Notes to the Financial Statements for the year ended 31 December 2013

1. Capital Adequacy

Introduction
Albaraka Bank Limited, is a registered bank domiciled in South Africa and is subject to regulatory capital adequacy requirements under Basel III in terms of the Banks Act, No. 94 of 1990, as amended and Regulations relating thereto.

The bank has a wholly-owned subsidiary, which is a property owning company. The subsidiary is consolidated for accounting purposes and group annual financial statements are prepared annually. The subsidiary is consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations.

Capital structure
The capital base of the bank provides the foundation for financing, off-balance sheet transactions and other activities. The capital adequacy of the bank is measured in terms of the Banks Act, which dictates the requirements on how the bank must maintain a minimum level of capital based on its risk adjusted assets and off-balance sheet exposures as determined by the provisions of Basel III. The capital structure of the bank is as follows:

	2013	2012
	R'000	R'000
Regulatory capital		
Tier 1		
Share capital	**225 000**	225 000
Share premium	**29 866**	29 866
Retained income	**116 185**	106 011
Less: unappropriated profits	**(1 986)**	(8 322)
Total capital & reserves	**369 065**	352 555
Less: prescribed deductions against capital and reserve funds	**(18 296)**	(19 570)
Total Tier 1 capital	**350 769**	332 985
Tier 2		
Portfolio impairment	**11 691**	7 779
Total eligible capital	**362 460**	340 764
Capital adequacy ratios (Tier 1 %)	**11,49%**	12,16%
Capital adequacy ratios (Total %)	**11,88%**	12,44%
Minimum regulatory requirement ratios (Total %)	**9,50%**	9,50%

The bank's capital strategy plays an important role in growing shareholder value and has contributed significantly to growth in the current year. The objective of active capital management is to:

- Enable growth in shareholder value; and
- Protect the capital base.

The bank's risk and capital management committee is responsible for the formulation, implementation and maintenance of the bank's capital management framework in order to achieve the above objectives and operates in terms of a board-approved capital management framework. It assists the board in reviewing the bank's capital requirements and management thereof.

The bank is committed to maintaining sound capital and strong liquidity ratios. The overall capital needs are continually reviewed to ensure that its capital base appropriately supports current and planned business and regulatory capital requirements.

In assessing the adequacy of the bank's capital to support current and future activities, the group considers a number of factors, including:

- An assessment of growth prospects;
- Current and potential risk exposures across all the major risk types;
- Sensitivity analysis of growth assumptions;
- The ability of the bank to raise capital; and
- Peer group analysis.

At 31 December 2013, the minimum capital requirements and risk-weighted assets of the bank for credit risk, equity risk, market risk and other risks as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations were as follows:

	Capital requirements		**Risk-weighted assets**	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Credit risk	**254 253**	227 834	**2 676 347**	2 398 252
Operational risk	**24 449**	20 697	**257 364**	217 866
Equity risk	**-**	-	**-**	-
Market risk	**446**	177	**4 696**	1 860
Other risk	**10 775**	11 520	**113 419**	121 258
	289 923	260 228	**3 051 826**	2 739 236

In relation to the requirements of the Banks Act and Regulations, the bank has been granted condonation by the South African Reserve Bank in regard to its capital management. The bank is in the process of procuring additional capital to maintain its capital adequacy as it continues to grow. It is expected that within the 2014 year the capital adequacy position will be restored to acceptable levels that will ensure that such condonation is no longer required.

2. Risk management and assessment

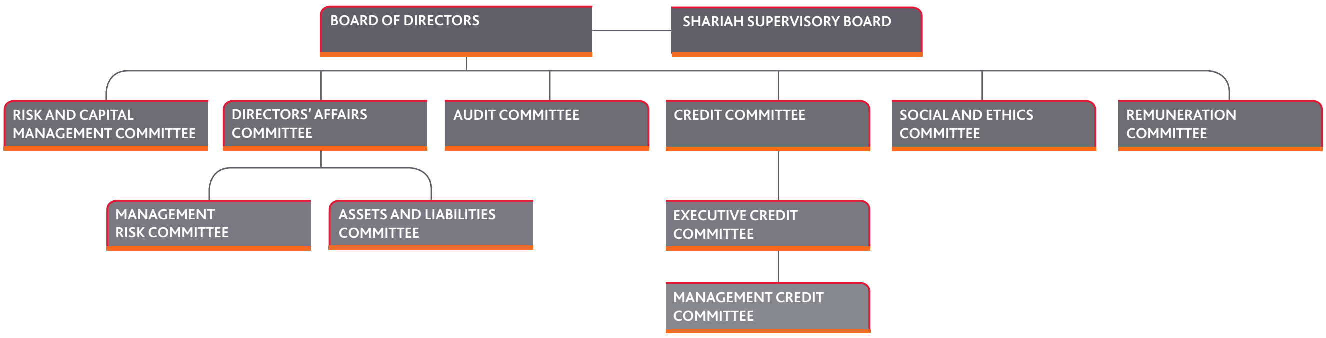
Whilst the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to five board committees, namely, the risk and capital management committee, the audit committee, the credit committee, the directors' affairs committee and the social and ethics committee. These committees are assisted by management committees (more particularly the assets and liabilities committee (ALCO), the executive credit committee and the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually.

The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas. These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management policies and programmes are reviewed regularly to reflect changes in market conditions and products offered. In addition, the bank has adopted a strategy that seeks to entrench at all levels within Al Baraka Bank a culture that is risk-management orientated.

Notes to the Financial Statements for the year ended 31 December 2013

2. Risk management and assessment (continued)

The structure and organisation of the risk management function is provided in diagrammatic form below:



The audit committee and risk and capital management committee are responsible for monitoring compliance with the risk management policies and programmes and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank. The audit committee is assisted in these functions by internal audit which undertakes regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Major risks

The following are the major forms of risks to which the bank is exposed:

- Credit risk;
- Market risk;
- Equity risk;
- Liquidity risk;
- Profit rate risk;
- Shariah risk;
- Operational risk;
- Compliance risk; and
- Other risk.

2.1 Credit risk

Credit risk refers to the potential loss that the bank could sustain as a result of counter-party default and arises principally from advances to customers and other banks.

The bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the board. The credit approval process is graduated, whereby increasingly higher levels of authorisation are required depending on the type and value of the transactions concerned. Applications for credit may therefore be considered progressively by line management, senior and executive management, the management credit committee, the executive credit committee, the board credit committee and the board itself.

A separate credit division, reporting to the chief executive and the credit committee of the board, is responsible for the oversight of the bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Limiting concentrations of exposure to counter-parties and by product; and
- Developing and maintaining risk gradings in order to categorise exposures to the degree of risk of financial loss faced and to focus management on the relevant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework is described under the section dealing with portfolio measures of risk.

Credit exposures are monitored primarily on performance. Defaulting accounts receive prompt attention. Initially they are dealt with by line management and, in instances where further degeneration occurs, they are handed over to the bank's collections and legal specialists.

Depending on the type of credit exposure, account reviews, which include the re-performance of qualitative and quantitative assessments, are performed annually.

The credit risk management process needs to identify all risk factors to enable such risks to be quantified and their impact on the pricing or credit risk to be taken into account. Pricing for credit risk is, therefore, a critical component of the risk management process. The main risk of default by the counter-party is mitigated by means of collateral security obtained from the debtor concerned.

For internal risk management and risk control purposes, credit risk is measured in terms of potential loss that could be suffered, taking into account the quantum of the exposures, the realisable value of the collateral security and the value, if any, that could be placed on the sureties.

The executive and board credit committees constantly monitor the credit quality of counter-parties and the exposure to them. Detailed risk reports are submitted to the aforementioned committees and also to the management credit committee on a regular basis.

Portfolio measures of credit risk
Credit loss expense is reported in accordance with International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement. Under these rules, losses are recognised and charged to the profit for the year in the statement of comprehensive income in the period in which they arise.

The occurrence of actual credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods. In order to make the business accountable for any credit losses suffered in a portfolio of advances that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is created based on historic loss and estimated emergence patterns. Based on the performance of individual customers and the results of assessments performed, credit exposures are classified under five main categories, or risk gradings, which are Standard, Special Mention, Sub-standard, Doubtful and Loss.

- Exposures that are current and where full repayment of the principal and profit is expected are classified under the Standard category;
- Exposures where evidence exists that the debtor is experiencing some difficulties that may threaten the bank's position, but where ultimate loss is not expected - but could occur if adverse conditions continue - are classified under the Special Mention category;
- Exposures that show underlying, well-defined weaknesses that could lead to probable loss if not corrected are classified under the Sub-standard category. The risk that such exposures may become impaired is probable and the bank relies to a large extent on available security;
- Exposures that are considered to be impaired, but are not yet considered total losses because of some pending factors that may strengthen the quality of such exposures are classified under the Doubtful category;
- Exposures that are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been unsuccessful are classified under the Loss category. These exposures are considered to be of such little value that they should no longer be included in the net assets of the bank;
- Exposures that are classified under the Sub-standard, Doubtful and Loss categories are regarded as non-performing; and
- Exposures that have not met their individual repayment terms are classified as past due exposures.

A default is considered to have occurred with regard to a particular obligor when either of the following events have taken place:
- The bank considers that the obligor is unlikely to pay its credit obligations to the bank, without recourse by the bank to actions such as realising security (if held); and
- The obligor is past due more than 90 days on any material credit obligation to the bank.

Notes to the Financial Statements for the year ended 31 December 2013

	Group and Company	
	2013	2012
	R'000	R'000
2. Risk management and assessment (continued)		
2.1 Credit risk (continued)		
Credit exposures		
Advances to customers	**3 094 498**	2 735 213
Advances and balances with banks	**720 267**	598 088
Advances, treasury bills and balances with central bank	**467 941**	253 398
Letters of credit, guarantees and confirmations	**196 528**	143 670
Total exposure	**4 479 234**	3 730 369
Impairment of advances	**(18 828)**	(16 509)
Net exposure	**4 460 406**	3 713 860

The group monitors concentrations of credit risk by geographical location, industry and product distribution.

	Group and Company	
	2013	2012
Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**1 678 883**	1 493 802
Gauteng	**1 108 265**	955 099
Western Cape	**503 878**	429 982
Total customer exposure	**3 291 026**	2 878 883
Bank exposure		
KwaZulu-Natal	**11 698**	14 158
Gauteng	**1 175 104**	836 432
United States of America	**1 406**	896
Total bank exposure	**1 188 208**	851 486
Total exposure	**4 479 234**	3 730 369
Industry distribution of exposures		
Banks and financial institutions	**1 188 208**	851 486
Individuals	**1 027 524**	865 570
Other services	**2 263 502**	2 013 313
Total exposure	**4 479 234**	3 730 369

		Group and Company	
		2013	2012
		R'000	R'000
Product distribution analysis			
Property (musharaka and murabaha)		**2 164 735**	1 929 112
Equity finance		**674 688**	548 088
Instalment sales		**453 057**	410 003
Trade		**475 953**	395 235
Balances with local and central banks		**513 520**	303 398
Letters of credit		**4 810**	152
Guarantees and confirmations		**191 718**	143 518
Other		**753**	863
Total exposure		**4 479 234**	3 730 369
Residual contractual maturity of book			
Within 1 month	- equity finance	**574 184**	271 961
	- other	**699 276**	407 398
From 1 to 3 months	- equity finance	**100 504**	276 127
	- other	**351 033**	345 395
From 3 months to 1 year		**472 651**	416 729
From 1 year to 5 years		**1 167 981**	1 071 415
More than 5 years		**1 113 605**	941 344
Total exposure		**4 479 234**	3 730 369

Notes to the Financial Statements for the year ended 31 December 2013

	Group and Company							
	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
2. Risk management and assessment (continued)								
2.1 Credit risk (continued)								
Past due and individually impaired								
Standard category	**-**	-	**-**	-	**-**	-	**-**	-
Special mention category	**-**	-	**-**	-	**-**	-	**-**	-
Sub-standard category	**4 678**	12 559	**-**	-	**-**	-	**4 678**	12 559
Doubtful category	**11 214**	4 262	**-**	-	**-**	-	**11 214**	4 262
Loss category	**23 336**	13 564	**-**	-	**-**	-	**23 336**	13 564
Gross amount	**39 228**	30 385	**-**	-	**-**	-	**39 228**	30 385
Specific impairment	**(7 137)**	(5 705)	**-**	-	**-**	-	**(7 137)**	(5 705)
Carrying amount	**32 091**	24 680	**-**	-	**-**	-	**32 091**	24 680
Past due but not impaired								
Standard category	**996 985**	536 495	**-**	-	**-**	-	**996 985**	536 495
Special mention category	**110 319**	177 272	**-**	-	**-**	-	**110 319**	177 272
Sub-standard category	**15 107**	8 686	**-**	-	**-**	-	**15 107**	8 686
Doubtful category	**13 351**	2 047	**-**	-	**-**	-	**13 351**	2 047
Loss category	**9 134**	16 258	**-**	-	**-**	-	**9 134**	16 258
Carrying amount	**1 144 896**	740 758	**-**	-	**-**	-	**1 144 896**	740 758
Neither past due nor impaired								
Standard category	**1 910 374**	1 964 070	**1 188 208**	851 486	**196 528**	143 670	**3 295 110**	2 959 226
Carrying amount	**1 910 374**	1 964 070	**1 188 208**	851 486	**196 528**	143 670	**3 295 110**	2 959 226
Total carrying amount before portfolio impairment	**3 087 361**	2 729 508	**1 188 208**	851 486	**196 528**	143 670	**4 472 097**	3 724 664
Portfolio impairment - Standard category	**(11 691)**	(10 804)	**-**	-	**-**	-	**(11 691)**	(10 804)
Net carrying amount	**3 075 670**	2 718 704	**1 188 208**	851 486	**196 528**	143 670	**4 460 406**	3 713 860

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the advance, and are updated for commercial property and residential property supporting a revolving facility which are assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks. Financial assets classified as neither past due nor impaired are well diversified with 62% invested in property transactions, 15% in instalment sale transactions (equipment and motor vehicle) and 23% in trade finance transactions. All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees. The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 30).

	Group and Company	
	Credit Exposure 2013 R'000	Collateral cover 2013 R'000
Collateral is held specifically in respect of advances and these predominantly comprise mortgage bonds over fixed property, notarial bonds over moveable property, cessions over cash deposits, insurance policies, book debts and unit trusts, as well as personal sureties and company guarantees.		
Collateral is allocated per asset class as follows:		
Standard asset	**2 722 438**	**1 936 501**
Special mention asset	**290 522**	**235 696**
Sub-standard asset	**20 850**	**17 587**
Doubtful asset	**25 981**	**20 816**
Loss asset	**34 707**	**20 454**
	3 094 498	**2 231 054**

	Group and Company	
	2013 R'000	2012 R'000
A distribution analysis of past due advances, impaired and past due and not impaired, is disclosed below:		
Past due and individually impaired		
- Individuals	**15 168**	16 691
- Other customers	**24 060**	13 694
	39 228	30 385
Past due but not impaired		
- Individuals	**462 190**	246 266
- Other customers	**682 707**	494 493
	1 144 897	740 759

Notes to the Financial Statements for the year ended 31 December 2013

2. Risk management and assessment (continued)

2.1 Credit risk (continued)

An aging analysis of past due advances which have not been impaired is disclosed below:

	Group and Company									
	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Individuals	**361 206**	207 972	**68 467**	27 739	**21 342**	4 312	**11 175**	6 243	**462 190**	246 266
Other customers	**579 071**	426 781	**85 944**	47 503	**14 235**	11 626	**3 457**	8 582	**682 707**	494 492
	940 277	634 753	**154 411**	75 242	**35 577**	15 938	**14 632**	14 825	**1 144 897**	740 758

2.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables, such as profit rates, exchange rates and equity markets. In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk. Al Baraka Bank's exposure to market risk is limited in that the bank does not trade in marketable securities other than those that it is required to hold for liquid asset purposes, which are usually held to maturity and foreign currency, held in terms of its foreign exchange licence.

The bank's exposure to market risk at year end is tabled below:

		Group and Company	
		2013	2012
		R'000	R'000
Assets held under interest rate risk	- Treasury bills	**73 711**	64 656
Assets held under exchange rate risk	- Foreign currency held	**4 696**	1 860
		78 407	66 516

In accordance with Islamic banking principles, the bank does not levy interest on finance provided, hence is not exposed to interest rate risk but rather profit rate risk as described in note 2.5. The treasury bills disclosed above are held for statutory liquidity requirements and thus interest earned on these bills are included in the amounts donated as per note 13.

2.3 Equity risk

Equity risk relates to the risk of loss that the bank would suffer due to material fluctuations in the fair values of equity investments. Equity risk in the case of Al Baraka Bank, relates to its 100% investment in Albaraka Properties Proprietary Limited, a property owning subsidiary, which sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban). In addition, the bank owns 9,4% in Kiliminjaro Investments Proprietary Limited, a property holding company which owns a property in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment. The bank also has an investment in unit trusts which is classified as fair-value-through-profit-and-loss and is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

2.4 Liquidity risk

Liquidity risk relates to the potential inability to repay deposits, fund asset growth or to service debt or other expense payments.

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments.

The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements. Refer to note 30 for details relating to liquidity risk management.

2.5 Profit rate risk

The bank is not exposed to interest rate risk. In keeping with Islamic banking principles, the bank does not levy interest on finance provided to debtors, but instead earns income either by means of buying the item to be financed from the supplier and on-selling the item to the bank's clients at an agreed mark-up or by entering into arrangements with the debtor in terms of which the bank shares in the profit generated by the debtor at an agreed profit sharing ratio. In a similar fashion, the bank's depositors do not earn interest on deposits placed with the bank, but instead earn income on their deposits based on their proportionate share of the profits earned from customers, by the bank. There is thus no mismatch in terms of the earning profile of depositors and that of the bank as the bank will only be able to share profits which are earned. As the bank shares profits earned in a pre-determined ratio to the depositors, the bank is not at risk of earning less from advances than it would be required to pay to its depositors.

2.6 Shariah risk

Shariah risk relates to the possibility that the bank may enter into or conclude transactions that may not be compliant with Islamic banking principles. It also relates to the risk of non-compliance with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Standards, to which the bank subscribes. In this regard, Shariah risk is closely linked to and embraces the following risks:

- Reputational risk;
- Profit rate risk;
- Liquidity risk; and
- Market risk.

Shariah risk is managed by monitoring, reviewing and supervising the activities of the bank to ensure that Shariah procedures, as prescribed by the Shariah Supervisory Board, are implemented and adhered to. The bank seeks to manage and minimise its exposure to Shariah risk by ensuring that the following measures are effectively implemented:

- The employment of adequate resources to manage and effectively mitigate, to the fullest possible extent, risk which could compromise Shariah compliance;
- Shariah reviews are carried out appropriately and in a timely manner in accordance with Shariah Supervisory Board policies and plans;
- Confirmation that profits earned from clients and profits paid to depositors are strictly in accordance with Shariah principles;
- Profit distribution is managed by the bank in accordance with Shariah guidelines, as defined by the Shariah Supervisory Board;
- Obtaining written Shariah Supervisory Board approval prior to the implementation of any new product or service and any proposed amendment to an existing bank product;
- The disposal of non-permissible income in terms of Shariah Supervisory Board rulings;
- The effective management and/or investment, in a Shariah-compliant manner, of excess liquidity; and
- The employment of a programme of continuous update by the bank of new developments, changes and amendments with regards to AAOIFI Shariah standards.

2.7 Operational risk

Operational risk refers to those risks that do not have a direct financial impact as opposed to the pure financial risks, such as credit risk, liquidity risk and profit rate risk. Operational risk is the risk of loss that could arise as a result of breakdowns in internal controls and processes, system inefficiencies, theft and fraud.

The bank seeks to minimise its exposure to operational risk by various means, including the following:

- The establishment of an independent compliance function to monitor compliance with relevant laws and regulations and to facilitate compliance awareness within the bank;
- The establishment of board and management risk committees;
- The establishment of an independent internal audit function;
- The compilation of board-approved delegated powers of authority;
- The compilation of a policies and procedures manual;
- The provision of staff training (including fraud awareness programmes) and ensuring that staff are well versed in the bank's policies and procedures;
- Implementing comprehensive security measures to protect the bank's staff and to safeguard the bank's assets; and
- The establishment of a comprehensive insurance programme to protect the bank against material losses that may arise.

2.8 Compliance risk

Compliance risk refers to the risk that the bank could be exposed to instances of non-compliance with statutory, regulatory and supervisory requirements. These risks are addressed in the compliance report.

2.9 Other risk

Other risk relates to the bank's investment in fixed, moveable and other sundry assets.

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
3. Property and Equipment				
Cost				
Land and buildings	**76 237**	76 237	**63 444**	63 444
Vehicles	**3 531**	3 085	**3 531**	3 085
Equipment and computers	**25 803**	24 151	**25 803**	24 151
Leasehold improvements	**10 839**	10 511	**11 379**	11 050
Tank containers	**7 145**	7 145	**7 145**	7 145
Capital work in progress	**1 559**	1 034	**1 559**	1 034
	125 114	122 163	**112 861**	109 909
Accumulated depreciation and impairment	**(27 303)**	(23 508)	**(44 927)**	(36 901)
Land and buildings	**-**	-	**(17 624)**	(13 393)
Vehicles	**(2 180)**	(1 695)	**(2 180)**	(1 695)
Equipment and computers	**(14 204)**	(12 074)	**(14 204)**	(12 074)
Leasehold improvements	**(6 024)**	(5 151)	**(6 024)**	(5 151)
Tank containers	**(4 895)**	(4 588)	**(4 895)**	(4 588)
Carrying amount	**97 811**	98 655	**67 934**	73 008
Land and buildings comprise the following commercial properties presented at their carrying amount as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R9,8 million in 2010. The property is leased partly to the bank and partly to third parties. The leases contain an initial non-cancellable period of three years. Commercial property comprises land and buildings at carrying amount.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of ten years. The property was independently valued at R100,4 million in 2012. Commercial property comprises land at a cost of R3,5 million (2012: R3,5 million) and buildings thereon at a cost of R69,1 million (2012: R69,1 million).	**72 582**	72 582		
3. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. In determining the fair value of the property, the minimum lease payments were discounted taking into consideration an unguaranteed residual of R72,0 million (2012: R72,0 million) and calculating a rate intrinsic in the lease 14,3% (2012: 14,3%).			**45 821**	50 051
	76 237	76 237	**45 821**	50 051

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Carrying amount at beginning of year	**76 237**	76 237	**50 051**	54 280
Additions	**-**	-	**-**	-
Depreciation	**-**	-	**(4 230)**	(4 229)
Carrying amount at end of year	**76 237**	76 237	**45 821**	50 051

The residual value of buildings on a group basis exceeds their cost and hence no depreciation has been provided on buildings.

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment							
Group							
2013							
Net carrying amount at beginning of year	**76 237**	**1 390**	**12 077**	**5 360**	**2 557**	**1 034**	**98 655**
Additions	**-**	**446**	**1 531**	**28**	**-**	**2 090**	**4 095**
Transfers	**-**	**-**	**1 289**	**301**	**-**	**(1 565)**	**25**
Disposals	**-**	**-**	**(19)**	**-**	**-**	**-**	**(19)**
Assets written-off	**-**	**-**	**(80)**	**-**	**-**	**-**	**(80)**
Depreciation for the year	**-**	**(485)**	**(3 200)**	**(873)**	**(307)**	**-**	**(4 865)**
Net carrying amount at end of year	**76 237**	**1 351**	**11 598**	**4 816**	**2 250**	**1 559**	**97 811**
2012							
Net carrying amount at beginning of year	76 237	1 524	13 316	4 157	2 864	2 337	100 435
Additions	-	178	1 885	474	-	3 951	6 488
Transfers	-	-	(558)	1 477	-	(5 254)	(4 335)
Disposals	-	-	(21)	-	-	-	(21)
Assets written-off	-	-	(280)	-	-	-	(280)
Depreciation for the year	-	(312)	(2 265)	(748)	(307)	-	(3 632)
Net carrying amount at end of year	76 237	1 390	12 077	5 360	2 557	1 034	98 655

Notes to the Financial Statements for the year ended 31 December 2013

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
3. Property and Equipment (continued)							
Movement in property and equipment (continued)							
Company							
2013							
Net carrying amount at beginning of year	**50 051**	**1 390**	**12 077**	**5 899**	**2 557**	**1 034**	**73 008**
Additions	**-**	**446**	**1 531**	**28**	**-**	**2 090**	**4 095**
Transfers	**-**	**-**	**1 289**	**301**	**-**	**(1 565)**	**25**
Disposals	**-**	**-**	**(19)**	**-**	**-**	**-**	**(19)**
Assets written-off	**-**	**-**	**(80)**	**-**	**-**	**-**	**(80)**
Depreciation for the year	**(4 230)**	**(485)**	**(3 200)**	**(873)**	**(307)**	**-**	**(9 095)**
Net carrying amount at end of year	**45 821**	**1 351**	**11 598**	**5 355**	**2 250**	**1 559**	**67 934**
2012							
Net carrying amount at beginning of year	54 280	1 524	13 316	4 696	2 864	2 337	79 017
Additions	-	178	1 885	474	-	3 951	6 488
Transfers	-	-	(558)	1 477	-	(5 254)	(4 335)
Disposals	-	-	(21)	-	-	-	(21)
Assets written-off	-	-	(280)	-	-	-	(280)
Depreciation for the year	(4 229)	(312)	(2 265)	(748)	(307)	-	(7 861)
Net carrying amount at end of year	50 051	1 390	12 077	5 899	2 557	1 034	73 008

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
4. Investment properties				
Balance at beginning of year	**10 552**	10 682		
Additions	**-**	22		
Depreciation	**(76)**	(152)		
Balance at end of year	**10 476**	10 552		

Investment properties are only applicable at a group level and comprise the following land as described below:

Land in Durban described as Portion 4 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 2 140 square metres and Portion 5 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 1 528 square metres.

The group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. The group carries investment properties at historic cost less provision for depreciation and impairment. The cost of the properties were considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R11,0 million as at 05 January 2012 which is in line with the group revaluation policy of three years. At the end of the 2011 financial period, capital expenditure was incurred to facilitate the generation of future income by the property. These costs were brought into use during the 2012 financial period, resulting in the depreciation charge depicted on the previous page. Accumulated depreciation at the end of the year amounted to R228 000 (2012: R152 000). The independent valuation referred to, conducted two years ago, provides an indication of the fair value of this property and with no significant changes in the property market in the two years it would be appropriate to consider the value still applicable at this financial year-end. The inputs into the valuation, as applied by the independent valuator, were location, surrounding environment and improvements applied. The valuator further considered sales of comparable properties in proximity to the investment property. As investment property is classified as a non-financial asset, management has considered its highest and best use and with no current intention to alter the use of this investment property, have accordingly concluded not to adjust its fair value from that of the independent valuation referred to above.

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
5. Intangible assets				
Cost				
Computer software	**2 318**	1 801	**2 318**	1 801
Capitalised project costs	**27 716**	24 730	**27 716**	24 730
Capital work in progress	**640**	2 484	**640**	2 484
	30 674	29 015	**30 674**	29 015
Accumulated amortisation and impairment	**(12 378)**	(9 445)	**(12 378)**	(9 445)
Computer software	**(1 093)**	(779)	**(1 093)**	(779)
Capitalised project costs	**(11 285)**	(8 666)	**(11 285)**	(8 666)
	18 296	19 570	**18 296**	19 570

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets				

Group and company

2013				
Net carrying amount at beginning of year	1 022	16 064	2 484	19 570
Additions	595	194	1 057	1 846
Transfers	(32)	2 908	(2 901)	(25)
Disposal	(47)	-	-	(47)
Assets written off	-	(18)	-	(18)
Amortisation for the year	(314)	(2 716)	-	(3 030)
Net carrying amount at end of year	1 224	16 432	640	18 296

Notes to the Financial Statements for the year ended 31 December 2013

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000

5. Intangible assets (continued)

Movement in intangible assets (continued)

Group and company

2012

	Computer software R'000	Capitalised project costs R'000	Capital work in progress R'000	Total R'000
Net carrying amount at beginning of year	632	18 375	-	19 007
Additions	663	93	-	756
Transfers	(54)	1 107	2 484	3 537
Assets written off	(29)	(321)	-	(350)
Amortisation for the year	(190)	(3 190)	-	(3 380)
Net carrying amount at end of year	1 022	16 064	2 484	19 570

	Company	
	2013	2012
	R'000	R'000

6. Investment in and amount due by subsidiary company

Albaraka Properties Proprietary Limited is 100% (2012: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 100 shares of R1 each (2012: 100 shares of R1 each).

	2013 R'000	2012 R'000
Shares at cost	*	*
Due by subsidiary	**15 294**	22 903
- Amounts owing by subsidiary	**86 209**	92 609
- Finance lease liability (note 31.3)	**(70 915)**	(69 706)
	15 294	22 903

* Amount less than R1 000.

The amount due by the subsidiary is profit-free. For the purposes of classification of financial instruments this is considered to be advances and receivables. The difference between the amounts owing by the subsidiary and the finance lease liability above, is a result of the present value of the lease liability which will unwind over the period of the lease.

The balance of the finance lease liability has been set off against the balance on the loan account as the bank has a legally enforceable right to set off these amounts in terms of the lease contract and intends to realise the asset and settle the liability simultaneously.

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
7. Deferred tax asset				
Balance at beginning of year	**2 222**	3 019	**13 616**	8 755
Tax income/(expense) recognised in profit or loss	**(995)**	(2 864)	**3 051**	1 005
Recognition/(derecognition) of temporary differences arising on finance lease	**-**	-	**-**	3 856
Reversal of impairment/(impairment) of accumulated tax credits in subsidiary	**-**	2 067	**-**	-
Deferred tax – prior year over-provision recognised in profit or loss	**(852)**	-	**(852)**	-
Balance at end of year	**375**	2 222	**15 815**	13 616
The deferred tax asset comprises the following:				
Temporary differences arising on finance lease	**-**	-	**7 026**	1 647
Recognition/(derecognition) of temporary differences arising on finance lease	**-**	-	**-**	3 856
Deferred tax on accumulated tax credits in subsidiary	**1 333**	2 458	**-**	-
Temporary differences on financial assets	**(553)**	(243)	**(553)**	(243)
Impairment for doubtful advances	**1 499**	1 198	**1 499**	1 198
Other provisions	**14 056**	11 665	**14 071**	11 684
Prepaid expenses	**(162)**	(139)	**(155)**	(133)
Intangible assets, plant and equipment	**(15 798)**	(12 717)	**(6 073)**	(4 393)
	375	2 222	**15 815**	13 616

The expected manner of recovery of the deferred tax asset will be through the use thereof at tax rates applicable to companies at the time of such recovery.

The temporary differences that arose on the finance lease between the bank and its subsidiary were derecognised in the 2011 period due to the then intended dissolution of Albaraka Properties Proprietary Limited. These temporary differences were recognised in the 2012 year as Albaraka Properties Proprietary Limited returned to a going concern status and was therefore expected to generate sufficient future taxable profit to realise the deferred tax asset.

Further to this, the deferred tax asset created by the accumulated tax credits in the bank's subsidiary, which was impaired by the group in the 2011 year, was recognised in the 2012 year to the extent that it was probable that the asset would be recovered through future taxable profits.

	Group		Company	
8. Investment securities				
Unit trust investments				
Fair value at beginning of year	**6 119**	4 976	**6 119**	4 976
Additions at cost	**78**	77	**78**	77
Fair value gains	**1 109**	1 066	**1 109**	1 066
Fair value at end of year	**7 306**	6 119	**7 306**	6 119
Unlisted investments				
Kiliminjaro Investment Proprietary Limited, at cost	**2 600**	2 600	**2 600**	2 600
	9 906	8 719	**9 906**	8 719

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000

8. Investment securities (continued)

The bank's investment in unit trusts comprise 420 275 units (2012: 415 053 units) in the Old Mutual Albaraka Equity Fund. The cost of this investment is R7,3 million (2012: R5,3 million) and has been designated as a fair-value-through-profit-or-loss financial instrument on initial recognition. The investment is treated in this manner in order to eliminate any potential recognition inconsistencies that may arise on changes in the fair value of this instrument, had the instrument been classified on an alternate basis. The fair value of this investment is determined by quoted market prices and changes in fair value are recorded in profit or loss for the year.

Kiliminjaro Investment Proprietary Limited is a property owning company of which the bank owns 9,4% (2012: 9,4%).The investment is classified as an available-for-sale financial instrument which is measured at cost, due to the fair value being indeterminable as there is no active market for unlisted shares of this nature. Based on the net asset value of the investment company, as at 28 February 2013, the value is R2,8 million (2012: R2,8 million) hence the cost is considered to be the appropriate measurement for this investment.

9. Advances and other receivables

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
9.1 Sectoral analysis				
Advances to customers				
Property (musharaka and murabaha)	**2 164 735**	1 929 112	**2 164 735**	1 929 112
Instalment sale	**453 057**	410 003	**453 057**	410 003
Trade	**475 953**	395 235	**475 953**	395 235
Other	**753**	863	**753**	863
Gross advances to customers	**3 094 498**	2 735 213	**3 094 498**	2 735 213
Provision for impairment of doubtful advances	**(18 828)**	(16 509)	**(18 828)**	(16 509)
Net advances to customers after provisions	**3 075 670**	2 718 704	**3 075 670**	2 718 704
Advances to banks				
Equity finance	**674 688**	548 088	**674 688**	548 088
Net advances	**3 750 358**	3 266 792	**3 750 358**	3 266 792
Other receivables	**2 636**	2 530	**2 475**	2 341
	3 752 994	3 269 322	**3 752 833**	3 269 133

Included under property are musharaka advances amounting to R2 128,6 million (2012: R1 873,1 million)

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
9.2 Maturity analysis				
Advances to customers				
Within 1 month	**277 817**	201 206	**277 817**	201 206
From 1 month to 3 months	**236 556**	257 517	**236 556**	257 517
From 3 months to 1 year	**415 189**	363 796	**415 189**	363 796
From 1 year to 5 years	**1 148 908**	1 054 920	**1 148 908**	1 054 920
More than 5 years	**1 016 028**	857 774	**1 016 028**	857 774
	3 094 498	2 735 213	**3 094 498**	2 735 213
Equity finance				
Within 1 month	**574 184**	271 961	**574 184**	271 961
From 1 month to 3 months	**100 504**	276 127	**100 504**	276 127
	674 688	548 088	**674 688**	548 088
9.3 Analysis of impairment for doubtful advances				
9.3.1 Specific impairments	**7 137**	5 705	**7 137**	5 705
Balance at beginning of year	**5 705**	6 316	**5 705**	6 316
Charge to profit for the year	**1 827**	3 252	**1 827**	3 252
Bad debts written off	**(395)**	(3 863)	**(395)**	(3 863)
9.3.2 Portfolio impairments	**11 691**	10 804	**11 691**	10 804
Balance at beginning of year	**10 804**	10 002	**10 804**	10 002
Charge to profit for the year	**887**	802	**887**	802
	18 828	16 509	**18 828**	16 509
9.3.3 Impairment for credit losses				
Specific impairments	**1 827**	3 252	**1 827**	3 252
Portfolio impairments	**887**	802	**887**	802
Bad debts recovered	**(314)**	(204)	**(314)**	(204)
	2 400	3 850	**2 400**	3 850

There was a net increase in specific impairments of R1 826 981 for the year which was a result of impairments of R2 380 244 being raised and a further R553 263 being released.

10. South African Revenue Service

Income tax	**1 825**	649	**1 825**	649
Value added taxation	**-**	-	**-**	22
	1 825	649	**1 825**	671

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
11. Cash and cash equivalents				
Cash on hand	**5 608**	3 154	**5 608**	3 154
Government and other stock	**73 711**	64 656	**73 711**	64 656
Balances with Central Bank	**394 230**	188 742	**394 230**	188 742
Placements with other banks	**45 579**	50 000	**45 579**	50 000
	519 128	306 552	**519 128**	306 552
The following banking facilities are available to the group:				
Letters of credit and guarantees	**20 000**	5 000	**20 000**	5 000
Foreign exchange facilities	**-**	129 849	**-**	129 849
Settlement facilities	**8 466**	7 000	**8 466**	7 000
	28 466	141 849	**28 466**	141 849

Deposits with the Central Bank of R149,6 million (2012: R133,5 million) and in Government stock of R73,7 million (2012: R64,7 million) represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the bank's daily operations.

	Group		Company	
12. Share capital and share premium				
12.1 Authorised share capital				
30 000 000 (2012: 30 000 000) ordinary shares of R10 each	**300 000**	300 000	**300 000**	300 000
12.2 Issued and fully paid share capital				
22 500 000 (2012: 22 500 000) ordinary shares of R10 each	**225 000**	225 000	**225 000**	225 000
12.3 Share premium				
Balance at beginning of year	**29 866**	29 866	**29 866**	29 866
Balance at end of year	**29 866**	29 866	**29 866**	29 866

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000

13. Welfare and charitable funds

	Group 2013	Group 2012	Company 2013	Company 2012
Gross income from non-Islamic activities during the year	**8 006**	6 764	**8 006**	6 764
Normal tax thereon	**(1 149)**	(935)	**(1 149)**	(935)
Net income from non-Islamic activities during the year	**6 857**	5 829	**6 857**	5 829
Donations and advances	**(8 978)**	(4 206)	**(8 978)**	(4 206)
Balance at beginning of year	**4 418**	2 795	**4 418**	2 795
Balance at end of year	**2 297**	4 418	**2 297**	4 418

14. Accounts payable

	Group 2013	Group 2012	Company 2013	Company 2012
Sundry creditors	**25 248**	15 571	**25 212**	15 526
Accruals	**6 064**	7 628	**5 972**	6 578
	31 312	23 199	**31 184**	22 104

Terms and conditions of the above financial liabilities: Sundry creditors are non-interest bearing and are normally settled on 30-day terms.

Accruals are non-interest bearing and have an average term of six months.

15. South African Revenue Service Payable

	Group 2013	Group 2012	Company 2013	Company 2012
Value added taxation	**134**	73	**32**	-
South African Revenue Service liability	**158**	158	**158**	158
	292	231	**190**	158

Payables to the South African Revenue Service in terms of Value Added Taxation are settled within 30 days to avoid penalties and interest. The South African Revenue Service liability represents PAYE due to the revenue authorities and is expected to be settled within the following 6 months.

16. Provision for leave pay

	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of year	**5 111**	4 341	**5 111**	4 341
Accrued and utilised during the year	**558**	770	**558**	770
Balance at end of year	**5 669**	5 111	**5 669**	5 111

The provision for leave pay provided is determined by multiplying the accumulated days of leave due per employee by the rate per day of that specific employee. The provision is expected to increase as the leave days accrue and decrease as leave is taken or paid out on the retirement or resignation of any specific employee.

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
17. Deposits from customers				
Participation investment accounts	**1 717 653**	1 514 592	**1 717 653**	1 514 592
Savings accounts	**8 231**	9 922	**8 231**	9 922
Monthly investment plan	**130 207**	115 425	**130 207**	115 425
Haj investment scheme	**110 461**	102 946	**110 461**	102 946
Regular income provider	**1 622 251**	1 370 425	**1 622 251**	1 370 425
Electronic banking	**227 583**	140 649	**227 583**	140 649
Profits distributable to depositors	**32 717**	25 511	**32 717**	25 511
Guarantee deposit accounts	**20 575**	-	**20 575**	-
Other	**70 958**	42 034	**70 958**	42 034
	3 940 636	3 321 504	**3 940 636**	3 321 504
Maturity analysis				
Within 1 month	**1 590 414**	1 209 748	**1 590 414**	1 209 748
From 1 month to 3 months	**699 453**	729 934	**699 453**	729 934
From 3 months to 1 year	**1 615 432**	1 353 670	**1 615 432**	1 353 670
Greater than 1 year	**2 620**	2 640	**2 620**	2 640
More than 5 years	**32 717**	25 512	**32 717**	25 512
	3 940 636	3 321 504	**3 940 636**	3 321 504

The maturity of the deposit products offered by the bank range from current to 720 days. As such, amounts reflected as more than 5 years are representative of funds held as an investment risk reserve for the benefit of the total depositor pool. These funds are reserved for the protection of depositor monies should the need arise.

18. Sharholders mudaraba advance

Shareholders mudaraba advance	**50 005**	-	**50 005**	-

The shareholders mudaraba advance was received in December 2013 from the holding company, Al Baraka Banking Group BSC in support of the bank's required capital position. The funds earn profit within the pool on similar terms to the 35-day participation investment account. The advance is subordinated in favour of all creditors and does not have a defined maturity date.

19. Income paid to depositors

Income paid to depositors is based on the profit sharing ratio agreed upon between the depositor and the bank at the time of the initial investment. On maturity, this income is either paid out to the depositor on instruction or reinvested on the depositors' behalf within the category of the initial deposit.

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000

20. Net non-Islamic income

Interest income	**8 006**	6 762	**8 006**	6 762
Other non-Shariah-compliant income	**-**	2	**-**	2
	8 006	6 764	**8 006**	6 764
Amount transferred to welfare and charitable funds	**(8 006)**	(6 764)	**(8 006)**	(6 764)
	-	-	**-**	-

21. Fee and commission income

Service fees	**19 715**	15 311	**19 715**	15 311
Commission received on sale of unit trusts	**4 575**	2 589	**4 575**	2 589
Profit from foreign currency trading	**3 754**	3 485	**3 754**	3 485
Management fee from subsidiary	**-**	-	**200**	200
	28 044	21 385	**28 244**	21 585

22. Other operating income

Property rental income	**273**	440	**212**	190
Net parking income from investment property	**698**	469	**-**	-
Tank container rental income	**1 066**	834	**1 066**	834
Dividend income	**353**	317	**2 353**	18 317
Fair value gain on financial instrument	**1 110**	1 066	**1 110**	1 066
Other	**817**	1 030	**817**	1 030
	4 317	4 156	**5 558**	21 437

Notes to the Financial Statements for the year ended 31 December 2013

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
23. Operating expenditure				
Operating expenditure includes:				
Auditor's remuneration				
Audit fees – current year	**1 976**	2 208	**1 946**	2 168
– prior year under-provision	**167**	299	**167**	299
Fees for other services				
– tax consultancy	**58**	54	**58**	54
– other	**384**	175	**384**	175
	2 585	2 736	**2 555**	2 696
Consultancy fees	**2 370**	3 296	**2 356**	3 234
Depreciation of property and equipment	**4 865**	3 632	**9 095**	7 861
Depreciation on investment property	**76**	152	**-**	-
Amortisation of intangible assets	**3 030**	3 380	**3 030**	3 380
Assets written off	**98**	407	**98**	407
Net loss on disposal of property and equipment	**5**	17	**5**	17
Change in estimate – VAT refund (note 33)	**492**	1 296	**492**	1 296
Operating lease charges	**1 998**	1 884	**2 253**	2 137
Research costs	**1 471**	632	**1 471**	632
Staff costs	**68 259**	60 331	**68 259**	60 331
Directors' emoluments			**4 898**	4 194
Executive services			**3 610**	2 978
Non-executive directors' fees			**1 288**	1 216

	Salary R'000	Other benefits R'000	Total R'000
23.1 Executive services			
Company only			
2013			
SAE Chohan - Chief executive	**1 794**	**397**	**2 191**
MJD Courtiade - Chief operating officer	**1 309**	**110**	**1 419**
	3 103	**507**	**3 610**
2012			
SAE Chohan - Chief executive	1 669	99	1 768
MJD Courtiade - Chief operating officer	1 160	50	1 210
	2 829	149	2 978

Salary and other benefits are short-term benefits as classified per IAS 24

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
23.2 Non-executive directors' fees				
AA Yousif			**138**	129
Adv. AB Mahomed SC			**163**	147
F Kassim			**105**	98
A Lambat			**153**	136
MS Paruk			**188**	179
YM Paruk			**137**	126
SA Randeree			**149**	150
M Youssef Baker			**134**	138
MG McLean			**121**	113
			1 288	1 216

24. Taxation

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
South African tax				
Normal - current year	**11 572**	8 306	**11 572**	8 306
- prior year	**(770)**	-	**(770)**	-
Attributable to income from non-Islamic activities (refer accounting policy 11 and note 13)	**(1 149)**	(935)	**(1 149)**	(935)
Deferred tax - current year	**995**	797	**(3 051)**	(4 861)
- prior year	**852**	-	**852**	-
Secondary tax on companies	**-**	971	**-**	971
Taxation attributable to Islamic activities	**11 500**	9 139	**7 454**	3 481

The deferred tax - prior year adjustment results from differences between the calculated taxation at the prior financial year-end as compared to the submitted taxation return as due within the current year.

	Group 2013	Group 2012	Company 2013	Company 2012
Reconciliation of taxation charge	**%**	%	**%**	%
Effective tax rate	**28,4**	26,6	**26,9**	9,0
Secondary tax on companies	**-**	(2,8)	**-**	(2,5)
Adjustable items:				
Non-taxable income and non-deductible expenditure	**(0,8)**	(1,8)	**0,6**	11,5
Recognition of temporary differences on the finance lease	**-**	-	**-**	10,0
Reversal of impairment of deferred tax asset	**-**	6,0	**-**	-
Current tax adjustment - prior year	**2,5**	-	**3,6**	-
Deferred tax adjustment - prior year	**(2,1)**	-	**(3,1)**	-
	28,0	28,0	**28,0**	28,0

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
25. Earnings per share				
Basic earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 22 500 000 (2012: 22 500 000) ordinary shares in issue during the year (cents)	**128,7**	112,2		
Headline earnings per share are calculated on headline earnings and a weighted number of 22 500 000 (2012: 22 500 000) ordinary shares in issue during the year (cents)	**129,1**	114,1		
Headline earnings per share are derived from:				
Profit for the year	**28 947**	25 255		
Loss arising on disposal of property and equipment	**5**	17		
Write-off of property, equipment and intangible assets	**98**	407		
	29 050	25 679		
26. Dividends				
A dividend of 45 cents per share (2012: 45 cents) was paid on 18 October 2013 to shareholders registered on the shareholders register of the bank at the close of business on 04 October 2013.	**10 125**	10 125	**10 125**	10 125

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
27. Statement of cash flows				
27.1 Cash generated from operations				
Profit before taxation	**40 447**	34 394	**27 752**	38 574
Adjustment for non-cash items and investment income:				
Depreciation of property and equipment	**4 865**	3 632	**9 095**	7 861
Depreciation of investment property	**76**	152	**-**	-
Dividend income	**(353)**	(317)	**(2 353)**	(18 317)
Impairment of property and equipment	**-**	-	**-**	-
Amortisation of intangible assets	**3 030**	3 380	**3 030**	3 380
Loss on disposal of property and equipment	**52**	17	**52**	17
Assets written-off	**98**	407	**98**	407
Straight-lining of operating leases	**(108)**	1	**(131)**	4
Provision for leave pay	**558**	770	**558**	770
Impairment for credit losses	**(2 714)**	(4 054)	**(2 714)**	(4 054)
Fair value gain on financial instruments	**(1 109)**	(1 066)	**(1 109)**	(1 066)
	44 842	37 316	**34 278**	27 576
27.2 Changes in working capital				
Increase in deposits from customers	**619 132**	440 476	**619 132**	440 476
Increase in accounts payable	**315**	12 646	**1 276**	12 213
(Decrease)/increase in welfare and charitable funds	**(972)**	2 559	**(972)**	2 559
Increase in advances and other receivables	**(480 958)**	(439 582)	**(480 964)**	(439 573)
	137 517	16 099	**138 472**	15 675
27.3 Taxation paid				
Amount receivable at beginning of year	**649**	1 899	**649**	1 899
Amount charged to profit for the year	**(9 653)**	(8 342)	**(9 653)**	(8 342)
Amount charged to welfare and charitable funds	**(1 149)**	(935)	**(1 149)**	(935)
Amount receivable at end of year	**(1 825)**	(649)	**(1 825)**	(649)
	(11 978)	(8 027)	**(11 978)**	(8 027)
27.4 Dividends paid				
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared	**(10 125)**	(10 125)	**(10 125)**	(10 125)
Amount outstanding at end of year	**7 967**	-	**7 967**	-
	(2 158)	(10 125)	**(2 158)**	(10 125)

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
27. Statement of cash flows (continued)				
27.5 Purchase of property and equipment				
Land and buildings	**-**	-	**-**	-
Vehicles	**(446)**	(178)	**(446)**	(178)
Equipment and computers	**(1 531)**	(1 764)	**(1 531)**	(1 764)
Leasehold improvements	**(28)**	(474)	**(28)**	(474)
Work in progress	**(2 090)**	(3 951)	**(2 090)**	(3 951)
Change in accounting estimate – VAT on capital expenditure (note 33)	**-**	307	**-**	307
	(4 095)	(6 060)	**(4 095)**	(6 060)
27.6 Additions to investment properties				
Land	**-**	(22)		
	-	(22)		
27.7 Purchase of intangible assets				
Computer software	**(595)**	(663)	**(595)**	(663)
Capitalised project costs	**(194)**	(93)	**(194)**	(93)
Change in accounting estimate – VAT on capital expenditure (note 33)	**-**	491	**-**	491
Work in progress	**(1 057)**	-	**(1 057)**	-
	(1 846)	(265)	**(1 846)**	(265)

28. Letters of credit, guarantees and confirmations

Guarantees and confirmations	**191 718**	140 218	**191 718**	143 518
Letters of credit	**4 810**	152	**4 810**	152
	196 528	140 370	**196 528**	143 670

The above letters of credit, guarantees and confirmations are directly linked to the company's core activities and payments relating thereto will be made in the ordinary course of business.

29. Capital commitments

Authorised but not yet contracted for	**-**	-	**-**	-
Authorised and contracted for				
- Property and equipment	**12**	34	**12**	34
- Intangible assets	**-**	-	**-**	-
	12	34	**12**	34

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

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
30. Financial instruments				
30.1 Credit risk - maximum exposure to credit risk				
Advances to customers (note 9.1)	**3 094 498**	2 735 213	**3 094 498**	2 735 213
Advances and balances with banks	**720 267**	598 088	**720 267**	598 088
Advances and balances with Central Bank	**467 941**	253 398	**467 941**	253 398
Letters of credit, guarantees and confirmations	**196 528**	140 370	**196 528**	143 670
	4 479 234	3 727 069	**4 479 234**	3 730 369
30.2 Currency risk management				
The group's exposure to currency risk was as follows:				
Cash and cash equivalents				
- EUR	**270**	57	**270**	57
- GBP	**113**	64	**113**	64
- SAR	**123**	31	**123**	31
- USD	**3 904**	1 620	**3 904**	1 620
- Others	**286**	88	**286**	88
	4 696	1 860	**4 696**	1 860

30.3 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 2013

30. Financial instruments (continued)

30.4 Liquidity risk

The table below shows an analysis of financial and non-financial assets and liabilities analysed according to when they are expected to be recovered or settled. The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented.

	Carrying amount	Within 1 Month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2013						
Assets						
Advances and other receivables	**3 752 994**	**852 442**	**337 942**	**416 511**	**1 148 908**	**997 191**
South African Revenue Service	**1 825**	**-**	**-**	**1 825**	**-**	**-**
Investment securities	**9 906**	**-**	**-**	**-**	**-**	**9 906**
Cash and cash equivalents	**519 128**	**420 450**	**22 852**	**-**	**-**	**75 826**
	4 283 853	**1 272 892**	**360 794**	**418 336**	**1 148 908**	**1 082 923**
Liabilities						
Deposits from customers	**3 940 636**	**1 590 414**	**699 452**	**1 615 432**	**2 620**	**32 718**
Accounts payable	**31 312**	**22 814**	**353**	**7 985**	**-**	**160**
South African Revenue Service	**292**	**134**	**-**	**158**	**-**	**-**
Provision	**5 669**	**472**	**945**	**4 252**	**-**	**-**
Mudaraba shareholder advance	**50 005**	**-**	**-**	**-**	**-**	**50 005**
Letters of credit, guarantees and confirmations	**196 528**	**6 617**	**91 625**	**57 462**	**19 073**	**21 751**
	4 224 442	**1 620 451**	**792 375**	**1 685 289**	**21 693**	**104 634**
Net liquidity gap	**59 411**	**(347 559)**	**(431 581)**	**(1 266 953)**	**1 127 215**	**978 289**
2012						
Assets						
Advances and other receivables	3 269 322	473 589	534 487	365 062	1 054 920	841 264
South African Revenue Service	649	-	-	649	-	-
Investment securities	8 719	-	-	-	-	8 719
Cash and cash equivalents	306 552	192 814	46 692	-	-	67 046
	3 585 242	666 403	581 179	365 711	1 054 920	917 029
Liabilities						
Deposits from customers	3 321 504	1 209 748	729 934	1 353 670	2 640	25 512
Accounts payable	23 199	22 539	348	173	-	139
South African Revenue Service	231	73	-	158	-	-
Provision	5 111	426	852	3 833	-	-
Letters of credit, guarantees and confirmations	140 370	16 532	41 187	49 632	16 495	16 524
	3 490 415	1 249 318	772 321	1 407 466	19 135	42 175
Net liquidity gap	94 827	(582 915)	(191 142)	(1 041 755)	1 035 785	874 854

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
30.5 Market risk				
The exposure to market risk is as follows:				
Investment securities - fair-value-through-profit-or-loss	**7 306**	6 119	**7 306**	6 119
Investment securities - available-for-sale	**2 600**	2 600	**2 600**	2 600
	9 906	8 719	**9 906**	8 719

30.6 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

	Intrinsic rate	Maturity	Company 2013 R'000	Company 2012 R'000
	14,3%	**2024**		
Current portion – less than 12 months			**8 834**	8 179
Non-current portion – greater than 12 months			**62 081**	61 527
Total obligations under finance leases (note 31.3)			**70 915**	69 706

Intrinsic rate risk is limited to the finance lease between the bank and its wholly-owned subsidiary. The total value of the finance lease liability has been classified as current in the 2011 financial year due to the intended dissolution of the subsidiary in that year.

30.7 Accounting classification and fair values

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented. Please refer to note 6 for information regarding details of balances of amounts owing between the company and the subsidary.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost, are estimated by comparing market profit rates when they were first recognised, with current market rates for similar financial instruments. The estimated fair value of fixed profit bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used, based on a current profit rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

Set out herein is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements.

Notes to the Financial Statements for the year ended 31 December 2013

	Advances and receivables	Available-for-sale	Held to maturity	Amortised Cost	Fair-value-through-profit-and-loss	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
30. Financial instruments (continued)						
30.7 Accounting classification and fair values (continued)						
Group						
2013						
Assets						
Advances and other receivables	**3 750 358**	**-**	**-**	**-**	**-**	**3 750 358**
Investment securities	**-**	**2 600**	**-**	**-**	**7 306**	**9 906**
Cash and cash equivalents	**445 417**	**-**	**73 711**	**-**	**-**	**519 128**
	4 195 775	**2 600**	**73 711**	**-**	**7 306**	**4 279 392**
Liabilities						
Deposits from customers	**-**	**-**	**-**	**3 940 636**	**-**	**3 940 636**
Accounts payable	**-**	**-**	**-**	**31 312**	**-**	**31 312**
	-	**-**	**-**	**3 971 948**	**-**	**3 971 948**
2012						
Assets						
Advances and other receivables	3 266 792	-	-	-	-	3 266 792
Investment securities	-	2 600	-	-	6 119	8 719
Cash and cash equivalents	241 896	-	64 656	-	-	306 552
	3 508 688	2 600	64 656	-	6 119	3 582 063
Liabilities						
Deposits from customers	-	-	-	3 321 504	-	3 321 504
Accounts payable	-	-	-	23 199	-	23 199
	-	-	-	3 344 703	-	3 344 703

30.8 Fair value hierarchy

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented. The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis by class of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group				
2013				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	**7 306**	**-**	**-**	**7 306**
	7 306	**-**	**-**	**7 306**
Financial liabilities	**-**	**-**	**-**	**-**
2012				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	6 119	-	-	6 119
	6 119	-	-	6 119
Financial liabilities	-	-	-	-

Financial instruments recorded at fair value
The following is a description of the determination of fair value for financial instruments which are recorded at fair value using quoted (unadjusted) prices.

Financial investments – Fair-value-through-profit-or-loss
Fair-value-through-profit-or-loss financial assets which are valued using quoted (unadjusted) prices consist of quoted equities.

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
31. Leases				
Operating leases				
31.1 Leases as lessee				
Non-cancellable operating lease rentals payable are as follows:				
Less than one year	**1 353**	1 761	**1 658**	2 038
Between one and five years	**2 095**	233	**2 096**	539
	3 448	1 994	**3 754**	2 577

The rentals disclosed above relate to the leasing of commercial premises, occupied by retail and corporate branches of Albaraka Bank Limited. These leases have an average life of between one and three years with renewal options included in the contracts. The inter-group operating lease rentals payable have only been disclosed in the comparative year up to the anticipated date of dissolution of the subsidiary. With the termination of the dissolution, the current period's disclosure extends to the expiration of the lease contracts. Operating lease rentals are accounted for on a straight line basis over the period of the lease.

Notes to the Financial Statements for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
31. Leases (continued)				
31.2 Leases as lessor				
Non-cancellable operating lease rentals receivable are as follows:				
Less than one year	**48**	41		
Between one and five years	**-**	-		
	48	41		

Operating lease rentals receivable relate to building premises owned by Albaraka Properties Proprietary Limited. The associated rental income is accounted for on a straight line basis over the period of the lease.

	2013		2012	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Finance leases				
31.3 Leases as lessee – company				
Less than one year	**9 427**	**8 834**	8 729	8 179
Between one and five years	**45 878**	**30 111**	42 479	27 881
More than five years	**97 998**	**31 970**	110 823	33 646
Total minimum lease payments	**153 303**	**70 915**	162 031	69 706
Less amounts representing finance charges	**(82 388)**	**-**	(92 325)	-
Present value of minimum lease payments (note 6)	**70 915**	**70 915**	69 706	69 706

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited for the use of its property as the bank's corporate head office. This lease is for an initial period of ten years with a five year renewal option. Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2012: 14,3%) after considering the unguaranteed residual value of R72,0 million (2012: R72,0 million) which will be realised at the end of the lease.

32. Retirement benefits

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.

The company's contribution for the year was R4,4 million (2012: R2,0 million).

33. Change in accounting estimate

During the 2012 and 2013 financial periods, the bank conducted a Value Added Tax (VAT) review, based on the Value Added Tax Act, No. 89 of 1991, in order to identify potential VAT savings.

The review revealed that the bank had not applied the VAT legislation to its best advantage, specifically where technical and specialised interpretations were required, which resulted in the bank having under-claimed VAT to the value of R0,5 million (2012: R2,1 million) over the period evaluated.

This comprises R0,5 million - tax effect of R0,1 miilion (2012: R1,3 million - tax effect of R0,4 million) on revenue expenditure and nil (2012: R0,8 million) on capital expenditure.

The additional VAT claim was accepted by the taxation authorities and the full refund was received in the respective years.

The results of the assessment were treated as a change in accounting estimate in terms of IAS 8 – Accounting policies, changes in accounting estimates and errors.

The revenue component of the refund is presented within operating expenditure (note 23). The capital component is presented within property and equipment and intangible assets (note 3 and note 5) under the transfers line.

The capital component resulted in a revision of the depreciation charge for the 2012 year in the sum of R0,6 million, which is presented within the depreciation and amortisation line in note 3 and note 5 respectively.

Notes to the Financial Statements for the year ended 31 December 2013

34. Related party information

The holding company of Albaraka Bank Limited at 31 December 2013 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 62,2% (2012: 62,2%) of the company's ordinary shares.

During the 2013 financial year the holding company forwarded a mudaraba advance of R50,0 million to the bank which is disclosed in further detail in note18.

DCD Holdings (SA) Proprietary Limited and DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 12,6% (2012: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2012: 7,7%) of the company's ordinary shares.

The Iqraa Trust is a registered trust whose beneficiaries are charitable, welfare and educational institutions. The trust is one of various beneficiaries of the bank's charitable activities. Four of the bank's directors are also trustees of the trust.

The subsidiary of the bank, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 6. The property rentals paid to the subsidiary for the year amounted to R255 099 (2012: R255 099).

The bank also made finance lease repayments amounting to R8 728 758 (2012: R8 082 183) for the year. As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account.

The management fee charged to the subsidiary is disclosed in note 21.

The directors are considered the key management personnel and the remuneration paid to the directors is disclosed in note 23.

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 transactions, irrespective of size, have to be reviewed by the board.

In order to avoid conflicts of interest 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.

Balances owing by/(to) related parties, including loans to executive and non-executive directors, are disclosed herein:

	Company	
	2013	2012
	R'000	R'000
Property finance - musharaka and murabaha		
Balance outstanding at beginning of year	**7 337**	9 072
Advances granted during the year	**10 000**	-
Repayments during the year	**(1 881)**	(3 318)
Profit earned	**1 064**	1 583
	16 520	7 337
Profit mark-up range for the year	**5,0% - 9,5%**	5,0% - 9,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R15 632 (2012: R108 894)

Instalment sale		
Balance outstanding at beginning of year	**1 390**	914
Advances granted during the year	**861**	1 000
Repayments during the year	**(1 067)**	(625)
Profit earned	**276**	101
	1 460	1 390
Profit mark-up range for the year	**8,5% - 15,0%**	9,5% - 15,0%
Trade finance		
Balance outstanding at beginning of year	**3 791**	4 387
Advances granted during the year	**9 658**	8 158
Repayments during the year	**(10 151)**	(10 384)
Profit earned	**687**	1 630
	3 985	3 791
Profit mark-up range for the year	**8,5% - 9,0%**	8,5% - 9,5%
Iqraa Trust		
Balance due to the trust at beginning of year	**(5)**	(15)
Funds received on behalf of the trust	**(12)**	(4)
Funds paid over to the trust	**17**	14
Balance due to the trust at end of year	**-**	(5)

During the year, the bank donated an amount of R4 643 302 (2012: R2 455 837) to the trust.

At 31 December 2013 funds deposited by the trust with the bank amounted to R35 098 393 (2012: R31 980 711)

Total exposure to related parties	**21 965**	12 513

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	**38 388**	34 069

Notes to the Financial Statements for the year ended 31 December 2013

35. Contingent liability

It was identified that certain contributions made by employees to third parties had been incorrectly classified by the bank. This could result in a possible obligation by the employees which the bank may bear. Discussions have been held by the bank and the relevant authority, as to how the obligation will be extinguished going forward and an independent tax advice has been obtained which supports the remedial actions proposed by the bank. Therefore the bank has determined that the likelihood of a future obligation materialising is not probable based on the information available at the date of the annual financial statements, and therefore no provision has been recognised. However it is possible that a further liability may arise.

36. Standards and interpretations not yet effective

	Effective Date
At the date of authorisation of the annual financial statements for the year ended 31 December 2013, the following accounting standards, interpretations and amendments were in issue but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.	
IFRS 9 Financial Instruments The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The effect of this standard on the group financial statements is in the process of being evaluated.	1 Jan 2018
IAS 32 Off-setting Financial Assets and Financial Liabilities This standard was amended to clarify the meaning of "legally enforceable right". This is not expected to impact the group financial statements.	1 Jan 2014
IAS 36 Impairment of Assets This standard was amended to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This is not expected to impact the group financial statements.	1 Jan 2014

37. Adoption of new standards

	Effective Date
The following amendments to standards and new interpretations were adopted during the year, as they became effective for years commencing on or after 1 January 2013:	
IAS 1 Presentation of Financial Statements The amendment clarifies that comparative information in respect of the previous period forms part of a complete set of financial statements.	1 Jan 2013
IAS 16 Property, Plant and Equipment The amendment clarifies that servicing equipment is Property, Plant and Equipment when used during more than one period. There is currently no effect on the group financial statements.	1 Jan 2013
IAS 19 - Employee Benefits This standard combines changes to the corridor method and expected returns on plan assets. There is currently no effect on the group financial statements.	1 Jan 2013

	Effective Date
IAS 27 Separate Financial Statements Consolidation requirements previously forming part of IAS 27 have been revised and are now contained in IFRS 10 Consolidated Financial Statements. There is currently no effect on the group financial statements.	1 Jan 2013
IAS 28 Investments in Associates and Joint Ventures The standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. There is currently no effect on the group financial statements.	1 Jan 2013
IAS 34 Interim Financial Reporting This amendment aligns the disclosure requirements in IAS 34 with those of IAS 8 Operating Segments. There is currently no effect on the group financial statements.	1 Jan 2013
IFRS 1 First Time adoption of IFRS The amendment clarifies the guidance relating to the repeat application of IFRS 1. This does not impact the group financial statements.	1 Jan 2013
IFRS 10 Consolidated Financial Statements This standard introduces a new single control model as the basis for consolidation applicable to all investees. It also introduces a changed definition of control. The effect of this standard on the group financial statements has been evaluated with no changes identified.	1 Jan 2013
IFRS 11 Joint Arrangements This standard establishes principles for the financial reporting by parties to a joint arrangement. The effect of this standard on the group financial statements has been evaluated with no changes identified.	1 Jan 2013
IFRS 12 Disclosure of Interests in Other Entities This standard combines, enhances and replaces disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The effect of this standard on the group financial statements has been evaluated with no changes identified.	1 Jan 2013
IFRS 13 – Fair Value Measurement This standard applies when other IFRS require or permit fair value measurements. It defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The group has modified its disclosures accordingly.	1 Jan 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine This applies to all types of natural resources that are extracted using the surface mining activity process. This standard is not applicable to the activities of the group.	1 Jan 2013