

Notes to the Financial Statements for the year ended 31 December 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
1 Investment properties				
Carrying value at beginning of year	7 137	7 106	-	-
Additions	18	3 517	-	-
Disposals	-	(3 486)	-	-
	<u>7 155</u>	<u>7 137</u>	<u>-</u>	<u>-</u>
Investment properties comprise commercial property in Cape Town and vacant land in Durban as described below. The commercial property is leased partly to the bank and partly to third parties. These leases contain an initial non-cancelable period of three years.				
1. Erf no. 33983 Cape Town in extent 610 square metres independently valued at R6 000 000 (2005 : R4 500 000)	3 655	3 637		
2. Portion 6 of Erf 12455 Durban, Registration Division FV, Province of KwaZulu-Natal, in extent 3 316 square metres independently valued at R6 400 000	3 500	3 500		
	<u>7 155</u>	<u>7 137</u>		
2 Plant and equipment				
Cost				
Vehicles	1 154	946	1 154	946
Equipment and computers	20 539	16 508	20 291	16 260
Leasehold improvements	4 272	2 887	4 056	2 672
Tank containers	7 145	7 145	7 145	7 145
	<u>33 110</u>	<u>27 486</u>	<u>32 646</u>	<u>27 023</u>
Accumulated depreciation				
Vehicles	445	503	445	503
Equipment and computers	13 065	11 113	12 852	10 904
Leasehold improvements	2 789	2 188	2 573	1 973
Tank containers	2 746	2 414	2 746	2 414
	<u>14 065</u>	<u>11 268</u>	<u>14 030</u>	<u>11 229</u>



Notes to the Financial Statements

for the year ended 31 December 2006 (Continued)

	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Total R'000
2 Plant and equipment (continued)					
Movement in plant and equipment					
2006					
Group					
Net carrying value at beginning of year	443	5 395	699	4 731	11 268
Additions	498	4 713	1 404	-	6 615
Disposals	(134)	(358)	(20)	-	(512)
Depreciation for the year	(98)	(2 276)	(600)	(332)	(3 306)
Net carrying value at end of year	709	7 474	1 483	4 399	14 065
Company					
Net carrying value at beginning of year	443	5 356	699	4 731	11 229
Additions	498	4 713	1 404	-	6 615
Disposals	(134)	(358)	(20)	-	(512)
Depreciation for the year	(98)	(2 272)	(600)	(332)	(3 302)
Net carrying value at end of year	709	7 439	1 483	4 399	14 030
2005					
Group					
Net carrying value at beginning of year	405	4 929	583	6 002	11 919
Additions	128	2 325	348	-	2 801
Disposals	(15)	(6)	-	-	(21)
Depreciation for the year	(75)	(1 853)	(232)	(1 271)	(3 431)
Net carrying value at end of year	443	5 395	699	4 731	11 268
Company					
Net carrying value at beginning of year	405	4 885	583	6 002	11 875
Additions	128	2 325	348	-	2 801
Disposals	(15)	(6)	-	-	(21)
Depreciation for the year	(75)	(1 848)	(232)	(1 271)	(3 426)
Net carrying value at end of year	443	5 356	699	4 731	11 229

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
3 Investment in and amount due by subsidiary company				
Albaraka Properties (Proprietary) Limited				
Shares at cost			*	*
Due by subsidiary			7 371	7 628
Impairment losses			(85)	-
			<u>7 286</u>	<u>7 628</u>

* Nominal amount

The amount due by the subsidiary has no fixed date of repayment

Albaraka Properties (Proprietary) Limited is 100% (2005 : 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties (Proprietary) Limited comprises 100 shares of R1 each (2005 : 100 shares of R1 each).

4 Deferred tax asset

Balance at beginning of year	3 413	2 190	3 413	2 190
Taxation rate adjustment	-	(73)	-	(73)
Transfers (to)/from income statement	(922)	1 296	(922)	1 296
Balance at end of year	<u>2 491</u>	<u>3 413</u>	<u>2 491</u>	<u>3 413</u>

The deferred tax asset comprises the following:

Impairment for doubtful advances	1 050	1 598	1 050	1 598
Other provisions	824	661	824	661
Prepaid expenses	(56)	(37)	(56)	(37)
Plant and equipment	(245)	(155)	(245)	(155)
Unearned income	893	1 346	893	1 346
Impairment loss in subsidiary	25	-	25	-
	<u>2 491</u>	<u>3 413</u>	<u>2 491</u>	<u>3 413</u>



Notes to the Financial Statements

for the year ended 31 December 2006 (Continued)

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5 Advances and other receivables				
5.1 Sectoral analysis				
Property	527 357	425 370	527 357	425 370
Equity finance	383 818	322 782	383 818	322 782
Instalment sale	240 762	192 146	240 762	192 146
Trade	151 558	77 560	151 558	77 560
Qurdan Hasana (benevolent advances)	24	20	24	20
	<u>1 303 519</u>	<u>1 017 878</u>	<u>1 303 519</u>	<u>1 017 878</u>
Impairments for doubtful advances	11 279	12 348	11 279	12 348
Net advances	1 292 240	1 005 530	1 292 240	1 005 530
Other receivables	8 128	3 773	8 124	3 106
	<u>1 300 368</u>	<u>1 009 303</u>	<u>1 300 364</u>	<u>1 008 636</u>
Included under property are Musharaka advances amounting to R382,3 million (2005 : R282,2 million)				
5.2 Maturity analysis				
Within 1 month				
- equity finance	223 478	103 703	223 478	103 703
- other	76 104	56 342	76 104	56 342
From 1 month to 6 months				
- equity finance	160 340	219 079	160 340	219 079
- other	194 005	136 010	194 005	136 010
From 6 months to 1 year	87 768	76 400	87 768	76 400
More than 1 year	561 824	426 344	561 824	426 344
	<u>1 303 519</u>	<u>1 017 878</u>	<u>1 303 519</u>	<u>1 017 878</u>
5.3 Analysis of impairments for doubtful advances				
5.3.1 Specific impairments				
Balance at beginning of year	7 348	9 614	7 348	9 614
Release to income statement	(3 482)	(1 765)	(3 482)	(1 765)
Bad debts recovered	2 059	1 385	2 059	1 385
Bad debts written off	(1 096)	(1 886)	(1 096)	(1 886)
	<u>4 829</u>	<u>7 348</u>	<u>4 829</u>	<u>7 348</u>
5.3.2 Portfolio impairment	6 450	5 000	6 450	5 000
Balance at beginning of year	5 000	5 000	5 000	5 000
Charge to income statement	1 450	-	1 450	-
	<u>11 279</u>	<u>12 348</u>	<u>11 279</u>	<u>12 348</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5.4 Analysis of impairments				
5.4.1 In terms of IAS 39				
Specific	3 017	5 443	3 017	5 443
Portfolio	2 020	1 168	2 020	1 168
5.4.2 In terms of regulatory requirements				
Specific	1 812	1 905	1 812	1 905
Portfolio	4 430	3 832	4 430	3 832
	<u>11 279</u>	<u>12 348</u>	<u>11 279</u>	<u>12 348</u>
6 Cash and cash equivalents				
Cash on hand	912	750	912	750
Government and other stock	41 937	49 155	41 937	49 155
Funds at call	8 381	11 050	8 381	11 050
Balances with Central Bank	19 872	24 649	19 872	24 649
Placements with other banks	75 262	62 522	75 262	62 522
	<u>146 364</u>	<u>148 126</u>	<u>146 364</u>	<u>148 126</u>
7 Share capital and premium				
7.1 Authorised share capital				
15 000 000 (2005 : 15 000 000) ordinary shares of R10 each	<u>150 000</u>	<u>150 000</u>	<u>150 000</u>	<u>150 000</u>
7.2 Issued share capital				
15 000 000 (2005 : 8 900 000) ordinary shares of R10 each	150 000	89 000	150 000	89 000
7.3 Share premium				
Balance at beginning of year	234	325	234	325
Less : share issue expenses	325	400	325	400
	(91)	(75)	(91)	(75)
	<u>150 234</u>	<u>89 325</u>	<u>150 234</u>	<u>89 325</u>
8 Reserves				
Investment risk reserve	2 605	2 605	2 605	2 605
Accumulated losses	(1 723)	(9 796)	(1 723)	(9 977)
General credit risk reserve	600	600	600	600
Regulatory credit risk reserve	35 656	35 656	35 656	35 656
	<u>37 138</u>	<u>29 065</u>	<u>37 138</u>	<u>28 884</u>
9 Subordinated loan				
Iqraa Trust	-	35 000	-	35 000
The loan was unsecured and repayable at the option of the bank.				



Notes to the Financial Statements for the year ended 31 December 2006 (Continued)

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
10 Deposit accounts				
Participation investment accounts	764 825	604 717	764 825	604 717
Savings accounts	212 720	197 214	212 720	197 214
Monthly investment plan	43 417	37 088	43 417	37 088
Haj investment scheme	47 185	41 946	47 185	41 946
Regular income provider	185 514	123 003	185 514	123 003
	<u>1 253 661</u>	<u>1 003 968</u>	<u>1 253 661</u>	<u>1 003 968</u>
Maturity analysis				
On demand	206 957	200 653	206 957	200 653
Within 1 month	361 653	282 193	361 653	282 193
From 1 month to 6 months	386 143	297 209	386 143	297 209
From 6 months to 1 year	298 106	223 913	298 106	223 913
More than 1 year	802	-	802	-
	<u>1 253 661</u>	<u>1 003 968</u>	<u>1 253 661</u>	<u>1 003 968</u>
11 Accounts payable				
Sundry creditors	3 935	6 868	3 934	6 328
Accruals	5 316	5 026	5 312	5 026
South African Revenue Services	7 083	1 519	7 180	2 025
	<u>16 334</u>	<u>13 413</u>	<u>16 426</u>	<u>13 379</u>
12 Welfare and charitable funds				
Gross income from non-Islamic activities during the year	8 723	8 382	8 723	8 382
Income paid on subordinated loan	(2 565)	(2 099)	(2 565)	(2 099)
Net income from non-Islamic activities before taxation	6 158	6 283	6 158	6 283
Taxation thereon	(1 482)	(1 822)	(1 482)	(1 822)
Net income from non-Islamic activities during the year	4 676	4 461	4 676	4 461
Donations and advances	(76)	(567)	(76)	(567)
Balance at beginning of year	8 476	4 582	8 476	4 582
Balance at end of year	<u>13 076</u>	<u>8 476</u>	<u>13 076</u>	<u>8 476</u>
13 Non-Islamic income				
Income earned from non-Islamic activities	8 761	8 382	8 761	8 382
Fair value adjustment on Treasury Bills	(38)	-	(38)	-
	<u>8 723</u>	<u>8 382</u>	<u>8 723</u>	<u>8 382</u>
Income paid on subordinated loan	(2 565)	(2 099)	(2 565)	(2 099)
Net income from non-Islamic activities before taxation	<u>(6 158)</u>	<u>(6 283)</u>	<u>(6 158)</u>	<u>(6 283)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
14 Other operating income				
Other operating income is stated after crediting the following items:				
Unit trust income	2 086	1 695	2 086	1 695
Service fees	3 970	3 058	3 970	3 058
Surplus arising on disposal of investment property	-	139	-	-
Surplus arising on disposal of plant and equipment	67	33	67	33
Rental income (tank containers)	858	500	858	500
Management fee from subsidiary			400	400
Other management fees	138	138	138	138
15 Operating expenditure				
Operating expenditure is stated after charging the following items:				
Auditor's remuneration				
Audit fees				
- current year	1 092	1 025	1 092	1 015
- prior year	-	147	-	147
	1 092	1 172	1 092	1 162
Fees for other services				
Regulatory reviews				
- current year	-	908	-	908
- prior year	-	202	-	202
Tax consultancy	120	60	120	60
Expenses	-	30	-	30
	1 212	2 372	1 212	2 362
Depreciation of plant and equipment	3 306	3 431	3 302	3 426
Consultancy fees	1 397	1 411	1 397	1 379
Operating lease charges - land and buildings	1 936	1 349	2 071	1 349
Investment in associated company written off	-	498	-	77
Staff costs	24 625	18 586	24 625	18 586
Directors' emoluments	3 212	2 905	3 212	2 905
Executive services	2 698	2 555	2 698	2 555
Non-executive directors' fees	514	350	514	350



Notes to the Financial Statements

for the year ended 31 December 2006 (Continued)

	Salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
15 Operating expenditure (continued)				
Directors' emoluments (continued)				
15.1 Executive services				
2006				
S A E Chohan - Chief executive	1 009	-	102	1 111
M G McLean - Deputy chief executive officer	699	67	107	873
M J D Courtiade - Executive director	639	-	75	714
	2 347	67	284	2 698
2005				
S A E Chohan - Chief executive	939	-	97	1 036
M G McLean - Deputy chief executive officer	611	112	123	846
M J D Courtiade - Executive director	576	-	97	673
	2 126	112	317	2 555

The executive directors do not have any service contracts.

15.2 Non-executive directors' fees

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
A A Yousif	62	29	62	29
Y D Asmall - resigned 16 December 2005	-	41	-	41
Adv. A B Mahomed SC	84	69	84	69
F Kassim - appointed 14 July 2006	23	-	23	-
A Lambat - appointed 24 July 2006	30	-	30	-
M S Paruk	90	59	90	59
Y M Paruk	68	42	68	42
S A Randeree	64	33	64	33
A A Sabbahi - resigned 1 September 2005	-	3	-	3
O A Suleiman	43	38	43	38
M Youssef Baker	50	36	50	36
	514	350	514	350

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
16 Taxation				
South African tax				
Normal - current year	5 578	5 779	5 618	5 693
- prior years	257	-	257	-
Attributable to income from non-Islamic activities (refer Accounting policy 13 and note 12)	(1 482)	(1 822)	(1 482)	(1 822)
Deferred tax - current year	932	(923)	932	(923)
- prior years	(10)	(373)	(10)	(373)
- change in taxation rate	-	73	-	73
Secondary tax on companies	206	-	206	-
Taxation attributable to Islamic activities	<u>5 481</u>	<u>2 734</u>	<u>5 521</u>	<u>2 648</u>
Reconciliation of taxation charge	%	%	%	%
Effective tax rate	35,7	26,8	35,5	26,1
Secondary tax on companies	(1,3)	-	(1,3)	-
Adjustable items:				
Non-taxable income and non-deductible expenditure				
Current year	(3,5)	(0,6)	(3,7)	-
Prior years	(1,6)	-	(1,6)	-
Deferred tax adjustment - prior years	0,1	3,6	0,1	3,7
Change in taxation rate	-	(0,8)	-	(0,8)
Deferred tax not raised on loss incurred by subsidiary company	(0,4)	-		
	<u>29,0</u>	<u>29,0</u>	<u>29,0</u>	<u>29,0</u>

17 Earnings per share

Earnings per share is calculated on after tax income attributable to ordinary shareholders and a weighted average number of 9 703 151 (2005 : 5 808 625) ordinary shares in issue during the year.

Headline earnings per share is derived from:

Profit for the period	9 854	7 451
Surplus arising on disposal of investment property	-	(139)
Surplus arising on disposal of plant and equipment	(67)	(33)
Investment in associated company written off	-	498
	<u>9 787</u>	<u>7 777</u>

18 Dividends

A dividend of 20 cents per share (2005 : nil) was paid on 18 December 2006 to shareholders registered on the books of the bank at 27 October 2006.

	<u>1 781</u>	<u>-</u>	<u>1 781</u>	<u>-</u>
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Notes to the Financial Statements

for the year ended 31 December 2006 (Continued)

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
19 Notes to Cash Flow Statements				
19.1 Cash generated from operations				
Profit before taxation	15 335	10 185	15 556	10 163
Adjustment for non-cash items:				
Depreciation of plant and equipment	3 306	3 431	3 302	3 426
Surplus arising on disposal of investment property	-	(139)	-	-
Surplus arising on disposal of plant and equipment	(67)	(33)	(67)	(33)
Investment in associated company written off	-	498	-	77
Operational lease straightlining adjustment	(11)	128	(11)	128
	<u>18 563</u>	<u>14 070</u>	<u>18 780</u>	<u>13 761</u>
19.2 Changes in working capital				
Deposit accounts	249 693	118 549	249 693	118 549
Accounts payable	(2 125)	265	(2 097)	737
Welfare and charitable funds	6 083	5 716	6 083	5 716
Advances and other receivables	(291 572)	(172 429)	(291 728)	(172 297)
	<u>(37 921)</u>	<u>(47 899)</u>	<u>(38 049)</u>	<u>(47 295)</u>
19.3 Taxation paid				
Amount outstanding at beginning of year	(1 519)	(841)	(2 025)	(1 359)
Amount charged to the income statement	(4 559)	(3 957)	(4 599)	(3 871)
Amount charged to welfare and charitable funds	(1 482)	(1 822)	(1 482)	(1 822)
Amount outstanding at end of year	7 083	1 519	7 180	2 025
	<u>(477)</u>	<u>(5 101)</u>	<u>(926)</u>	<u>(5 027)</u>
19.4 Dividends paid				
Amount outstanding at beginning of year	-	-	-	-
Dividends declared and paid	(1 781)	-	(1 781)	-
Amount outstanding at end of year	-	-	-	-
	<u>(1 781)</u>	<u>-</u>	<u>(1 781)</u>	<u>-</u>
19.5 Additions to investment property				
Portion 6 of Erf no. 12455 Durban, Registration FV, Province of KwaZulu-Natal	(18)	(3 517)	-	-
19.6 Additions to plant and equipment				
Vehicles	(498)	(128)	(498)	(128)
Equipment and computers	(4 713)	(2 325)	(4 713)	(2 325)
Leasehold improvements	(1 404)	(348)	(1 404)	(348)
	<u>(6 615)</u>	<u>(2 801)</u>	<u>(6 615)</u>	<u>(2 801)</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
20 Contingent liabilities				
Letters of credit	4 925	7 630	4 925	7 630
Guarantees and confirmations	45 699	25 986	45 699	25 986
	<u>50 624</u>	<u>33 616</u>	<u>50 624</u>	<u>33 616</u>
21 Capital commitments				
Authorised and contracted for The expenditure will be financed from funds on hand and generated internally.	<u>47</u>	<u>86</u>	<u>47</u>	<u>86</u>
22 Financial instruments				
22.1 Credit risk management - significant exposures				
Advances	1 303 519	1 017 878	1 303 519	1 017 878
Contingent liabilities	50 624	33 616	50 624	33 616
	<u>1 354 143</u>	<u>1 051 494</u>	<u>1 354 143</u>	<u>1 051 494</u>

22.2 Currency risk management

The group does not have any foreign currency exposures.

22.3 Derivative instruments

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



Notes to the Financial Statements

for the year ended 31 December 2006 (Continued)

22 Financial instruments (continued)

22.4 Liquidity risk management

	Carrying amount R'000	Demand R'000	Term to Maturity	
			0 to 12 months R'000	1 to 5 years R'000
Group				
2006				
Assets				
Advances and other receivables	1 300 368	-	738 544	561 824
Cash and cash equivalents	146 364	146 364	-	-
	<u>1 446 732</u>	<u>146 364</u>	<u>738 544</u>	<u>561 824</u>
Liabilities				
Deposit accounts	1 253 661	206 957	1 045 902	802
Accounts payable	16 334	-	16 334	-
Welfare and charitable funds	13 076	-	-	13 076
	<u>1 283 071</u>	<u>206 957</u>	<u>1 062 236</u>	<u>13 878</u>
Net liquidity gap	<u>163 661</u>	<u>(60 593)</u>	<u>(323 692)</u>	<u>547 946</u>
2005				
Assets				
Advances and other receivables	1 009 303	-	582 959	426 344
Cash and cash equivalents	148 126	148 126	-	-
	<u>1 157 429</u>	<u>148 126</u>	<u>582 959</u>	<u>426 344</u>
Liabilities				
Subordinated loan	35 000	-	-	35 000
Deposit accounts	1 003 968	200 653	803 315	-
Accounts payable	13 413	-	13 413	-
Welfare and charitable funds	8 476	-	-	8 476
	<u>1 060 857</u>	<u>200 653</u>	<u>816 728</u>	<u>43 476</u>
Net liquidity gap	<u>96 572</u>	<u>(52 527)</u>	<u>(233 769)</u>	<u>382 868</u>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
23 Operating leases				
23.1 Leases as lessee				
Non-cancelable operating lease rentals payable as follows:				
Less than one year	2 083	2 209	2 083	2 209
Between one and five years	4 110	5 906	4 110	5 906
More than five years	15	302	15	302
	<u>6 208</u>	<u>8 417</u>	<u>6 208</u>	<u>8 417</u>

Operating leases relate to building premises leased in South Africa.

23.2 Leases as lessor

Contingent rentals	<u>858</u>	<u>500</u>	<u>858</u>	<u>500</u>
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Contingent rentals relate to the leasing of tank containers.

24 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.

25 Related party information

The holding company of the Albaraka Bank Limited at 31 December 2006 is Albaraka Banking Group B.S.C which is a company registered in the Kingdom of Bahrain and which holds 51,7% (2005 : 22,5%) of the company's ordinary shares.

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

The remuneration paid to the directors is disclosed in note 15.

The management fee charged to the subsidiary is disclosed in note 14.

Albaraka Bank Limited enters into financial transactions, including normal banking relationships, with companies in which the directors of the bank have a beneficial interest. These transactions are governed by terms no less favourable than those arranged with third parties and are subject to the bank's normal credit approval policies and procedures. Directors are required to declare their interest in such transactions and recuse themselves from participating in any meeting at which these matters are discussed. Any transaction, irrespective of size, has to be reviewed by the board.

In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of directors' interests in companies containing the nature of such interests, as well as the nature and extent of the beneficial shares held in the companies is submitted to the board of directors annually for reviewing and updating.



Notes to the Financial Statements for the year ended 31 December 2006 (Continued)

25 Related party information (continued)

Direct interests are disclosed in the following table:

Director	Company	Financing approved R'000	Balance outstanding	
			2006 R'000	2005 R'000
S A E Chohan	Chohan's Spice (Pty) Ltd	2 126	581	39
	S A E Chohan	239	77	134
	Hawa Bibi Chohan	750	735	-
		<u>3 115</u>	<u>1 393</u>	<u>173</u>
Secured by covering mortgage bonds over property, deeds of surety and a motor vehicle.				
M G McLean	The Waloth Family Trust	810	744	160
Secured by a covering mortgage bond over property and deeds of surety.				
M S Paruk	Desai Jadwat Incorporated	165	2	82
	Ranmor Investments (Pty) Ltd	4 050	-	924
		<u>4 215</u>	<u>2</u>	<u>1 006</u>
Secured by a covering mortgage bond over property, deeds of surety, guarantees and equipment.				
Y M Paruk	Kintyre Investments (Pty) Ltd	1 810	-	-
	The Parksons Family Trust	2 508	1 321	1 804
		<u>4 318</u>	<u>1 321</u>	<u>1 804</u>
Secured by a covering mortgage bond over property and deeds of surety.				
S A Randeree	Revelate Trade Finance (Pty) Ltd	2 250	-	1 583
Secured by guarantees.				

Staff advances

Staff advances are conducted at subsidised profit rates. The amount subject to the subsidised profit rate is dependent on the staff member's position within the entity.

The total staff advances outstanding at the end of the period amounted to 12 137 5 043

26 Standards and interpretations not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2006, the following applicable accounting standard was in issue but not yet effective:

IFRS 7 - financial instruments

The disclosures provided in respect of financial instruments in the financial statements of the bank for the year ending 31 December 2007, as well as comparative information, will be compliant with IFRS 7: Disclosures. The disclosure requirements of IFRS 7 require additional disclosure compared to that required in terms of IFRS in respect of the following:

Significance of financial instruments to the entity's financial performance and position.

Qualitative and quantitative information about exposure to risks arising from financial instruments.

The adoption of IFRS 7 will not have an impact on the accounting policies adopted for financial instruments.

Value Added Statement for the year ended 31 December 2006

	2006 R'000	%	2005 R'000	%
Value added				
Operating income	51 487		40 370	
Other operating income	9 575		6 563	
Operating expenditure	(15 098)		(12 176)	
	<u>45 964</u>	<u>100,0</u>	<u>34 757</u>	<u>100,0</u>
Value allocated to				
Employees				
Salaries and other benefits	27 323	59,4	21 141	60,8
Government				
Taxation	5 481	11,9	2 734	7,9
Providers of capital				
Dividends to shareholders	1 781	3,9	-	-
Retention for expansion and growth	<u>11 379</u>	<u>24,8</u>	<u>10 882</u>	<u>31,3</u>
Depreciation of plant and equipment	3 306	7,2	3 431	9,9
Retained income	8 073	17,6	7 451	21,4
	<u>45 964</u>	<u>100,0</u>	<u>34 757</u>	<u>100,0</u>

