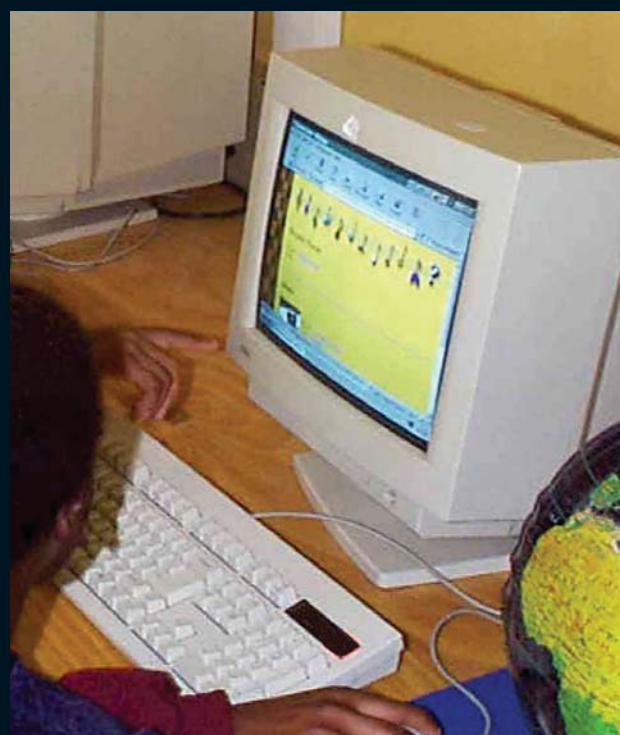
Adv M A Vahed

Subsidiary company

The Bank has a wholly owned subsidiary, Albaraka Properties (Proprietary) Limited, which is engaged in property owning and letting.

	2003 R	2002 R
Shares	100	100
Amount owing	3 204 371	3 231 836
	3 204 471	3 231 936

The company's share in the income after tax of its subsidiary amounted to R3 957 (2002 - R6 067).



The focus of the government and indeed of communities must be the education of the youth. In the last decade, great strides have been made to redress inequities in educational support amongst previously disadvantaged communities.

Still more will have to be done to deliver essential equipment and skilled educators into these communities.