

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
**and its subsidiaries**  
**Registration no. 82/031**

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2010**

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**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS**

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the Company and of the Group at the end of the financial year and the net income and cash flow for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various group Audit and Risk Committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- the Board Audit, Risk and Compliance Committee, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.


The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements, presented on pages 6 to 62, have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Namibian Companies Act.

The directors have no reason to believe that the Company and the Group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 5.

The financial statements, set out on pages 2 to 62, were authorised and approved for issue by the Board of Directors on 14 September 2010 and are signed on their behalf:

  
**JC Brandt**  
Chairman

  
**JJ Swanepoel**  
Managing Director

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT AND RISK REPORT**  
**for the year ended 30 June 2010**

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Capricorn Investment Holdings Limited and its subsidiaries (the Group) are committed to the principles of corporate governance which are characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to these principles, the Group believes all stakeholders' interests are promoted including the creation of long-term shareholder value.

## **1. Board of directors**

The Board plays a pivotal role in the Group's corporate governance system. An overriding principle in regard to the Board's deliberations and approach to corporate governance will be that of intellectual honesty.

The Board is constituted by the Board Charter. The purpose of this Board Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively and the individual roles expected from them.

### ***Role of the Board***

An important role of the Board is to define the purpose of the Group, which is its strategic intent and objectives as a business enterprise, and its values, which is its organisational behaviour and norms to achieve its purpose. Both the purpose and the values should be clear, concise and achievable. It should also ensure that procedures and practices are in place that protect the Group's assets and reputation. The Group's strategy is considered and agreed annually prior to the approval of the annual budget.

Responsibilities of the Board include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the Group's systems of internal control, governance and risk management. A schedule of matters reserved for the Board's decision details key aspects of the Group's affairs that the Board does not delegate (including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital).

### ***Board leadership and composition***

The Board should provide leadership and vision to the Group in a way that will enhance shareowner value and ensure long-term sustainable development and growth of the Group.

There are two key tasks at the head of a company, the running of the Board and the executive responsibility for the running of the company's business. There should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. Based on this principle the roles of the chairperson and managing director do not vest in the same person.

The Group has a unitary board, consisting of executive, non-executive and independent directors. There are no agreements regulating board appointments. Representation of independent directors on the Board is required and adhered to.

In terms of the Company's Articles of Association ("Articles") the Board shall consist of not less than five members and in recent years the board has averaged six members. Currently, five members constitute the Board at group level, including three executive directors and two independent non-executive directors.

### ***Board meetings***

The meeting programme is approved by the Board annually and should not be less than four meetings per year. During the year, all members of the Board attended all meetings held with the exception of Mr MK Shikongo and Mr JJ Mannheimer, each whom was excused from attending one of the meetings.

Board members are required to observe the requirements of Section 234 of the Companies Act dealing with disclosures of interests and, where appropriate, board members should absent themselves from discussion or decisions on matters of potential conflict, unless resolved otherwise by the Chairman or by the remaining members of the Board. No conflict of interests were observed during the reporting period.

### ***Appointments***

Procedures for appointments to the Board are formal and transparent. Members of the Board are recommended by the Group Nomination and Remuneration Committee which receives its mandate from the Board of Directors.

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**CORPORATE GOVERNANCE STATEMENT AND RISK REPORT**  
**for the year ended 30 June 2010**

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*Appointments(continued)*

New board members will only hold office until the next annual general meeting at which they will retire and become available for election. Executive directors will be engaged on employment contracts, subject to short-term notice periods, unless approved by the Board. There were no new appointments during the year.

On appointment, non-executive directors will have the benefit of an induction programme aimed at deepening their understanding of the company and the business environment and markets in which the company operates that includes background material, meetings with senior management and visits to the company's facilities. All Board members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.

*Access to independent advice*

The Company Secretary is available to provide assistance and information on governance and corporate administration to the directors as appropriate. The directors may also seek advice on such matters, or on other business related matters, directly from independent professional advisors should they so wish. This is in addition to the advice provided by independent advisors to the Board Committees. No requests for external professional advice were received during the year.

**2. Board Audit, Risk and Compliance committee**

A Board Audit, Risk and Compliance committee, whose chairman is an independent non-executive director, was established to oversee sound risk management, accounting, internal audit, internal control, compliance, forensics and ethics structures, and liaise with the external auditors. Both the internal and external auditors have unrestricted access to this audit committee, which ensures that their independence is in no way impaired. This also applies to the Board Audit, Risk and Compliance committees of Bank Windhoek and Bank Gaborone that furthermore have to ensure the Banks' compliance with the requirements of the Banking Institutions Act.

**3. Human Resources committee**

The purpose of the Board Human Resources committee is to ensure that the organisation is appropriately staffed in terms of skills levels and ethnic diversity and to meet the challenges of the future. Programmes related to this are ratified by the committee. In addition, the committee ensures that management and staff is remunerated appropriately and that the remuneration scales, including incentive and share schemes, and conditions of employment of these Group companies, are market related.

**4. Nominations and Remuneration committee**

The Nominations and Remuneration committee is responsible for the evaluation of new board appointees and ensures that board members remain competent to fulfill their duties. The committee furthermore considers and recommends to the board appropriate remuneration for non-executive and executive directors as well as executive management.

**5. Board Credit and Board Lending committees**

The Board Credit and Board Lending committees of Bank Windhoek Ltd and Bank Gaborone Ltd play a very important role in the monitoring, granting and management of credit, especially with regard to large exposures. Refer to note 3.1 of the financial statements for further details.

**6. Risk management and internal control**

The Board is ultimately accountable for any financial loss or reduction in shareholder value, and therefore has a duty to make the necessary enquiries to ensure that the requisite systems, practices and culture are in place to manage all risks to which the Group is exposed. These risk management and control responsibilities have primarily been delegated to the subsidiaries' Board and their respective sub-committees and are quarterly monitored on a consolidated basis by the Board.

The risk management approach of the Group is to ensure that all risks that may have a significant negative impact or potential negative impact are identified and managed. The enterprise-wide risk management policy applied by the Group companies, defines the major risks that the Group is exposed to, as well as how the identified risks should be assessed, measured, monitored and reported.

The Group maintains systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisition, use or disposition. These are designed to provide reasonable assurance to the Group and each subsidiary's management and board of directors of the preparation of reliable published financial statements and the safeguarding of the Group's assets.

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**CORPORATE GOVERNANCE STATEMENT AND RISK REPORT**  
**for the year ended 30 June 2010**

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**6. Risk management and internal control (continued)**

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the proper training and development of its people. Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Group assesses its internal control systems on a continuous basis in relation to effective internal control over financial reporting. Based on its assessment, the Group believes that, as at 30 June 2010, its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

During recent years and with the implementation of BASEL II, risk management within the Group, especially the Group's banking subsidiary, Bank Windhoek Limited, has become a focal point. To assist the Board Audit, Risk and Compliance Committee in managing exposures to risks in the day-to-day operations, a risk committee comprising of members of the Executive Management Team, was established at Bank Windhoek level. The primary responsibility of this team is to evaluate the risk management model employed by the Group and to provide recommendations to manage identified, unidentified and potential risks.

**7. External auditors**

The external audit policy, as issued by the Board Audit and Risk Committee, governs the work performed by the external auditors, both from an audit and non-audit perspective. The Board Audit, Risk and Compliance Committee approved the external auditors' terms of engagement, scope of work, the 2010 annual audit and the applicable levels of materiality. Based on written reports submitted, the Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. Non-audit work performed during the reporting period related to a Transfer Pricing document complied by PricewaterhouseCoopers as well as a payroll payment reconciliation.

The Board has also assessed the external auditors' independence for each company within the Group and has concluded that the external auditors' independence was not impaired during the reporting period.

**8. Code of conduct**

As part of its corporate governance practise and to encourage an environment where loyalty, integrity and trust prevails, all employees are required to abide to the Group code of conduct.

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF CAPRICORN INVESTMENT HOLDINGS LIMITED**

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We have audited the group annual financial statements and annual financial statements of Capricorn Investment Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 62.

*Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

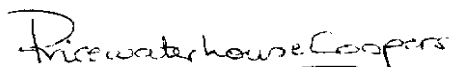
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Capricorn Investment Holdings Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.



**PricewaterhouseCoopers**  
*Registered Accountants and Auditors*  
*Chartered Accountants (Namibia)*  
WINDHOEK  
14 September 2010

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**DIRECTORS' REPORT**  
**for the year ended 30 June 2010**

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## 1. General review

The company acts as an investment holding company and provides consulting and management services to the other group companies. Its investments are as follows:

### Subsidiaries:

#### Subsidiaries of Capricorn Investment Holdings Limited:

Bank Windhoek Holdings Limited	- Investment holding
Capricorn Investment Holdings (Botswana) (Pty) Ltd	- Investment holding
Capricorn Asset Management (Pty) Ltd	- Asset management
Cyan ES (Pty) Ltd - sold effective 30 June 2010	- Information Technology support
Cyan Enterprise Solutions (Pty) Ltd	- Information Technology support
Capricorn Capital (Pty) Ltd	- Financial consultancy
CIH Group Employee Share Trust	- Special purpose entity
CIH Group Employee Share Benefit Trust	- Special purpose entity

#### Subsidiaries of Bank Windhoek Holdings Limited:

Bank Windhoek Ltd	- Banking
Welwitschia Nammic Insurance Brokers (Pty) Ltd	- Insurance broking
Namib Bou (Pty) Ltd	- Property development
Capricorn Management Services (Pty) Ltd	- Dormant

#### Subsidiaries of Bank Windhoek Ltd:

Bank Windhoek Nominees (Pty) Ltd	- Custodian of third party investments
Intellect Investments Namibia (Pty) Ltd	- Marketing and branding
BW Finance (Pty) Ltd	- Micro lending
Bank Windhoek Properties (Pty) Ltd	- Property investment holding

During the year, the Bank Windhoek Limited disposed of its investment in Grootfontein Holdings (Proprietary) Limited.

#### Subsidiaries of Namib Bou (Pty) Ltd:

Namib Bou Hochland Estate Development (Pty) Ltd	- Property development
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#### Subsidiaries of Capricorn Investment Holdings (Botswana) (Pty) Ltd:

Penrich Employee Benefits (Pty) Ltd	- Micro finance
Bank Gaborone Ltd	- Banking
Ellwood Insurance Brokers (Pty) Ltd (trading as Penrich Insurance Brokers (Pty) Ltd)	- Insurance broking

#### Subsidiaries of Penrich Employee Benefits (Pty) Ltd:

Peo Micro (Pty) Ltd	- Micro finance
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#### Associates of the group:

SmartSwitch Botswana (Pty) Ltd	- Switching services
Santam Namibia Ltd	- Short-term insurance
Cavmont Capital Holdings Zambia Plc	- Investment holding
Sanlam Namibia Holdings (Pty) Ltd	- Long-term insurance
Nam-mic Financial Services Holdings (Pty) Ltd	- Investment holding
VTB Capital Namibia (Pty) Ltd	- Financial consulting

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**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2010**

**1. General review (continued)**

**Joint Venture of Bank Windhoek Ltd**

Namclear (Proprietary) Limited

- Payment clearing house

**Jointly controlled operations - Bank Windhoek Ltd**

The Tourvest Namibia (Pty) Ltd/ Bank Windhoek Ltd Joint Venture

- Sales and purchases of foreign exchange

American Express Foreign Exchange Namibia/ Trip Travel (Pty) Ltd Joint Venture

- Sales and purchases of foreign exchange

**2. Financial results and dividends**

Profit after tax was N\$ 265,740,000 (2009: N\$ 206,280,000 ). Full details of the financial results of the Company and the Group are set out on pages 10 to 62.

A reclassification occurred in the statement of financial position, resulting in the presentation of restated 2008 and 2009 figures, as required by the revised IAS 1 Presentation of Financial Statements. Refer to note 45 for further details of the reclassification.

During the current year under review dividends of 700 cents per share (2009: 250 cents per share) amounting to a total of N\$31,262,000 (2009: N\$11,165,500) were declared by the Company. These dividends include a special dividend of 420 cents per share.

**3. Share capital**

There was no movement in the authorised share capital for the year under review.

During the previous year 21,000 shares with a nominal value of N\$1 per share were issued to the Capricorn Investment Holdings Employee Share Trust at a premium of N\$181.77 per share. No further shares were issued to the Capricorn Investment Holdings Employee Share Trust during the current year under review.

**Details of the Company's Interest**

	Issued ordinary share capital and premium and proportion held		Shares at cost	
	N\$'000	%	2010 N\$'000	2009 N\$'000
<b>4. Subsidiaries</b>				
<i>Registered in Namibia</i>				
Bank Windhoek Holdings Limited	84,212	73	227,177	227,177
Capricorn Investment Holdings (Botswana) (Pty) Ltd	138,360	96	159,022	109,695
Capricorn Asset Management (Pty) Ltd	1,001	75	4,265	4,265
Capricorn Capital (Pty) Ltd	100	95	95	-
CIH Group Employee Share Trust	n/a	100		
CIH Group Employee Share Benefit Trust	n/a	100		
Cyan Enterprise Solutions (Pty) Ltd	-	100	-	5,000
<b>5. Indirect holdings in subsidiaries</b>				
<i>Registered in Namibia</i>				
Bank Windhoek Ltd	163,506	100		
Welwitschia Nammic Insurance Brokers (Pty) Ltd	1,300	78		
Capricorn Management Services (Pty) Ltd	-	80		

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**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2010**

**5. Indirect holdings in subsidiaries (continued)**

	<b>Issued ordinary share capital and premium and proportion held</b>	
	<b>N\$'000</b>	<b>%</b>
<i><b>Registered in Namibia(continued)</b></i>		
Namib Bou (Pty) Ltd	23,000	100
Namib Bou Hochland Estate Development (Pty) Ltd	4	100
Bank Windhoek Nominees (Pty) Ltd	-	100
BW Finance (Pty) Ltd	-	100
Intellect Investments Namibia (Pty) Ltd	3	100
Bank Windhoek Properties (Pty) Ltd	1	100
	<b>BWP'000</b>	<b>%</b>
<i><b>Registered in Botswana</b></i>		
Bank Gaborone Ltd	103,406	100
Penrich Employment Benefits (Pty) Ltd	30	100
Ellwood Insurance Brokers (Pty) Ltd (trading as Penrich Insurance Brokers (Pty) Ltd)	1	100
Peo Micro (Pty) Ltd	-	100

**6. Direct and indirect holdings in associated companies**

	<b>N\$'000</b>	<b>%</b>
Santam Namibia Ltd	8,307	30
Nam-mic Financial Services Holdings (Pty) Ltd	8,000	28.9
Sanlam Namibia Holdings (Pty) Ltd	160,665	29.5
VTB Capital Namibia (Pty) Ltd	3,600	49
Cavmont Capital Holdings Zambia Plc (includes non-voting equity share)	32,669	44
SmartSwitch Botswana (Pty) Ltd	8,561	50

The Company's interest in aggregate profit after tax earned by subsidiaries and associates amounted to N\$302.0 million (2009: N\$241.0 million) for the year, and the Company's interest in dividends declared was N\$108.4 million (2009: N\$50.8 million).

**7. Indirect holdings in jointly controlled entity**

The following information relates to the group's financial interest in its jointly controlled entity:

	<b>Issued ordinary share capital and premium and proportion held</b>	
	<b>N\$'000</b>	<b>%</b>
Namclear (Pty) Ltd	4,616	25

The following information relates to the Company's financial interest in its jointly controlled operations:

The Tourvest Namibia (Pty) Ltd/ Bank Windhoek Ltd Joint Venture	n/a	50%
American Express Foreign Exchange Namibia/ Trip Travel (Pty) Ltd Joint Venture	n/a	33%

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**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2010**

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**8. Directors and Company Secretary**

The following persons were directors of the Company during the financial year:

*Non-executive*

JJ Mannheimer  
MK Shikongo

*Executive*

JC Brandt (Chairman)  
JJ Swanepoel (Group Managing Director)  
G Nakazibwe-Sekandi

Mr HG von Ludwiger was secretary of the Company during the year under review. The business and postal addresses of the Company secretary are:

CIH House	P.O. Box 15
Kasino Street	WINDHOEK
WINDHOEK	NAMIBIA

**9. Post balance sheet events**

No matter which is material to the financial affairs of the Company and Group has occurred between the date of the statements of financial position and the date of approval of the financial statements.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2010

	Notes	Group		Company	
		2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
Interest and similar income		1,470,017	1,576,498	-	-
Interest and similar expense		<u>(824,613)</u>	<u>(1,004,112)</u>	<u>-</u>	<u>-</u>
<b>Net interest income</b>	<b>5</b>	<b>645,404</b>	572,386	-	-
Impairment losses on loans and advances	<b>6</b>	<u>(29,300)</u>	<u>(36,523)</u>	<u>-</u>	<u>-</u>
<b>Net interest income after loan impairment charges</b>		<b>616,104</b>	535,863	-	-
Fee and commission income	<b>7</b>	<b>284,323</b>	228,556	-	-
Net trading income	<b>8</b>	<b>53,800</b>	59,851	-	-
Other operating income	<b>9</b>	<b>127,713</b>	102,854	<b>111,344</b>	51,580
Operating expenses	<b>11</b>	<u>(752,344)</u>	<u>(649,986)</u>	<u>(46,468)</u>	<u>(34,158)</u>
<b>Operating profit</b>		<b>329,596</b>	277,138	<b>64,876</b>	17,422
Share of profit of joint venture	<b>23</b>	<b>5,128</b>	475	-	-
Share of associates' profits	<b>12</b>	<u>38,615</u>	<u>28,874</u>	<u>-</u>	<u>-</u>
<b>Profit before income tax</b>		<b>373,339</b>	306,487	<b>64,876</b>	17,422
Income tax expense	<b>13</b>	<u>(107,599)</u>	<u>(100,208)</u>	<u>(128)</u>	<u>-</u>
<b>Profit for the year</b>		<b>265,740</b>	206,279	<b>64,748</b>	17,422
<i>Other comprehensive income</i>					
Foreign currency translation reserve movement		(7,931)	(19,577)	-	-
Net gains on available-for-sale financial assets		<u>7,313</u>	<u>7,333</u>	<u>2,903</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b>265,122</b>	194,035	<b>67,651</b>	17,422
<b>Profit attributable to:</b>					
Equity holders of the Group and Company		<b>186,578</b>	143,621	<b>67,651</b>	17,422
Non-controlling interest		<u>79,162</u>	<u>62,658</u>	<u>-</u>	<u>-</u>
		<u>265,740</u>	<u>206,279</u>	<u>67,651</u>	<u>17,422</u>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Group and Company		<b>186,037</b>	131,516	<b>67,651</b>	17,422
Minority interest		<u>79,085</u>	<u>62,519</u>	<u>-</u>	<u>-</u>
		<u>265,122</u>	<u>194,035</u>	<u>67,651</u>	<u>17,422</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION**  
as at 30 June 2010

	Notes	Group			Company	
		2010 N\$'000	2009 N\$'000	2008 N\$'000	2010 N\$'000	2009 N\$'000
<b>ASSETS</b>						
Cash and balances with the Central Bank	14	887,860	457,416	314,793	42	3,001
Derivative financial instruments	15	653	626	2,256	-	-
Financial assets designated at fair value through profit or loss	16	1,480,096	1,351,992	1,303,269	10,121	7,174
Investment securities	17	303,352	284,110	215,316	-	-
Due from other banks	18	453,238	503,749	160,863	-	-
Loans and advances to customers	19	12,344,838	10,525,921	8,822,800	-	-
Other assets	20	276,912	255,888	314,923	28,815	7,343
Investment in subsidiaries	21	-	-	-	382,272	352,439
Investment in associates	22	205,392	204,925	203,517	78,770	83,132
Interest in joint ventures	23	4,177	7,049	5,633	-	-
Intangible assets	24	57,823	69,045	69,084	-	-
Property, plant and equipment	25	157,764	162,185	143,983	-	-
Current tax asset		4,880	25,080	13,182	945	883
Deferred tax asset	32	20,968	15,197	21,265	-	-
<b>Total assets</b>		<b>16,197,953</b>	<b>13,863,183</b>	<b>11,590,884</b>	<b>500,965</b>	<b>453,972</b>
<b>LIABILITIES</b>						
Derivative financial instruments	26	24,505	6,408	-	10,624	6,408
Due to other banks	27	387	-	99,792	-	-
Other deposits	28	3,970,799	2,084,583	1,102,049	-	-
Debt securities in issue	29	547,342	493,080	493,866	140,858	136,773
Deposits from customers	30	9,818,013	9,620,989	8,394,841	-	-
Other liabilities	31	252,328	283,608	293,647	7,056	4,753
Current tax liabilities		919	5,516	60	-	-
Deferred tax liability	32	139,745	130,963	137,251	-	-
Post-employment benefits	33	4,323	-	-	-	-
<b>Total liabilities</b>		<b>14,758,361</b>	<b>12,625,147</b>	<b>10,521,506</b>	<b>158,538</b>	<b>147,934</b>
<b>EQUITY</b>						
Share capital and premium	34	24,399	26,142	22,246	26,401	26,401
Non-distributable reserves	35	53,287	42,256	33,082	15,942	15,942
Distributable reserves	36	1,012,501	868,849	756,661	300,084	263,695
		1,090,187	937,247	811,989	342,427	306,038
Non-controlling interest in equity		349,405	300,789	257,389	-	-
<b>Total shareholder's equity</b>		<b>1,439,592</b>	<b>1,238,036</b>	<b>1,069,378</b>	<b>342,427</b>	<b>306,038</b>
<b>Total equity and liabilities</b>		<b>16,197,953</b>	<b>13,863,183</b>	<b>11,590,884</b>	<b>500,965</b>	<b>453,972</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY**  
for the year ended 30 June 2010

	Notes	Share capital N\$'000	Share premium N\$'000	Non distributable reserves N\$'000	Distributable reserves N\$'000	Non-controlling interest in equity N\$'000	Total equity N\$'000
<b>GROUP</b>							
Balance at 1 July 2008		4,443	17,803	33,082	756,661	257,389	1,069,378
Issue of shares		21	3,817	-	-	-	3,838
Shares held by the CIH Employee Share Trust		(1)	(258)	-	992	1,279	2,012
Shares held by the CIH Employee Share Trust - previous year		2	315	-	-	-	317
Total comprehensive income for the year		-	-	-	131,516	62,519	194,035
Transfer between reserves	35	-	-	9,174	(9,174)	-	-
Change in ownership interest in subsidiary without loss of control		-	-	-	277	(2,663)	(2,386)
Dividends for 2009		-	-	-	(11,423)	(17,735)	(29,158)
<b>Balance at 30 June 2009</b>		<b>4,465</b>	<b>21,677</b>	<b>42,256</b>	<b>868,849</b>	<b>300,789</b>	<b>1,238,036</b>
Balance at 1 July 2009		<b>4,465</b>	<b>21,677</b>	<b>42,256</b>	<b>868,849</b>	<b>300,789</b>	<b>1,238,036</b>
Shares held by the CIH Employee Share Trust		(9)	(1,993)	-	-	2,876	874
Shares held by the CIH Employee Share Trust - previous year		1	258	-	-	-	259
Total comprehensive income for the year		-	-	-	186,037	79,085	265,122
Transfer between reserves	35	-	-	11,031	(11,031)	-	-
Change in ownership interest in subsidiary without loss of control		-	-	-	199	8,290	8,489
Dividends for 2010		-	-	-	(31,553)	(41,635)	(73,188)
<b>Balance at 30 June 2010</b>		<b>4,457</b>	<b>19,942</b>	<b>53,287</b>	<b>1,012,501</b>	<b>349,405</b>	<b>1,439,592</b>
<b>COMPANY</b>							
Balance at 1 July 2008		4,445	18,118	15,942	257,438	-	295,943
Issue of shares	34	21	3,817	-	-	-	3,838
Total comprehensive income for the year		-	-	-	17,422	-	17,422
Dividends for 2009	41	-	-	-	(11,165)	-	(11,165)
<b>Balance at 30 June 2009</b>		<b>4,466</b>	<b>21,935</b>	<b>15,942</b>	<b>263,695</b>	<b>-</b>	<b>306,038</b>
Balance at 1 July 2009		<b>4,466</b>	<b>21,935</b>	<b>15,942</b>	<b>263,695</b>	<b>-</b>	<b>306,038</b>
Total comprehensive income for the year		-	-	-	64,748	-	64,748
Revaluation of available-for-sale investments		-	-	-	2,903	-	2,903
Dividends for 2010	41	-	-	-	(31,262)	-	(31,262)
<b>Balance at 30 June 2010</b>		<b>4,466</b>	<b>21,935</b>	<b>15,942</b>	<b>300,084</b>	<b>-</b>	<b>342,427</b>

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**CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS**  
for the year ended 30 June 2010

	Notes	Group		Company	
		2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<b>Cash flows from operating activities</b>					
Interest receipts		1,450,775	1,557,705	-	-
Interest payments		(788,849)	(953,123)	8,253	-
Commission and fee receipts		284,323	228,556	-	-
Other income received		196,237	174,594	8,138	6,715
Cash payments to employees and suppliers		(696,710)	(612,171)	(32,347)	(19,535)
Cash generated by operations	37	445,776	395,561	(15,956)	(12,820)
Dividends received		27,572	9,126	113,041	74,517
Income taxes paid	39	(88,985)	(106,870)	(190)	(57)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		<u>384,363</u>	<u>297,817</u>	<u>96,895</u>	<u>61,640</u>
<b>Changes in operating assets and liabilities</b>					
Net (increase) / decrease in financial assets designated at fair value		(716,254)	427,857	(44)	-
Net decrease in derivative financial instruments		(27)	-	-	-
Net increase in loans and advances to customers and due from other banks		(1,902,062)	(1,737,463)	-	-
Net (increase) / decrease in other assets		(25,169)	57,841	(19,953)	(2,618)
Net increase in other deposits		1,886,216	982,534	-	-
Net increase in deposits from customers		197,024	1,226,148	-	-
Net (decrease) / increase in other liabilities		(22,111)	31,442	306	(3,160)
Net (decrease) / increase in amounts due to other banks		387	(99,792)	-	-
<i>Net cash flow (utilised in) / generated from operating activities</i>		<u>(197,633)</u>	<u>1,186,384</u>	<u>77,204</u>	<u>55,862</u>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(42,413)	(46,920)	-	-
Proceeds from sale of property, plant and equipment		11,567	-	-	-
Proceeds from the reduction of share capital in an associate		21,093	-	-	-
Distribution from joint venture		5,000	-	-	-
Proceeds from the reduction of share capital in a joint venture		3,000	-	-	-
Additions to intangible assets		(10,082)	(1,749)	-	-
Proceeds from intangible assets		11,060	-	-	-
Acquisition of shares in associates		(9,943)	-	(1,471)	-
Additions to investment in subsidiaries		-	-	(51,561)	(37,402)
Decrease in indebtedness from subsidiary		-	-	6,302	(5,993)
Derecognition of affiliates		-	(4,927)	-	-
Additions to other investments		-	(50,000)	-	-
<i>Net cash utilised in investing activities</i>		<u>(10,718)</u>	<u>(103,596)</u>	<u>(46,730)</u>	<u>(43,395)</u>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary shares		-	3,896	-	3,838
Transfer of ordinary shares into share trust		(1,743)	-	-	-
Proceeds from the issue of debt securities in issue		194,351	-	140,000	-
Repayment of debt securities in issue		(175,853)	(51,775)	(144,168)	(15,183)
Dividends paid	38	(73,188)	(70,639)	(31,262)	(44,503)
<i>Net cash utilised in financing activities</i>		<u>(56,433)</u>	<u>(118,518)</u>	<u>(35,430)</u>	<u>(55,848)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(264,784)</b>	<b>964,270</b>	<b>(4,956)</b>	<b>(43,381)</b>
Cash and cash equivalents at beginning of year		<u>1,635,222</u>	<u>670,952</u>	<u>3,001</u>	<u>46,382</u>
<b>Cash and cash equivalents at end of year</b>	40	<u><u>1,370,438</u></u>	<u><u>1,635,222</u></u>	<u><u>(1,955)</u></u>	<u><u>3,001</u></u>

# CAPRICORN INVESTMENT HOLDINGS LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2010

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### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of presentation

Capricorn Investment Holdings Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the IASB and effective at the time of preparing these statements. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

#### 1.2 Consolidation

##### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Transaction costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for an impairment. They are written down if required. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in profit or loss.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IAS 39, 'Financial instruments: Recognition and measurement'; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

##### (b) Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

##### (c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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**(c) Associates (continued)**

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss; its share of post-acquisition movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used.

Dilution gains and losses in associates are recognised in other comprehensive income.

For summarised financial information on the Group's associates accounted for using the equity method, see Note 22.

**(d) Joint ventures**

Joint ventures are those enterprises over which the company exercises joint control in terms of a contractual agreement.

A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or legal entity.

Jointly controlled assets involve the joint control and often joint ownership, by the venturers of one or more assets contributed to or acquired for the purpose of the joint venture. These joint ventures do not involve the establishment of a legal entity separate from the joint ventures themselves.

Jointly controlled operations involve the use of the assets and other resources of venturers. Each venturer uses its own assets and incurs its own liabilities. These joint ventures do not involve the establishment of a legal entity separate from the joint venturers themselves.

In respect of interests in jointly controlled operations and jointly controlled assets, the Group recognises in its financial statements :

- its share of the jointly controlled assets, classified according to the nature of the assets;
- the assets that it controls, classified according to the nature of the assets;
- its share of liabilities that it incurs jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses which it has incurred in respect of its interest in the joint venture.

Jointly controlled entities are accounted for by means of the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments are made to bring the accounting policies of jointly controlled entities in line with those of the company, where appropriate.

Investments in subsidiaries and jointly controlled entities are measured at cost in the company's financial statements.

**1.3 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Namibia Dollar, which is the Group and Company's functional and presentation currency.

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**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss under trading income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary equities classified as available-for-sale financial assets, are included in statement of comprehensive income.

**(c) Group companies**

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the statement of other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**1.4 Revenue recognition**

Refer to notes 1.5, 1.6 and 1.7 for revenue recognition in respect of interest income, fees and commission and trading income. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Dividend income is recognised when the right to receive payment is established.

**1.5 Net trading income**

Net trading income comprises all gains and losses from changes in the fair value of financial assets and liabilities held for trading, together with related interest income and expense.

**1.6 Net interest income**

Interest income and expense are recognised in profit or loss for all instruments measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and expense and dividend income and expenses on financial assets at fair value through profit or loss are included in 'Net interest income' or 'Dividend income', respectively.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**1.7 Fee and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

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**1.7 Fee and commission income (continued)**

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Insurance broking commission; consultancy- and administration fee income - comprise commission income and negotiated fees earned in respect of the placement of insurance and servicing of clients under insurance programs. Income is brought to account on the effective commencement or renewal dates of the related insurance program. Commission- and administration fee income is deferred over the policy term.

**1.8 Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group only applies hedge accounting when these criteria are met. Where these criteria are not met derivatives are fair valued through profit and loss and these adjustments are disclosed separately.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

**(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

**(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

**(c) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and the derivatives are disclosed separately in the statement of financial position.

No hedge accounting existed at year-end.

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**1.9 Financial instruments**

**(a) Financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs, for all financial assets not carried at fair value through profit or loss.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

***i) Financial assets at fair value through profit or loss***

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. The designation cannot be subsequently changed. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

Treasury Bills, Government Stock and Derivatives are designated in this category. Derivatives are designated as held for trading, unless they are designated and effective as hedging instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue.
- Financial assets are designated at fair value through profit or loss when they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.
- Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit and loss.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included under net gain from financial instruments designated at fair value through profit or loss in the profit or loss and in the period in which they arise. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest method is recognised in profit or loss.

Loans and advances are classified in this category.

***(iii) Held-to-maturity***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest method is recognised in profit or loss.

***(iv) Available-for-sale***

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

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***(iv) Available-for-sale (continued)***

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the statement of comprehensive income (as other comprehensive income), until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in statement of comprehensive income should be recognised in profit or loss.

However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale, as well as impairment losses, are recognised in the profit or loss. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss in 'Dividend income' when the Group's right to receive payment is established.

**(b) Financial liabilities**

The Group recognises a financial liability when it becomes a party to the contractual terms of the financial instrument. The Group classifies its financial liabilities in the following categories: at amortised cost and financial liabilities at fair value through profit or loss.

***i) At amortised cost***

The liability is recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, it is stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the liability using the effective interest rate method.

The dividends on preference shares are recognised in profit or loss as interest expense on an amortised cost basis using the effective interest rate method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Also classified in this category are deposits, the group's debts in securities and other liabilities.

***ii) Financial liabilities at fair value through profit or loss***

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the consolidated statement of financial position as 'Financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'. The Group designated certain debt securities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently. According to IAS 39, the fair value option is applied, as the debt securities consists of debt host and embedded derivatives that must otherwise be separated.

Financial liabilities for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

**(c) Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, FTSE, NYSE).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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**(c) Determination of fair value (continued)**

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

**(d) Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

**(e) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**1.10 Sale and repurchase agreements**

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

**1.11 Impairment of financial assets**

**(a) Assets carried at amortised cost**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligator;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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**1.11 Impairment of financial assets (continued)**

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

**(b) Assets carried at fair value**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

**c) Renegotiated loans**

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if the new terms are not met.

**1.12 Intangible assets**

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

The Group chooses to use the cost model for the measurement after initial recognition.

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**1.12 Intangible assets (continued)**

**(a) Trademarks**

Trademarks and licences are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

**(b) Computer software**

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives as follows:

Operating software	3 years
Application software	7 years

**1.13 Property, plant and equipment**

Land and buildings comprise mainly of branches and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Furniture and fittings	8,3 years
Office equipment	6,67 years
Computer equipment	3-5 years
Buildings	30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the consolidated financial position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit or loss.

Investment properties held by Group companies and which are occupied by other Group companies are recognised as property, plant and equipment in the Group financial statements.

**1.14 Repossessed property**

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed property is included at the lower of cost or net realisable value, and are derecognised when the assets are sold to third parties.

**1.15 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

**1.16 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The leases entered into by the Group are primarily operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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**1.16 Leases (continued)**

**(a) A group company is the lessee**

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(b) A group company is the lessor**

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

**1.17 Cash and cash equivalents**

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

For the purposes of the statements of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with Central Banks, treasury bills and other eligible bills, placements with other banks, short-term government securities and money market investments.

**1.18 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group recognises no provisions for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

**1.19 Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history or past losses.

Any increase in the liability relating to financial guarantees is taken to profit or loss under operating expenses.

**1.20 Post-employment benefits**

**a) Pension obligations**

The Group operates a defined contribution plan. The plan is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group provides no other post-retirement benefits to their retirees.

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**1.20 Post-employment benefits (continued)**

**b) Leave pay**

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date.

**c) Severance pay provision**

In terms of the new Labour Act of 2007, the Group is required to make payments (or provide other benefits) to employees when it terminates their employment. The implications of this requirement is that severance pay has to be paid to all employees when:

- i) The employee is dismissed (except if due to misconduct or poor performance); or
- ii) Dies while employed.

The Group therefore has an obligation, more specifically a defined benefit, in terms of IAS 19 Employee benefit. The benefit is not funded by any plan assets as defined in IAS 19.

**1.21 Deferred and current income tax**

**a) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts and tax losses carried forward and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are recognised in other comprehensive income, is also recognised in other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

**b) Current income tax**

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credit to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

**1.22 Share capital**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

**1.23 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Board of Directors.

**1.24 Fiduciary activities**

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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**2. Standards and interpretations of International Financial Reporting Standards issued**

**2.1 Standards and interpretations International of Financial Reporting Standards issued but not yet effective**

The Group will comply with the following new standards and interpretations applicable to its business from the stated effective date.

	<b>Effective date</b>
<p>Amendments to IFRS 2: Group cash-settled share-based payment transactions</p> <p>The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.</p>	Annual periods commencing on or after 1 January 2010
<p>Amendments to IAS 32 – Classification of rights issues</p> <p>The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.</p>	Annual periods commencing on or after 1 February 2010
<p>Amendment to IAS 24 - Related party disclosures</p> <p>This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.</p>	Annual periods commencing on or after 1 January 2011
<p>IFRS 9 – Financial Instruments</p> <p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p>	Annual periods commencing on or after 1 January 2013
<p>IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity Instruments</p> <p>This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.</p>	Annual periods commencing on or after 1 July 2010
<p>Amendments to IFRIC 14 (AC 447) Pre-payments of a Minimum Funding Requirement</p> <p>This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement.</p>	Annual periods commencing on or after 1 January 2011

The impact of these standards on the financial statements were being analysed.

**2.2 Standards and interpretations issued, effective for the first time during the current year**

	<b>Effective date</b>
<p>IFRS 8 Operating segments</p> <p>IFRS 8 replaces IAS 14 (AC 115) and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p>IAS 23 Borrowing Costs – Revised</p> <p>The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009

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**2.2 Standards and interpretations issued, effective for the first time during the current year (continued)**

	<b>Effective date</b>
<p><b>IAS 1 Presentation of Financial Statements - Revised</b> The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements. A statement of comprehensive income has been included arising from the adoption of the revised statement.</p>	Annual periods commencing on or after 1 January 2009
<p><b>IAS 27 Consolidated and Separate Financial Statements - Revised</b> IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p><b>IFRS 3 Business Combinations - Revised</b> The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p><b>Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations</b> The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p><b>Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation</b> The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p><b>Amendments to IFRS 1 and IAS 27 Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</b> The amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p><b>Amendments to IFRS 7 – Financial Instruments disclosures: Improving Disclosures about Financial Instruments</b> The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. Disclosures have been updated in accordance with the amendments.</p>	Annual periods commencing on or after 1 January 2009
<p><b>Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting</b> The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 July 2009

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**2.2 Standards and interpretations issued, effective for the first time during the current year (continued)**

	<b>Effective date</b>
<p>IFRIC 15 - Agreements for the Construction of Real Estate</p> <p>IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 - Revenue and when revenue from construction should be recognised. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 January 2009
<p>IFRIC 16 - Hedges of a Net Investment in a Foreign Operations</p> <p>IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation), within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting as well as how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 October 2008
<p>IFRIC 17 - Distribution of non-cash assets to owners</p> <p>IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 July 2009
<p>IFRIC 18 - Transfers of assets from customers</p> <p>IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This statement had no impact on the Group or Company results.</p>	Annual periods commencing on or after 1 July 2009

**3. Financial risk management**

Assuming financial risks is inherent within any business environment. Managing these risks continues to play a pivotal role within the Group to ensure an appropriate balance is reached between risks and returns.

The Board of Directors is ultimately responsible to ensure that the Group is not exposed to risks which may have a negative impact on its financial performance, and which may ultimately have an adverse effect on the continued operations of the Group. However, it is the responsibility of management to identify risks, whether real or anticipated, within their business units, and take appropriate actions.

Management's approach to risk management is to ensure all risk are identified and managed, and the returns are balanced with the risks taken. Compliance with a set of comprehensive risk management policies are an integral part of the Group's day-to-day activities and systems of internal controls have been implemented to prevent and detect risks.

The following key principles are the foundations of the Group's risk management process:

- Adoption of a risk management framework which applies to all business units and risk types;
- Risk assessment, measurement, monitoring and reporting;
- Independent reviews, and
- Risk governance processes.

The following subcommittees at subsidiary level have been formed to assist the Board of Directors to manage risks:

***Asset and Liability Committee (ALCO)***

The Group trades in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of short-term market movements in bonds and in currency, interest rate and commodity prices. Amongst other responsibilities, ALCO is tasked to monitor the risks associated with these activities. Risk management includes the setting of trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. In addition, with the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The ALCO also carries the primary responsibility of monitoring the Group's liquidity position, as well as formulating the funding strategy. ALCO activities are reported to the Board Audit and Risk Committee.

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**3. Financial risk management (continued)**

***Board Credit Committee (BCC) and Board Lending Committee***

One of the Group's primary activities is lending to retail and commercial borrowers. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The BCC and Board Lending Committee are tasked to ensure this objective is achieved by ensuring credit exposures remain within an acceptable range of credit standing. Such exposures involve not just loans and advances reflected on the statement of financial position; but also guarantees and other commitments such as letters of credit.

The Board of Directors, through its Board Audit and Risk and Compliance Committee (BARC), also places reliance on the function of internal audit to detect whether business units comply with the risk management policies and report non-compliance thereof.

In addition to the above committees, a Risk Committee, comprising of members of the Executive Management Team and reporting to the Board Audit, Risk and Compliance Committee, was established. Its primary responsibilities are to:

- evaluate the risk management model employed by the Group in terms of effectiveness and efficient deployment of resources (i.e. cost versus benefit);
- discuss and identify gaps and weaknesses in the management information system (MIS) to enable management to make the correct decisions;
- discuss the findings and recommendations of the Bank's risk functions and evaluate whether appropriate action has been taken when necessary;
- enhance general risk awareness within the Bank;
- monitor the management of risks to ensure that the Group complies with the Bank of Namibia's guidelines for effective risk management; and
- to discuss in detail any identified, unidentified and potential risks that are material to the Bank Windhoek Group.

The Group is exposed to the following significant risks:

**3.1 Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Credit risk, together with large exposures, are monitored by the Board Credit and Board Lending Committees.

In addition to credit risk through a loan, the Group is exposed to counterparty credit risk, which is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Unlike credit exposures to loan, exposures to counterparty credit could result in a positive or negative impact to the financial performance of the Group, depending on the underlying market factors. Such risk is associated primarily with derivative transactions.

**3.1.1 Risk limit control and mitigation policies**

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks, including exposures to geographical and industry segments, are monitored on a monthly basis and are subject to an annual or more frequent review. Limits on the level of credit risk by country are approved by the Board of Directors.

Exposure to credit risk is managed upfront when an application for credit is received. The Credit Risk Management Model is utilised by the Group and assess the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations is assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but for a portion of personal lending no such collateral or guarantee can be obtained. The amount the Group is willing to lend unsecured is also capped and approved by the Board.

Placements with banks, including loans and advances to banks, are only done with major banks with high credit standings.

Some other specific control and mitigation measures are outlined below:

***(a) Collateral***

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Valuation methodologies and period of validity on collaterals are outlined in established policies, which are approved by the Board.

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**3.1.1 Risk limit control and mitigation policies (continued)**

Long-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

*(b) Derivatives*

The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

*(c) Master netting arrangements*

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities reflected on the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative financial instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

*(d) Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

**3.1.2 Maximum exposure to credit risk before collateral held or other credit enhancements**

	<b>Group</b>	
	<b>Maximum exposure</b>	
	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Cash and balances with the Central Bank	<b>887,860</b>	457,416
Derivative financial instruments	<b>653</b>	626
Financial assets designated at fair value through profit or loss	<b>1,480,096</b>	1,351,992
Investment securities	<b>303,352</b>	284,110
Due from other banks	<b>453,238</b>	503,749
Loans and advances to customers		
- Overdraft	<b>2,198,843</b>	2,018,561
- Term loans	<b>2,606,854</b>	2,305,948
- Mortgages	<b>5,389,601</b>	4,283,365
- Instalment finance	<b>2,002,402</b>	1,783,618
- Other	<b>274,775</b>	268,081
Other assets	<b>249,370</b>	252,199
	<b><u>15,847,044</u></b>	<u>13,509,665</u>

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**3.1.2 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)**

	<b>Group</b>	
	<b>Maximum exposure 2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Credit risk exposure relating to items not recorded on the statement of financial position are as follows:		
Guarantees	<b>826,550</b>	565,302
Loan commitments and other credit related liabilities	<b>1,199,093</b>	1,247,526
<b>At 30 June</b>	<b><u>2,025,643</u></b>	<b><u>1,812,828</u></b>

The maximum exposures from a Company perspective do not vary significant from the maximum exposure from a Group perspective.

The above table represents a worst case scenario of credit risk exposure to the Group at 30 June 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the statement of financial position, the exposures set out above are based on gross carrying amounts as reported in the statement of financial position.

The most significant exposures are derived from loans and advances to banks and customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and other securities based on the following:

- Mortgage loans, which represent the biggest group in the portfolio, are backed by collateral;
- Impairment provision is envisage to be below 2% of total advances;
- An improvement in the credit quality of loans and advances has resulted in a lower impairment charge in profit or loss, showing a 0.3% decrease in the last three years;
- The Group has introduced a more stringent selection process upon granting loans and advances.
- All financial assets, other than loans and advances, are neither past due nor impaired.

**3.1.3 Impairment and provisioning policies**

The Group employs various techniques to determine the specific and general impairment of its financial assets.

Loans and advances are individually assessed for impairment when they have been flagged as being past due more than 60 days. Other financial assets are impaired according to the general impairment policy as per note 1.11.

Also in terms of policy note 1.11, loans and advances not specifically impaired are collectively assessed. As the loans and advances to customers are ungraded, a general impairment is recognised for these loans and advances. The principle is based on recognising losses which are incurred but not yet reported. The primary driver of the calculation is the probability of default within the various products and is based on the historical performance of the loans and advances. Other factors considered and also based on historical performance, are the emergence period and the loss given default. Loss given default represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. These factors are applied to the exposure at default which is the amounts the Group expects to be owed at the time of default.

**3.1.4 Loans and advances**

*a) Loans and advances neither past due or impaired*

Loans and advances to banks have not been impaired as these placements are made to banks that have high credit standing and, by policy, limits the amounts of credit exposure to any one financial institution. Loans and advance to customers in this category primarily comprise structured finance to large corporate clients, which have no evidence of a deterioration of credit quality.

*b) Loans and advances subject to general impairment*

The total loans and advances to customers portfolio is subject to collective assessment as described in note 3.1.3.

*c) Loans and advances individually impaired*

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is N\$154.1 million (2009: N\$ 185.1 million). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, is as follows:

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**3.1.4 Loans and advances (continued)**

	Overdrafts	Term loans	Mortgages	Instalment finance	TOTAL
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
<b>Group</b>					
<b>As at 30 June 2010</b>					
Individually impaired loans	39,937	33,395	62,392	22,763	158,486
Fair value of collateral	(19,253)	(15,829)	(51,594)	(7,095)	(93,770)
Total	<u>20,684</u>	<u>17,566</u>	<u>10,798</u>	<u>15,668</u>	<u>64,716</u>
<b>Group</b>					
<b>As at 30 June 2009</b>					
Individually impaired loans	50,625	33,734	63,313	37,405	185,078
Fair value of collateral	(25,862)	(15,639)	(49,331)	(12,862)	(103,694)
Total	<u>24,763</u>	<u>18,096</u>	<u>13,982</u>	<u>24,543</u>	<u>81,384</u>

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

Loans and advances are summarised as follows:

	Group			
	2010			2009
	Loans and advances to customers N\$'000	Due from other banks N\$'000	Loans and advances to customers N\$'000	Due from other banks N\$'000
Neither past due nor impaired	1,947,800	453,238	1,345,957	503,749
Loans and advances not past due but subject to general impairment	10,458,278	-	9,219,339	-
Individually impaired	66,397	-	94,276	-
<b>Gross</b>	<u>12,472,475</u>	<u>453,238</u>	<u>10,659,573</u>	<u>503,749</u>
Less: allowance for impairment	(127,637)	-	(133,652)	-
<b>Net</b>	<u>12,344,838</u>	<u>453,238</u>	<u>10,525,921</u>	<u>503,749</u>

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

Further information of the impairment allowance for loans and advances to customers is provided in note 19.

*d) Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no significant renegotiated loans in the current or prior year.

**3.1.5 Credit risk concentration by industry**

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

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**3.1.5 Credit risk concentration by industry (continued)**

	Cash and balances with the Central Bank	Derivative financial instruments	Financial assets designated at fair value through profit or loss	Due from other banks	Loans and advances to customers	Other assets	TOTAL
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
<b>As at 30 June 2010</b>							
Agriculture and forestry	-	-	-	-	521,025	-	521,025
Fishing	-	-	-	-	187,807	-	187,807
Mining	-	-	2,068	-	171,061	-	173,129
Manufacturing	-	-	-	-	266,865	-	266,865
Building and construction	-	-	-	-	199,262	-	199,262
Electricity, gas and water	-	-	-	-	32,851	-	32,851
Trade and accommodation	-	-	-	-	493,337	-	493,337
Transport and communication	-	-	-	-	159,629	-	159,629
Finance and insurance	315,920	287,663	112,323	453,239	1,795,700	-	2,964,845
Real estate and Business services	-	-	-	-	3,742,023	-	3,742,023
Government	567,321	-	1,364,942	-	180,804	-	2,113,066
Individuals	-	-	-	-	4,587,554	-	4,587,554
Other	-	16,341	-	-	110,273	226,957	353,571
	<u>883,241</u>	<u>304,004</u>	<u>1,479,333</u>	<u>453,239</u>	<u>12,448,191</u>	<u>226,957</u>	<u>15,794,964</u>
<b>As at 30 June 2009</b>							
Agriculture and forestry	-	-	-	-	499,994	-	499,994
Fishing	-	-	-	-	199,640	-	199,640
Mining	-	-	1,975	-	132,878	-	134,853
Manufacturing	-	-	-	-	256,296	-	256,296
Building and construction	-	-	-	-	224,566	-	224,566
Electricity, gas and water	-	-	-	-	22,885	-	22,885
Trade and accommodation	-	-	-	-	378,916	-	378,916
Transport and communication	-	-	-	-	123,744	-	123,744
Finance and insurance	235,169	269,420	107,263	394,636	1,673,069	-	2,679,557
Real estate and Business services	-	-	-	-	2,713,641	-	2,713,641
Government	222,247	-	1,242,754	-	125,571	-	1,590,572
Individuals	-	-	-	-	4,210,143	-	4,210,143
Other	-	15,316	-	-	73,695	252,199	341,210
	<u>457,416</u>	<u>284,736</u>	<u>1,351,992</u>	<u>394,636</u>	<u>10,635,036</u>	<u>252,199</u>	<u>13,376,015</u>

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

**3.1.6 Repossessed collateral**

The Group obtained assets by taking possession of collateral held as security. The value of the assets still on the statement of financial position are as follows:

<i>Nature of assets</i>	Group	
	Carrying amount	
	2010	2009
	N\$'000	N\$'000
Residential property	<u>2,220</u>	<u>3,689</u>

Repossessioned properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position within other assets.

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**3.1.7 Credit risk concentration by country**

<b>Group and company</b>	<b>Due from other banks N\$'000</b>	<b>Loans and advances to customers N\$'000</b>	<b>Total exposure N\$'000</b>
<b>As at 30 June 2010</b>			
Botswana	194	19,957	<b>20,151</b>
Canada	57	-	<b>57</b>
Denmark	6	-	<b>6</b>
Germany	2,222	-	<b>2,222</b>
Japan	46	-	<b>46</b>
New Zealand	141	-	<b>141</b>
Norway	23	-	<b>23</b>
South Africa	225,262	-	<b>225,262</b>
Sweden	18	-	<b>18</b>
United Kingdom	2,125	-	<b>2,125</b>
United States of America	3,298	-	<b>3,298</b>
	<u>233,392</u>	<u>19,957</u>	<u><b>253,349</b></u>
<b>As at 30 June 2009</b>			
Australia	237	-	237
Botswana	83	-	83
Canada	460	-	460
Denmark	117	-	117
Germany	1,464	-	1,464
Japan	92	-	92
New Zealand	186	-	186
Norway	39	-	39
South Africa	625,115	-	625,115
Spain	906	-	906
Sweden	10	-	10
Switzerland	369	-	369
United Kingdom	795	-	795
	<u>629,873</u>	<u>-</u>	<u>629,873</u>

There are no exposures to other countries which are not recorded on the statement of financial position.

**3.2 Market risk**

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. It is the Group's policy not to enter into long-term, unhedged fixed interest rate contracts for loans and advances. Interest rate structures of deposits reflect the interest rate view and strategy of the ALCO and maturity structures of term deposits are in line with the ALCO policy.

**3.2.1 Market risk measurement techniques**

The Group employs several measurement techniques to assess potential exposures to market change. Sensitivity analysis is applied to measure the impact of changes in interest rates. This measure is of importance in assessing the exposure of the Group's trading portfolio and the effect of such changes on the interest margin.

Other measurement techniques includes comprehensive analysis of maturities, both from the advance and funding perspective.

**3.2.2 Foreign exchange risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 June. Included in the table are the Group's financial instruments at the carrying amounts, categorised by currency.

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**3.2.2 Foreign exchange risk (continued)**

*Concentration of foreign denominated currency financial instruments*

	US\$ N\$'000	€ N\$'000	£ N\$'000	Other N\$'000	Total N\$'000
<b>Group and company</b>					
<b>As at 30 June 2010</b>					
<b>ASSETS</b>					
Financial assets designated at fair value through profit or loss	-	-	2,068	-	2,068
Investment securities	16,341	-	-	-	16,341
Due from other banks	178,838	21,618	2,681	10,572	213,709
Loans and advances to customers	820	1,653	90	19,957	22,520
<b>Total financial assets</b>	<b>195,999</b>	<b>23,271</b>	<b>4,839</b>	<b>30,529</b>	<b>254,638</b>
<b>LIABILITIES</b>					
Derivative financial instruments	5,541	40	-	874	6,455
Deposits from customers	202,282	22,806	2,137	1,819	229,044
<b>Total financial liabilities</b>	<b>207,823</b>	<b>22,846</b>	<b>2,137</b>	<b>2,693</b>	<b>235,499</b>
<b>Net financial position</b>	<b>(11,825)</b>	<b>425</b>	<b>2,702</b>	<b>27,835</b>	<b>19,138</b>
<b>Credit commitments</b>	<b>16,533</b>	<b>-</b>	<b>-</b>	<b>1,611</b>	<b>18,144</b>
<b>As at 30 June 2009</b>					
<b>Total financial assets</b>	223,861	30,652	2,512	7,306	264,331
<b>Total financial liabilities</b>	(230,781)	(26,140)	(2,227)	(3,796)	(262,944)
<b>Net financial position</b>	<b>(6,920)</b>	<b>4,512</b>	<b>285</b>	<b>3,511</b>	<b>1,388</b>
<b>Credit commitments</b>	<b>16,533</b>	<b>-</b>	<b>-</b>	<b>1,611</b>	<b>18,144</b>

In line with the Treasury policy, the large net open position on other currencies has been hedged by a currency swap.

The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 3.5% change arisen on the various currencies:

	<b>Effect on net profit</b>	
	<b>2010</b>	<b>2009</b>
Currency		
US Dollar/ Namibia Dollar	(1,900)	(738)
British Pounds/ Namibia Dollar	(290)	(35)
Euro/ Namibia Dollar	1,087	138
US Dollar/ Botswana Pula	(151)	(35)
Euro/ Botswana Pula	42	17
Other/ Botswana Pula	266	22
	<b>Effect on net profit</b>	
	<b>2010</b>	<b>2009</b>

The following effect of 3.5% increase would arise on equity instruments:

Effect of British Pound denominated equity instrument on net profit before tax	72	44
Effect of Botswana Pula denominated equity instrument on net profit before tax	-	1,658
Effect of US Dollar denominated equity instrument on equity	572	557

**3.2.3 Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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**3.2.3 Interest rate risk (continued)**

**Interest rate risk analysis - Group**

	N\$ '000 Up to 1 month	N\$ '000 1 - 3 months	N\$ '000 3 - 12 months	N\$ '000 1 - 5 years	N\$ '000 Non-interest sensitive	N\$ '000 Total
<b>As at 30 June 2010</b>						
<b>ASSETS</b>						
Cash and balances with the Central Bank	757,419	-	-	-	125,821	883,240
Derivative financial instruments	-	653	-	-	-	653
Financial assets designated at fair value through profit or loss	423,734	220,498	47,403	785,138	2,560	1,479,332
Investment securities	287,010	-	-	-	16,341	303,351
Due from other banks	453,238	-	-	-	-	453,238
Loans and advances to customers	11,016,064	797	18,785	405,671	927,806	12,369,122
Other assets	-	-	-	-	219,984	219,984
<b>Total assets</b>	<u>12,937,465</u>	<u>221,948</u>	<u>66,188</u>	<u>1,190,809</u>	<u>1,292,512</u>	<u>15,708,920</u>
<b>LIABILITIES</b>						
Derivative financial instruments	53	-	-	-	13,828	13,881
Due to other banks	387	-	-	-	-	387
Other deposits	534,428	785,500	2,561,400	-	89,471	3,970,799
Debt securities in issue	208,912	-	-	-	197,572	406,484
Deposits from customers	7,704,006	1,114,706	946,873	14,490	37,938	9,818,012
Other liabilities	-	-	-	-	242,535	242,535
<b>Total liabilities</b>	<u>8,447,786</u>	<u>1,900,206</u>	<u>3,508,273</u>	<u>14,490</u>	<u>581,344</u>	<u>14,452,098</u>
<b>Interest sensitivity gap</b>	<u>4,489,679</u>	<u>(1,678,258)</u>	<u>(3,442,085)</u>	<u>1,176,319</u>	<u>711,168</u>	<u>1,256,822</u>
<b>Cumulative interest sensitivity gap</b>	<u>4,489,679</u>	<u>2,811,421</u>	<u>(630,664)</u>	<u>545,655</u>	<u>1,256,823</u>	<u>-</u>
<b>As at 30 June 2009</b>						
<b>Interest sensitivity gap</b>	<u>3,669,197</u>	<u>(887,872)</u>	<u>(1,560,021)</u>	<u>690,668</u>	<u>(1,018,217)</u>	<u>893,754</u>
<b>Cumulative interest sensitivity gap</b>	<u>3,669,197</u>	<u>2,781,324</u>	<u>1,221,303</u>	<u>1,911,971</u>	<u>893,754</u>	<u>-</u>

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

During the current year, a different methodology was applied in the Namibian banking subsidiary in performing interest sensitivity analysis. The current year analysis was derived from an extrapolation of a six-month forecast:

	2010 N\$'000	2009 N\$'000
Effect on Namibian operations' net interest income		
100 basis points increase	54,255	48,167
100 basis points decrease	<u>(50,983)</u>	<u>(26,760)</u>
	2010 P'000	2009 P'000
Effect on Botswana operations' net interest income		
100 basis points increase	1,417	1,264
100 basis points decrease	<u>(1,417)</u>	<u>(1,264)</u>

**3.2.4 Price risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or fair value through profit or loss. These securities are listed on FTSE and NYSE.

The Group generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

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**3.2.4 Price risk (continued)**

The following sensitivity analysis indicates the impact of a 10% change in the securities valuation:

	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Effect on equity	<b>1,634</b>	370
Effect on net profit before taxation	<b>207</b>	127

**3.2.5 Risk weightings**

The following risk weights have been assigned to the components of market risk for Bank Windhoek, as defined in BID 5 Determination on capital adequacy:

	<b>Risk-weight</b>
Interest rate risk	2,223
Foreign exchange risk	8,416

**3.3 Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Asset liquidity risk represents the availability of sufficient assets in liquid form to meet pressing obligations. In situations where liquid assets on hand could be utilized to earn a higher return instead of paying current obligations, the opportunity cost also plays a role (i.e. potential higher return less the cost of obtaining replacement liquidity). Liquidity management must attempt to match the most appropriate available liquidity to the most appropriate maturing liabilities.

Funding liquidity risk relates to an enterprise's capability to generate funding at short notice at reasonable expense to meet pressing liquidity requirements.

The Group's liquidity management process is outlined in the liquidity policy which includes inter alia the Group's funding strategy. Procedures, as set out in this policy, includes:

- Daily monitoring of liquid assets
- Proactive identification of liquidity requirements and maturing assets
- Liquid asset minimum limit
- Proactively identify short, medium and long term liquidity requirements
- Relationship management with other financial institutions.

**Liquidity risk analysis**

The table below presents the cash flows on all financial liabilities payable by the Group by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow, hence it does not reconcile to the values reflected on the statement of financial position:

<b>Group</b>	<b>N\$ '000</b>	<b>N\$ '000</b>	<b>N\$ '000</b>	<b>N\$ '000</b>	<b>N\$ '000</b>	<b>N\$ '000</b>
	<b>Up to 1</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5</b>	<b>Over 5 years</b>	<b>Total</b>
<b>As at 30 June 2010</b>	<b>month</b>			<b>years</b>		
<b>FINANCIAL LIABILITIES</b>						
Derivative financial instruments	13,868	(301)	261	-	53	13,881
Due to other banks	387	-	-	-	-	387
Other deposits	571,650	868,237	2,673,304	11,861	-	4,125,052
Debt securities in issue	149,101	-	5,080	130,480	-	284,661
Deposits from customers	6,872,751	1,862,142	1,030,082	68,264	-	9,833,239
Other liabilities	219,491	16	-	2,131	-	221,638
<b>Total liabilities (contractual maturity dates)</b>	<b>7,827,248</b>	<b>2,730,094</b>	<b>3,708,727</b>	<b>212,735</b>	<b>53</b>	<b>14,478,858</b>

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**3.3 Liquidity risk (continued)**

Group	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>As at 30 June 2009</b>						
<b>FINANCIAL LIABILITIES</b>						
Other deposits	675,083	336,000	1,073,500	-	-	2,084,583
Debt securities in issue	-	-	-	493,080	-	493,080
Deposits from customers	7,889,681	960,876	769,351	3	1,076	9,620,989
Other liabilities	282,393	-	-	1,215	-	283,608
<b>Total liabilities (contractual maturity dates)</b>	<b>8,847,157</b>	<b>1,296,876</b>	<b>1,842,851</b>	<b>494,298</b>	<b>1,076</b>	<b>12,482,260</b>

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

**3.4 Fair values of financial assets and liabilities**

**a) Fair value estimation**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

Group	Carrying value		Fair value	
	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank	887,860	457,416	887,860	457,416
Derivative financial instruments	653	626	653	626
Financial assets designated at fair value through profit or loss	1,480,096	1,351,992	1,480,096	1,351,992
Investment securities	303,352	284,110	303,352	215,316
Due from other banks	453,238	503,749	453,238	503,749
Loans and advances to customers	12,344,838	10,525,921	12,344,838	10,525,921
Other assets	274,692	252,199	274,692	252,199
<b>FINANCIAL LIABILITIES</b>				
Derivative financial instruments	24,505	6,408	24,505	6,408
Other deposits	3,970,799	2,084,583	3,970,799	2,084,583
Debt securities in issue	547,342	493,080	199,820	199,820
Deposits from customers	9,818,013	9,620,989	9,818,013	9,620,989
Other liabilities	252,328	283,608	252,328	283,608
<b>ITEMS NOT RECORDED ON THE STATEMENT OF FINANCIAL POSITION</b>				
Guarantees, acceptances and other financial facilities	826,550	565,302	826,550	565,302
Loan commitment	1,237,578	1,237,578	1,237,578	836,645

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

*i) Cash and balances with the Central Bank*

Due to its short-term nature, the carrying amount approximates the fair value of these financial assets.

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**(a) Fair value estimation (continued)**

*ii) Derivative financial instruments and financial assets designated at fair value through profit or loss*

The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period is N\$375,150 (2009: N\$293,191). There are no financial instruments measured at fair value using a valuation technique that is not supported by observable market prices or rates.

*iii) Investment securities*

For listed investment securities, the fair value is derived by using stock market prices, adjusted for any restrictions on its tradability. Unlisted investments are valued using market prices for similar instruments.

*iv) Due from other banks*

Loans and advances to banks include inter-bank placements. The fair value of overnight deposits is their carrying amount.

*v) Loans and advances to customers*

The nominal value less impairment provision is assumed to approximate the fair value.

*vi) Deposits and borrowings*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

*vii) Debt securities in issue*

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

*viii) Other deposits*

The carrying amount approximates the fair value of these financial liabilities.

*ix) Trade receivables and payables*

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair value, due to the short-term nature of these assets and liabilities.

*x) Financial instruments not recorded on the statement of financial position*

The estimated fair values of the financial instruments not recorded on the statement of financial position are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

**(b) Fair value hierarchy**

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

**Assets and liabilities measured at fair value**

	Level 1	Level 2	Level 3	Total
As at 30 June 2010				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	-	1,375,813	-	1,375,813
Equity securities	2,830	101,453	-	104,283
Derivative financial instruments	-	653	-	653
<i>Available-for-sale financial assets</i>				
Debt securities	-	287,011	-	287,011
Equity securities	16,341	-	-	16,341
	<b>19,171</b>	<b>1,764,930</b>	<b>-</b>	<b>1,784,101</b>

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**(b) Fair value hierarchy (continued)**

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative financial instruments	-	24,505	-	24,505

**3.5 Classification of financial instruments**

Financial assets and liabilities are classified as follows:

	Available-for- sale	Fair value through profit or loss	Held-to- maturity	Loans and receivables	Other financial liabilities	Total
<b>FINANCIAL ASSETS</b>						
Cash and balances with the Central Bank	-	-	-	887,860	-	887,860
Derivative financial instruments	-	653	-	-	-	653
Financial assets designated at fair value through profit or loss	-	1,480,096	-	-	-	1,480,096
Investment securities	303,352	-	-	-	-	303,352
Due from other banks	-	-	-	453,238	-	453,238
Loans and advances to customers	-	-	-	12,344,838	-	12,344,838
Other assets	-	-	-	249,370	-	249,370
	<u>303,352</u>	<u>1,480,749</u>	<u>-</u>	<u>13,935,306</u>	<u>-</u>	<u>15,719,407</u>
<b>FINANCIAL LIABILITIES</b>						
Derivative financial instruments	-	24,505	-	-	-	24,505
Other deposits	-	-	-	-	3,970,799	3,970,799
Debt securities in issue	-	-	-	-	547,342	547,342
Deposits from customers	-	-	-	-	9,818,013	9,818,013
Other liabilities	-	-	-	-	252,328	252,328
	<u>-</u>	<u>24,505</u>	<u>-</u>	<u>-</u>	<u>14,588,482</u>	<u>14,612,987</u>

**3.6 Capital management**

The Group's objectives when managing capital, which is a broader concept than the 'equity' on statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

**Capital management for the Namibian banking Group**

A revised determination on capital adequacy (BID 5) and a new determination on internal capital adequacy assessment process (ICAAP)(BID 20), which are aligned to BASEL II, were issued by Bank of Namibia, effective 1 January 2010. Minimum capital adequacy ratios are prescribed in the revised BID 5, whilst BID 20 requires a level of capital in relation to the risk profile of the Group, which could be higher than the minimum ratios prescribed in BID 5.

The ICAAP process, documented and approved by the Board, has resulted in the:

- the identification of all risks exposed to the Group,
- quantification of risk appetites for the major risks identified, and
- control measures to mitigate the major risks.

Bank of Namibia requires each bank or banking group to hold the minimum level of the regulatory capital of N\$10 million, as well as to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, as reported in the statutory return, at a minimum of 6%, referred to as leverage capital ratio,
- Tier 1 capital to the risk-weighted assets at a minimum of 7%, referred to as Tier 1 risk-based capital ratio, and
- Total regulatory capital to risk weighted assets at a minimum of 10%, referred to as total risk-based capital ratio.

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**3.6 Capital management (continued)**

The Group's regulatory capital is divided into three tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital;
- Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances; and
- Tier 3 capital: includes short-term subordinated debt that may be used only to cover a portion of banking institution's capital charges for market risk.

Bank of Namibia has adopted a standardised approach to BASEL II, with risk-weighted assets being measured at three different levels, operational risk, market risk and credit risk.

The table below summarises the composition of regulatory capital and the ratios of the Namibian Banking Group for the years ended 30 June. During these two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subjected.

	<b>Group and company</b>	
	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>
<i>Namibian banking group</i>		
<b>Tier 1 capital</b>		
Share capital	4,881	4,881
Share premium	158,625	158,625
General bank reserves	973,377	815,730
Retained earnings	445	361
<b>Total qualifying Tier 1 capital</b>	<b>1,137,328</b>	<b>979,597</b>
<b>Tier 2 capital</b>		
Revaluation reserve	-	15,316
Subordinated debt (refer to note 29)	197,572	198,649
Portfolio impairment	114,146	97,624
<b>Total qualifying Tier 2 capital</b>	<b>311,718</b>	<b>311,589</b>
<b>Tier 3 capital</b>	-	-
<b>Total regulatory capital</b>	<b>1,449,046</b>	<b>1,291,186</b>
<b>Risk-weighted assets:</b>		
On-balance sheet	-	9,250,083
Off-balance sheet	-	255,455
Operational risk	1,039,075	-
Credit risk	10,454,211	-
Market risk	30,646	-
<b>Total risk-weighted assets</b>	<b>11,523,932</b>	<b>9,505,538</b>
<b>Capital adequacy ratios:</b>		
Leverage capital ratio	8.0%	7.9%
Tier 1 risk-based capital ratio	9.9%	10.3%
Total risk-based capital ratio	12.6%	13.6%

Based on the ICAAP assessment performed on 31 March 2010, which includes a capital projection for the next three years, it is envisaged the Namibian banking group's capital will be able to maintain its capital ratios and will not require additional capital above the minimum requirements.

**Capital management for the Botswana Banking Group**

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management, employing techniques for supervisory purposes to ensure that the ratio does not fall below the required minimum percentage of 15%. The required information is submitted to Bank of Botswana on a monthly basis.

These techniques consist of detailed analysis of the advances book and all other asset types and is performed on a monthly basis. The Botswana Banking Group uses Return on equity (ROE) and Return on Assets (ROA) as its key investment performance ratios.

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**3.6 Capital management (continued)**

	<b>Group and company</b>	
	<b>2010</b>	<b>2009</b>
<i>Botswana Banking Group</i>		
<b>Return on Assets ratio</b>	<b>0.45%</b>	0.23%
<b>Return on Equity ratio</b>	<b>4.57%</b>	2.56%
	0	
	<b>P'000</b>	<b>P'000</b>
		0
<b>Tier 1 capital</b>		
Stated Capital	<b>103,406</b>	103,406
Retained earnings	<b>11,153</b>	5,107
<b>Total qualifying Tier 1 capital</b>	<b>114,559</b>	108,513
<b>Tier 2 capital</b>		
Subordinated debt (note 29)	<b>50,000</b>	-
Collective impairment allowance	<b>12,037</b>	8,752
<b>Total qualifying Tier 2 capital</b>	<b>62,037</b>	8,752
<b>Total regulatory capital</b>	<b>176,596</b>	117,265
<b>Risk-weighted assets:</b>		
On-balance sheet	<b>923,382</b>	700,196
Off-balance sheet	<b>39,577</b>	22,583
<b>Total risk-weighted assets</b>	<b>962,959</b>	722,779
<b>Capital adequacy ratio</b>	<b>18.3%</b>	16.2%

**4. Critical accounting estimates, and judgements in applying accounting policies**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*(a) Impairment losses*

The Group reviews its loans and advances portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Estimates in assessing the portfolio impairment are dependant on the analysis of historical data relating to probability of default, emergence period and loss given default. Specific impairment is triggered for individual non-performing loans. Non-performing loans comprises of loans due and unpaid for longer than 90 days, as well as other loans where events have been identified which would compromise the repayability of the loan.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*(b) Available-for-sale investments*

No fair value adjustment was recorded for the year ended 30 June 2010 as the carrying value of these investments approximate its fair value, as determined by reference to external information.

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**4. Critical accounting estimates, and judgements in applying accounting policies (continued)**

*(c) Impairment of available for-sale equity investments*

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. There were no such evidence requiring impairment for the year ended 30 June 2010.

*(d) Fair value of financial instruments*

The fair value of financial instruments requires the use of estimates and judgements. Refer to 3.4 above for methodology and assumptions utilised.

*(e) Post-employment benefits*

The present value of the severance pay liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the liability.

The assumptions used in determining the net cost include the discount rate. The Group determined this discount rate based on the yield of South African government bonds. Other key assumptions is based on generally accepted demographic tables.

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	Group		Company	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>5. Net interest income</b>				
<i>Interest and similar income</i>				
Cash and short-term funds	66,452	1,403,683		
Loans and advances	1,288,073	79,206		
Financial assets designated at fair value through profit or loss	114,375	92,644		
Intergroup	1,117	965		
	<u>1,470,017</u>	<u>1,576,498</u>		
<i>Interest expense and similar charges</i>				
Banks and customers	804,106	977,023		
Other borrowed funds	20,498	26,885		
Intergroup	9	204		
	<u>824,613</u>	<u>1,004,112</u>		
<b>Net interest income</b>	<u>645,404</u>	<u>572,386</u>		
<b>6. Impairment losses on loans and advances</b>				
Increase in specific impairment	24,042	21,596		
Increase in portfolio impairment	4,826	6,737		
Amounts written off	1,095	8,190		
Amounts recovered during the year	(663)	-		
	<u>29,300</u>	<u>36,523</u>		
<b>7. Fee and commission income</b>				
Transaction and other related fees	264,494	217,888		
Commissions	16,096	7,531		
Trust and other fiduciary fees	3,733	3,137		
	<u>284,323</u>	<u>228,556</u>		
<b>8. Net trading income</b>				
Net foreign exchange gains and losses from trading assets	52,482	53,473		
Net income from financial instruments designated at fair value through profit or loss	1,318	6,378		
	<u>53,800</u>	<u>59,851</u>		
<b>9. Other operating income</b>				
<i>Other operating income includes:</i>				
Asset management and administration fees	29,305	25,871	-	-
Brokerage commission	41,700	49,820	-	-
Dividend income	2,661	25	114,560	52,501
Consultancy fees received	24,027	1,982	6,274	4,581
Directors fees received	182	-	392	-
Foreign exchange loss	(2,029)	(3,135)	(138)	(743)
Interest received	11,080	15,120	1,472	2,130
Management fees received	5,264	4,202	-	-
Net (loss) / income from financial instruments designated at fair value through profit or loss	(3,491)	(10,024)	(4,216)	(6,889)
Profit on disposal of equity investment	-	-	-	-
Profit on sale of property, plant and equipment	1,198	559	-	-
Profit / (loss) on sale of subsidiary	2,158	-	(7,000)	-
Reversal of provision	1,400	-	-	-
Support services rendered	4,966	3,269	-	-
Proceeds from sale of shares	6,263	10,806	-	-
Other	3,029	4,359	-	-
	<u>127,713</u>	<u>102,854</u>	<u>111,344</u>	<u>51,580</u>

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	Group		Company	
	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<b>10. Staff costs</b>				
Wages and salaries	355,601	307,912	13,261	13,239
Staff training and transfer cost	5,548	4,719	300	-
Pension costs - defined contribution plan	22,208	17,730	54	26
Severance pay liability	4,323	-	-	-
	<u>387,680</u>	<u>330,361</u>	<u>13,615</u>	<u>13,265</u>
<b>11. Operating expenses</b>				
<i>Expenses by nature</i>				
Advertising and marketing	21,702	21,737	182	-
Amortization and impairment of intangible assets	8,839	1,891	-	-
Association transaction fees	23,831	21,919	-	-
Auditors remuneration				
- Audit fees	3,694	2,949	127	122
- Fees for other services	464	666	75	137
Directors' emoluments		119		
- Non-executive directors	5,938	4,685	216	(163)
Depreciation	35,130	28,854	-	-
Impairment of property, plant and equipment	-	-	-	-
Impairment of receivables	10	-	-	-
Impairment of investment in subsidiaries	-	-	8,288	-
Impairment of investment in associate	7,332	7,070	5,833	-
Interest paid	23,682	30,325	11,814	14,842
Intragroup consultancy and management fees	11,937	5,825	929	964
Operating lease rentals - immovable property	47,059	39,712	1,229	1,077
Professional services	9,806	6,733	1,007	715
Repairs and maintenance	17,872	10,610	-	-
Royalties paid	729	4,018	-	-
Staff costs (Note 10)	387,680	330,361	13,615	13,265
Sub-agents commission	857	1,068	-	-
Technology costs	31,853	22,913	309	-
Other expenses	113,929	108,531	2,844	3,199
	<u>752,344</u>	<u>649,986</u>	<u>46,468</u>	<u>34,158</u>
<b>12. Share of associates' results</b>			32,347	
Profit before taxation	51,437	36,915		
Taxation	(12,822)	(8,042)		
	<u>38,615</u>	<u>28,873</u>		
<b>13. Income tax expense</b>				
Current tax	104,588	100,428	128	-
- Current year	117,816	100,428	128	-
- Prior year	(13,228)	-	-	-
Deferred tax	3,011	(220)	-	-
- Current year	2,690	(220)	-	-
- Prior year	321	-	-	-
	<u>107,599</u>	<u>100,208</u>	<u>128</u>	<u>-</u>

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	Group		Company	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>13. Income tax expense (continued)</b>				
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before income tax and results from associates	334,724	277,613	64,876	17,422
Tax at the applicable tax rate of 34% (2009: 35%)	113,246	97,225	22,058	6,098
Cross-border withholding taxation			-	-
Non-taxable income	(23,387)	(10,644)	(39,561)	(18,813)
Non-deductible expense	24,085	18,569	16,372	11,133
Tax losses not utilised	(501)	2,828	1,131	1,582
Unutilised tax losses not previously recognised	2,101	745	-	-
Prior year adjustment	(9,014)	(5,144)	-	-
Deferred tax rate change	-	(3,487)	-	-
Withholding tax	1,069	116	128	-
Income tax expense	<u>107,599</u>	<u>100,208</u>	<u>128</u>	<u>-</u>
Effective interest rate	<u>32%</u>	<u>36%</u>	<u>0%</u>	<u>0%</u>
<b>14. Cash and balances with the Central Bank</b>				
Cash and bank balances	326,306	319,301	42	3,001
Balances with the Central Bank other than mandatory reserve deposits	369,590	-	-	-
Included in cash and cash equivalents	695,896	319,301	42	3,001
Mandatory reserve deposits with the Central Bank	191,964	138,115	-	-
	<u>887,860</u>	<u>457,416</u>	<u>42</u>	<u>3,001</u>
Mandatory reserve deposits are not available for use in the Group's day-to-day operations. Cash and bank balances as well as mandatory reserve deposits with the Central Bank are non-interest-bearing.				
<b>15. Derivative financial instruments</b>				
Interest rate swaps	653	626	-	-
	<u>653</u>	<u>626</u>	<u>-</u>	<u>-</u>
Interest rate swaps are commitments to exchange one set of cash flows for another and result in an economic exchange of fixed rate for floating rate or vice versa. No exchange of principal takes place.				
The notional principal amount of the outstanding interest rate swap contract at 30 June 2010 was N\$675 million (2009: N\$50 million).				
<b>16. Financial assets designated at fair value through profit or loss</b>				
Treasury bills	930,248	861,145	-	-
Government stocks	434,695	381,609	-	-
Equity securities	2,830	1,975	10,121	7,174
Money market investments	101,453	101,584	-	-
Other debt securities	10,870	5,679	-	-
	<u>1,480,096</u>	<u>1,351,992</u>	<u>10,121</u>	<u>7,174</u>

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**16. Financial assets designated at fair value through profit or loss (continued)**

Treasury bills and Government stocks are securities issued by the Namibian Treasury department for a term of three months, six months, a year or longer. Treasury bills and Government stock with a maturity of less than 90 days from the balance sheet date, as well as money market investments are included in cash and cash equivalents for the purposes of the cash flow statement.

The above mentioned debt securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy.

Treasury bills with a nominal value of N\$943,060,000 (2009: N\$ 607,000,000) are available at Bank of Namibia for collateral should the need arise. At year-end N\$670,000,000 (2009: N\$9,470,000) was utilised for security purposes.

Bank of Botswana Certificates with a nominal value of P67,000,000 (2009: P42,000,000) are pledged as securities with the Bank of Botswana. The effective interest rate is 7.1% (2009: 10.35%) on Bank of Botswana Certificates.

Other debts securities comprises of Negotiable Certificate of Deposits issued by other financial institutions.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>

**17. Investment securities**

Securities available-for-sale - Listed	<b>16,341</b>	15,316
Securities available-for-sale - Unlisted	<b>287,011</b>	219,801
Securities held-to-maturity - Unlisted	-	48,993
	<u><b>303,352</b></u>	<u>284,110</u>

Non-current	<u><b>303,352</b></u>	<u>284,110</u>
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Gains and losses arising from these investments are as follows:

Derecognition of investment		
Foreign exchange (losses)/ gains	<u><b>(1,800)</b></u>	<u>(2,402)</u>

The movement during the year is summarised as follows:

Opening balance	<b>284,110</b>	215,316
Additions	-	50,000
Redemption	-	-
Disposals	-	-
Interest capitalised	<b>18,217</b>	11,461
Gains in changes in fair value	<b>1,025</b>	7,333
Foreign exchange gains	-	-
	<u><b>303,352</b></u>	<u>284,110</u>

	<b>2010</b>	<b>Group</b>	<b>2008</b>
	<b>N\$'000</b>	<b>2009</b>	<b>N\$'000</b>
		<b>N\$'000</b>	<b>N\$'000</b>
		<b>As restated</b>	<b>As restated</b>

**18. Due from other banks**

Placement with other banks	<u><b>453,238</b></u>	<u>503,749</u>	<u>160,863</u>
	<u><b>453,238</b></u>	<u>503,749</u>	<u>160,863</u>

Placement with other banks are included in cash and cash equivalents for the purposes of the cash flow statement.

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	2010 N\$'000	Group 2009 N\$'000 As restated	2008 N\$'000 As restated
<b>19. Loans and advances to customers</b>			
Overdrafts	2,198,843	2,018,561	1,690,183
Term loans	2,606,854	2,305,948	1,964,008
Mortgages	5,389,601	4,283,365	3,649,885
Instalment finance	2,002,402	1,783,618	1,399,501
Other	274,775	268,081	251,994
<i>Gross loans and advances</i>	<u>12,472,475</u>	<u>10,659,573</u>	<u>8,955,571</u>
<i>Less impairment</i>			
Specific impairment	(71,433)	(81,384)	(86,596)
Portfolio impairment	(56,204)	(52,268)	(46,175)
	<u>12,344,838</u>	<u>10,525,921</u>	<u>8,822,800</u>

	2010		2009	
	N\$	%	N\$	%
			As restated	
Maturity analysis of loans and advances to customers for the Group were as follows:				
Repayable within 1 month	2,296,728	18.4%	2,270,831	21.3%
Repayable after 1 month but within 3 months	43,380	0.3%	110,260	1.0%
Repayable after 3 months but within 6 months	121,932	1.0%	168,152	1.6%
Repayable after 6 months	10,010,436	80.2%	8,110,330	76.1%
	<u>12,472,476</u>	<u>100.0%</u>	<u>10,659,573</u>	<u>100.0%</u>

	2008	
	N\$	%
	As restated	
Maturity analysis of gross loans and advances to customers for the Group were as follows:		
Repayable within 1 month	1,996,160	22.3%
Repayable after 1 month but within 3 months	44,439	0.5%
Repayable after 3 months but within 6 months	73,039	0.8%
Repayable after 6 months	6,841,933	76.4%
	<u>8,955,571</u>	<u>100.0%</u>

	Group		Company	
	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000

The loans and advances to customers include instalment finance receivables which may be analysed as follows:

Repayable within 1 year	160,609	96,831
Repayable after 1 year but within 5 years	2,092,970	2,080,728
Repayable after 5 years	42,378	621,799
Gross investment in instalment finances	<u>2,295,957</u>	<u>2,799,358</u>
Unearned future finance income on instalment finances	(374,954)	(1,091,724)
Net investment in instalment finances	<u>1,921,003</u>	<u>1,707,634</u>

Movement in impairment for the Group is as follows:

Balance at the beginning of the year	132,401	131,905
Provision for loan impairment	29,757	36,501
Amounts written off during the year as uncollectible	(34,521)	(34,754)
Balance at the end of the year	<u>127,637</u>	<u>133,652</u>

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	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<b>20. Other assets</b>				
Accounts receivable and prepayments	56,347	62,567	23,390	2,922
Property in possession	2,220	3,689	-	-
Deposits	-	2	-	-
Dividends receivable	1,519	-	1,519	-
Internal and settlement accounts	191,147	164,170	-	-
Other receivables	111	25,313	-	-
Other taxes	246	147	37	31
Prepayment	-	-	3,869	4,390
Work-in-progress	25,322	-	-	-
	<u>276,912</u>	<u>255,888</u>	<u>28,815</u>	<u>7,343</u>
<b>21. Investment in subsidiaries</b>				
Balance as at 1 July			346,137	308,735
Disposal of subsidiary - cost			(10,000)	-
Proceeds from sale of investment in Cyan ES (Pty) Ltd			(6,000)	-
Impairment on proceeds from sale of investment			3,000	-
Since acquisition reserves			(9,158)	-
Profit on sale of subsidiary			2,158	-
Issue of new shares by subsidiary			54,423	37,402
Impairment of investment in subsidiary			(8,288)	-
Balance as at 30 June			<u>382,272</u>	<u>346,137</u>
Indebtedness by subsidiaries			-	6,302
Total investment in subsidiaries			<u>382,272</u>	<u>352,439</u>
Directors' valuation of investment in shares			<u>1,675,386</u>	<u>1,451,471</u>
<b>22. Investment in associates</b>				
<b>Santam Namibia Ltd</b>				
The group holds an effective 30%, non-controlling interest in Santam Namibia Ltd, a Namibian company providing short-term insurance.				
<b>Carrying value of investment in associate</b>				
Cost	8,980	8,980		
Share of current year's retained income	6,503	9,533		
- Profit before tax	26,793	13,813		
- Current and deferred tax	(9,490)	(4,280)		
- Dividends	(10,800)	-		
Post acquisition retained income at the beginning of the year	40,667	31,134		
	<u>56,150</u>	<u>49,647</u>		
<b>Summarised financial information (unaudited)</b>				
Non-current assets	196,354	183,918		
Technical assets	93,208	63,581		
Current assets	200,326	143,480		
Non-current liabilities	(13,923)	(10,983)		
Technical liabilities	(202,793)	(143,356)		
Current liabilities	(86,001)	(70,275)		
Capital and reserves	<u>187,171</u>	<u>166,365</u>		

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	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Sanlam Namibia Holdings Limited</b>				
Bank Windhoek Holdings Ltd holds an effective 30%, non-controlling interest in Sanlam Namibia Holdings Ltd, a Namibian company providing a variety of financial services.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	47,290	47,290		
Share of current year's retained income	8,709	5,885		
- Profit before tax	24,753	16,744		
- Current and deferred tax	(4,260)	(2,610)		
- Dividends paid	(11,784)	(8,249)		
Post acquisition retained income at the beginning of the year	24,119	18,234		
	<u>80,118</u>	<u>71,409</u>		
<b>Summarised financial information (unaudited)</b>				
Non-current assets	1,586,832	1,251,008		
Current assets	111,603	83,938		
Non-current liabilities	(1,362,555)	(1,049,150)		
Current liabilities	(127,083)	(106,565)		
Capital and reserves	<u>208,797</u>	<u>179,231</u>		
<b>VTB (Pty) Ltd</b>				
The Group holds 49.67% non-controlling interest in VTB Capital Namibia (Pty) Ltd, a financial consulting company.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	22,881	22,881		
Reduction in share capital	(21,093)			
Share of current year's retained income	(3,004)	(206)		
- Profit before tax	(604)	(206)		
- Current and deferred tax	-	-		
- Dividends paid	(2,400)	-		
Post acquisition retained income at the beginning of the year	2,992	3,198		
	<u>1,776</u>	<u>25,873</u>		
<b>Summarised financial information</b>				
Non-current assets	144	236		
Current assets	3,488	52,218		
Current liabilities	(14)	(639)		
Capital and reserves	<u>3,618</u>	<u>51,815</u>		
<b>Nam-mic Financial Services Holdings (Pty) Ltd</b>				
The company holds an effective 28.92% , non-controlling interest in Nam-mic Financial Services Holdings Ltd, a Namibian company providing brokerage services.				

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	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Nam-mic Financial Services Holdings (Pty) Ltd (continued)</b>				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	6,386	4,915	58,690	57,219
Share of current year's retained income	4,722	1,802		
- Profit before tax	6,391	2,925		
- Current and deferred tax	(223)	(269)		
- Dividends paid	(1,446)	(854)		
Post acquisition fair value reserves	20,253	14,166		
Post acquisition retained income at the beginning of the year	13,839	12,037		
	<u>45,200</u>	<u>32,920</u>	<u>58,690</u>	<u>57,219</u>
<b>Summarised financial information</b>				
Non-current assets	191,118	169,922		
Current assets	19,109	5,713		
Non-current liabilities	(53,764)	(44,028)		
Current liabilities	(8,894)	(21,693)		
Capital and reserves	<u>147,569</u>	<u>109,914</u>		
The company has acquired 84 shares in Nam-mic Financial Services Holdings (Pty) Ltd for N\$ 1,470,748 during the year.				
<b>Cavmont Capital Holdings Zambia Plc</b>				
The company holds an effective 24.9% , non-controlling interest in Cavmont Capital Holdings Zambia Plc, a Zambian company providing banking services.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	25,912	25,912	25,913	25,913
Impairment of investment in associate	(5,833)	-	(5,833)	-
Share of current year's (accumulated loss)/ retained income	(4,745)	(320)		
- Profit before tax	(5,896)	563		
- Current and deferred tax	1,151	(883)		
- Share of other reserves	-	-		
Share of foreign currency translation reserve	(4,066)	(4,743)		
Post acquisition retained income at the beginning of the year	3,907	4,227		
	<u>15,175</u>	<u>25,076</u>	<u>20,080</u>	<u>25,913</u>
<b>Summarised financial information (unaudited)</b>				
Total assets	312,469	1,251,008		
Total liabilities	(276,330)	(1,049,150)		
Capital and reserves	<u>36,138</u>	<u>201,858</u>		
<b>Smartswitch Botswana</b>				
Capricorn Investment Holdings Ltd holds an effective 50% shareholding in SmartSwitch Botswana (Pty) Ltd, a company operating an UPEPS smart card based switching system in Botswana.				
At year-end, the group assessed the carrying value of its investment in Smartswitch Botswana (Pty) Ltd. Due to the operational losses incurred, the Group impaired the total investment.				

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	Group		Company	
	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Smartswitch Botswana (continued)</b>				
<b>Carrying value of investment in associate</b>				
Cost	10,157	10,157		
Share of current year's accumulated loss	-	(3,058)		
- Loss before tax	-	(3,058)		
- Current and deferred tax	-	-		
- Dividends paid	-	-		
Post acquisition accumulated loss at the beginning of the year	(10,157)	-		
Investment in associate	8,472	-		
Impairment of investment in associate	(1,499)	(7,099)		
	<u>6,973</u>	<u>-</u>		
<b>Summarised financial information</b>				
Non-current assets	13,286	1,251,008		
Current assets	2,082	83,938		
Non-current liabilities	-	(1,049,150)		
Current liabilities	(10,190)	(106,565)		
Capital and reserves	<u>5,177</u>	<u>179,231</u>		
Total investment in associate	<u>205,392</u>	<u>204,925</u>	<u>78,770</u>	<u>83,132</u>
Directors' valuation	<u>205,392</u>	<u>204,925</u>	<u>-</u>	<u>-</u>
<b>23. Interest in joint ventures</b>				
The value of the Group's share in assets, liabilities, income and expenditure is not significant to the Group as a whole. These components are therefore not disclosed.				
<i>23.1 Jointly controlled assets</i>				
Bank Windhoek Limited has a 50% share in a joint venture with American Express Foreign Exchange. The joint venture was established to carry on the travel-related foreign exchange business of buying and selling of foreign notes and travellers cheques and travel related drafts in Namibia.				
Opening balance	5,367	4,892		
Profit distribution	(3,000)	-		
The Group's share of the profit in the joint venture	233	475		
Closing balance	<u>2,600</u>	<u>5,367</u>	<u>-</u>	<u>-</u>
<i>23.2 Jointly controlled entity</i>				
Opening balance	1,682	1,682	-	-
The Group's share of the profit in the joint venture	4,895	-	-	-
Profit distribution	(5,000)	-	-	-
Closing balance	<u>1,577</u>	<u>1,682</u>	<u>-</u>	<u>-</u>
Bank Windhoek Limited obtained a 25% interest in Namclear (Pty) Limited during 2005. The joint venture is equity accounted but the related disclosure of the joint venture is not provided in view of the insignificant amounts involved.				
Total investments	<u>4,177</u>	<u>7,049</u>	<u>-</u>	<u>-</u>
Directors' valuation of investment in shares	<u>4,177</u>	<u>7,049</u>	<u>-</u>	<u>-</u>

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**24. Intangible assets**

	Trademarks N\$'000	Goodwill N\$'000	Computer software cost N\$'000	Other intangibles	Total N\$'000
<b>Group</b>					
<b>Year end - 30 June 2010</b>					
Cost at 1 July 2009	7,203	63,845	50,955	6,843	128,846
Disposal of subsidiary	-	-	(65)	-	(65)
Disposals	-	-	(10,995)	-	(10,995)
Additions	-	-	9,920	162	10,082
Exchange rate adjustment	-	(1,405)	-	-	(1,405)
Cost at 30 June 2010	<u>7,203</u>	<u>62,440</u>	<u>49,815</u>	<u>7,005</u>	<u>126,463</u>
Amortisation and impairment at 1 July 2009	(3,367)	-	(49,712)	(6,722)	(59,801)
Charge for the year	(959)	-	(103)	(54)	(1,116)
Impairment	-	(7,602)	-	(121)	(7,723)
Amortisation and impairment at 30 June 2010	<u>(4,326)</u>	<u>(7,602)</u>	<u>(49,815)</u>	<u>(6,897)</u>	<u>(68,640)</u>
<i>Net book value at 30 June 2010</i>	<u>2,877</u>	<u>54,838</u>	<u>-</u>	<u>108</u>	<u>57,823</u>
<b>Year end - 30 June 2009</b>					
Cost at 1 July 2008	7,203	63,313	49,931	6,547	126,994
Disposal of subsidiary	-	-	-	296	296
Acquisition in business combination	-	429	1,024	-	1,453
Additions	-	103	-	-	103
Cost at 30 June 2009	<u>7,203</u>	<u>63,845</u>	<u>50,955</u>	<u>6,843</u>	<u>128,846</u>
Amortisation and impairment at 1 July 2008	(2,408)	-	(49,278)	(6,224)	(57,910)
Charge for the year	(959)	-	(114)	(498)	(1,571)
Impairment	-	-	(320)	-	(320)
Amortisation and impairment at 30 June 2009	<u>(3,367)</u>	<u>-</u>	<u>(49,712)</u>	<u>(6,722)</u>	<u>(59,801)</u>
<i>Net book value at 30 June 2009</i>	<u>3,836</u>	<u>63,845</u>	<u>1,243</u>	<u>121</u>	<u>69,045</u>

All intangible assets are held by the Group, none are held by the Company.

Computer software costs consists of computer software acquisition and development cost. Trademarks consist of trademark costs associated with the Bank Windhoek trademark. The trademark has a remaining amortisation period of four years. Other intangibles comprise of purchase of various underlying books.

**25. Property, plant and equipment**

	Freehold land and buildings N\$'000	Computer and other equipment N\$'000	Vehicles N\$'000	Furniture and fittings N\$'000	Total N\$'000
<b>Group</b>					
<b>Year end - 30 June 2010</b>					
Cost at 1 July 2009	57,480	141,684	10,882	113,763	323,809
Additions	6,638	19,839	599	15,337	42,413
Transfers	(7,173)	2,790	-	4,383	-
Disposals	(2,220)	(8,281)	(190)	(1,387)	(12,078)
Exchange rate adjustment	(5)	(733)	(7)	(590)	(1,335)
Cost at 30 June 2010	<u>54,720</u>	<u>155,299</u>	<u>11,284</u>	<u>131,506</u>	<u>352,809</u>
Accumulated depreciation at 1 July 2009	(6,631)	(90,800)	(6,839)	(57,354)	(161,624)
Charge for the year	(1,832)	(18,465)	(1,385)	(13,448)	(35,130)
Transfers	(217)	(713)	-	930	-
Depreciation on disposals	112	968	42	587	1,709
Accumulated depreciation at 30 June 2010	<u>(8,568)</u>	<u>(109,010)</u>	<u>(8,182)</u>	<u>(69,285)</u>	<u>(195,045)</u>
<i>Net book value at 30 June 2010</i>	<u>46,152</u>	<u>46,289</u>	<u>3,102</u>	<u>62,221</u>	<u>157,764</u>

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**25. Property, plant and equipment (continued)**

	<b>Freehold land and buildings N\$'000</b>	<b>Computer and other equipment N\$'000</b>	<b>Vehicles N\$'000</b>	<b>Furniture and fittings N\$'000</b>	<b>Total N\$'000</b>
<b>Year end - 30 June 2009</b>					
Cost at 1 July 2008	47,444	116,231	9,331	104,417	277,423
Additions	6,618	20,339	1,930	18,482	47,369
Transfers	3,433	272	-	(3,705)	-
Disposals	-	(478)	(556)	(85)	(1,119)
Exchange rate adjustment	(15)	5,320	177	(5,346)	136
Cost at 30 June 2009	<u>57,480</u>	<u>141,684</u>	<u>10,882</u>	<u>113,763</u>	<u>323,809</u>
Accumulated depreciation at 1 July 2008	(3,280)	(76,807)	(5,954)	(47,399)	(133,440)
Charge for the year	(1,578)	(14,022)	(1,403)	(11,851)	(28,854)
Transfers	(1,773)	(49)	-	1,822	-
Depreciation on disposals	-	78	518	74	670
Accumulated depreciation at 30 June 2010	<u>(6,631)</u>	<u>(90,800)</u>	<u>(6,839)</u>	<u>(57,354)</u>	<u>(161,624)</u>
<i>Net book value at 30 June 2009</i>	<u>50,849</u>	<u>50,884</u>	<u>4,043</u>	<u>56,409</u>	<u>162,185</u>

Details regarding the fixed properties are available to shareholders at the registered office of the Group. The Company does not own any property, plant and equipment.

	<b>Group</b>		<b>Company</b>	
	<b>2010 N\$'000</b>	<b>2009 N\$'000</b>	<b>2010 N\$'000</b>	<b>2009 N\$'000</b>
<b>26. Derivative financial instruments</b>				
Foreign exchange currency contracts	<b>13,828</b>	-	-	-
Currency swap	<b>53</b>	-	-	-
Options	<b>10,624</b>	6,408	<b>10,624</b>	6,408
	<u><b>24,505</b></u>	<u>6,408</u>	<u><b>10,624</b></u>	<u>6,408</u>

The company holds an option to purchase 652,916,433 ordinary shares in the issued capital of Cavmont Capital Holdings Zambia Plc.

**27. Due to other banks**

Balances with other banks	<u><b>387</b></u>	<u>-</u>
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**28. Other deposits**

Negotiable certificates of deposit (NCDs)	<u><b>3,970,799</b></u>	<u>2,084,583</u>
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There were no NCDs held as collateral in the current or previous year.

**29. Debt securities in issue**

Balance at	<b>493,080</b>	493,866	<b>136,773</b>	137,333
Redemption	<b>(141,229)</b>		<b>(141,229)</b>	-
Issue of debt securities	<b>194,351</b>	275	<b>140,000</b>	-
Effective interest rates adjustment	<b>35,764</b>	50,989	<b>8,253</b>	14,623
Coupon payment	<b>(34,624)</b>	(51,974)	<b>(2,939)</b>	(15,183)
Exchange rate	-	(76)	-	-
Balance as at 30 June	<u><b>547,342</b></u>	<u>493,080</u>	<u><b>140,858</b></u>	<u>136,773</u>

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**29. Debt securities in issue (continued)**

Subordinated Callable Bonds with a nominal value of N\$100,000,000 and N\$90,000,000 pay a fixed semi-annual coupon at a nominal rate of 10.16% and 10.5% per annum respectively. The bonds were issued with a maturity date of 4 February 2019 and 15 August 2015, but are callable at their principal amount (together with interest due) on 4 February 2014 and 15 August 2010. The fair values of the bonds were N\$ 196,434,354 (2009: N\$ 199,820,166).

150,000 cumulative, redeemable preference shares at 1c per share, issued by Bank Windhoek Holdings Ltd, are redeemable on 14 December 2012. The preference shares previously held by Bank Windhoek Holdings Limited in Capricorn Investment Holdings (Botswana) (Pty) Ltd have been converted into ordinary shares during the year and sold to Capricorn Investment Holdings Limited for N\$ 49.338 million.

Capricorn Investment Holdings (Botswana) (Pty) Ltd has converted all its issued preference shares into ordinary share capital during the year under review.

During the year under review, the promissory notes, with a nominal value of N\$135,000,000, were redeemed on 2 December 2009. Debentures with a face value of N\$ 140,000,000 have been issued on the same date, with an interest rate of 3 month JIBAR plus 1.25%. The maturity date of the debentures is 1 December 2012.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>

**30. Deposits from customers**

Current accounts	<b>2,696,854</b>	2,853,420
Savings accounts	<b>612,477</b>	561,123
Other deposits	<b>6,508,682</b>	6,206,446
	<b><u>9,818,013</u></b>	<u>9,620,989</u>

Other deposits to the value of N\$209,192,399 (2009: N\$261,290,581) are held as collateral.

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>N\$'000</b>	<b>%</b>	<b>N\$'000</b>	<b>%</b>

Economic sector risk concentrations within the customer current, savings, deposit account portfolio for the Group were as follows:

Government	<b>176,963</b>	<b>1.8</b>	169,270	1.8
Financial institutions	<b>4,233,403</b>	<b>43.1</b>	5,763,336	59.9
Companies and close corporations	<b>3,731,906</b>	<b>38.0</b>	2,387,666	24.8
Individuals	<b>1,675,741</b>	<b>17.1</b>	1,300,717	13.5
	<b><u>9,818,013</u></b>	<b><u>100.0</u></b>	<u>9,620,989</u>	<u>100.0</u>

Maturity analysis within the customer current, savings, deposit account portfolio for the Group were as follows:

Withdrawable on demand	<b>6,611,203</b>	<b>67.3</b>	6,595,201	68.6
Maturing within 1 month	<b>391,105</b>	<b>4.0</b>	1,505,429	15.6
Maturing after 1 month but within 6 months	<b>1,925,439</b>	<b>19.6</b>	956,906	9.9
Maturing after 6 months	<b>890,266</b>	<b>9.1</b>	563,453	5.9
	<b><u>9,818,013</u></b>	<b><u>100.0</u></b>	<u>9,620,989</u>	<u>100.0</u>

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>

**31. Other liabilities**

Accounts payable and other accruals	<b>115,640</b>	141,535	<b>4,912</b>	4,753
Borrowings	<b>1,997</b>	-	<b>1,997</b>	-
Dividends payable	-	-	-	-
Other taxes	<b>9,609</b>	7,461	<b>147</b>	-
Clearing, settlement and internal accounts	<b>125,082</b>	134,612	-	-
	<b><u>252,328</u></b>	<u>283,608</u>	<b><u>7,056</u></b>	<u>4,753</u>

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	Group		Company	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>32. Deferred income tax</b>				
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 34% (2009: 34%).				
The movement on the deferred income tax account is as follows:				
Balance as at 1 July	115,766	115,986		
Prior year adjustment	321	291		
Income statement charge	2,690	(511)		
Balance as at 30 June	<u>118,777</u>	<u>115,766</u>		
Deferred income tax assets and liabilities are attributable to the following items:				
<i>Deferred income tax liabilities</i>				
Accelerated tax depreciation and amortisation	22,523	21,203		
Loans and receivables	15,225	12,926		
Government stock and other securities	101,925	94,246		
Derivative financial instruments	52	213		
Other temporary differences	20	2,375		
	<u>139,745</u>	<u>130,963</u>		
<i>Deferred income tax assets</i>				
Provisions	15,626	8,293		
Loan loss provisions	3,725	5,914		
Assessed loss	1,096	6		
Deferred revenue	521	984		
	<u>20,968</u>	<u>15,197</u>		
Net deferred income tax liability	<u>118,777</u>	<u>115,766</u>		
<b>33. Post-employment benefits</b>				
<i>33.1 Severance pay liability</i>				
A valuation was performed on 30 June 2010 by an independent actuary on the Group's liability with respect to severance pay. The benefit is not funded.				
The amount recognised in the consolidated statement of financial position are determined as follows:				
Present value of unfunded obligation	<u>4,323</u>	-	-	-
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	-	-	-	-
Recognition of severance pay obligation	3,735	-	3,735	-
Current service costs	588	-	588	-
As at 30 June	<u>4,323</u>	-	<u>4,323</u>	-
The amounts recognised in the consolidated statements of comprehensive income are as follows:				
Past service costs	3,735	-	3,735	-
Current service costs	588	-	588	-
	<u>4,323</u>	-	<u>4,323</u>	-

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	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000

**33. Post-employment benefits (continued)**

The principle actuarial assumptions used were as follows:

Discount rate	9.05	-	9.05	-
Inflation rate	5.90	-	5.90	-
Salary increases	7.40	-	7.40	-

The following sensitivity of the overall liability to changes in principle assumption is:

Salary increase 1% lower per annum	4,085	-	4,085	-
Salary increase 1% higher per annum	4,587	-	4,587	-

**33.2 Medical aid scheme**

The Group has no liability in respect of post-retirement medical aid contributions.

**33.3 Pension scheme**

All Namibian full-time permanent employees are members of the Capricorn Investment Holdings Limited Group Employee Retirement Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is governed by the Pension Funds Act 1956, which requires an actuarial valuation every three years.

The latest actuarial valuation was carried out on 31 March 2010 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation confirmed that the value of the assets in the fund exceeded the value of the actuarially determined liabilities. The valuation for the current year will be performed during the latter half of the calendar year.

The Namibian group companies currently contribute 12% of basic salary to the fund whilst the members contribute 7.5%.

All Botswana full-time permanent employees are members of the Alexander Forbes Retirement Fund, a defined contribution plan, which has been registered in Botswana in accordance with the requirements of the Pension and Provident Funds Act. The fund is governed by the Pension and Provident Funds Act 1987.

The Botswana group currently contributes 10% of basic salary to the fund whilst the members contribute 7%.

**34. Share capital and premium**

**Authorised share capital**

5,000,000 ordinary shares of N\$1 each	5,000	5,000	5,000	5,000
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**Issued ordinary share capital**

Balance as at 1 July:

Group: 4,041,000 (2009: 4,041,000) ordinary shares of N\$1 each	4,465	4,443		
Company: 4,466,000 (2009: 4,445,000) ordinary shares of N\$1 each			4,466	4,445
Shares issued during the year	-	21	-	21
Company: 4,466,000 (2009: 4,466,000,000) ordinary shares of N\$1 each			4,466	4,466
Less 9,537 (2009: 1,419 ) shares held be the CIH Employee Share Trust	(9)	(1)		
Add 1,419 (2009: 2,213) shares held be the CIH Employee Share Trust in the previous year	1	2		
Group: 4,457,000 (2009: 4,465,000) ordinary shares of N\$1 each	4,457	4,465		

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	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>34. Share capital and premium (continued)</b>				
<i>Share premium</i>				
Balance as at 1 July:	21,677	17,803	21,935	18,118
Shares issued during the year	-	3,817	-	3,817
Less 9,537 (2009: 1,419 ) shares held be the CIH Employee Share Trust	(1,993)	(258)		
Add 1,419 (2009: 2,213) shares held be the CIH Employee Share Trust in the previous year	258	315		
Balance at 30 June:	<u>19,942</u>	<u>21,677</u>	<u>21,935</u>	<u>21,935</u>
<b>Total share capital and premium</b>	<u>24,399</u>	<u>26,142</u>	<u>26,401</u>	<u>26,401</u>
Weighted average number of ordinary shares in issue:	<u>4,466,000</u>	<u>4,460,750</u>	<u>4,466,000</u>	<u>4,460,750</u>
<b>Unissued shares</b>				
All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting, when the authority can be renewed.				
<b>35. Non-distributable reserves</b>				
Opening balance	42,256	33,082	15,942	15,942
Transfer from distributable reserve	11,031	9,174	-	-
Closing balance	<u>53,287</u>	<u>42,256</u>	<u>15,942</u>	<u>15,942</u>
The group reserve comprises of the regulatory credit risk reserve, which was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment provisions.				
The Company reserve comprises of a share capitalization in a subsidiary.				
<b>36. Distributable reserves</b>				
<i>36.1 Available-for-sale revaluation reserve</i>				
Opening balance	25,477	18,144	-	-
Revaluation of available-for-sale equity instruments	7,313	7,333	2,903	-
Minority interest	(278)	-	-	-
Closing balance	<u>32,512</u>	<u>25,477</u>	<u>2,903</u>	<u>-</u>
<i>36.2 Foreign currency translation reserve</i>				
Opening balance	(8,877)	10,561	-	-
Revaluation for the year	(7,931)	(19,577)	-	-
Minority interest	355	139	-	-
Closing balance	<u>(16,453)</u>	<u>(8,877)</u>	<u>-</u>	<u>-</u>
<i>36.3 Retained earnings</i>				
Opening balance	852,249	727,956	263,695	257,438
Net profit for the year	186,578	143,621	64,748	17,422
Transfer to non-distributable reserve	(11,031)	(9,174)	-	-
Business combination	199	1,269	-	-
Dividends declared	(31,553)	(11,423)	(31,262)	(11,165)
Closing balance	<u>996,442</u>	<u>852,249</u>	<u>297,181</u>	<u>263,695</u>
Total distributable reserve	<u>1,012,501</u>	<u>868,849</u>	<u>300,084</u>	<u>263,695</u>

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	Group		Company	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>37. Cash generated by operations</b>				
Income before taxation	373,339	306,487	64,876	17,422
Dividends received	(2,661)	(25)	(114,560)	(52,501)
Adjusted for non-cash items:				
- Accrued interest expense	35,764	50,989	8,253	14,623
- Accrued interest receivable	(19,242)	(18,794)	-	-
- Adjustment to fair value of investments	3,491	6,408	4,216	6,889
- Adjustment to fair value of derivatives financial assets	53	1,630	-	-
- Amortisation and impairment of intangible assets	8,839	1,891	-	-
- Depreciation and impairment	35,130	28,854	-	-
- Impairment losses on receivables	10	-	-	-
- Impairment losses on loans and advances	29,300	36,523	-	-
- Impairment on investment in subsidiary	-	-	8,288	-
- Impairment on investment in associates	7,332	7,070	5,833	-
- Loss on foreign exchange translation	18,597	-	138	747
- (Profit) / Loss on disposal of subsidiary	(2,158)	-	7,000	-
- Disposal of treasury shares	-	-	-	-
- Profit on disposal of property, plant and equipment	(1,198)	-	-	-
- Reversal of provision	(1,400)	-	-	-
- Provision for post-employment benefits	4,323	-	-	-
- Share of associate profits	(38,615)	(24,996)	-	-
- Share of joint venture profits	(5,128)	(476)	-	-
	<u>445,776</u>	<u>395,561</u>	<u>(15,956)</u>	<u>(12,820)</u>
<b>38. Dividends paid</b>				
Amounts unpaid as at 1 July	-	(41,481)	-	(33,338)
Amounts charged for the year	(73,188)	(29,158)	(31,262)	(11,165)
Amounts unpaid as at 30 June	-	-	-	-
	<u>(73,188)</u>	<u>(70,639)</u>	<u>(31,262)</u>	<u>(44,503)</u>
<b>39. Income taxes paid</b>				
Amounts prepaid as at 1 July	19,564	13,122	883	826
Current tax charged to statements of comprehensive income	(104,588)	(100,428)	(128)	-
Amounts prepaid as at 30 June	(3,961)	(19,564)	(945)	(883)
	<u>(88,985)</u>	<u>(106,870)</u>	<u>(190)</u>	<u>(57)</u>
<b>40. Cash and cash equivalents</b>				
For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:				
Cash and balances with Central Banks (note 14)	695,896	319,301	42	3,001
Treasury bills and government stocks with a maturity of less than 90 days (note 16)	121,848	710,588	-	-
Money market investments (note 16)	101,453	101,584	-	-
Placement with other banks (note 18)	453,238	503,749	-	-
Bank overdrafts (note 31)	(1,997)	-	(1,997)	-
	<u>1,370,438</u>	<u>1,635,222</u>	<u>(1,955)</u>	<u>3,001</u>
<b>41. Dividends per share</b>				

During the current year under review dividends of 700 cents per share (2009: 250 cents per share) amounting to a total of N\$31,262,000 (2009: N\$11,165,500) were declared by the Company. These dividends include a special dividend of 420 cents per share.

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**42. Contingent liabilities, - assets and commitments**

*42.1 Unit trust repurchase agreement*

The Bank has entered into an agreement with Capricorn Unit Trust Management Company Limited as follows: In the event of a credit default event the Bank will refund the Selegt Fund for any shortfall that may occur in the realisation of the capital of specified portfolio assets pertaining to investments held in the largest five South African Banks and Government Stock. A credit default event is defined as any event that destroys or significantly reduces the value of a security or jeopardizes the future return capabilities of the security or non-performance of the investment in terms of complying with the original investment agreement, specifically related to the investment's maturity date and applicable maturity value and interest payments. The guarantee is subject to certain set conditions and is limited to the realised shortfall between the last determined market value of the underlying investments and the realised value of the underlying investment.

In addition to the monitoring of the guarantee under the risk management framework described in note 3, the interbank limits takes into account the total exposure, being the combined exposure of the Bank and the Fund, to any one counterparty. This combined exposure also complies with limits set by the Bank of Namibia and is appropriately monitored.

As there was no credit default event at year-end, there was no shortfall that needed to be quantified.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<i>42.2 Capital commitments</i>				
- Authorised but not contracted for	<u>65,808</u>	<u>50,196</u>		
<i>42.3 Letters of credit and liabilities under guarantees</i>	<u>826,550</u>	<u>565,302</u>		
<i>42.4 Loan commitments</i>	<u>1,199,093</u>	<u>1,247,526</u>		
<i>42.5 Operating lease commitments</i>				
Office premises				
- Not later than 1 year	23,464	17,416		
- Later than 1 year but not later than 5 years	46,222	27,422		
- Later than 5 years	<u>51,166</u>	<u>60,617</u>		
	<u>120,852</u>	<u>105,455</u>		

Funds to meet these commitments will be provided from own resources.

**43. Assets under custody**

As at year-end, the Group has N\$1,693.3 million (2009: N\$944.3) of assets under custody.

**44. Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Capricorn Investment Holdings Limited, a company incorporated in Namibia.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and conditions at market rates. Consequently no disclosure is made on the information in respect of these transactions with and balances arising from the ordinary course of business with related companies, directors and employees.

During the year the Group and Company transacted with the following related parties:

<b>Entity</b>	<b>Relationship</b>	<b>Type of transactions</b>
Namibia Strategic Investments (Pty) Ltd (NSI)	The company is an associate of NSI	Consulting services
Bank Windhoek Holdings	Subsidiary	Consulting services Support services
Bank Windhoek Ltd	Subsidiary	Banking relationship Support services

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**44. Related party transactions (continued)**

Entity	Relationship	Type of transactions
Capricorn Investment Holdings (Botswana) (Pty) Ltd	Subsidiary	Banking relationship Consulting services Guarantee
Bank Gaborone Ltd	Subsidiary	Consulting services
Capricorn Asset Management (Pty) Ltd	Subsidiary	Consulting services
Capricorn Capital (Pty) Ltd	Subsidiary	Consulting services
Cyan Enterprise Solutions (Pty) Ltd	Subsidiary	Technology services
CIH Group Employee Share Trust	SPE	
CIH Group Employee Share Benefit Trust	SPE	
Cavmont Capital Holdings Zambia	Associate	Consulting services
Nam-mic Financial Services Holdings (Pty) Ltd	Associate	Consulting services
Santam Namibia Ltd	Associate	Consulting services
VTB Capital Namibia (Pty) Ltd	Associate	Support services
Namib Bou (Pty) Ltd	Subsidiary	Support services
Namib Bou Hochland Estate Development (Pty) Ltd	Subsidiary	Support services
Welwitschia Nam-mic (Pty) Ltd	Subsidiary	Commission

	Group		Company	
	2010 N\$'000	2009 N\$'000	2010 N\$'000	2009 N\$'000
<i>44.1 Income received from related parties</i>				
Bank Windhoek Limited - support services	-	-	831	-
Bank Windhoek Holdings Limited - support services	-	-	3,119	3,127
Bank Gaborone Ltd - support services	-	-	233	225
Capricorn Asset Management (Pty) Ltd - support services	-	-	93	112
Capricorn Capital (Pty) Ltd - support services	-	-	10	118
Cyan ES (Pty) Ltd - support services	-	-	699	391
Capricorn Investment Holdings Botswana - support services	-	-	282	-
Cavmont Capital Holdings Zambia - support services	-	-	95	408
Nam-mic Financial Services Holdings (Pty) Ltd - support services	-	-	135	82
Santam Namibia Limited - support services	-	-	54	50
	<u>-</u>	<u>-</u>	<u>5,412</u>	<u>4,403</u>
<i>44.2 Expenses paid to related parties</i>				
Bank Windhoek Limited - support services	-	-	987	330
Cyan ES (Pty) Ltd - Consulting and management services	-	-	1,132	634
	<u>-</u>	<u>-</u>	<u>2,119</u>	<u>964</u>
<i>44.3 Payable to related parties</i>				
Bank Windhoek Ltd - subsidiary	-	-	1,423	-
	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>-</u>
<i>44.4 Receivables from related parties</i>				
Bank Windhoek Limited	-	-	85	-
Bank Windhoek Holdings Limited	-	-	304	12
Bank Gaborone Ltd	-	-	105	779
Capricorn Asset Management (Pty) Ltd	-	-	14	5
Capricorn Capital (Pty) Ltd	-	-	-	10
Cavmont Capital Holdings Zambia	-	-	57	122
Nam-mic Financial Services Holdings (Pty) Ltd	-	-	20	9
Santam Namibia Limited	-	-	17	5
	<u>-</u>	<u>-</u>	<u>545</u>	<u>933</u>
<i>44.5 Compensation paid to key management personnel</i>				
Salaries and other short-term benefits	52,889	52,789	9,651	9,408
Post-employment benefits	1,556	776	-	-
	<u>54,445</u>	<u>53,565</u>	<u>9,651</u>	<u>9,408</u>

Key management comprise of the Executive Management Team, which includes Executive Directors.

*44.6 Directors emoluments*

Refer to note 11.

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**45. Reclassification**

Bank balances in correspondent banks and foreign currency balances held to hedge against foreign currency balances held by clients have been reclassified as follows:

**Group**

**2009**

Loans and advances to banks	109,113
Loans and advances to customers	<u>(109,113)</u>

**Group**

**2008**

Loans and advances to banks	89,857
Loans and advances to customers	<u>(89,857)</u>

As a result of the above classification, cash and cash equivalent have increased with the same values.

**46. Acquisitions and disposals**

**46.1 Acquisition of subsidiary**

On 19 February 2010, the Namib Bou (Pty) Limited acquired 50% of the ordinary share capital of Namib Bou Hochland Estate Development (Pty) Limited (NBHED) for N\$ 5,709,547 in terms of a Joint Venture agreement. The Joint Venture agreement was entered into on 29 May 2009, but was subject to various suspensive conditions. These two suspensive conditions had been met on 19 February 2010, the effective date of the Joint Venture agreement.

With the retrospective cancellation of the share sale agreement of 2007, the 100% investment in subsidiary of N\$ 11,419,094 had been reinstated. As further stated in the Joint Venture agreement, Namib Bou (Pty) Limited transferred 50% of the ordinary share capital to outside shareholders. Namib Bou (Pty) Ltd retained control as the directors of the company are entitled to cast the majority vote at all meetings.

At the effective date, 19 February 2010, the fair value of the net assets and liabilities in NBHED equalled N\$ 11,419,094 and consequently there is no goodwill on the investment.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>

Details of net assets acquired are as follows:

**Purchase consideration:**

Work-in-progress - Inventory	22,923
Intercompany loan	<u>(11,504)</u>
Fair value of net assets at acquisition	<u>11,419</u>

**Total purchase consideration**

	<u>11,419</u>
Goodwill arising	-

**46.2 Disposal of 50% investment in subsidiary**

Work-in-progress - Inventory	22,923
Intercompany loan	<u>(11,504)</u>
Fair value of net assets at disposal	11,419
Disposal of 50%	<u>(5,710)</u>
Proceeds from sale of 50% investment in subsidiary	<u>5,709</u>

**Net profit / (loss) from sale of 50% investment in subsidiary**

	<u>-</u>
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The proceeds from sale of 50% investment in subsidiary was not settled in cash but was effected through a raise of loans receivable from the Joint Venture partners.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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	Group		Company	
	2010	2009	2010	2009
	N\$'000	N\$'000	N\$'000	N\$'000
<b>46. Acquisitions and disposals (continued)</b>				
<b><i>46.3 Disposal of subsidiary: Cyan ES (Pty) Limited</i></b>				
Effective 30 June 2010, the company disposed of the investment in Cyan ES (Pty) Limited.				
Property and equipment	2,621			
Intangible assets	65			
Deferred taxation asset	3,564			
Trade and other receivables	7,109			
Inventory	10,944			
Current taxation asset	956			
Cash and cash equivalents	1,826			
Income received in advance	(1,377)			
Trade and other payables	(22,215)			
Provisions	(2,649)			
Fair value of net assets at disposal	842			
Proceeds from sale of investment in Cyan ES (Pty) Ltd	(6,000)			
Impairment on proceeds from sale of investment	3,000			
Profit on sale of subsidiary	<u>2,158</u>			

The proceeds from sale of Cyan ES (Pty) Ltd was not settled in cash but was effected through a raise of trade receivable, the acquirer, Deloitte Consulting (Pty) Limited.

***46.4 Disposal of subsidiary: Grootfontein Holdings (Pty) Limited***

On 30 May 2010, the Group disposed of 100% of its interest in Grootfontein Holdings (Pty) Ltd to a related party. The company did not contribute significantly to the income and expenses of the Group.

At disposal, the Company only carried property, plant and equipment, at net book value of N\$1.5 million, which was sold for N\$1.7 million.

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**GROUP VALUE ADDED STATEMENT - unaudited**  
**for the year ended 30 June 2010**

	<b>2010</b> <b>N\$'000</b>	<b>2010</b> <b>%</b>	<b>2009</b> <b>N\$'000</b>	<b>2009</b> <b>%</b>
Interest earned and other operating income	1,935,853		1,967,759	
Interest paid and direct costs of services	<u>(1,200,049)</u>		<u>(1,376,220)</u>	
<b>Value added</b>	<b><u>735,804</u></b>		<b><u>591,539</u></b>	
Distributed as follows:				
<b>To employees</b>				
Remuneration, pension and other benefits	387,680	53%	330,361	56%
<b>To providers of capital</b>				
Dividends to shareholders	31,553	4%	11,423	2%
<b>To government</b>				
Taxes	136,673	19%	107,142	19%
- Direct	104,588		90,063	
- Indirect: Namibia VAT and levies	22,144		15,571	
Stamp duty	9,941		1,508	
<b>Reinvestment within the group</b>				
Depreciation and amortisation	179,898	24%	142,613	24%
Distributable reserves	36,246		30,425	
	<u>143,652</u>		<u>112,188</u>	
	<b><u>735,804</u></b>	<b>100%</b>	<b><u>591,539</u></b>	<b>100%</b>

