



Capricorn Investment Holdings Limited

**2009**

Financial Statements

*For the year ended 30 June 2009*

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

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

---

**CONTENTS**

	<i>Page</i>
Statement of Responsibility by the Board of Directors	1
Corporate Governance Statement	2 - 3
Independent Auditor's Report	4
Directors' Report	5 - 7
Income Statements	8
Balance Sheets	9
Statements of Changes in Equity	10
Cash Flow Statements	11
Notes to the Annual Consolidated Financial Statements	12 - 54

**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 Group Audit and Risk Committee and the Audit and Risk Committees of operating subsidiaries, 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.

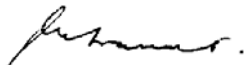
The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements, presented on pages 5 to 54, have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards (IFRS).

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 that 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 4.

The financial statements were authorised and approved for issue by the board of directors on 26 October 2009 and are signed on its behalf:

  
**JC Brandt**  
Chairman

  
JJ Swanepoel  
Managing Director

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

**CORPORATE GOVERNANCE STATEMENT**  
**for the year ended 30 June 2009**

---

Capricorn Investment Holdings Limited and its subsidiaries (the Group) are committed to the principles of openness, integrity and accountability and the directors recognise the need to conduct the business of the Group with integrity and in accordance with generally accepted corporate governance practices.

**1. Board of directors**

The Company's board and those of its subsidiaries consist of executive and non-executive directors. The boards are balanced so that no individual or small group can dominate decision-making. The boards meet regularly and retain full executive control over the companies concerned. The boards operate in terms of a formal written charter. Each board monitors its management, ensuring that material matters are subject to board approval. Each board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the company. The executive management attends board meetings by invitation.

The roles of the chairperson and managing director do not vest in the same person. The chairperson and managing director of the respective Group companies provide leadership and guidance to their companies' boards, encourage proper deliberation of all matters requiring the boards' attention, and obtain optimum input from the other directors. New appointments to the board are submitted to the board as a whole for approval prior to appointment.

*Non-executive directors*

The majority of board members of the Group companies are non-executive directors. Three of the non-executive directors of the Company are independent. Non-executive directors bring with them diversity of experience, insight, and independent judgement on issues of strategy, performance, resources, and standards of conduct. Non-executive directors have no service contracts with the Company and are appointed for specific terms. Recommendation of members for re-appointment is not automatic, but considered individually, based on their contribution.

*Executive directors*

Being involved with the day-to-day business activities of the Group, these directors are responsible for ensuring that decisions, strategies, and views of the board are implemented. There executive directors on the board have open-ended employment contracts.

The board of directors has adopted a Board Charter that details responsibilities of the directors and committees.

*Company Secretary*

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Group.

**2. Board Audit and Risk committee**

A Board Audit and Risk committee, whose chairman is a non-executive director, was established to ensure the Bank's compliance with the requirements of the Banking Institutions Act, and more specifically 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.

**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 fulfil 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.

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

**CORPORATE GOVERNANCE STATEMENT**  
**for the year ended 30 June 2009**

---

**6. Internal control system**

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 regarding the preparation of reliable published financial statements and the safeguarding of the Group's assets.

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 2009, its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

**7. Risk Management**

A co-ordinated risk management framework is in existence for the Group, which is comprised of policies and procedures, control structures and the measurement of risk, as well as the compliance with regulations laid down by the authorities. The group's banking subsidiary, Bank Windhoek Limited, employs a risk unit which is tasked with enterprise wide risk management, including risk management.

Financial risk management is dealt with in the financial statements in note 3.

Operational risks include losses through fraud, theft, corruption or any other occurrences. The Group guards against these risks through, amongst others, sound systems and strong internal control procedures, intervention of an active Board Audit and Risk committee and a Human Resources committee which determines staff policy and remuneration levels. In addition insurance policies cover the bank's assets as well as liabilities against fraud and error.

**8. Internal audit**

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the board of directors. Corrective action is taken to address control deficiencies and other opportunities for improving the systems as they are identified. The board of directors, operating through the group Board Audit and Risk committee, provide oversight of the financial reporting process.

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

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

---

We have audited the Group annual financial statements and annual financial statements of Capricorn Investment Holdings Limited, which comprise the consolidated and separate balance sheets as at 30 June 2009, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements 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 5 to 54.

*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.

*Auditors' Responsibility*

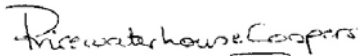
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 of 30 June 2009, 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  
26 October 2009

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

**DIRECTORS' REPORT**  
**for the year ended 30 June 2009**

---

**1. General review**

The company acts as an investment holding company. During the year, the company became active in providing 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	- Information Technology support
Cyan Enterprise Solutions (Pty) Ltd	- Dormant
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	- Asset custodians
Intellect Investments Namibia (Pty) Ltd	- Marketing and branding
BW Finance (Pty) Ltd	- Micro finance
Grootfontein Holdings (Pty) Ltd	- Property holding
Bank Windhoek Properties (Pty) Ltd	- Property holding

**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
---------------------	-----------------

**Associates:**

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

**2. Financial results and dividends**

Full details of the financial results of the Company and the Group are set out on pages 8 to 54.

During the current year under review dividends of 250 cents per share (2008: 750 cents per share) amounting to a total of N\$11,165,500 (2008: N\$33,337,500) were declared by the Company. Prior year dividends includes a special dividend of 550 cents per share.

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

**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2009**

**3. Share capital**

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

During the year 21,000 (2008: 45,000) 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 (2008: N\$141.68) per share.

<b>Details of the Company's Interest</b>				
<b>Issued ordinary share capital and premium and proportion held</b>			<b>Shares at cost</b>	
			<b>2009</b>	<b>2008</b>
<b>N\$'000</b>	<b>%</b>		<b>N\$'000</b>	<b>N\$'000</b>

**4. Subsidiaries**

*Registered in Namibia*

Bank Windhoek Holdings Limited	83,690	73	227,177	227,177
Capricorn Investment Holdings (Botswana) (Pty) Ltd	86,780	95	109,695	72,293
Capricorn Asset Management (Pty) Ltd	1,001	75	4,265	4,265
Capricorn Capital (Pty) Ltd	-	100	-	-
CIH Group Employee Share Trust (previously Capricorn Investment Holdings Limited Employee Share Trust (SPE))	n/a	100		
CIH Group Employee Share Benefit Trust (SPE)	n/a	100		

*Registered in South Africa*

Cyan ES (Pty) Ltd	5,000	100	5,000	5,000
-------------------	-------	-----	-------	-------

**5. Indirect holdings in subsidiaries**

*Registered in Namibia*

Bank Windhoek Ltd	163,506	100		
Welwitschia Nammic Insurance Brokers (Pty) Ltd	1,300	78		
Capricorn Management Services (Pty) Ltd	-	80		
Namib Bou (Pty) Ltd	23,000	100		
Bank Windhoek Nominees (Pty) Ltd	-	100		
BW Finance (Pty) Ltd	-	100		
Intellect Investments Namibia (Pty) Ltd	3	100		
Grootfontein Holdings (Pty) Ltd	-	100		
Bank Windhoek Properties (Pty) Ltd	1	100		

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

**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2009**

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

	<b>Issued ordinary share capital and premium and proportion held</b>	
	<b>BWP'000</b>	<b>%</b>
<i>Registered in Botswana</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	3	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	27.5
Sanlam Namibia Holdings (Pty) Ltd (previously Consolidated Financial Services Holdings (Pty) Ltd)	160,665	30
VTB Capital Namibia (Pty) Ltd	4,579	49
Cavmont Capital Holdings Zambia Plc (includes non-voting equity share)	39,562	44
SmartSwitch Botswana (Pty) Ltd	8,561	50

The Company's interest in the aggregate profit after tax earned by subsidiaries and associates amounted to N\$241.0 million (2008: N\$308.8 million) for the year, and the Company's interest in dividends declared was N\$50.8 million (2008: N\$94.1 million).

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

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

Namclear (Pty) Ltd	16,616	25
--------------------	--------	----

**8. Directors and secretary**

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

JC Brandt (Chairman)  
JJ Swanepoel (Group Managing Director)  
JJ Mannheimer  
G Nakazibwe-Sekandi  
AJ Basson (resigned 30 April 2009)  
MK Shikongo

Mr H 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 balance sheet date and the date of approval of the financial statements.

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

**INCOME STATEMENTS**  
**for the year ended 30 June 2009**

	Notes	Group		Company	
		2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
Interest and similar income		1,576,498	1,334,906	-	-
Interest expense		<u>(1,004,112)</u>	<u>(809,907)</u>	<u>-</u>	<u>-</u>
<b>Net interest income</b>	<b>5</b>	<b>572,386</b>	524,999	-	-
Fee and commission income	<b>6</b>	<b>228,556</b>	195,166	-	-
Net trading income	<b>7</b>	<b>59,851</b>	79,000	-	-
Other operating income	<b>8</b>	<b>102,854</b>	126,167	<b>51,580</b>	144,967
Impairment losses on loans and advances	<b>9</b>	<b>(36,523)</b>	(31,716)	-	-
Operating expenses	<b>11</b>	<u><b>(649,986)</b></u>	<u>(581,774)</u>	<u><b>(34,158)</b></u>	<u>(37,329)</u>
<b>Operating profit</b>		<b>277,138</b>	311,842	<b>17,422</b>	107,638
Share of results of joint venture	<b>23</b>	<b>475</b>	869	-	-
Share of associates' results	<b>12</b>	<u><b>28,874</b></u>	<u>34,675</u>	<u>-</u>	<u>-</u>
<b>Profit before income tax</b>		<b>306,487</b>	347,386	<b>17,422</b>	107,638
Income tax expense	<b>13</b>	<u><b>(100,208)</b></u>	<u>(104,575)</u>	<u>-</u>	<u>(86)</u>
<b>Profit for the year</b>		<u><b>206,279</b></u>	<u>242,811</u>	<u><b>17,422</b></u>	<u>107,552</u>
<b>Attributable to:</b>					
Equity holders of the Group and Company		<b>143,621</b>	177,446	<b>17,422</b>	107,552
Minority interest		<u><b>62,658</b></u>	<u>65,365</u>	<u>-</u>	<u>-</u>
		<u><b>206,279</b></u>	<u>242,811</u>	<u><b>17,422</b></u>	<u>107,552</u>

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

**BALANCE SHEETS**  
as at 30 June 2009

	Notes	Group		Company	
		2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>ASSETS</b>					
Cash and balances with the Central Bank	15	457,416	314,793	3,001	46,382
Derivative financial instruments	16	626	2,256	-	481
Financial assets designated at fair value	17	1,351,992	1,303,269	7,174	7,921
Investment securities	18	284,110	215,316	-	-
Loans and advances to banks	19	394,636	71,006	-	-
Loans and advances to customers	20	10,635,034	8,912,657	-	-
Investment in subsidiaries	21	-	-	352,439	309,044
Investment in associates	22	204,925	203,517	83,132	83,132
Interest in joint ventures	23	7,049	5,633	-	-
Intangible assets	24	69,045	69,084	-	-
Property, plant and equipment	25	162,185	143,983	-	-
Current tax asset		25,080	13,182	883	826
Deferred income tax assets	32	15,197	21,265	-	-
Other assets	26	255,888	314,923	7,343	26,741
<b>Total assets</b>		<b>13,863,183</b>	<b>11,590,884</b>	<b>453,972</b>	<b>474,527</b>
<b>LIABILITIES</b>					
Derivative financial instruments	16	6,408	-	6,408	-
Deposits from other banks	27	-	99,792	-	-
Other deposits	28	2,084,583	1,102,049	-	-
Debt securities in issue	29	493,080	493,866	136,773	137,333
Due to customers	30	9,620,989	8,394,841	-	-
Other liabilities	31	283,608	293,647	4,753	41,251
Current tax liabilities		5,516	60	-	-
Deferred income tax liabilities	32	130,963	137,251	-	-
<b>Total liabilities</b>		<b>12,625,147</b>	<b>10,521,506</b>	<b>147,934</b>	<b>178,584</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders</b>					
Share capital and premium	33	26,142	22,246	26,401	22,563
Non-distributable reserves	34	42,256	33,082	15,942	15,942
Distributable reserves	35	868,849	756,661	263,695	257,438
		937,247	811,989	306,038	295,943
Minority interest		300,789	257,389	-	-
<b>Total equity</b>		<b>1,238,036</b>	<b>1,069,378</b>	<b>306,038</b>	<b>295,943</b>
<b>Total equity and liabilities</b>		<b>13,863,183</b>	<b>11,590,884</b>	<b>453,972</b>	<b>474,527</b>

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

**STATEMENTS OF CHANGES IN EQUITY**  
**for the year ended 30 June 2009**

Notes	Share capital N\$'000	Share premium N\$'000	Non distributable reserves N\$'000	Distributable reserves N\$'000	Minority interest N\$'000	Total equity N\$'000
<b>GROUP</b>						
Balance as at 1 July 2007	4,041	71	16,408	595,244	244,550	860,314
Issue of shares	45	6,376	-	-	-	6,421
Shares held by the CIH Employee Share Trust	(2)	(315)	-	-	-	(317)
Shares held by the CIH Employee Share Trust - previous year	359	11,671	-	-	-	12,030
Net profit for the year	-	-	-	177,446	65,365	242,811
Transfer between reserves	34	-	16,674	(16,674)	-	-
Revaluation of available-for-sale investments	35	-	-	18,144	4,004	22,148
Foreign currency translation reserve	35	-	-	12,157	84	12,241
Business combinations	-	-	-	1,232	(17,399)	(16,167)
Dividends for 2008	-	-	-	(30,888)	(39,215)	(70,103)
<b>Balance at 30 June 2008</b>	<b>4,443</b>	<b>17,803</b>	<b>33,082</b>	<b>756,661</b>	<b>257,389</b>	<b>1,069,378</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
Net profit for the year	-	-	-	143,621	62,658	206,279
Transfer between reserves	34	-	9,174	(9,174)	-	-
Revaluation of available-for-sale investments	35	-	-	7,333	-	7,333
Foreign currency translation reserve	35	-	-	(19,438)	(139)	(19,577)
Business combinations	-	-	-	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>
<b>COMPANY</b>						
Balance as at 1 July 2007	4,400	11,742	15,942	183,224	-	215,308
Issue of shares	33	45	6,376	-	-	6,421
Net profit for the year	-	-	-	107,552	-	107,552
Dividends for 2008	40	-	-	(33,338)	-	(33,338)
<b>Balance at 30 June 2008</b>	<b>4,445</b>	<b>18,118</b>	<b>15,942</b>	<b>257,438</b>	<b>-</b>	<b>295,943</b>
Balance at 1 July 2008	4,445	18,118	15,942	257,438	-	295,943
Issue of shares	33	21	3,817	-	-	3,838
Net profit for the year	-	-	-	17,422	-	17,422
Dividends for 2009	40	-	-	(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>

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

**CASH FLOW STATEMENTS**  
for the year ended 30 June 2009

	Notes	Group		Company	
		2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>Cash flows from operating activities</b>					
Interest receipts		1,557,705	1,334,906	-	948
Interest payments		(953,123)	(809,907)	-	-
Commission and fee receipts		228,556	195,166	-	-
Other income received		174,594	249,539	6,715	8,743
Cash payments to employees and suppliers		(612,171)	(530,686)	(19,535)	(21,780)
Cash generated by operations	36	395,561	439,018	(12,820)	(12,089)
Dividends received		9,126	32,937	74,517	116,305
Income taxes paid	38	(106,870)	(179,598)	(57)	(281)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		<u>297,817</u>	<u>292,357</u>	<u>61,640</u>	<u>103,935</u>
<b>Changes in operating assets and liabilities</b>					
Net decrease/ (increase) in financial assets designated at fair value		427,857	(355,905)	-	-
Net decrease in derivative financial instruments		-	46,400	-	-
Net increase in loans and advances to customers and other banks		(1,846,654)	(1,392,320)	-	-
Net decrease/ (increase) in other assets		58,095	(92,301)	(2,618)	(1,597)
Net increase/ (decrease) in other deposits		982,534	(378,717)	-	-
Net increase in amounts due to customers		1,226,148	2,234,073	-	-
Net increase/ (decrease) in other liabilities		31,442	(34,938)	(3,160)	4,890
Net decrease in amounts due to other banks		(99,792)	(123)	-	-
<i>Net cash flow from operating activities</i>		<u>1,077,447</u>	<u>318,526</u>	<u>55,862</u>	<u>107,228</u>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(46,920)	(66,356)	-	-
Proceeds from sale of property, plant and equipment		-	-	-	-
Additions to intangible assets		(1,749)	(13,505)	-	-
Additions to investment in associates		-	(14,536)	-	(72,590)
Proceeds on disposal of associate		-	-	-	50,771
Additions to investment in subsidiaries		-	(16,167)	(37,402)	(39,722)
Decrease in indebtedness from subsidiary		-	-	(5,993)	12,379
Derecognition of affiliates		(4,927)	-	-	-
Additions to other investments		(50,000)	(200,000)	-	-
<i>Net cash used in investing activities</i>		<u>(103,596)</u>	<u>(310,564)</u>	<u>(43,395)</u>	<u>(49,162)</u>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary shares		3,896	45	3,838	45
Proceeds from the issue of preference shares		-	6,376	-	6,376
Proceeds from the issue of debt securities		-	150,000	-	-
Repayment of debt securities in issue		(51,775)	(35,709)	(15,183)	(15,259)
Dividends paid	37	(70,893)	(63,222)	(44,503)	(33,000)
<i>Net cash from financing activities</i>		<u>(118,772)</u>	<u>57,490</u>	<u>(55,848)</u>	<u>(41,838)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of year		670,952	605,500	46,382	30,154
<b>Cash and cash equivalents at end of year</b>	39	<u>1,526,031</u>	<u>670,952</u>	<u>3,001</u>	<u>46,382</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**for the year ended 30 June 2009**

---

**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 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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, plus costs directly attributable to the acquisition. 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 minority 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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

**(b) 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. 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 the income statement, 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 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**(c) Joint ventures (continued)**

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 also 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 the income statement, 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.

**(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 the income statement 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 the fair value reserve in equity.

**(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 as a separate component of equity.

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 shareholders' equity.

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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**1.4 Net interest income**

Interest income and expense are recognised in the income statement 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.

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.

**1.5 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.

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.

**1.6 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.

**1.7 Revenue recognition**

Refer to notes 1.4, 1.5 and 1.6 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.

Revenue from construction contracts is recognised upon the date of transfer of ownership. Revenue from consultations and valuations are recognised as services are delivered.

**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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**  
Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2009**

---

**1.8 Derivative financial instruments and hedge accounting (continued)**

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 the income statement.

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 the income statement, 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 the income statement.

Amounts accumulated in equity are recycled to the income statement 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**(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 the income statement and the derivatives are disclosed separately in the balance sheet.

**1.9 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.

**(a) Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Treasury Bills, Government Stock and Derivatives are designated in this category.

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 in the income statement in the period in which they arise.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**(b) 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 the income statement.

Loans and advances are classified in this category.

**(c) 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 the income statement.

**(d) 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.

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 directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Investments in equity instruments that do not have a quoted market and whose fair value cannot be reliably measured, are measured at cost.

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. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

**1.10 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

**1.11 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**1.12 Impairment of financial assets**

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

The Group assesses at each balance sheet 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.

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 income statement. 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.

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.

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.

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 the income statement.

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 the income statement.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

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

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

The Group assesses at each balance sheet 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. 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 income statement.

**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.

**1.13 Intangible assets**

**(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

**1.14 Property, plant and equipment**

Land and buildings comprise mainly 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. All other repairs and maintenance are charged to the income statement 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 balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the income statement.

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.

**1.15 Property in possession**

Property in possession is included at the lower of cost or net realisable value, and are derecognised when the assets are sold to third parties.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**1.16 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.

**1.17 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.

**(a) 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 income statement over the period of the liability using the effective interest rate method.

The dividends on preference shares are recognised in the income statement 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.

**(b) Financial liabilities at fair value through profit or loss**

Financial liabilities 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 liabilities 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 liabilities at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

**1.18 Leases**

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

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. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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.

**1.19 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**1.19 Cash and cash equivalents (continued)**

For the purposes of the cash flow statement, 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.

**1.20 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 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.

**1.21 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. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history or past losses, supplemented by the judgement of Management.

Any increase in the liability relating to financial guarantees is taken to the income statement under operating expenses.

**1.22 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.

**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 balance sheet 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 under certain circumstances; 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.

**1.23 Deferred and current 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

**1.23 Deferred and current income tax (continued)**

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 balance sheet 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 utilised.

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 charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. 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.

**1.24 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.

**1.25 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 approved by the Company's shareholders.

**1.26 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.

**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>
IFRS 8 Operating segments 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.	Annual periods commencing on or after 1 January 2009
IAS 23 Borrowing Costs – Revised 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.	Annual periods commencing on or after 1 January 2009

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)****for the year ended 30 June 2009****2.1 Standards and interpretations International of Financial Reporting Standards issued but not yet effective (continued)**

	<b>Effective date</b>
<p>IAS 1 Presentation of Financial Statements - Revised</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>IAS 27 Consolidated and Separate Financial Statements - Revised</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>IFRS 3 Business Combinations - Revised</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>Amendment to IFRS 2 Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>Amendments to IAS 32 and IAS 1 Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation</p> <p>IAS 1</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>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</p> <p>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.</p>	Annual periods commencing on or after 1 January 2009
<p>Improvements to IFRSs</p> <p>This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.</p>	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009
<p>Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting</p> <p>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</p>	Annual periods commencing on or after 1 July 2009
<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.</p>	Annual periods commencing on or after 1 January 2009

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

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

	<b>Effective date</b>
IFRIC 16                      Hedges of a Net Investment in a Foreign Operations	
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.	Annual periods commencing on or after 1 October 2008
IFRIC 17                      Distribution of non-cash assets to owners	
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.	Annual periods commencing on or after 1 July 2009
IFRIC 18                      Transfers of assets from customers	
IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers.	Annual periods commencing on or after 1 July 2009

**2.2 Standards and interpretations of International Financial Reporting Standards issued, effective for the first time during the current year**

IFRIC 12                      Service Concession Arrangements	
IFRIC 12 addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements. This statement had no effect in the Group and Company financial statements. This statement had no impact on the Group or Company results.	Annual periods commencing on or after 1 January 2008
IFRIC 13                      Customer Loyalty Programme	
IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. This statement had no effect in the Group and Company financial statements. This statement had no impact on the Group or Company results.	Annual periods commencing on or after 1 July 2008
IFRIC 14                      The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	
IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. This statement had no effect in the Group and Company financial statements. This statement had no impact on the Group or Company results.	Annual periods commencing on or after 1 January 2008
Amendment to IAS 39 and IFRS 7      Amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets	
The amendments introduces the possibility of reclassifications for certain financial assets previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. This statement had no impact on the Group or Company results. The reclassification in note 46 did not fall within the ambit of these amendments.	Annual periods commencing on or after 1 July 2008

**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. .

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

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

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 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.

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

One of the Group's primary activity 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 on-balance sheet loans and advances, but also guarantees and other commitments such as letters of credit.

The Board of Directors, through its Board Audit and Risk 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.

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 balance sheet 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 balance sheet date. Credit risk, together with large exposures, are monitored by the Board Credit and Board Lending Committees.

***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 are monitored on a monthly basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits 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.

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:

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

*(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.

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 balance sheet assets and liabilities, 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>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Cash and balances with central bank	457,416	314,793
Derivative financial instruments	626	2,256
Financial assets designated at fair value through profit or loss	1,351,992	1,303,269
Investment securities	284,110	215,316
Loans and advances to banks	394,636	71,006
Loans and advances to customers		
- Overdraft	2,018,561	1,690,183
- Term loans	2,305,948	1,964,008
- Mortgages	4,283,365	3,649,885
- Instalment finance	1,783,618	1,399,501
- Other	377,194	341,851
Other assets	252,199	310,506
	<b>13,509,665</b>	<b>11,262,574</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

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

	<b>Group</b>	
	<b>Maximum exposure</b>	
	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Credit risk exposure relating to off-balance sheet items are as follows:		
Guarantees	<b>565,302</b>	423,750
Loan commitments and other credit related liabilities	<b>1,247,526</b>	836,645
<b>At 30 June</b>	<b><u>1,812,828</u></b>	<u>1,260,395</u>

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

The above table represents a worse case scenario of credit risk exposure to the Group at 30 June 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. 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 the income statement, showing a 0.4% decrease in the last two 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 1.12.

Also in terms of policy note 1.12, 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.

**3.1.4 Repossessed collateral**

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

	<b>Group</b>	
	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
<i>Nature of assets</i>		
Residential property	<b><u>3,689</u></b>	<u>7,896</u>

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the balance sheet within other assets.

**3.1.5 Loans and advances**

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

Loans and advances to banks have not been impaired as placements and advances and loans to other banks 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 comprises structured finances to large corporate clients, which have no evidence of a deterioration of credit quality.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.1.5 Loans and advances (continued)**

*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\$185.1 million (2008: N\$ 158.5 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:

	<b>Overdrafts</b>	<b>Term loans</b>	<b>Mortgages</b>	<b>Instalment finance</b>	<b>TOTAL</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>Group</b>					
<b>As at 30 June 2009</b>					
Individually impaired loans	50,625	33,734	63,313	37,407	185,079
Fair value of collateral	25,862	15,639	49,331	12,863	103,695
<b>Total</b>	<b>24,763</b>	<b>18,096</b>	<b>13,982</b>	<b>24,545</b>	<b>81,384</b>
<b>As at 30 June 2008</b>					
Individually impaired loans	28,235	32,919	66,531	30,796	158,481
Fair value of collateral	10,992	6,364	46,762	7,767	71,885
<b>Total</b>	<b>17,243</b>	<b>26,555</b>	<b>19,769</b>	<b>23,029</b>	<b>86,596</b>

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:

	<b>Group</b>			
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>Loans and advances to customers N\$'000</b>	<b>Loans and advances to banks N\$'000</b>	<b>Loans and advances to customers N\$'000</b>	<b>Loans and advances to banks N\$'000</b>
Neither past due nor impaired	1,455,071	394,636	232,030	71,006
Loans and advances not past due but subject to general impairment	9,219,339	-	8,726,803	-
Individually impaired	94,276	-	86,596	-
<b>Gross</b>	<b>10,768,686</b>	<b>394,636</b>	<b>9,045,429</b>	<b>71,006</b>
Less: allowance for impairment	133,652	-	132,772	-
<b>Net</b>	<b>10,635,034</b>	<b>394,636</b>	<b>8,912,657</b>	<b>71,006</b>

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 20.

*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 judgment 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.1.6 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.

	<b>Cash and balances with central bank</b>	<b>Derivative financial instruments and investment securities</b>	<b>Financial assets designated at fair value through profit or loss</b>	<b>Loans and advances to banks</b>	<b>Loans and advances to customers</b>	<b>Other assets</b>	<b>TOTAL</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>N\$'000</b>
<b>As at 30 June 2009</b>							
Agriculture and forestry	-	-	-	-	499,994	-	<b>499,994</b>
Fishing	-	-	-	-	199,640	-	<b>199,640</b>
Mining	-	-	1,975	-	132,878	-	<b>134,853</b>
Manufacturing	-	-	-	-	256,296	-	<b>256,296</b>
Building and construction	-	-	-	-	224,566	-	<b>224,566</b>
Electricity, gas and water	-	-	-	-	22,885	-	<b>22,885</b>
Trade and accommodation	-	-	-	-	378,916	-	<b>378,916</b>
Transport and	-	-	-	-	123,744	-	<b>123,744</b>
Finance and insurance	406,141	269,420	107,263	394,636	1,673,069	-	<b>2,850,529</b>
Real estate and Business services	-	-	-	-	2,713,641	-	<b>2,713,641</b>
Government	51,275	-	1,242,754	-	125,571	-	<b>1,419,600</b>
Individuals	-	-	-	-	4,210,143	-	<b>4,210,143</b>
Other	-	15,316	-	-	73,695	252,199	<b>341,210</b>
	<b>457,416</b>	<b>284,736</b>	<b>1,351,992</b>	<b>394,636</b>	<b>10,635,034</b>	<b>252,199</b>	<b>13,376,016</b>
<b>As at 30 June 2008</b>							
Agriculture and forestry	-	-	-	-	420,151	-	420,151
Fishing	-	-	-	-	155,065	-	155,065
Mining	-	-	229,444	-	119,452	-	348,896
Manufacturing	-	-	-	-	237,474	-	237,474
Building and construction	-	-	-	-	182,153	-	182,153
Electricity, gas and water	-	-	-	-	14,227	-	14,227
Trade and accommodation	-	-	-	-	368,965	-	368,965
Transport and	-	-	-	-	89,181	-	89,181
Finance and insurance	314,793	202,256	291,569	71,006	1,256,437	-	2,136,061
Real estate and Business services	-	-	-	-	2,075,326	-	2,075,326
Government	-	-	782,256	-	148,897	-	931,153
Individuals	-	-	-	-	3,805,466	-	3,805,466
Other	-	15,316	-	-	39,862	310,506	365,684
	<b>314,793</b>	<b>217,572</b>	<b>1,303,269</b>	<b>71,006</b>	<b>8,912,656</b>	<b>310,506</b>	<b>11,129,802</b>

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

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.1.7 Credit risk concentration by country**

	Loans and advances to banks N\$'000	Loans and advances to customers N\$'000	Total on- balance sheet exposure N\$'000
<b>Group and company</b>			
<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
RSA	355,966	269,149	625,115
Spain	-	906	906
Sweden	-	10	10
Switzerland	-	369	369
USA	-	795	795
<b>As at 30 June 2008</b>			
Australia	-	918	918
Canada	-	15	15
Denmark	-	92	92
Germany	-	2,472	2,472
Japan	-	26	26
New Zealand	-	340	340
Norway	-	32	32
RSA	51,011	89,058	140,069
Sweden	-	62	62
Switzerland	-	699	699
UK	-	13,888	13,888

There are no off-balance sheet exposures to other countries.

**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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.2.2 Foreign exchange risk (continued)**

**Concentration of foreign denominated currency risk - on- and off-balance sheet financial instruments**

	US\$ N\$'000	€ N\$'000	£ N\$'000	Other N\$'000	Total N\$'000
<b>Group</b>					
<b>As at 30 June 2009</b>					
<b>ASSETS</b>					
Cash and balances with Central Bank	14,086	1,706	123	162	16,077
Derivative financial instruments	-	-	-	626	626
Financial assets designated at fair value through profit or loss	-	-	1,270	-	1,270
Investment securities	15,316	-	-	-	15,316
Loans and advances to banks	3,636	1,285	31	2,527	7,479
Loans and advances to customers	190,823	27,661	1,088	3,991	223,563
<b>Total financial assets</b>	<b>223,861</b>	<b>30,652</b>	<b>2,512</b>	<b>7,306</b>	<b>264,331</b>
<b>LIABILITIES</b>					
Due to customers	230,781	26,140	2,227	3,796	262,944
Other liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	<b>230,781</b>	<b>26,140</b>	<b>2,227</b>	<b>3,796</b>	<b>262,944</b>
<b>Net on-balance sheet financial position</b>	<b>(6,920)</b>	<b>4,512</b>	<b>285</b>	<b>3,510</b>	<b>1,387</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 2008</b>					
<b>Total financial assets</b>	114,908	30,745	231,190	39,128	415,971
<b>Total financial liabilities</b>	92,615	24,760	3,160	4,330	124,865
<b>Net on-balance sheet financial position</b>	<b>22,293</b>	<b>5,985</b>	<b>228,030</b>	<b>34,798</b>	<b>291,106</b>
<b>Credit commitments</b>	<b>22,659</b>	<b>874</b>	<b>-</b>	<b>2,446</b>	<b>25,979</b>

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

	<b>Effect on net profit</b>	
	<b>2009</b>	<b>2008</b>
Currency		
US Dollar/ Namibia Dollar	(738)	111
British Pounds/ Namibia Dollar	(35)	(9)
Euro/ Namibia Dollar	138	(176)
US Dollar/ Botswana Pula	(35)	314
British Pounds/ Botswana Pula	-	(16)
Euro/ Botswana Pula	17	-
Other/ Botswana Pula	22	(161)

	<b>Effect on net profit</b>	
	<b>2009</b>	<b>2008</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	44	390
Effect of Botswana Pula denominated equity instrument on net profit before tax	1,658	1,242
Effect of US Dollar denominated equity instrument on equity	557	469

**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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.2.3 Interest rate risk (continued)**

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.

**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 2009</b>						
<b>ASSETS</b>						
Cash and balances with Central Bank	-	-	-	-	457,416	457,416
Derivative financial instruments	626	-	-	-	-	626
Financial assets designated at fair value through profit or loss	662,000	405,259	275,319	1,760	7,654	1,351,992
Investment securities	-	-	-	-	284,110	284,110
Loans and advances to banks	394,636	-	-	-	-	394,636
Loans and advances to customers	9,594,881	3,744	7,511	689,988	338,910	10,635,034
Other assets	-	-	-	-	252,199	252,199
<b>Total assets</b>	<u>10,652,143</u>	<u>409,003</u>	<u>282,830</u>	<u>691,749</u>	<u>1,340,289</u>	<u>13,376,013</u>
<b>LIABILITIES</b>						
Other deposits	625,000	336,000	1,073,500	-	50,083	2,084,583
Debt securities in issue	-	-	-	-	493,080	493,080
Due to customers	6,357,946	960,876	769,351	1,081	1,531,735	9,620,989
Other liabilities	-	-	-	-	283,608	283,608
<b>Total liabilities</b>	<u>6,982,946</u>	<u>1,296,876</u>	<u>1,842,851</u>	<u>1,081</u>	<u>2,358,506</u>	<u>12,482,260</u>
<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>893,753</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>
<b>As at 30 June 2008</b>						
<b>Interest sensitivity gap</b>	<u>2,631,679</u>	<u>(990,475)</u>	<u>(927,376)</u>	<u>(6,116)</u>	<u>37,896</u>	<u>745,608</u>
<b>Cumulative interest sensitivity gap</b>	<u>2,631,679</u>	<u>1,641,204</u>	<u>713,828</u>	<u>707,712</u>	<u>745,608</u>	<u>-</u>

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

	2009 N\$'000	2008 N\$'000
The following sensitivity analysis are monitored monthly:		
Effect on Namibian Group treasury portfolio of 100 basis points change:		
Liquid portfolio	631	1,050
Trading portfolio	<u>1,102</u>	<u>871</u>
Effect on Namibian operations' net interest income		
100 basis points increase	48,167	48,093
100 basis points decrease	<u>(26,760)</u>	<u>(26,718)</u>
Effect on Botswana operations' net interest income		
100 basis points increase	1,264	2,251
100 basis points decrease	<u>(1,264)</u>	<u>(2,251)</u>

**3.2.4 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. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.2.4 Liquidity risk (continued)**

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

This risk is managed pro-actively by monitoring the maturity profile of the current balance sheet as well as the expected future structure. ALCO is responsible for monitoring this risk and managing potential mismatches in accordance with best banking practices, including funding requirements.

**Liquidity risk analysis**

<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 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>month</b>					
<b>As at 30 June 2009</b>						
<b>ASSETS</b>						
Cash and balances with Central Bank	457,416	-	-	-	-	457,416
Derivative financial instruments	-	626	-	-	-	626
Financial assets designated at fair value through profit or loss	667,678	405,259	275,278	-	3,777	1,351,992
Investment securities	-	-	-	284,110	-	284,110
Loans and advances to banks	355,966	-	-	-	-	355,966
Loans and advances to customers	2,645,749	319,733	1,015,056	3,440,752	3,213,744	10,635,034
Other assets	227,510	-	73	-	24,616	252,199
<b>Total assets (contractual maturity dates)</b>	<b>4,354,319</b>	<b>725,618</b>	<b>1,290,407</b>	<b>3,724,862</b>	<b>3,242,137</b>	<b>13,337,343</b>
<b>LIABILITIES</b>						
Other deposits	675,083	336,000	1,073,500	-	-	2,084,583
Debt securities in issue	-	-	-	493,080	-	493,080
Due to 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>
<b>Liquidity sensitivity gap</b>	<b>(4,492,839)</b>	<b>(571,257)</b>	<b>(552,444)</b>	<b>3,230,564</b>	<b>3,241,060</b>	<b>855,083</b>
<b>Cumulative liquidity sensitivity gap</b>	<b>(4,492,839)</b>	<b>(5,064,096)</b>	<b>(5,616,540)</b>	<b>(2,385,976)</b>	<b>855,085</b>	<b>-</b>
<b>As at 30 June 2008</b>						
<b>Liquidity sensitivity gap</b>	<b>(2,735,024)</b>	<b>(2,214,507)</b>	<b>(1,469,555)</b>	<b>2,512,753</b>	<b>4,651,941</b>	<b>745,608</b>
<b>Cumulative liquidity sensitivity gap</b>	<b>(2,735,024)</b>	<b>(4,949,531)</b>	<b>(6,419,086)</b>	<b>(3,906,333)</b>	<b>745,608</b>	<b>-</b>

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

**3.2.5 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 foreign stock exchanges.

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

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

	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
Effect on equity	<b>370</b>	1,340
Effect on net profit before taxation	<b>127</b>	1,114

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet 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 balance sheet 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 balance sheet 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.

<b>Group</b>	<b>Carrying value</b>		<b>Fair value</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>FINANCIAL ASSETS</b>				
Cash and balances with Central Bank	457,416	314,793	457,416	314,793
Derivative financial instruments	626	2,256	626	2,256
Financial assets designated at fair value through profit or loss	1,351,992	1,303,269	1,351,992	1,303,269
Investment securities	284,110	215,316	284,110	215,316
Loans and advances to banks	394,636	71,006	394,636	71,006
Loans and advances to customers	10,635,034	8,912,657	10,635,034	8,912,657
Other assets	252,199	310,506	252,199	310,506
	<u>252,199</u>	<u>310,506</u>	<u>252,199</u>	<u>310,506</u>
<b>FINANCIAL LIABILITIES</b>				
Deposits from other banks	-	99,792	-	99,792
Other deposits	2,084,583	1,102,049	2,084,583	1,102,049
Debt securities in issue	493,080	493,866	199,820	486,997
Due to customers	9,620,989	8,394,841	9,620,989	8,394,841
Other liabilities	283,608	293,647	283,608	293,647
	<u>283,608</u>	<u>293,647</u>	<u>283,608</u>	<u>293,647</u>
<b>OFF-BALANCE SHEET FINANCIAL ITEMS</b>				
Guarantees, acceptances and other financial facilities	565,302	423,750	565,302	423,750
Loan commitment	1,237,578	836,645	1,237,578	836,645
	<u>1,237,578</u>	<u>836,645</u>	<u>1,237,578</u>	<u>836,645</u>

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

*a) Cash and balances with Central Banks*

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

*b) 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\$ 293,191 (2008: N\$5,330,000). There are no financial instruments measured at fair value using a valuation technique that is not supported by observable market prices or rates.

*c) 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.

*d) Loans and advanced to banks*

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

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**3.3 Fair values of financial assets and liabilities (continued)**

*e) Loans and advances to customers*

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

*f) 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.

*g) 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.

*h) Other deposits*

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

*i) 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.

*j) Off-balance sheet financial instruments*

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

**3.4 Classification of financial instruments**

Financial assets and liabilities are classified as follows:

	Available-for-sale	Fair value though profit or loss	Held-to-maturity	Loans and receivables	Other financial liabilities	Total
<b>FINANCIAL ASSETS</b>						
Cash and balances with Central Bank	-	-	-	457,416	-	457,416
Derivative financial instruments	-	626	-	-	-	626
Financial assets designated at fair value through profit or loss	-	1,351,992	-	-	-	1,351,992
Investment securities	284,110	-	-	-	-	284,110
Loans and advances to banks	-	-	-	394,636	-	394,636
Loans and advances to customers	-	-	-	10,635,034	-	10,635,034
Other assets	-	-	-	252,199	-	252,199
<b>FINANCIAL LIABILITIES</b>						
Other deposits	-	2,084,583	-	-	-	2,084,583
Debt securities in issue	-	-	-	-	493,080	493,080
Due to customers	-	9,620,989	-	-	-	9,620,989
Other liabilities	-	-	-	-	283,608	283,608

**3.5 Capital management**

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, 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 banking Group**

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

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

**Capital management for the banking Group (continued)**

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.

Bank of Botswana requires each bank or banking group in Botswana to hold the minimum level of the regulatory capital of P5 million, as well as to maintain the following capital adequacy ratios:

- Tier 1 and Tier 2 capital to risk weighted assets at a minimum of 15%, referred to as capital adequacy ratio.
- Tier 2 capital to Tier 1 capital limited at a ratio of 50% in the determination of capital adequacy.

The Group's regulatory capital is divided into two 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; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of, and reflecting an estimate of credit risks associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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

	<b>Group and company</b>	
	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
<b>Namibian banking group</b>		
<b>Tier 1 capital</b>		
Share capital	4,881	4,881
Share premium	158,625	158,625
General bank reserves	815,730	689,430
Retained earnings	361	265
<b>Total qualifying Tier 1 capital</b>	<b>979,597</b>	<b>853,201</b>
<b>Tier 2 capital</b>		
Revaluation reserve	15,316	15,316
Subordinated debt (refer to note 34)	198,649	197,801
Portfolio impairment	97,624	84,849
<b>Total qualifying Tier 2 capital</b>	<b>311,589</b>	<b>297,966</b>
<b>Total regulatory capital</b>	<b>1,291,186</b>	<b>1,151,167</b>
<b>Risk-weighted assets:</b>		
On-balance sheet	9,250,083	8,238,386
Off-balance sheet	255,455	209,097
<b>Total risk-weighted assets</b>	<b>9,505,538</b>	<b>8,447,483</b>
<b>Capital adequacy ratios:</b>		
Leverage capital ratio	7.9%	8.1%
Tier 1 risk-based capital ratio	10.3%	10.1%
Total risk-based capital ratio	13.6%	13.6%
	<b>P'000</b>	<b>P'000</b>
<b>Botswana banking group</b>		
<b>Tier 1 capital</b>		
Stated Capital	103,406	80,094
Retained earnings	5,107	3,974
<b>Total qualifying Tier 1 capital</b>	<b>108,513</b>	<b>84,068</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

*Capital management for the banking Group (continued)*

	<b>Group and company</b>	
	<b>2009</b>	<b>2008</b>
	<b>P'000</b>	<b>P'000</b>
<i>Botswana banking group (continued)</i>		
<b>Tier 2 capital</b>		
Collective impairment allowance	<u>8,752</u>	6,133
<b>Total qualifying Tier 2 capital</b>	<u>8,752</u>	<u>6,133</u>
<b>Total regulatory capital</b>	<u>117,265</u>	<u>90,201</u>
<b>Risk-weighted assets:</b>		
On-balance sheet	<u>700,196</u>	504,288
Off-balance sheet	<u>22,583</u>	5,556
<b>Total risk-weighted assets</b>	<u>722,779</u>	<u>509,844</u>
<b>Capital adequacy ratio</b>	<u>16.2%</u>	<u>17.7%</u>

**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 income statement, 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 general provisions 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 2009 as the carrying value of these investments approximate its fair value, as determined by reference to external information.

*(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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

**and its subsidiaries**

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**for the year ended 30 June 2009**

---

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

***(d) Held-to-maturity investments***

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost.

Such reclassification was required in the current year. Refer to note 46.

***(e) Severance pay***

Based on management's estimate, the Group's exposure to severance pay relating to death-in-service is not significant. No liability is required in respect of retirement.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>5. Net interest income</b>				
<i>Interest and similar income</i>				
Cash and short-term funds	178,603	116,190		
Loans and advances	1,396,930	1,218,716		
Intergroup	965	-		
	<u>1,576,498</u>	<u>1,334,906</u>		
<i>Interest expense and similar charges</i>				
Banks and customers	977,023	788,444		
Other borrowed funds	26,885	21,463		
Intergroup	204	-		
	<u>1,004,112</u>	<u>809,907</u>		
<b>Net interest income</b>	<u>572,386</u>	<u>524,999</u>		
<b>6. Fee and commission income</b>				
Transaction and other related fees	217,888	184,609		
Commissions	7,531	8,054		
Trust and other fiduciary fees	3,137	2,503		
	<u>228,556</u>	<u>195,166</u>		
<b>7. Net trading income</b>				
Foreign exchange gains less losses	53,473	38,687		
Net income from financial instruments designated at fair value through profit or loss	6,378	40,313		
	<u>59,851</u>	<u>79,000</u>		
<b>8. Other operating income</b>				
Asset management and administration fees	25,871	19,961	-	-
Brokerage commission	49,820	48,351	-	-
Dividends received	25	10,801	52,501	117,181
Consultancy fees received	1,982	6,842	4,581	9,088
Foreign exchange (loss)/ gain	(3,135)	2,483	(743)	(219)
Interest received	15,120	6,266	2,130	948
Management fees received	4,202	2,488	-	-
Net (loss) / income from financial instruments designated at fair value through profit or loss	(10,024)	1,644	(6,889)	481
Profit on disposal of equity investment	-	13,200	-	-
Profit/ (loss) on sale of property, plant and equipment	559	(84)	-	-
Profit realised on disposal of affiliates	-	-	-	17,488
Other	18,434	14,215	-	-
	<u>102,854</u>	<u>126,167</u>	<u>51,580</u>	<u>144,967</u>
<b>9. Impairment losses on loans and advances</b>				
Increase in specific impairment	21,596	35,791		
Decrease in portfolio impairment	6,737	(2,900)		
Amounts written off	8,190	-		
Amounts recovered during the year	-	(1,175)		
	<u>36,523</u>	<u>31,716</u>		
<b>10. Staff costs</b>				
Wages and salaries	307,912	242,128	13,239	14,862
Staff training and transfer cost	4,719	6,133	-	-
Pension costs - defined contribution plan	17,730	14,207	26	68
	<u>330,361</u>	<u>262,468</u>	<u>13,265</u>	<u>14,930</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>11. Operating expenses</b>				
<i>Expenses by nature</i>				
Advertising and marketing	21,737	23,443	-	-
Amortization and impairment of intangible assets	1,891	11,486	-	-
Association transaction fees	21,919	16,938	-	-
Auditors remuneration				
Audit fees	2,949	2,931	122	228
Fees for other services	666	620	137	122
Directors' emoluments	119			
For services as directors	4,685	3,330	(163)	(18)
Depreciation	28,854	36,552	-	-
Impairment of property, plant and equipment	-	-	-	-
Impairment of receivables	-	1,400	-	-
Impairment of investment in associate	7,070	-	-	-
Interest paid	30,325	25,894	14,842	15,721
Intragroup consultancy and management fees	5,825	2,527	964	1,102
Operating lease rentals - immovable property	39,712	31,273	1,077	1,154
Professional services	6,733	8,606	715	1,190
Repairs and maintenance	10,610	10,899	-	-
Royalties paid	4,018	-	-	-
Staff costs (Note 10)	330,361	262,468	13,265	14,930
Sub-agents commission	1,068	974	-	-
Technology costs	22,913	25,460	-	-
Other expenses	108,531	116,973	3,199	2,900
	<u>649,986</u>	<u>581,774</u>	<u>34,158</u>	<u>37,329</u>
<b>12. Share of associates' results</b>				
Profit before taxation	36,915	43,772		
Taxation	(8,042)	(9,097)		
	<u>28,873</u>	<u>34,675</u>		
<b>13. Income tax expense</b>				
Current tax	100,428	126,961	-	86
Income tax - prior year	-	507	-	-
Deferred tax	(220)	(22,893)	-	-
	<u>100,208</u>	<u>104,575</u>	<u>-</u>	<u>86</u>
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax and results from associates	277,613	312,711	17,422	107,638
Prima facie tax calculated at a tax rate	97,225	109,449	6,098	37,673
Cross-border withholding taxation		822	-	-
Income not subject to tax	(10,644)	(23,679)	(18,813)	(48,313)
Expenses not deductible for tax purposes	18,569	17,657	11,133	10,726
Tax losses not utilised	2,828	272	1,582	-
Unutilised tax losses not previously recognised	745	(322)	-	-
Prior year adjustment	(5,144)	376	-	-
Deferred tax rate change	(3,487)	-	-	-
Withholding tax	116	-	-	-
Income tax expense	<u>100,208</u>	<u>104,575</u>	<u>-</u>	<u>86</u>
Effective interest rate	<u>36%</u>	<u>33%</u>	<u>0%</u>	<u>0%</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>14. Earnings per share</b>				
Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted number of ordinary shares in issue during the year (disclosed in cents).	<b>4,624</b>	5,495	<b>391</b>	2,434
Net profit attributable to shareholders	<u><b>206,279</b></u>	<u>242,811</u>	<u><b>17,422</b></u>	<u>107,552</u>
Weighted number of ordinary shares in issue (note 33)	<u><b>4,460,750</b></u>	<u>4,418,750</u>	<u><b>4,460,750</b></u>	<u>4,418,750</u>

**15. Cash and balances with the Central Bank**

Cash and bank balances	<b>319,301</b>	209,012	<b>3,001</b>	46,382
Balances with the Central Bank	<u><b>138,115</b></u>	<u>105,781</u>	<u>-</u>	<u>-</u>
	<u><b>457,416</b></u>	<u>314,793</u>	<u><b>3,001</b></u>	<u>46,382</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.

**16. Derivative financial instruments**

Foreign exchange currency option	-	1,775	-	-
Derivatives - Options	<b>(6,408)</b>	481	<b>(6,408)</b>	481
Derivatives - Interest rate swaps	<u><b>626</b></u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>(5,782)</b></u>	<u>2,256</u>	<u><b>(6,408)</b></u>	<u>481</u>

The notional principal amount of the outstanding interest rate swap contract at 30 June 2009 was N\$50 million. There were no open positions at 30 June 2008.

During the previous year, the company purchased the option to purchase 652,916,433 ordinary shares in the issued capital of Cavmont Holdings Zambia Plc.

**17. Financial assets designated at fair value through profit or**

Treasury bills	<b>861,145</b>	532,145	-	-
Government stocks	<b>381,609</b>	250,111	-	-
Equity securities	<b>1,975</b>	229,444	<b>7,174</b>	7,921
Money market investments	<b>101,584</b>	158,675	-	-
Other debt securities	<u><b>5,679</b></u>	<u>132,894</u>	<u>-</u>	<u>-</u>
	<u><b>1,351,992</b></u>	<u>1,303,269</u>	<u><b>7,174</b></u>	<u>7,921</u>

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\$607,000,000 (2008: N\$ 192,420,000) and Government stock with a nominal value of NIL (2008: N\$ 100,780,000) are available at Bank of Namibia for collateral should the need arise. At year-end N\$9,470,000 was utilised for security purposes. Bank of Botswana Certificates with a nominal value of P42,000,000 (2008: P34,720,000) are pledged as securities with the Bank of Botswana.

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

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>18. Investment securities</b>				
Securities available-for-sale - Listed	15,316	15,316		
Securities available-for-sale - Unlisted	268,794	-		
Securities held-to-maturity - Unlisted	-	200,000		
	<u>284,110</u>	<u>215,316</u>		
Non-current	<u>284,110</u>	<u>215,316</u>		
Gains and losses arising from these investments are as follows:				
Derecognition of investment	<u>-</u>	<u>13,200</u>		
The movement during the year is summarised as follows:				
Opening balance	215,316	-		
Additions	50,000	223,494		
Redemption	-	(13,200)		
Interest capitalised	18,794	-		
Gains in changes in fair value	-	5,022		
	<u>284,110</u>	<u>215,316</u>		
<b>19. Loans and advances to banks</b>				
Due from other banks	138,193	50,439		
Placement with other banks	256,443	20,567		
	<u>394,636</u>	<u>71,006</u>		
Placement with other banks are included in cash and cash equivalents for the purposes of the cash flow statement.				
<b>20. Loans and advances to customers</b>				
Overdrafts	2,018,561	1,690,183		
Term loans	2,305,948	1,964,008		
Mortgages	4,283,365	3,649,885		
Instalment finance	1,783,618	1,399,501		
Other	377,194	341,851		
<i>Gross loans and advances</i>	<u>10,768,686</u>	<u>9,045,428</u>		
<i>Less impairment</i>				
Specific credit risk provision	81,384	86,596		
General credit risk provision	52,268	46,175		
	<u>10,635,034</u>	<u>8,912,657</u>		
Term loans include a balance of N\$100,000,000, which comprises of Government stock securities purchased under agreements to resell ('reverse repos').				
Movement in impairment for the Group and the Company is as follows:				
Balance at the beginning of the year	131,905	125,491		
Provision for loan impairment	36,501	33,273		
Amounts written off during the year as uncollectible	(34,754)	(25,993)		
Balance at the end of the year	<u>133,652</u>	<u>132,771</u>		

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**20. Loans and advances to customers (continued)**

	2009		2008	
	N\$	%	N\$	%
The aggregate amount of non-performing loans on which interest was not being accrued amounted to N\$66,014,356 at 30 June 2009 (2008: N\$63,641,341). Accumulated unrecognised interest related to such loans amounted to N\$44,309,356 (2008: N\$45,985,341). All loans have been written down to their recoverable amount.				
Maturity analysis of loans and advances to customers for the Group were as follows:				
Repayable within 1 month	1,992,170	18.7%	1,640,028	18.4%
Repayable after 1 month but within 3 months	116,891	1.1%	54,120	0.6%
Repayable after 3 months but within 6 months	170,478	1.6%	77,391	0.9%
Repayable after 6 months	8,355,495	78.5%	7,141,118	80.1%
	<u>10,635,034</u>	<u>100.0%</u>	<u>8,912,657</u>	<u>100.0%</u>

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000

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

Repayable within 1 year	96,831	50,233
Repayable after 1 year but within 5 years	2,080,728	1,773,968
Repayable after 5 years	621,799	29,585
Gross investment in instalment finances	<u>2,799,358</u>	1,853,786
Unearned future finance income on instalment finances	<u>(1,091,724)</u>	(520,490)
Net investment in instalment finances	<u>1,707,634</u>	1,333,296

**21. Investment in subsidiaries**

Balance as at 1 July	308,735	269,013
Disposal of subsidiary	37,402	40,075
Issue of new shares by subsidiary	-	(353)
Balance as at 30 June	<u>346,137</u>	308,735
Indebtedness by subsidiaries	<u>6,302</u>	309
Total investment in subsidiaries	<u>352,439</u>	309,044
Directors' valuation of investment in shares	<u>1,451,471</u>	1,228,492

**22. Investment in associates**

**Santam Namibia Ltd**

Bank Windhoek Holdings Ltd holds an effective 30% , non-controlling interest in Santam Namibia Ltd, a Namibian company providing short-term insurance.

**Carrying value of investment in associate**

Cost	8,980	8,980
Share of current year's retained income	9,533	2,184
- Profit before tax	13,813	14,602
- Current and deferred tax	(4,280)	(4,918)
- Dividends	-	(7,500)
Post acquisition retained income at the beginning of the year	<u>31,134</u>	28,950
	<u>49,647</u>	40,114
Directors' valuation	<u>58,293</u>	47,100

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

for the year ended 30 June 2009

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Santam Namibia Ltd (continued)</b>				
<b>Summarised financial information (unaudited)</b>				
Non-current assets	183,918	148,742		
Technical assets	63,581	63,668		
Current assets	143,480	201,241		
Non-current liabilities	(10,983)	(13,398)		
Technical liabilities	(143,356)	(132,848)		
Current liabilities	(70,275)	(133,693)		
Capital and reserves	<u>166,365</u>	<u>133,712</u>		
<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	<u>47,290</u>	47,290		
Share of current year's retained income	5,885	2,074		
- Profit before tax	16,744	18,798		
- Current and deferred tax	(2,610)	(2,583)		
- Dividends paid	(8,249)	(14,141)		
Post acquisition retained income at the beginning of the year	<u>18,234</u>	16,160		
	<u>71,409</u>	65,524		
Directors' valuation	<u>121,039</u>	111,062		
<b>Summarised financial information (unaudited)</b>				
Non-current assets	1,251,008	839,348		
Current assets	83,938	80,529		
Non-current liabilities	(1,049,150)	(688,522)		
Current liabilities	(106,565)	(72,100)		
Capital and reserves	<u>179,231</u>	<u>159,255</u>		
<b>VTB (Pty) Ltd</b>				
The Group holds 49.67% non-controlling interest in VTB Capital Namibia (Pty) Ltd, a financial consulting company. The holding includes 50% of the non-cumulative, non-participating, convertible preference shares.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	22,881	22,881		
Share of current year's retained income	(206)	3,085		
- Profit before tax	(206)	3,085		
- Current and deferred tax	-	-		
Post acquisition retained income at the beginning of the year	<u>3,198</u>	113		
	<u>25,873</u>	26,079		
Directors' valuation	<u>25,769</u>	25,976		
<b>Summarised financial information</b>				
Non-current assets	236	273		
Current assets	52,218	52,322		
Current liabilities	(639)	(364)		
Capital and reserves	<u>51,815</u>	<u>52,231</u>		

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Nam-mic Financial Services Holdings (Pty) Ltd</b>				
The company holds an effective 27.5% , non-controlling interest in Nam-mic Financial Services Holdings Ltd, a Namibian company providing brokerage services.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	4,915	4,915	57,219	57,219
Share of current year's retained income	1,802	4,621		
- Profit before tax	2,925	5,302		
- Current and deferred tax	(269)	(186)		
- Dividends paid	(854)	(495)		
Post acquisition fair value reserves	14,166	6,832		
Post acquisition retained income at the beginning of the year	12,037	7,416		
	<u>32,920</u>	<u>23,784</u>	<u>57,219</u>	<u>57,219</u>
Directors' valuation	<u>79,550</u>	<u>57,475</u>		
<b>Summarised financial information</b>				
Non-current assets	169,922	147,348		
Current assets	5,713	6,302		
Non-current liabilities	(44,028)	(44,311)		
Current liabilities	(21,693)	(24,353)		
Capital and reserves	<u>109,914</u>	<u>84,986</u>		
<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
Share of current year's (accumulated loss)/ retained income	(320)	4,079		
- Profit before tax	563	4,982		
- Current and deferred tax	(883)	(1,410)		
- Share of other reserves	-	507		
Share of foreign currency translation reserve	(4,743)	10,007		
Post acquisition retained income at the beginning of the year	4,227	948		
	<u>25,076</u>	<u>40,946</u>	<u>25,913</u>	<u>25,913</u>
Directors' valuation	<u>25,070</u>	<u>40,938</u>		
<b>Summarised financial information (unaudited)</b>				
Total assets	1,251,008	376,611		
Total liabilities	(1,049,150)	(293,561)		
Capital and reserves	<u>201,858</u>	<u>83,050</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.				

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>22. Investment in associates (continued)</b>				
<b>Smartswitch Botswana (continued)</b>				
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.				
<b>Carrying value of investment in associate</b>				
Cost	10,157	13,284		
Share of current year's accumulated loss	(3,058)	(3,654)		
- Loss before tax	(3,058)	(3,654)		
- Current and deferred tax	-	-		
- Dividends paid	-	-		
Post acquisition accumulated loss at the beginning of the year	-	(2,560)		
Impairment of investment in associate	(7,099)	-		
	-	7,070		
Directors' valuation	-	7,075		
<b>Summarised financial information</b>				
Non-current assets	1,251,008	16,958		
Current assets	83,938	957		
Non-current liabilities	(1,049,150)	(13,833)		
Current liabilities	(106,565)	(4,515)		
Capital and reserves	179,231	(433)		
Total investment in associate	204,925	203,517	83,132	83,132
Directors' valuation	309,721	289,626	-	-
<b>23. Interest in joint ventures</b>				
<i>23.1 Jointly controlled assets - at cost</i>				
The Group 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.				
Included in operating profit is the Group's share of the profit in the joint venture	1,682	741	-	-
<i>23.2 Jointly controlled entity</i>				
Opening balance	4,892	4,023	-	-
The Group's share of the profit in the joint	475	869	-	-
Closing balance	5,367	4,892	-	-
The Group obtained a 25% interest in Namclear (Pty) Limited during the previous year. The joint venture is equity accounted but the related disclosure of the associate is not provided in view of the insignificant amounts involved.				
Total investments	7,049	5,633	-	-
Directors' valuation of investment in shares	7,049	5,633	-	-

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**24. Intangible assets**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Computer software cost</b>	<b>Other intangibles</b>	<b>Total</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>		<b>N\$'000</b>
<b>Group</b>					
<b>Year end - 30 June 2009</b>					
Cost at 1 July 2008	7,203	63,313	49,931	6,547	126,994
Acquisition in business combination	-	-	-	296	296
Additions	-	429	1,024	-	1,453
Exchange rate adjustment	-	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><u>3,836</u></u>	<u><u>63,845</u></u>	<u><u>1,243</u></u>	<u><u>121</u></u>	<u><u>69,045</u></u>
<b>Year end - 30 June 2008</b>					
Cost at 1 July 2007	7,203	53,213	49,269	5,659	115,344
Disposal of subsidiary	-	(2,517)	-	-	(2,517)
Acquisition in business combination	-	12,617	-	888	13,505
Additions	-	-	662	-	662
Cost at 30 June 2008	<u>7,203</u>	<u>63,313</u>	<u>49,931</u>	<u>6,547</u>	<u>126,994</u>
Amortisation at 1 July 2007	(1,449)	-	(43,986)	(989)	(46,424)
Charge for the year	(959)	-	(5,292)	(5,235)	(11,486)
Amortisation and impairment at 30 June 2008	<u>(2,408)</u>	<u>-</u>	<u>(49,278)</u>	<u>(6,224)</u>	<u>(57,910)</u>
<i>Net book value at 30 June 2008</i>	<u><u>4,795</u></u>	<u><u>63,313</u></u>	<u><u>653</u></u>	<u><u>323</u></u>	<u><u>69,084</u></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 five years. Other intangibles comprise of purchase of various underlying books.

**25. Property, plant and equipment**

	<b>Freehold land and buildings</b>	<b>Computer and other equipment</b>	<b>Vehicles</b>	<b>Furniture and fittings</b>	<b>Total</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>Group</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 2009	<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><u>50,849</u></u>	<u><u>50,884</u></u>	<u><u>4,043</u></u>	<u><u>56,409</u></u>	<u><u>162,185</u></u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**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 2008</b>					
Cost at 1 July 2007	22,096	99,657	7,324	83,090	212,167
Additions	28,107	16,461	2,135	19,652	66,355
Disposals	-	(108)	(128)	(190)	(426)
Transfers	(2,759)	221	-	2,538	-
Disposal of subsidiaries	-	-	-	(673)	(673)
Cost at 30 June 2008	<u>47,444</u>	<u>116,231</u>	<u>9,331</u>	<u>104,417</u>	<u>277,423</u>
Accumulated depreciation at 1 July 2007	(2,268)	(52,603)	(4,831)	(37,611)	(97,313)
Charge for the year	(1,012)	(16,128)	(1,199)	(10,053)	(28,392)
Disposal of subsidiaries	-	-	-	81	81
Depreciation on disposals	-	83	76	184	343
Impairment	-	(8,159)	-	-	(8,159)
Accumulated depreciation at 30 June 2008	<u>(3,280)</u>	<u>(76,807)</u>	<u>(5,954)</u>	<u>(47,399)</u>	<u>(133,440)</u>
<i>Net book value at 30 June 2008</i>	<u>44,164</u>	<u>39,424</u>	<u>3,377</u>	<u>57,018</u>	<u>143,983</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>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>26. Other assets</b>				
Accounts receivable and prepayments	<b>62,567</b>	31,307	<b>2,922</b>	2,175
Property in possession	<b>3,689</b>	4,417	-	-
Deposits	<b>2</b>	-	-	-
Dividends receivable	-	-	-	22,016
Internal and settlement accounts	<b>164,170</b>	269,047	-	-
Other receivables	<b>25,313</b>	-	-	-
Other taxes	<b>147</b>	337	<b>31</b>	15
Prepayment	-	7,169	<b>4,390</b>	-
Work-in-progress	-	2,646	-	2,535
	<u><b>255,888</b></u>	<u>314,923</u>	<u><b>7,343</b></u>	<u>26,741</u>

**27. Deposits from other banks**

Deposits from other banks	<u>-</u>	<u>99,792</u>
---------------------------	----------	---------------

**28. Other deposits**

Negotiable certificates of deposit	<u><b>2,084,583</b></u>	<u>1,102,049</u>
------------------------------------	-------------------------	------------------

There were no NCDs held as collateral as at 30 June 2009 (2008: N\$ 21,564,145).

**29. Debt securities in issue**

Balance at	<b>493,866</b>	335,072	<b>137,333</b>	137,043
Issue of debt securities	<b>275</b>	150,000	-	-
Effective interest rates adjustment	<b>50,989</b>	44,503	<b>14,623</b>	15,549
Coupon payment	<b>(51,974)</b>	(35,709)	<b>(15,183)</b>	(15,259)
Exchange rate	<b>(76)</b>	-	-	-
Balance as at 30 June	<u><b>493,080</b></u>	<u>493,866</u>	<u><b>136,773</b></u>	<u>137,333</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**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 these bonds were N\$ 199,820,166 (2008: N\$ 192,879,733) at 30 June 2009.

During the previous year, Bank Windhoek Holdings Ltd, issued 150,000 cumulative, redeemable preference shares at 1c per share. The preference shares are redeemable at on 14 December 2012. Preference shares also include shares issued by Capricorn Investment Holdings (Botswana) (Pty) Ltd, of which the majority shares have been issued to Bank Windhoek Holdings Ltd.

Capricorn Investment Holdings (Botswana) (Pty) Ltd has 4,415 P1 preference shares issued of which Bank Windhoek Holdings Ltd has taken up 4,216 shares.

Promissory notes, with a nominal value of N\$135,000,000, pays interest semi-annually at the average Bank Windhoek prime lending rate less 3.55%. The redemption date is 6 November 2009, but are callable in their entirety, without premium or penalty by either party at any time on or after 7 November 2007, subject to a notice period of 60 days to the other party in writing.

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>30. Due to customers</b>				
Current accounts	2,853,420	2,070,823		
Savings accounts	561,123	400,625		
Other deposits	6,206,446	5,923,393		
Due to customers	<u>9,620,989</u>	<u>8,394,841</u>		

Other deposits to the value of N\$261,290,581 (2008: N\$987,968,383) are held as collateral.

	2009	2009	2008	2008
	N\$'000	%	N\$'000	%
Economic sector risk concentrations within the customer current, savings, deposit account portfolio for the Group were as follows:				
Government	169,270	1.8	222,049	2.6
Financial institutions	5,763,336	59.9	3,676,982	43.8
Companies and close corporations	2,387,666	24.8	3,035,257	36.2
Individuals	1,300,717	13.5	1,460,553	17.4
	<u>9,620,989</u>	<u>100.0</u>	<u>8,394,841</u>	<u>100.0</u>

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

	2009	2009	2008	2008
	N\$'000	%	N\$'000	%
Withdrawable on demand	6,595,201	68.6	5,029,490	59.9
Maturing within 1 month	1,505,429	15.6	1,835,967	21.9
Maturing after 1 month but within 6 months	956,906	9.9	1,142,161	13.6
Maturing after 6 months	563,453	5.9	387,223	4.6
	<u>9,620,989</u>	<u>100.0</u>	<u>8,394,841</u>	<u>100.0</u>

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>31. Other liabilities</b>				
Accounts payable and other accruals	141,535	137,047	4,753	7,913
Dividends payable	-	41,481	-	33,338
Other taxes	7,461	4,549	-	-
Internal and settlement accounts	134,612	110,570	-	-
	<u>283,608</u>	<u>293,647</u>	<u>4,753</u>	<u>41,251</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>32. Deferred income taxes</b>				
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 34% (2008: 35%).				
The movement on the deferred income tax account is as follows:				
Balance as at 1 July	115,986	141,223		
Prior year adjustment	291	(2,344)		
Income statement charge	(511)	(22,893)		
Balance as at 30 June	115,766	115,986		
Deferred income tax assets and liabilities are attributable to the following items:				
<i>Deferred income tax liabilities</i>				
Accelerated tax depreciation and amortisation	21,203	21,026		
Loans and receivables	12,926	37,186		
Government stock and other securities	94,246	76,257		
Derivative financial instruments	213	574		
Other temporary differences	2,375	2,208		
	130,963	137,251		
<i>Deferred income tax assets</i>				
Provisions	8,293	8,974		
Loan loss provisions	5,914	10,780		
Assessed loss	6	648		
Deferred revenue	984	863		
	15,197	21,265		
Net deferred income tax liability	115,766	115,986		
<b>33. Share capital and premium</b>				
<i>Authorised share capital</i>				
5,000,000 ordinary shares of N\$1 each	5,000	5,000	5,000	5,000
<i>Issued ordinary share capital</i>				
Balance as at 1 July:				
Group: 4,041,000 (2008: 4,041,000) ordinary shares of 10c each	4,443	4,041		
Company: 4,400,000 (2008: 4,400,000) ordinary shares of 10c each			4,445	4,400
Shares issued during the year	21	45	21	45
Company: 4,445,000 (2008: 4,445,000) ordinary shares of 10c each			4,466	4,445
Less 1,419 (2008: 2,213) shares held by the CIH Employee Share Trust	(1)	(2)		
Add 2,213 (2008: 359,000) shares held by the CIH Employee Share Trust in the previous year	2	359		
Group: 111,750,000 (2008: 110,700,000) ordinary shares of 10c each	4,465	4,443		

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>33. Share capital and premium (continued)</b>				
<i>Share premium</i>				
Balance as at 1 July:	17,803	71	18,118	11,742
Shares issued during the year	3,817	6,376	3,817	6,376
Less 1,419 (2008: 2,213) shares held by the CIH Employee Share Trust	(258)	(315)		
Add 2,213 (2008: 359,000) shares held by the CIH Employee Share Trust in the previous year	315	11,671		
Balance at 30 June:	<u>21,677</u>	<u>17,803</u>	<u>21,935</u>	<u>18,118</u>
<b>Total share capital and premium</b>	<u>26,142</u>	<u>22,246</u>	<u>26,401</u>	<u>22,563</u>
Weighted average number of ordinary shares in issue:	<u>4,460,750</u>	<u>4,418,750</u>	<u>4,460,750</u>	<u>4,418,750</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>34. Non-distributable reserves</b>				
Opening balance	33,082	16,408	15,942	15,942
Transfer from distributable reserve	9,174	16,674	-	-
Closing balance	<u>42,256</u>	<u>33,082</u>	<u>15,942</u>	<u>15,942</u>
The Group reserve comprises of the credit risk reserve, which is utilised to meet the regulatory requirements for the loan loss portfolio impairment provisions of Bank Windhoek Limited.				
The Company reserve comprises of a share capitalization in a subsidiary.				
<b>35. Distributable reserves</b>				
<i>35.1 Available-for-sale revaluation reserve</i>				
Opening balance	18,144	-	-	-
Revaluation of available-for-sale equity instruments	7,333	22,148	-	-
Minority interest	-	(4,004)	-	-
Closing balance	<u>25,477</u>	<u>18,144</u>	<u>-</u>	<u>-</u>
<i>35.2 Foreign currency translation reserve</i>				
Opening balance	10,561	(1,596)	-	-
Revaluation of available-for-sale equity instruments	(19,577)	12,241	-	-
Minority interest	139	(84)	-	-
Closing balance	<u>(8,877)</u>	<u>10,561</u>	<u>-</u>	<u>-</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

	Group		Company	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
<b>35. Distributable reserves (continued)</b>				
<i>35.3 Retained earnings</i>				
Opening balance	727,956	596,840	257,438	183,224
Net profit for the year	143,621	177,446	17,422	107,552
Transfer to non-distributable reserve	(9,174)	(16,674)	-	-
Business combination	1,269	1,232	-	-
Dividends declared	(11,423)	(30,888)	(11,165)	(33,338)
Closing balance	<u>852,249</u>	<u>727,956</u>	<u>263,695</u>	<u>257,438</u>
Total distributable reserve	<u>868,849</u>	<u>756,661</u>	<u>263,695</u>	<u>257,438</u>
<b>36. Cash generated by operations</b>				
Income before taxation	306,487	347,386	17,422	107,638
Dividends received	(25)	(10,801)	(52,501)	(117,181)
Adjusted for non-cash items:				
- Accrued interest expense	50,989	44,503	14,623	15,549
- Accrued interest receivable	(18,794)	-	-	-
- Adjustment to fair value of investments	8,038	4,849	6,889	(481)
- Amortisation and impairment of intangible assets	1,891	11,486	-	-
- Depreciation and impairment	28,854	36,552	-	-
- Impairment losses on loans and advances	36,523	32,891	-	-
- Impairment on investment in associates	7,070	-	-	-
- Profit/ (Loss) on foreign exchange translation	-	-	747	(126)
- Profit on disposal of associate	-	-	-	(17,488)
- Disposal of treasury shares	-	11,713	-	-
- Profit on disposal of property, plant and equipment	-	83	-	-
- Reversal of provision	-	(4,100)	-	-
- Share of associate profits	(24,996)	(34,675)	-	-
- Share of joint venture profits	(476)	(869)	-	-
	<u>395,561</u>	<u>439,018</u>	<u>(12,820)</u>	<u>(12,089)</u>
<b>37. Dividends paid</b>				
Amounts unpaid as at 1 July	(41,481)	(34,600)	(33,338)	(33,000)
Amounts charged for the year	(29,158)	(70,103)	(11,165)	(33,338)
Amounts unpaid as at 30 June	-	41,481	-	33,338
	<u>(70,639)</u>	<u>(63,222)</u>	<u>(44,503)</u>	<u>(33,000)</u>
<b>38. Income taxes paid</b>				
Amounts prepaid/ (unpaid) as at 1 July	13,122	(39,008)	826	631
Current tax charged to the income statements	(100,428)	(127,468)	-	(86)
Amounts prepaid as at 30 June	(19,564)	(13,122)	(883)	(826)
	<u>(106,870)</u>	<u>(179,598)</u>	<u>(57)</u>	<u>(281)</u>
<b>39. 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 15)	457,416	314,793	3,001	46,382
Treasury bills and government stocks with a maturity of less than	710,588	176,917	-	-
Money market investments (note 17)	101,584	158,675	-	-
Placement with other banks (note 19)	256,443	20,567	-	-
	<u>1,526,031</u>	<u>670,952</u>	<u>3,001</u>	<u>46,382</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**40. Dividends per share**

During the current year under review dividends of 250 cents per share (2008: 750 cents per share) amounting to a total of N\$11,165,500 (2008: N\$33,337,500) were declared by the Company. Prior year dividends includes a special dividend of 550 cents per share.

**41. Retirement benefit obligations**

*41.1 Medical aid scheme*

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

*41.2 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 2007 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 Group currently contributes 12% of basic salary to the fund whilst the members contribute 7.5%.

**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 Selekt Fund for any shortfall that may occur in the realisation of any portfolio investment. 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. As at year-end, there was no credit default event.

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<i>42.2 Capital commitments</i>				
- Authorised but not contracted for	<u>50,196</u>	<u>55,137</u>		
<i>42.3 Letters of credit and liabilities under guarantees</i>	<u>565,302</u>	<u>423,750</u>		
<i>42.4 Loan commitments</i>	<u>1,247,526</u>	<u>803,677</u>		
<i>42.5 Operating lease commitments</i>				
Office premises				
- Not later than 1 year	17,416	23,759		
- Later than 1 year but not later than 5 years	27,422	43,606		
- Later than 5 years	<u>60,617</u>	<u>61,214</u>		
	<u>105,455</u>	<u>128,579</u>		

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

**43. Acquisitions**

On 1 December 2007, the Group acquired 100% of the share capital of Bank Windhoek Properties (Pty) Ltd, a property company incorporated in the Republic of Namibia. There were no acquisitions in the current year.

The company does not contribute income to the Group as its income is generated from rental charged to its holding company.

At acquisition, the company only carried property, plant and equipment, of which the fair value is as follows:

	<b>2008</b>
	<b>N\$'000</b>
Property plant and equipment	<u>26,207</u>
Cost of acquisition	<u>26,207</u>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**

and its subsidiaries

Registration no. 82/031

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2009

**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

	Group		Company	
	2009	2008	2009	2008
	N\$'000	N\$'000	N\$'000	N\$'000
<b>44.1 Services rendered</b>				
Bank Windhoek Holdings Limited - support services	-	-	3,127	4,610
Bank Gaborone Ltd - support services	-	-	225	882
Capricorn Asset Management (Pty) Ltd - support services	-	-	112	212
Capricorn Capital (Pty) Ltd - support services	-	-	118	190
Cyan ES (Pty) Ltd - support services	-	-	391	472
Cavmont Capital Holdings Zambia - support services	-	-	408	3,035
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>44.2 Services received</b>				
Bank Windhoek Limited - support services	-	-	330	300
Cyan ES (Pty) Ltd - Consulting and management services	-	-	634	802
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>44.3 Loans to/ (from) related parties</b>				
Bank Gaborone Ltd - subsidiary	-	-	779	882
Bank Windhoek Holdings Limited - subsidiary	-	-	12	802
Capricorn Asset Management (Pty) Ltd - subsidiary	-	-	5	34
Capricorn Capital (Pty) Ltd - subsidiary	-	-	10	19
Cavmont Capital Holdings Zambia - associate	-	-	122	235
Cyan ES (Pty) Ltd - subsidiary	-	-	6,071	91
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>44.4 Key management and directors compensation</b>				
Salaries and other short-term benefits	52,789	45,090	11,869	12,468
Post-employment benefits	776	574	-	-
	<u>53,565</u>	<u>45,664</u>	<u>11,869</u>	<u>12,468</u>

Key management comprise of the Executive Management Team of the group companies.

**45. Assets under custody**

As at year-end, the Group has N\$944.3 million (2008: Nil) of assets under custody and N\$9,710,106,863 (2008: 6,858,675,519) of assets under management.

**46. Reclassification**

During the year, management reclassified Bank Windhoek investment in other securities from held-to-maturity, measured at cost, to available-for-sale, measure at fair value. The reclassification arose due to management's change in intention to hold these assets to maturity. The reclassification only affected the balance sheet as follows (note 18):

Reclassification from held-to-maturity investment securities to available-for-sale investment securities.	<u>268,793</u>	<u>-</u>	<u>268,793</u>	<u>-</u>
---	----------------	----------	----------------	----------

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2009**

---

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>	<b>N\$'000</b>
<b>46. Reclassification (continued)</b>				
Also during the year, in line with the Group's cash management strategy, the following assets have been classified as cash and cash equivalent for cash flow purposes (note 39):				
Money market investments	-	158,675	-	-
Placement with other banks	-	20,567	-	-
	-	20,567	-	-

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
**and its subsidiaries**  
Registration no: 96/300

**GROUP VALUE ADDED STATEMENT - unaudited**  
**for the year ended 30 June 2009**

	2009 N\$'000	2009 %	2008 N\$'000	2008 %
Interest earned and other operating income	1,967,759		1,735,239	
Interest paid and direct costs of services	<u>(1,376,220)</u>		<u>(1,109,500)</u>	
<b>Value added</b>	<b><u>591,539</u></b>		<b><u>625,324</u></b>	
Distributed as follows:				
<b>To employees</b>				
Remuneration, pension and other benefits	330,361	56%	262,468	42%
<b>To providers of capital</b>				
Dividends to shareholders	11,423	2%	30,888	5%
<b>To government</b>				
Taxes	107,142	18%	130,672	21%
- Direct	90,063		111,548	
- Indirect				
VAT and levies	15,571		17,421	
Stamp duty	1,508		1,703	
<b>Reinvestment within the group</b>				
Depreciation and amortisation	142,613	24%	201,296	32%
Distributable reserves	30,425		39,879	
	112,188		161,417	
	<u>591,539</u>	<u>100%</u>	<u>625,324</u>	<u>100%</u>

