



Accounting policies

The principal accounting policies of the company and of the group, as set out below, are consistent with those followed in the previous year.

1 Basis of compliance

The financial statements of the company and of the group are drawn up on the historical cost basis of accounting modified to include the revaluation of certain properties as well as the revaluation of available for sale investments to fair value.

2 Basis of consolidation

2.1 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.

2.2 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.

2.3 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.

3 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.

4 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	–	10,0% p.a.
Vehicles	–	20,0% p.a.
Computers	–	33,3% 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, plant 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.

5 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.

6 Bad and doubtful advances

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

Specific provisions 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 provisions 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 provisions are charged to the income statement.

In addition, a general risk reserve is maintained for significant unforeseen losses and, in particular, on advances not specifically identified as doubtful. The general risk reserve net of any future taxation benefit is reflected as investment risk reserves.

7 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.

8 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.

9 Financial instruments

9.1 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.

9.2 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 equity in the period 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.

9.3 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.

10 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.

11 Revenue recognition

11.1 Income from Islamic activities

Income from Islamic activities comprises of :

- profits attributable to the purchase and sale of moveable and immoveable 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.

11.2 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.

11.3 Dividends

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

12 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.

Notes to the financial statements

For the year ended 31 December 2004

I. Property and equipment

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Cost				
Land and buildings	7 106	4 193	–	707
Vehicles	901	901	901	901
Equipment and computers	14 198	12 134	13 950	11 885
Leasehold improvements	2 539	2 181	2 323	1 965
	24 744	19 409	17 174	15 458
Accumulated depreciation	12 661	9 713	12 241	9 298
Vehicles	498	398	498	398
Equipment and computers	10 186	7 614	9 982	7 415
Leasehold improvements	1 977	1 701	1 761	1 485
Net book value	12 083	9 696	4 933	6 160

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

Land and buildings comprise of the following :

1. Erf number 33983 in Cape Town.
2. Lots 108 and 109 Dunns Grant situated in the City of Durban, Administrative District of KwaZulu-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 2004 amounts to R7 106 000 (2003 : R4 193 000).



Tile from a mihrab, AH 722 Iran.

This large tile is probably the top section of a three-tile mihrab. Underglaze-painted niches like this one are much less common than luster-painted examples.



1. Property and equipment (continued)

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Total R'000
2004					
Group					
Net book value at beginning of year	4 193	503	4 520	480	9 696
Additions	3 620	–	2 161	358	6 139
Disposals	(707)	–	(46)	–	(753)
Depreciation for the year	–	(100)	(2 623)	(276)	(2 999)
Net book value at end of year	7 106	403	4 012	562	12 083
Company					
Net book value at beginning of year	707	503	4 470	480	6 160
Additions	–	–	2 162	358	2 520
Disposals	(707)	–	(46)	–	(753)
Depreciation for the year	–	(100)	(2 618)	(276)	(2 994)
Net book value at end of year	–	403	3 968	562	4 933
2003					
Group					
Net book value at beginning of year	4 193	515	3 083	395	8 186
Additions	–	105	2 744	286	3 135
Disposals	–	–	(11)	–	(11)
Depreciation for the year	–	(117)	(1 296)	(201)	(1 614)
Net book value at end of year	4 193	503	4 520	480	9 696
Company					
Net book value at beginning of year	707	515	3 027	395	4 644
Additions	–	105	2 744	286	3 135
Disposals	–	–	(11)	–	(11)
Depreciation for the year	–	(117)	(1 290)	(201)	(1 608)
Net book value at end of year	707	503	4 470	480	6 160

	Company	
	2004	2003
	R'000	R'000
Albaraka Properties (Proprietary) Limited		
Shares at cost	*	*
Due by subsidiary	7 367	3 204
	7 367	3 204

* Nominal amount

Albaraka Properties (Proprietary) Limited is 100% (2003 : 100%) owned by Albaraka Bank Limited. The issued share capital of Albaraka Properties (Proprietary) Limited comprises 100 shares of R1 each (2003 : 100 shares of R1 each).

3. Investment in associated company

Cemdene Trading (Proprietary) Limited

Shares at cost

Loans receivable

Equity accounted earnings of associated company

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Shares at cost	1	1	1	1
Loans receivable	499	469	499	469
Equity accounted earnings of associated company	421	351		
	921	821	500	470

Cemdene Trading (Proprietary) Limited is an unlisted company. The group holds 50% (2003 : 50%) of the company's issued ordinary share capital of 2 000 shares of R1 each (2003 : 2 000 shares of R1 each).

4. Investments

4.1 Available for sale listed investments

Market value

4.2 Other

Tank containers at carrying value

Market value	-	1 457	-	1 457
Tank containers at carrying value	6 002	6 070	6 002	6 070
	6002	7 527	6 002	7 527

5. Deferred tax asset

Balance at beginning of year

Transfers (to)/ from income statement

Balance at end of year

Balance at beginning of year	5 891	5 288	5 891	5 288
Transfers (to)/ from income statement	(3 481)	603	(3 481)	603
Balance at end of year	2 410	5 891	2 410	5 891

The deferred tax asset comprises the following :

Impairment in respect of doubtful advances

Other provisions

Prepaid expenses

Property and equipment

Impairment in respect of doubtful advances	2 522	5 529	2 522	5 529
Other provisions	365	385	365	385
Prepaid expenses	(59)	(23)	(59)	(23)
Property and equipment	(418)	-	(418)	-
	2 410	5 891	2 410	5 891



	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
6. Advances and other receivables				
6.1 Sectoral analysis				
Trade	88 143	89 099	88 143	89 099
Property	406 181	321 317	406 181	321 317
Instalment sale	183 197	154 904	183 197	154 904
Commodity finance	170 841	–	170 841	–
Qurdan Hasana (benevolent loans)	5	28	5	28
Musharaka investments	–	470	–	470
	848 367	565 818	848 367	565 818
Impairments for doubtful advances	14 614	24 653	14 614	24 653
Net advances	833 753	541 165	833 753	541 165
Other receivables	2 710	2 201	2 163	2 095
	836 463	543 366	835 916	543 260
6.2 Maturity analysis				
Within 1 month	229 599	66 092	229 599	66 092
From 1 month to 6 months	119 135	136 884	119 135	136 884
From 6 months to 1 year	70 914	51 313	70 914	51 313
More than 1 year	428 719	311 529	428 719	311 529
	848 367	565 818	848 367	565 818
6.3 Analysis of impairments for doubtful advances				
6.3.1 Specific impairments				
Balance at beginning of year	20 807	14 590	20 807	14 590
AC 133 adjustment	–	(93)	–	(93)
(Release)/ charge to income statement	(938)	9 124	(938)	9 124
Bad debts recovered	1 011	–	1 011	–
Utilised to write off bad debts	(11 266)	(3 275)	(11 266)	(3 275)
Net amount attributable to depositors	–	461	–	461
	9 614	20 807	9 614	20 807
6.3.2 Portfolio impairment				
Balance at beginning of year	3 846	5 424	3 846	5 424
AC 133 adjustment	–	(1 578)	–	(1 578)
Charge to income statement	1 154	–	1 154	–
	14 614	24 653	14 614	24 653

7. Cash and cash equivalents

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Coins and bank notes	766	1 758	766	1 758
Government and other stock	67 415	78 503	67 415	78 503
Funds at call	7 000	87 000	7 000	87 000
Balances with Central Bank	23 439	13 000	23 439	13 000
Placements with other banks	55 151	110 999	55 151	110 999
	153 771	291 260	153 771	291 260

8. Share capital and premium

8.1 Authorised share capital

15 000 000 (2003 : 6 000 000) ordinary shares of R10 each

	150 000	60 000	150 000	60 000
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8.2 Issued share capital

5 300 000 (2003 : 4 000 000) ordinary shares of R10 each

	53 000	40 000	53 000	40 000
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8.3 Share premium

Balance at beginning of year
Less: Share issue expenses

	400	850	400	850
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	850	960	850	960
	(450)	(110)	(450)	(110)

	53 400	40 850	53 400	40 850
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The 9 700 000 (2003 : 2 000 000) unissued shares are under the control of the directors until the next Annual General Meeting.

9. Reserves

Surplus arising on revaluation of investments	-	615	-	615
Investment risk reserve	2 605	-	2 605	-
Accumulated loss	(17 761)	(19 510)	(18 006)	(19 900)
General credit risk reserve	600	-	600	-
Regulatory credit risk reserve	35 656	35 656	35 656	35 656
	21 100	16 761	20 855	16 371



10. Subordinated loan

Iqraa Islamic Trust

The loan is unsecured and repayable only at the option of the bank with the written approval of the Registrar of Banks on or after 2 November 2009.

11. Deposit accounts

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Participation Investment Accounts	518 139	427 481	518 139	427 481
Savings Accounts	202 241	184 048	202 241	184 048
Monthly Investment Plan	32 626	25 056	32 626	25 056
Haj Investment Scheme	33 840	26 936	33 840	26 936
Regular Income Provider	98 573	85 728	98 573	85 728
	885 419	749 249	885 419	749 249

Maturity analysis

On demand	196 580	220 125	196 580	220 125
Within 1 month	219 320	139 715	219 320	139 715
From 1 month to 6 months	273 113	221 893	273 113	221 893
From 6 months to 1 year	196 406	167 516	196 406	167 516
	885 419	749 249	885 419	749 249

12. Welfare and charitable funds

Gross income from non-Islamic activities during the year	17 093	17 476	17 093	17 476
Less : Income paid on subordinated loan	1 225	–	1 225	–
Net income from non-Islamic activities before taxation	15 868	17 476	15 868	17 476
Taxation thereon	(4 760)	(5 243)	(4 760)	(5 243)
Net income from non-Islamic activities during the year	11 108	12 233	11 108	12 233
Donations and advances	(3 294)	(6 240)	(3 294)	(6 240)
Balance at beginning of year	31 768	25 775	31 768	25 775
Funds paid to Iqraa Islamic Trust	(35 000)	–	(35 000)	–
Balance at the end of year	4 582	31 768	4 582	31 768

13. Other operating income

Other operating income is stated after crediting the following items :

13.1 Dividends receivable	90	94	90	94
13.2 Fee income – structured trade finance	461	1 064	461	1 064
13.3 Investment income	1 603	894	1 603	894
13.4 Service fees	1 679	1 122	1 679	1 122
13.5 Surplus arising on disposal of property and equipment	8	11	8	11
13.6 Surplus arising on disposal of listed investments	1 194	123	1 194	123
13.7 Management fee from subsidiary	–	–	550	550
13.8 Other management fees	138	185	138	185
13.9 Rental income	542	733	86	105

14. Operating expenditure

Operating expenditure is stated after charging (crediting) the following items :

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
14.1 Auditors' remuneration				
Audit fees – current year	747	733	741	727
– prior year	(297)	207	(297)	207
	450	940	444	934
Fees for other services				
Regulatory reviews	684	–	684	–
Expenses	28	23	28	23
	1 162	963	1 156	957
14.2 Depreciation of equipment	2 999	1 614	2 994	1 608
14.3 Management consultancy fees	970	215	970	215
14.4 Operating lease charges – land and buildings	1 386	1 214	1 386	1 214
14.5 Provision for diminution in value of investment	69	360	69	360
14.6 Staff costs	13 127	10 092	13 127	10 092
14.7 Directors' emoluments	1 876	1 342	1 876	1 342
Executive services	1 699	1 171	1 699	1 171
Non-Executive Directors' fees	177	171	177	171



Tile with arabesque decoration, early 9th century AH, Ottoman.

This tile matches a border frieze adorning the portal of the tomb of Sultan Mehmed I (r. 1403–21) in Bursa, where monuments were badly damaged in an 1855 earthquake.



14.7 Directors' emoluments (continued)

14.7.1 Executive services

	Salary R'000	Bonusses R'000	Retirement and medical aid contributions R'000	Other benefits R'000	Total R'000
2004					
S A E Chohan, Chief Executive appointed 13 December 2004	56	-	-	-	56
E E Vawda, Chief Executive Officer retired 23 March 2004	59	17	29	810	915
M G McLean, Deputy Chief Executive	589	54	23	35	701
M J D Courtiade, Executive Director appointed 15 December 2004	27	-	-	-	27
	731	71	52	845	1 699
2003					
E E Vawda, Chief Executive Officer	212	36	69	240	557
M G McLean, Deputy Chief Executive Officer	382	54	22	156	614
	594	90	91	396	1 171

14.7.2 Non-Executive Directors' fees

	Directors' fees R'000	Other fees R'000	Total R'000
2004			
A A Sabbahi	7	-	7
Y D Asmall	12	13	25
Adv A B Mahomed SC	12	20	32
M S Paruk – Appointed 4 November 2004	3	5	8
Y M Paruk	12	3	15
S A Randeree	12	10	22
O A Suleiman	10	20	30
EY Varachia – Resigned 30 September 2004	8	8	16
M Youssef	12	10	22
	88	89	177
2003			
A A Sabbahi	10	-	10
Y D Asmall	5	13	18
Adv A B Mahomed SC	10	20	30
I A Kalla – Resigned 19 June 2003	3	-	3
C R Moosa – Resigned 6 October 2003	4	4	8
N Osman – Resigned 19 June 2003	2	-	2
Y M Paruk	10	-	10
S A Randeree	10	10	20
O A Suleiman	10	20	30
EY Varachia	10	10	20
M Youssef	10	10	20
	84	87	171

The Executive Directors do not have service contracts.

15. Taxation

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
South African tax				
Normal	3 018	7 335	3 018	7 333
Attributable to income from non-Islamic activities (refer accounting policy 11.2 and note 12)	(4 760)	(5 243)	(4 760)	(5 243)
Capital gains tax	180	–	180	–
Deferred tax	3 481	(603)	3 481	(603)
Taxation attributable to Islamic activities	1 919	1 489	1 919	1 487
Secondary tax on companies	–	239	–	239
Total taxation	1 919	1 728	1 919	1 726
Reconciliation of taxation charge	%	%	%	%
Taxation charge	27,9	35,8	27,3	36,3
Adjustable items:				
Exempt income	0,4	2,0	0,4	2,0
Secondary tax on companies	–	(4,9)	–	(5,0)
Non-taxable income and non-deductible expenditure	2,3	(3,3)	2,3	(3,3)
Income from associated company	0,4	0,4	–	–
Deferred tax asset not raised	(1,0)	–	–	–
	30,0	30,0	30,0	30,0

16. Earnings per share

Earnings per share is calculated on after tax income attributable to ordinary shareholders and a weighted average number of 4 242 192 (2003 : 4 000 000) ordinary shares in issue during the year:

	R'000	R'000
Headline earnings per ordinary share is derived from :		
Net income for the year	4 954	3 097
Surplus on disposal of listed investments	(1 194)	(123)
Provision for diminution in value of investment	69	360
Surplus arising on disposal of property and equipment	(8)	(11)
	3 821	3 323
Reconciliation of weighted average number of shares		
Balance at the beginning of year	4 000	4 000
Shares issued - 25 October 2004	242	–
	4 242	4 000

17. Dividends

There were no dividends declared or paid to shareholders for the year under review (2003 : Nil).



18. Notes to cash flow statement

18.1 Cash generated from operations

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Net income before taxation	6 873	4 825	7 018	4 749
Adjustments for non-cash items :				
Depreciation	2 999	1 614	2 994	1 608
Surplus arising on disposal of property and equipment	(8)	(11)	(8)	(11)
Surplus arising on disposal of investments	(1 194)	(123)	(1 194)	(123)
Income from associated company	(70)	(70)		
Provision for diminution in value of investments	69	361	69	361
	8 669	6 596	8 879	6 584

18.2 (Increase)/decrease in working capital

Deposit accounts	136 170	197 563	136 170	197 563
Accounts payable	(2 853)	2 182	(2 958)	2 176
Welfare and charitable funds	(22 426)	11 229	(22 426)	11 229
Advances and other receivables	(292 660)	(14 660)	(292 656)	(14 674)
	(181 769)	196 314	(181 870)	196 294

18.3 Taxation paid

Amount outstanding at beginning of year	(6 208)	(719)	(6 290)	(799)
Amount released from/ (charged to) the income statement	1 563	(2 331)	1 563	(2 329)
Amount charged to welfare and charitable funds	(4 760)	(5 243)	(4 760)	(5 243)
Amount outstanding at end of year	842	6 208	1 359	6 290
	(8 563)	(2 085)	(8 128)	(2 081)

18.4 Dividends paid

Amount outstanding at beginning of year	-	(450)	-	(450)
Amount paid as per statement of changes in equity	-	(2 001)	-	(2 001)
	-	(2 451)	-	(2 451)

18.5 Additions to property and equipment

Land and buildings	(3 619)	-	-	-
Vehicles	-	(105)	-	(105)
Furniture, equipment and computers	(2 162)	(2 744)	(2 162)	(2 744)
Leasehold improvements	(358)	(286)	(358)	(286)
	(6 139)	(3 135)	(2 520)	(3 135)

19. Contingent liabilities

	Group		Company	
	2004	2003	2004	2003
	R'000	R'000	R'000	R'000
Letters of credit	4 530	8 009	4 530	8 009
Guarantees and confirmations	20 788	36 655	20 788	36 655
	25 318	44 664	25 318	44 664

20. Capital commitments

Authorised and contracted for	287	515	287	515
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The expenditure will be financed from funds on hand and generated internally.

21. Financial instruments

21.1 Credit risk management – significant exposures

Advances	848 367	565 818	848 367	565 818
Contingent liabilities	25 318	44 664	25 318	44 664
	873 685	610 482	873 685	610 482

21.2 Currency risk management

The group does not have any foreign currency exposures.

21.3 Derivative instruments

The group did not trade in any derivative instruments during the year under review.



Medallion Ushak carpets usually have a red or blue field decorated with a floral trellis or leaf tendril.

In this example (partially restored), a typical white-ground field pattern is combined with the Medallion Ushak to form a new category of Ottoman carpet.



Group	Carrying amount R'000	Term to maturity		
		Demand R'000	0 to 12 months R'000	1 to 5 years R'000
2004				
<i>Assets</i>				
Investments	6 923	-	-	6 923
Advances and other receivables	836 463	-	422 058	414 405
Cash and cash equivalents	153 771	153 771	-	-
	997 157	153 771	422 058	421 328
<i>Liabilities</i>				
Subordinated loan	35 000	-	-	35 000
Deposit accounts	885 419	196 580	688 839	-
Accounts payable	12 149	-	12 149	-
Welfare and charitable funds	4 582	-	-	4 582
	937 150	196 580	700 988	39 582
Net liquidity gap	60 007	(42 809)	(278 930)	381 746
2003				
<i>Assets</i>				
Investments	8 348	-	-	8 348
Advances and other receivables	543 366	-	254 289	289 077
Cash and cash equivalents	291 260	125 757	165 503	-
	842 974	125 757	419 792	297 425
<i>Liabilities</i>				
Deposit accounts	749 249	220 125	529 124	-
Accounts payable	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



22. Retirement benefit plan

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The Fund 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.

23. Related party information

The major shareholders of Albaraka Bank at 31 December 2004 were Albaraka Investment and Development Company which is a company registered in Jeddah, Saudi Arabia and which holds 37,7% (2003 : 50%) of the company's ordinary shares, and DCD London & Mutual Plc, a company incorporated in England and Wales which holds 35,8% (2003 : 15%) of the company's ordinary shares.

The subsidiary of the company is identified as per note 2 and the associated company is identified as per note 3.

Emoluments paid to Executive and non-Executive Directors is disclosed in note 14.7.

The Musharaka transactions are conducted on an arm's length competitive basis. The total amount advanced is as disclosed in note 6.

Large basins for ablution that have a crenellated rim are based on eastern Iranian prototypes of the late 6th and early 7th centuries AH. The best examples, with lavishly inlaid and detailed decoration such as those shown here, seem to have been limited to the Ilkhanid period.





Value added statement

For the year ended 31 December 2004

	2004		2003	
Value added	R'000	%	R'000	%
Operating income	31 251		24 527	
Other operating income	6 440		4 329	
Other operating expenditure	(12 816)		(10 983)	
	24 875	100,0	17 873	100,0
Value allocated to				
Employees				
Salaries and other benefits	15 003	60,3	11 434	64,0
Government				
Taxation	1 919	7,7	1 728	9,7
Retention for expansion and growth				
Depreciation	2 999	12,1	1 614	9,0
Retained income	4 954	19,9	3 097	17,3
	24 875	100,0	17 873	100,0

India is famous for its stonework, and a Persian source tells us that a calligrapher from Iran came to the Deccan in the mid-9th century AH, penned a large inscription for a mausoleum, "and the Telegu craftsmen, with miracle-working fingers, executed the complicated patterns in stone." This sandstone roundel from the Deccan, which probably dates to the early 11th century AH, clearly shows the skill of both the calligrapher and the stonecutter.

