

Capricorn Investment Holdings | Group Annual Financial Statements

# 20 | 07

for the year ended 30 June 2007

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
**(previously Bank Windhoek Beherend Limited)**  
**and its subsidiaries**  
Registration no: 82/031

**GROUP ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2007**

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

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

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control and 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 Committee and the Audit and Risk Committees of operating subsidiaries, together with the external and internal auditors, play 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 period under review.

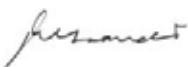
The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements, presented on pages 5 to 46, have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Namibian Companies Act.

The directors have no reason to believe that the Company and the Group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on 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 September 2007 and are signed on its behalf:



**JC Brandt**  
**Chairman**



**JJ Swanepoel**  
**Managing Director**

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**  
**for the year ended 30 June 2007**

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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 practices.

**1. Board of directors**

The Company's board and those of its subsidiaries consists 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 chief executive do not vest in the same person. The chairperson and chief executive of the respective Group companies provide leadership and guidance to their Company's board, encourage proper deliberation of all matters requiring the board's 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. The three non-executive directors of the Company are independent. Non-executive directors are appointed for specific terms and re-appointment is not automatic. Non-executive directors bring with them diversity of experience, insight, and independent judgement on issues of strategy, performance, resources, and standards of conduct. There is full disclosure in the notes to the financial statements of emoluments. Non-executive directors have no service contracts with the Company and are appointed for specific terms. Recommendation to 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 are two executive directors on the board, both of which have open-ended employment contracts.

*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. Group audit committee**

A Group audit committee, whose chairman is a non-executive director, was established to oversee all Group companies except Bank Windhoek Ltd and Bank Gaborone Ltd, which have their own Audit and Risk committees. Both the internal and external auditors have unrestricted access to these audit committees, which ensures that their independence is in no way impaired.

**3. Human resources committee**

The purpose of the board human resources committees of the larger operating subsidiaries is to ensure that the respective organisations are appropriately staffed in terms of skills levels and ethnic diversity and to meet the challenges of the future; programs related to this are ratified by the committees. In addition, the committees ensure that management and staff is remunerated appropriately and that the remuneration scales, including incentive and share schemes, and conditions of employment of these subsidiaries, are market related.

**4. Group nominations and remuneration committee**

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

**5. Board credit and lending committees**

Bank Windhoek Ltd's and Bank Gaborone Ltd's board credit and lending committees play a very important role in the granting and management of credit, especially with regard to large exposures.

**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, which 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.

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT (continued)**  
**for the year ended 30 June 2007**

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**6. Internal control system (continued)**

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

Corrective actions are taken to address control deficiencies and other opportunities for improving the systems as they are identified. The boards of directors, operating through their audit committees, provide oversight of the financial reporting process.

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 2007, 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 comprises policies and procedures, control structures and the measurement of risk, as well as the compliance with regulations laid down by the authorities. The Company employs a risk unit which is tasked with enterprise wide risk management, including subsidiaries within the Group, and reports to the board audit and risk committees.

**7.1 Financial Risk Management**

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

**7.2 Asset and liability management**

Focused asset and liability management for Bank Windhoek and Bank Gaborone ("the Banks") plays an ever important role in the financial risk management and profit enhancement programs of the Banks. The respective asset and liability management teams of the Banks use specialised multi-dimensional models to formulate recommendations to senior management and the boards of directors of the Banks and also meet on a regular basis to review strategies, make decisions and to exploit market opportunities.

**7.3 Operational risks**

Operational risks are non-speculative by nature and have no potential for showing profit. These include losses through fraud, theft, corruption or other occurrences. The Group guards against these risks through, amongst others, sound systems and strong internal control procedures, intervention of active audit committees and a human resources committee, which determines staff policies and remuneration levels. In addition insurance policies cover the individual Group 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 actions are taken to address control deficiencies and other opportunities for improving the systems as they are identified. The boards of directors, operating through their audit committees, provide oversight of the financial reporting process.

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

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We have audited the annual financial statements and group annual financial statements of Capricorn Investment Holdings Limited, which comprise the directors' report, the consolidated and company balance sheet as at 30 June 2007, the consolidated and company income statement, the consolidated and company statement of changes in equity, the consolidated and company cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 46.

*Directors' Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of the company and group as of 30 June 2007, and their financial performance and their 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 September 2007

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**DIRECTORS' REPORT**  
**for the year ended 30 June 2007**

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The directors herewith submit their report with the annual financial statements of the Company and the Group for the year ended 30 June 2007.

**1. General review**

The company acts as an investment holding company. Its investments are as follows:

**Subsidiaries:**

**Subsidiaries of Capricorn Investment Holdings Limited:**

Bank Windhoek Holdings Limited (previously Capricorn Investment Holdings Limited)	- Investment Holding
Capricorn Investment Holdings (Botswana) (Pty) Ltd	- Investment Holding
Capricorn Asset Management (Pty) Ltd	- Asset Management

**Subsidiaries of Bank Windhoek Holdings Limited (previously Capricorn Investment Holdings Limited)**

Bank Windhoek Ltd	- Banking
Welwitschia Nam-mic Insurance Brokers (Pty) Ltd	- Insurance broking
Namib Bou (Pty) Ltd	- Property investment holding
Capricorn Management Services (Pty) Ltd	- Dormant
Revenue Solutions Africa (Pty) Ltd	- Revenue Collection Services

**Subsidiaries of Bank Windhoek Ltd:**

Bank Windhoek Nominees (Pty) Ltd	- Temporarily Dormant
Intellect Investments Namibia (Pty) Ltd	- Marketing and branding
BW Finance (Pty) Ltd	- Micro finance
Grootfontein Holdings (Pty) Ltd	- Property holding

**Subsidiaries of Revenue Solutions Africa (Pty) Ltd:**

Revenue Solutions Namibia (Pty) Ltd	- Revenue Collection Services
Snyman and Partners Namibia (Pty) Ltd	- Revenue Collection Services

**Subsidiaries of Capricorn Investment Holdings (Botswana) (Pty) Ltd:**

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

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

Peo Micro (Pty) Ltd	- Micro finance
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**Associates:**

SmartSwitch Botswana (Pty) Ltd	- Switching system
Santam Namibia Ltd	- Short-term insurance
Cavmont Capital Holdings Zambia Plc	- Investment holding
Consolidated Financial Services 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 46.

Dividends of 1450 cents per share (2006: 150c) amounting to N\$63,800,000 (2006: N\$6,061,500) were declared during the year under review. Of the 1450 cents 700 cents were paid during the year (2006: 70c).

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**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2007**

**3. Share capital**

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

During the year 359,000 shares were issued to the Capricorn Investment Holdings Employee Share Trust at a premium of N\$32.51 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>N\$'000</b>	<b>%</b>	<b>2007 N\$'000</b>	<b>2006 N\$'000</b>
<b>4. Subsidiaries</b>				
<i>Registered in Namibia</i>				
Bank Windhoek Holdings Limited (previously Capricorn Investment Holdings Limited)	11,150	72	212,902	26,500
Capricorn Investment Holdings (Botswana) (Pty) Ltd	89	91	51,846	-
Capricorn Asset Management (Pty) Ltd	1,001	75	4,265	-

**5. Indirect holdings in subsidiaries**

*Registered in Namibia*

Bank Windhoek Ltd	13,506	100		
Welwitschia Nammic Insurance Brokers (Pty) Ltd	1,300	78		
Capricorn Management Services (Pty) Ltd	-	80		
Namib Bou (Pty) Ltd	23,000	100		
Revenue Solutions Africa (Pty) Ltd	1,326	75		
Bank Windhoek Nominees (Pty) Ltd	-	100		
BW Finance (Pty) Ltd	-	100		
Intellect Investments Namibia (Pty) Ltd	3	100		
Grootfontein Holdings (Pty) Ltd	-	100		
Revenue Solutions Namibia (Pty) Ltd	1	76		
Snyman & Partners Namibia (Pty) Ltd	-	76		
Capricorn Investment Holdings Limited Employee Share Trust (SPE)	n/a	100		
CIH Group Employee Share Benefit Trust (SPE)	n/a	100		

*Registered in Botswana*

Bank Gaborone Ltd		92		
Penrich Employment Benefits (Pty) Ltd			100	
Penrich Insurance Brokers (Pty) Ltd			100	
Peo Micro (Pty) Ltd			100	

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2007**

	<b>Issued ordinary share capital and premium and proportion held</b>	
	<b>NS'000</b>	<b>%</b>
<b>6. Direct and indirect holdings in associated companies</b>		
Santam Namibia Ltd	8,307	30
Nam-mic Financial Services Holdings (Pty) Ltd	8,000	27.5
Consolidated Financial Services Holdings Ltd	155,670	30
VTB Capital Namibia (Pty) Ltd	4,579	49
Cavmont Capital Holdings Zambia Plc	12,781	25
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\$92.7 million (2006: N\$93.0 million) for the year, and the Company's interest in dividends declared was N\$28.7 million (2006: N\$22.2 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
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**8. Directors and secretary**

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

JC Brandt	(Chairman)
JJ Swanepoel	(Vice-Chairman and Managing Director)
AJ Basson	(appointed 1 February 2007)
JJ Mannheimer	
HR Schneider-Waterberg	(resigned 29 June 2007)
GN Sekandi	(appointed 1 February 2007)
MK Shikongo	(appointed 1 February 2007)
A Swanepoel	(resigned 13 March 2007)

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**  
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**INCOME STATEMENTS**  
**for the year ended 30 June 2007**

	Notes	Group		Company	
		2007 NS'000	2006 NS'000	2007 NS'000	Restated 2006 NS'000
Interest and discount income	5	1,016,771	727,182	-	-
Interest expense	6	<u>(552,969)</u>	<u>(372,617)</u>	<u>-</u>	<u>-</u>
<b>Net interest income</b>		<b>463,802</b>	<b>354,565</b>	<b>-</b>	<b>-</b>
Impairment losses on loans and advances	7	<u>(38,590)</u>	<u>(48,396)</u>	<u>-</u>	<u>-</u>
<b>Income from lending activities</b>		<b>425,212</b>	<b>306,169</b>	<b>-</b>	<b>-</b>
Non-interest income	8	231,012	227,553	-	-
Operating expenses		<u>(371,120)</u>	<u>(312,718)</u>	<u>-</u>	<u>-</u>
Net income from banking and financing operations		<b>285,104</b>	221,004	-	-
Net (loss) / income from other operations		<u>(3,870)</u>	<u>18,327</u>	<u>155,804</u>	<u>33,880</u>
<b>Net operating income</b>	9	<b>281,234</b>	239,331	<b>155,804</b>	33,880
Profit on disposal of group companies	10	-	12,031	-	-
Share of results of associate	11	<u>26,983</u>	<u>20,116</u>	<u>-</u>	<u>-</u>
<b>Profit before tax</b>		<b>308,217</b>	271,478	<b>155,804</b>	33,880
Taxation	12	<u>(112,529)</u>	<u>(84,822)</u>	<u>( 852)</u>	<u>(952)</u>
<b>Profit for the year</b>		<b><u>195,688</u></b>	<b><u>186,656</u></b>	<b><u>154,952</u></b>	<b><u>32,928</u></b>
<b>Attributable to:</b>					
Equity holders of the company		127,045	96,903	154,952	32,928
Minority interest		<u>68,643</u>	<u>89,753</u>	<u>-</u>	<u>-</u>
		<b><u>195,688</u></b>	<b><u>186,656</u></b>	<b><u>154,952</u></b>	<b><u>32,928</u></b>
Earnings per share (cents)	13	3,144	2,398	3,522	815
Dividends per share - declared (cents)	37	1,450	150	1,450	150
Dividends per share - paid (cents)		700	70	700	70

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**BALANCE SHEETS**  
as at 30 June 2007

	Notes	Group		Company	
		2007 NS'000	2006 NS'000	2007 NS'000	Restated 2006 NS'000
<b>ASSETS</b>					
Cash and balances with central banks	15	332,266	432,215	30,154	55,650
Government and other securities	16	687,360	556,713	-	-
Derivative financial instruments	17	46,400	25,412	-	-
Loans and advances to banks	18	62,255	-	-	-
Loans and advances to customers	19	7,745,025	6,560,934	-	-
Investment in subsidiary	20	-	-	281,701	26,499
Investments in associates	21	157,370	99,648	50,482	-
Investment in jointly controlled entity	22	4,764	2,525	-	-
Other investments	22	1,138	4,196	1,138	4,196
Other assets	23	222,518	185,019	24,268	29,038
Property and equipment	24	114,854	91,301	-	-
Intangible assets	25	68,920	29,322	-	-
Current tax assets	40	8,515	5,236	631	-
Deferred tax assets	31	20,698	9,460	-	-
<b>Total assets</b>		<b>9,472,083</b>	<b>8,001,981</b>	<b>388,374</b>	<b>115,383</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Capital and reserves attributable to equity holders</b>					
Share capital and premium	34	4,112	4,112	16,142	4,112
Non-distributable reserves	35	16,408	12,792	15,942	15,942
Distributable reserves	36	595,244	536,196	183,224	92,072
		615,764	553,100	215,308	112,126
Minority interest		244,550	437,633	-	-
<b>Total equity</b>		<b>860,314</b>	<b>990,733</b>	<b>215,308</b>	<b>112,126</b>
<b>LIABILITIES</b>					
Deposits from banks	26	99,915	255,459	-	-
Other deposits	27	1,480,766	655,403	-	-
Debt securities in issue	28	335,072	198,053	137,043	-
Due to customers	29	6,160,769	5,481,565	-	-
Other liabilities	30	325,803	260,454	36,023	3,233
Current tax liabilities	40	47,523	12,512	-	24
Deferred tax liabilities	31	161,921	147,802	-	-
<b>Total liabilities</b>		<b>8,611,769</b>	<b>7,011,248</b>	<b>173,066</b>	<b>3,257</b>
<b>Total equity and liabilities</b>		<b>9,472,083</b>	<b>8,001,981</b>	<b>388,374</b>	<b>115,383</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**for the year ended 30 June 2007**

	Notes	Share capital NS'000	Share premium NS'000	Non distributable reserves NS'000	Distributable reserves NS'000	Minority interest NS'000	Total equity NS'000
<b>GROUP</b>							
Balance at 1 July 2005		3,934	71	19,533	432,543	373,202	829,283
Net profit for the year		-	-	-	96,903	89,753	186,656
CIH Shares held by Employee Share Trust - prior year	34	107	-	-	2,608	-	2,715
BWH Shares held by Employee Share Trust		-	-	-	(1,159)	(1,063)	(2,222)
BWH Shares held by Employee Share Trust - prior year		-	-	-	220	200	420
Transfer to NDR (credit risk reserve)		-	-	(811)	811	-	-
Transfer to NDR (associate's reserves)		-	-	(5,930)	5,930	-	-
Foreign currency translation reserve		-	-	-	1,599	1,465	3,064
Minority interest arising on business combinations		-	-	-	2,789	7,845	10,634
Dividend for 2006	37	-	-	-	(6,062)	(33,782)	(39,844)
Write back of unclaimed dividends - not traceable		-	-	-	14	13	27
<b>Balance at 30 June 2006</b>		<b>4,041</b>	<b>71</b>	<b>12,792</b>	<b>536,196</b>	<b>437,633</b>	<b>990,733</b>
Balance at 1 July 2006		<b>4,041</b>	<b>71</b>	<b>12,792</b>	<b>536,196</b>	<b>437,633</b>	<b>990,733</b>
Net profit for the year		-	-	-	<b>127,045</b>	<b>68,643</b>	<b>195,688</b>
Shares issued to Employee Share Trust	34	<b>359</b>	<b>11,671</b>	-	-	-	<b>12,030</b>
CIH Shares held by Employee Share Trust	34	<b>(359)</b>	<b>(11,671)</b>	-	-	-	<b>(12,030)</b>
BWH Shares held by Employee Share Trust		-	-	-	<b>(1,998)</b>	<b>(772)</b>	<b>(2,770)</b>
BWH Shares held by Employee Share Trust - prior year		-	-	-	<b>1,159</b>	<b>1,063</b>	<b>2,222</b>
Transfer to NDR (credit risk reserve)		-	-	<b>3,616</b>	<b>(3,616)</b>	-	-
Foreign currency translation reserve		-	-	-	<b>(1,596)</b>	<b>(271)</b>	<b>(1,867)</b>
Minority interest arising on business combinations		-	-	-	<b>1,854</b>	<b>(183,982)</b>	<b>(182,128)</b>
Dividend for 2007	37	-	-	-	<b>(63,800)</b>	<b>(77,764)</b>	<b>(141,564)</b>
<b>Balance at 30 June 2007</b>		<b>4,041</b>	<b>71</b>	<b>16,408</b>	<b>595,244</b>	<b>244,550</b>	<b>860,314</b>
<b>COMPANY</b>							
<b>Restated</b>							
Balance at 1 July 2005							
<i>As previously reported</i>		4,041	71	15,942	429,757	-	449,811
<i>Change in accounting policy</i>	43	-	-	-	(364,551)	-	(364,551)
Balance at 1 July 2006		4,041	71	15,942	65,206	-	85,260
Net profit for the year		-	-	-	32,928	-	32,928
<i>As previously reported</i>		-	-	-	109,350	-	109,350
<i>Change in accounting policy</i>		-	-	-	(76,422)	-	(76,422)
Dividend for 2006	37	-	-	-	(6,062)	-	(6,062)
<b>Balance at 30 June 2006</b>		<b>4,041</b>	<b>71</b>	<b>15,942</b>	<b>92,072</b>	<b>-</b>	<b>112,126</b>
Balance at 1 July 2006		<b>4,041</b>	<b>71</b>	<b>15,942</b>	<b>92,072</b>	<b>-</b>	<b>112,126</b>
Net profit for the year		-	-	-	<b>154,952</b>	-	<b>154,952</b>
Shares issued to Employee Share Trust		<b>359</b>	<b>11,671</b>	-	-	-	<b>12,030</b>
Dividend for 2007	37	-	-	-	<b>(63,800)</b>	-	<b>(63,800)</b>
<b>Balance at 30 June 2007</b>		<b>4,400</b>	<b>11,742</b>	<b>15,942</b>	<b>183,224</b>	<b>-</b>	<b>215,308</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
**(previously Bank Windhoek Beherend Limited)**  
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**CASH FLOW STATEMENTS**  
**for the year ended 30 June 2007**

	Notes	Group		Company	
		2007 NS'000	2006 NS'000	2007 NS'000	Restated 2006 NS'000
<b>Cash flows from operating activities</b>					
Interest receipts		1,016,771	727,182	789	3,119
Interest payments		(552,969)	(372,618)	-	-
Fee and commission receipts		215,448	183,568	-	-
Other income received		60,961	98,211	-	-
Cash payments to employees and suppliers		(589,041)	(317,380)	(12,009)	(581)
Cash generated by operations	38	151,170	318,963	(11,220)	2,538
Dividends received	39	3,813	8,902	174,922	24,227
Income taxes paid	40	(69,907)	(73,794)	(1,507)	(785)
Dividends paid	41	(136,159)	(30,843)	(34,033)	(2,829)
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>		<b>(51,083)</b>	<b>223,228</b>	<b>128,162</b>	<b>23,151</b>
<b>Changes in operating assets and liabilities</b>					
Net decrease/(increase) in investment and trading securities	16 / 42	(100,608)	46,321	-	-
Net increase in derivative financial instruments	17	(20,988)	35,479	-	-
Net increase in loans and advances to customers	19	(1,212,935)	(1,508,710)	-	-
Net decrease in other assets	23	(37,499)	6,657	(3,128)	-
Net increase in amounts due to other banks	26	(217,799)	89,907	-	-
Net increase in other deposits	27	825,363	304,432	-	-
Net increase in debt securities in issue	28	137,019	91,562	-	-
Net increase in amounts due to customers	29	679,204	866,688	-	-
Net increase/(decrease) in other liabilities	30	59,944	121,930	3,023	-
<b>Net cash flow from operating activities</b>		<b>60,618</b>	<b>277,494</b>	<b>128,057</b>	<b>23,151</b>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	24	(48,899)	(31,290)	-	-
Proceeds from sale of property and equipment		5,376	3,453	-	-
Investments in intangible assets	25	(58,896)	(8,229)	-	-
Proceeds from sale of intangible assets		9,822	-	-	-
Investment in associate	21	(38,751)	-	(50,483)	-
Proceeds on disposal of associate		-	84,857	-	-
Investment in subsidiaries	20	-	-	(255,202)	-
Investment in jointly controlled entity	22	(2,239)	606	-	-
Proceeds on disposal of other investments	22	3,059	5,918	3,059	5,918
<b>Net cash (used in) / from investing activities</b>		<b>(130,528)</b>	<b>55,315</b>	<b>(302,626)</b>	<b>5,918</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		-	-	12,030	-
Shares issued by subsidiary to outside shareholders		-	101	-	-
Share premium raised on issue by subsidiary		-	6,432	-	-
Long-term loan raised		-	-	137,043	-
<b>Net cash from financing activities</b>		<b>-</b>	<b>6,533</b>	<b>149,073</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(69,910)</b>	<b>339,342</b>	<b>(25,496)</b>	<b>29,069</b>
Cash and cash equivalents at beginning of year	42	675,410	336,068	55,650	26,581
<b>Cash and cash equivalents at end of year</b>	42	<b>605,500</b>	<b>675,410</b>	<b>30,154</b>	<b>55,650</b>

**CAPRICORN INVESTMENT HOLDINGS LIMITED**  
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**ACCOUNTING POLICIES**  
**for the year ended 30 June 2007**

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**1. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in Note 1.27.

**1.1 Basis of presentation**

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective as 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 Company'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.

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

**(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.

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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**(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 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.

**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 Namibian Dollars, which is the 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as 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 items, such as 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 the 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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) 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
- (iii) 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. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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**1.4 Derivative financial instruments and hedge accounting**

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

**(d) 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.

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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**1.5 Trading securities**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

**1.6 Investment securities and loans and receivables**

The Group classified its investment securities and purchased loans and receivables into the following two categories: held-to-maturity and available-for-sale assets. Investment securities and purchased loans and receivables with fixed maturity where management has both the positive intention and the ability to hold to maturity are classified as held-to-maturity. Investment securities and purchased loans and receivables 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 are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Purchased loans and receivables, including sub-participations acquired subsequent to the provision of the original loan, are categorised as held-to-maturity or available-for-sale depending on management's intent.

Investment securities and purchased loans and receivables are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value or securities classified as available-for-sale are recognised in equity. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement occurs.

**1.7 Interest income and expense**

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

The effective interest 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.

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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**1.8 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.

**1.9 Revenue recognition**

Refer to notes 1.7 and 1.8 for revenue recognition in respect of interest income, fees and commission.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Dividend income is recognised when the right to receive payment is established.

**1.10 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. Derivatives are also categorised as held for trading unless they are designated as hedges.

**(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.

**(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.

**(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.

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.

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.

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. 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. 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. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

Investments in subsidiaries are measured at cost.

No financial assets have been designated as available-for-sale at transition to IFRS.

**1.11 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.

**1.12 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 method. Securities lent to counterparties are also retained in the financial statements.

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

**1.13 Impairment of financial assets**

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

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

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

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**(a) Assets carried at amortised costs (continued)**

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the 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.

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.

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 uncollectible, 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.

**(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.

**1.14 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 (10 years).

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**(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

**1.15 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.

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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

**1.16. Property in possession**

Property in possession is included at the lower of cost or net realisable value.

**1.17 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.

**1.18 Leases**

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

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.

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

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**

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, loans and advances to banks, amounts due from other banks and short-term government securities.

**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 instruments. 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 Employee 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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as 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.

**(b) Other post-retirement obligations**

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

**1.22 Deferred income tax**

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

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**1.22 Deferred 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, provisions for pensions and other post-retirement benefits 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. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. 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.

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.

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.

**1.23 Borrowings**

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently 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 borrowings using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest 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.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

**1.24 Share capital**

**(a) Share issue cost**

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.

**(b) Dividends on ordinary shares**

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

**1.25 Fiduciary activities**

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

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**1.26 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.

**1.27 Change in accounting policy**

During the year the Company changed its accounting policy to value its investment in subsidiaries at cost. These investments were previously measured at the net asset value of these subsidiaries, which is determined after the fair value of each underlying asset has been determined according to the company's accounting policies.

**2. Standards and interpretations**

**2.1 Standards and interpretations 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>
Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures	Annual periods commencing on or after 1 January 2007.
IFRS 7 Financial Instruments: Disclosure (including amendments to IAS 1 - Presentation of financial statements: Capital disclosures)	
This standard deals with the disclosure of financial instruments, as well as the disclosure of related qualitative and quantitative risks associated with financial instruments. As IFRS 7 will supercede the current disclosure required in IAS 30 and IAS 32, the standard will not impact the results of the Group, but will result in potentially more disclosure than that currently provided in the Group's financial statements. The Group does not intend to early-adopt this standard.	Annual periods commencing on or after 1 January 2007.
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. The Group does not intend to early-adopt this standard.	Annual periods commencing on or after 1 January 2009.
IFRIC 10 Interim Financial Reporting and Impairment	
This Interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.	Annual periods commencing on or after 1 November 2006.
The amendment will not have a significant impact on the Group's interim results.	
IFRIC 11 IFRS 2 - Group and Treasury Share transactions	
The Interpretation addresses how to apply IFRS 2 (AC 139) Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. The Group does not intend to early-adopt this standard.	Annual periods commencing on or after 1 March 2007.
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. The Group does not intend to early-adopt this standard.	Annual periods commencing on or after 1 January 2008.

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**2.1 Standards and interpretations issued but not yet effective**

	<b>Effective date</b>
IFRIC 13      Customer Loyalty Programme	Annual periods commencing on or after 1 July 2008.
IFRIC 14 and IAS 19      The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	Annual periods commencing on or after 1 January 2008.

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

	<b>Effective date</b>
IAS 19 amendment      Employee Benefits The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It will impose additional recognition requirements for multi-employer plans where sufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only affect the format and extent of disclosures presented. There was no effect on the current year earnings arising from this amendment.	Annual periods commencing on or after 1 January 2006
IAS 21 amendment      The Effects of Changes in a Foreign Operation The amendment clarifies that a group entity that may have a monetary item receivable from or payable to a foreign operation, which is classified in substance as part of the net investment in a foreign operation, may be any subsidiary of the group and not only the parent. The amendment further specifies that the exchange differences arising from the translation of these monetary items will be classified in equity in the consolidated financial statements. There was no effect on the current year earnings arising from this amendment.	Annual periods commencing on or after 1 January 2006.
IAS 39 amendment      Financial Instruments: Recognition and Measurement - Cash Flow Hedge The amendment to IAS 39 allows the designation, as a hedged item in consolidated financial statements, of the foreign currency risk of a highly probable forecast intragroup transaction under certain conditions. The Group will consider the amendment but the application is expected to be limited. There was no effect on the current year earnings arising from this amendment.	Annual periods commencing on or after 1 January 2006.
IAS 39 amendment      Financial Instruments: Recognition and Measurement - Fair Value Option The revisions to IAS 39 restrict the extent to which entities can designate a financial asset or financial liability as at fair value through profit and loss only to specific situations. There was no effect on the current year earnings arising from this amendment.	Annual periods commencing on or after 1 January 2006.
IAS 39 and IFRS 4 amendment      Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts  Under the revised statements the issuer of a financial guarantee contract would generally measure the contract: - initially at fair value; and - subsequently at the higher of the amount determined in accordance with IAS37 and the amount initially recognised (less, when appropriate, cumulative amortisation). There was no effect on the current year earnings arising from this amendment.	Annual periods commencing on or after 1 January 2006.
IFRS 6      Exploration for and Evaluation of Mineral Resources This statement is not applicable to the Group.	Annual periods commencing on or after 1 January 2006.

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**IFRIC 4 Determining Whether an Arrangement Contains a Lease**

This interpretation provides guidance on determining whether an arrangement that does not take the legal form of a lease contains a lease and should be accounted for in terms of IAS 17 Leases. An arrangement contains a lease if the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset. There was no effect on the current year earnings arising from this amendment.

Annual periods commencing on or after 1 January 2006.

**IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**

This statement is not applicable to the Group.

Annual periods commencing on or after 1 January 2006.

**IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment**

This statement is not applicable to the Group.

Annual periods commencing on or after 1 January 2006.

**IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies**

This statement is not applicable to the Group.

Annual periods commencing on or after 1 January 2006.

**IFRIC 8 Scope of IFRS 2**

This interpretation clarifies that IFRS 2 applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share-based payment, but where other circumstances indicate that goods or services have been received. There was no effect on the current year earnings arising from this amendment. There was no effect on the current year earnings arising from this amendment.

Annual periods commencing on or after 1 January 2006.

**IFRIC 9 Reassessment of Embedded Derivatives**

This interpretation clarifies that the assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative as per IAS 39 is when the entity first becomes a party to the contract, and that a first-time adopter of IFRS assesses the embedded derivative on the basis of conditions that existed at the later of the date it first became party to the contract and the date a reassessment is required. There was no effect on the current year earnings arising from this amendment.

Annual periods commencing on or after 1 June 2006.

### **3. Financial risk management**

#### **Strategy in using financial instruments**

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. 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 Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit.

Certain subsidiaries of the Group also trade in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of short-term market movements in equities and bonds and in currency, interest rate and commodity prices. The Boards of these subsidiaries, through the asset and liability committees ("ALCO"), place trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. 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.

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**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. Management therefore carefully manages its exposure to credit risk.

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 revolving 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 quarterly by the respective Boards 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 a significant portion is personal lending where no such facilities can be obtained.

*(a) 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.

*(b) 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 instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

*(c) 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 assurances 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 longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**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.

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**Currency risk**

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The respective Boards set limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Potential changes to the value of financial instruments denominated in foreign currency due to exchange rate movements is referred to as currency risk. Foreign exchange dealers monitor exchange rate movements on a continuous basis using on-line facilities linked to global financial market information. Dealers operate within pre-approved limits based on experience and the bank hedges itself on a daily basis for open foreign currency positions.

**Cash flow and fair value 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 respective Boards set limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of N\$3,648,384 of 'Due to customers' up to one month, of which 61.4% represent balances on current accounts considered by the Group as a relatively stable core source of funding of its operations.

**Liquidity risk**

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.

**Interest rate risk analysis (N\$'000)**

<b>Group</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and balances with central bank	-	-	-	-	-	332,266	332,266
Government and other securities	69,804	219,997	241,819	155,739	-	-	687,360
Derivative financial instruments	-	46,994	-	(594)	-	-	46,400
Loans and advances to banks	62,255	-	-	-	-	-	62,255
Loans and advances to customers	7,745,025	-	-	-	-	-	7,745,025
Investment in associate companies	-	-	-	-	-	157,370	157,370
Other investments	-	-	-	-	-	4,939	4,939
Other assets	-	-	-	-	-	223,481	223,481
Property, plant and equipment	-	-	-	-	-	114,854	114,854
Intangible assets	-	-	-	-	-	68,920	68,920
Current tax assets	-	-	-	-	-	8,515	8,515
Deferred tax assets	-	-	-	-	-	20,698	20,698
<b>Total assets</b>	<b>7,877,084</b>	<b>266,991</b>	<b>241,819</b>	<b>155,145</b>	<b>-</b>	<b>931,043</b>	<b>9,472,083</b>

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**ACCOUNTING POLICIES (CONTINUED)**  
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**Interest rate risk analysis (NS'000)**

<b>Group</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
<b>LIABILITIES</b>							
Deposits from banks	99,915	-	-	-	-	-	99,915
Other deposits	-	-	-	-	-	1,480,766	1,480,766
Debt securities in issue	-	-	-	-	-	335,072	335,072
Due to customers	3,780,270	1,017,140	1,361,442	1,917	-	-	6,160,769
Other liabilities	-	-	-	-	-	325,803	325,803
Current tax liabilities	-	-	-	-	-	47,523	47,523
Deferred tax liabilities	-	-	-	-	-	161,921	161,921
<b>Total liabilities</b>	<b>3,880,185</b>	<b>1,017,140</b>	<b>1,361,442</b>	<b>1,917</b>	<b>-</b>	<b>2,351,085</b>	<b>8,611,769</b>
<b>EQUITY</b>							
Share capital and premium	-	-	-	-	-	4,112	4,112
Non-distributable reserves	-	-	-	-	-	16,408	16,408
Distributable reserves	-	-	-	-	-	595,244	595,244
<b>Total shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615,764</b>	<b>615,764</b>
<b>Minority</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,550</b>	<b>244,550</b>
<b>Total equity and liabilities</b>	<b>3,880,185</b>	<b>1,017,140</b>	<b>1,361,442</b>	<b>1,917</b>	<b>-</b>	<b>3,211,399</b>	<b>9,472,083</b>
<b>Interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative interest sensitivity gap</b>	<b>3,996,899</b>	<b>(750,148)</b>	<b>(1,119,623)</b>	<b>153,228</b>	<b>-</b>	<b>(2,280,356)</b>	<b>-</b>

**Liquidity risk analysis (NS'000)**

<b>ASSETS</b>							
Cash and balances with central bank	322,266	-	-	-	-	-	322,266
Government and other securities	69,804	219,997	241,819	155,739	-	-	687,360
Derivative financial instruments	-	46,994	-	(594)	-	-	46,400
Loans and advances to banks	62,255	-	-	-	-	-	62,255
Loans and advances to customers	1,670,332	127,442	449,417	1,694,670	3,803,164	-	7,745,025
Investment in associate companies	-	-	-	-	157,370	-	157,370
Other investments	-	-	-	-	4,939	-	4,939
Other assets	208,759	12,731	-	-	1,990	-	223,481
Property, plant and equipment	-	-	-	-	114,854	-	114,854
Intangible assets	-	-	-	-	68,920	-	68,920
Current tax assets	-	8,515	-	-	-	-	8,515
Deferred tax assets	-	-	-	-	20,698	-	20,698
<b>Total assets</b>	<b>2,333,417</b>	<b>415,680</b>	<b>691,237</b>	<b>1,849,815</b>	<b>4,171,935</b>	<b>-</b>	<b>9,462,083</b>
<b>LIABILITIES</b>							
Deposits from banks	99,915	-	-	-	-	-	99,915
Other deposits	55,000	500,000	925,766	-	-	-	1,480,766
Debt securities in issue	-	-	-	335,072	-	-	335,072
Due to customers	3,780,270	1,017,140	1,361,442	1,917	-	-	6,160,769
Other liabilities	321,703	-	-	4,100	-	-	325,803
Current tax liabilities	-	47,523	-	-	-	-	47,523
Deferred tax liabilities	-	-	-	-	161,921	-	161,921
<b>Total liabilities</b>	<b>4,256,888</b>	<b>1,564,663</b>	<b>2,287,208</b>	<b>341,089</b>	<b>161,921</b>	<b>-</b>	<b>8,611,769</b>
<b>EQUITY</b>							
Share capital and premium	-	-	-	-	-	4,112	4,112
Non-distributable reserves	-	-	-	-	-	16,408	16,408
Share capital and premium	-	-	-	-	-	595,244	595,244
<b>Total shareholder's equity</b>	<b># -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615,764</b>	<b>615,764</b>
<b>Minority</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,550</b>	<b>244,550</b>
<b>Total equity and liabilities</b>	<b># 4,256,888</b>	<b>1,564,663</b>	<b>2,287,208</b>	<b>341,089</b>	<b>161,921</b>	<b>860,314</b>	<b>9,472,083</b>
<b>Liquidity sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative liquidity sensitivity gap</b>	<b>(1,923,472)</b>	<b>(1,148,983)</b>	<b>(1,595,971)</b>	<b>1,508,726</b>	<b>4,010,014</b>	<b>(860,314)</b>	<b>-</b>

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**ACCOUNTING POLICIES (CONTINUED)**  
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**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) is 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.

*a) Loans and advances to banks*

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

*b) Loans and advances to customers*

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

*c) 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.

*e) Other deposits*

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

*d) 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.

*f) Financial instruments measured at fair value in the financial statements*

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\$3.8m (2006: N\$3.1). There are no (2006: nil) financial instruments measured at fair value using a valuation technique that is not supported by observable market prices or rates.

*g) 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.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

Group	Carrying value		Fair value	
	2007	2006	2007	2006
	N\$'000	N\$'000	N\$'000	N\$'000
<b>Financial assets</b>				
Loans and advances to banks	62,255	-	62,255	-
Loans and advances to customers	7,745,025	6,560,934	7,745,025	6,560,934
<b>Financial liabilities</b>				
Due to other banks	99,915	255,459	99,915	255,459
Other deposits	1,480,766	655,403	1,480,766	655,403
Due to customers	6,160,769	5,481,564	6,160,769	5,481,564
Debt securities in issue	338,190	198,053	338,190	202,557

**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.

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**ACCOUNTING POLICIES (CONTINUED)**  
**for the year ended 30 June 2007**

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***(a) Impairment losses on loans and advances***

The Group reviews its loan portfolios to assess impairment at least on a quarterly 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. 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) Fair value of derivatives***

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques.

***(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.

***(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 not amortised cost.

***(e) Directors valuation of the investment in subsidiaries/associates***

The directors value the Group's investments in subsidiary and associate companies at the Group's portion of the subsidiary/associate companies' net asset value.

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	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>5. Interest and discount income</b>				
Cash and money market assets	61,488	45,070		
Loans and advances	955,283	682,111		
Intergroup	-	1		
	<u>1,016,771</u>	<u>727,182</u>		
<b>6. Interest expense</b>				
Banks and customers	541,066	348,717		
Other borrowed funds	11,903	13,856		
Intergroup	-	10,044		
	<u>552,969</u>	<u>372,617</u>		
<b>7. Impairment losses on loans and advances</b>				
Loans and advances to customers (Note 19)				
- Specific impairment	23,102	14,025		
- Portfolio impairment	5,742	15,101		
Loans written off during the year as uncollectible	10,004	19,392		
Amounts recovered during the year	(258)	(122)		
	<u>38,590</u>	<u>48,396</u>		
<b>8. Non-interest income</b>				
<i>Banking related income</i>				
Commissions and fees	188,418	162,462		
- External	188,418	161,583		
- Inter-group	-	879		
Trading income	27,845	29,589		
- Foreign exchange - commission	3,294	4,342		
- Foreign exchange - translation gains	21,946	17,213		
- Money Market	2,605	8,034		
Other non-interest income	14,749	35,502		
Operating income	<u>231,012</u>	<u>227,553</u>		
<b>9. Operating income</b>				
Operating income is stated after crediting the following income in addition to that already noted in Notes 5, 6, 7 and 8:				
Dividends received - other	3,813	-	2,283	-
Dividends received - subsidiaries	-	-	164,741	30,568
Dividends received - associates	12,203	6,683	-	-
Interest received	6,742	9,093	789	3,119
(Loss) / Profit on sale of property and equipment	(16)	1,242	-	-
Commissions earned by insurance broking operations	27,030	21,106	-	-
Consultancy fees rendered	7,812	-	1,117	-
Operating income is stated after charging the following expenses in addition to those already noted in Notes 5, 6, 7 and 8:				
Staff costs (Note 14)	207,076	157,204	2,197	-
Professional services	10,525	5,135	555	-
Advertising and marketing	16,141	13,208	-	-
Repairs and maintenance	9,767	7,617	-	-
Depreciation (Note 24)	19,954	20,084	-	-

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	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>9. Operating income (continued)</b>				
Amortisation and impairment of intangible assets (Note 25)	9,477	7,039	-	-
Operating lease rentals - immovable property	27,049	21,548	219	-
Expenses incurred to earn insurance broking commission	23,019	13,183	-	-
Auditors' remuneration:				
- Audit fees	1,996	957	29	26
- Other services	608	710	-	-
Directors' emoluments:				
- For services as directors			187	1,539
- For other services			23,405	4,916
			<u>23,592</u>	<u>6,455</u>
- Less: Paid by subsidiaries			<u>(19,698)</u>	<u>(6,300)</u>
			<u>3,894</u>	<u>155</u>
<b>10. Profit/(loss) on disposal of Group companies</b>				
Profit/(loss) on disposal of associate	<u>-</u>	<u>12,031</u>	<u>-</u>	<u>-</u>
<b>11. Share of associates' results before tax</b>				
Profit before tax (Note 21)	<u>39,186</u>	<u>26,799</u>		
Dividends paid	<u>(12,203)</u>	<u>(6,683)</u>		
	<u>26,983</u>	<u>20,116</u>		
<b>12. Taxation</b>				
Current tax	101,639	73,262	852	952
Income tax - prior year	-	(96)	-	-
Deferred tax (Note 31)	2,882	3,503	-	-
Share of tax of associates	8,008	8,153	-	-
	<u>112,529</u>	<u>84,822</u>	<u>852</u>	<u>952</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	<u>308,217</u>	<u>271,478</u>	<u>155,804</u>	<u>33,880</u>
Prima facie tax calculated at a tax rate of 35%	107,876	95,017	54,531	11,858
Cross-border withholding taxation	7,893	-	852	-
Income not subject to tax	(10,853)	(12,959)	(58,707)	(10,984)
Adjustments	(412)	-	-	-
Expenses not deductible for tax purposes	7,056	2,859	3,798	78
Tax losses not utilised	969	-	378	-
Income tax expense	<u>112,529</u>	<u>84,917</u>	<u>852</u>	<u>952</u>
Further information about deferred tax is presented in Note 31.			-	
<b>13. 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).				
	<u>3,144</u>	<u>2,398</u>	<u>3,522</u>	<u>815</u>
Net profit attributable to shareholders	<u>127,045</u>	<u>96,903</u>	<u>154,952</u>	<u>32,928</u>
Weighted number of ordinary shares in issue	<u>4,041</u>	<u>4,041</u>	<u>4,400</u>	<u>4,041</u>

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	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>14. Staff costs</b>				
Wages and salaries	188,018	140,010	2,197	-
Staff training and transfer cost	6,931	6,983	-	-
Pension costs - defined contribution plans	12,127	10,211	-	-
	<u>207,076</u>	<u>157,204</u>	<u>2,197</u>	<u>-</u>
<b>15. Cash and balances with central banks</b>				
Cash in hand	253,893	373,230	30,154	55,650
Balances with central bank	78,373	58,985	-	-
	<u>332,266</u>	<u>432,215</u>	<u>30,154</u>	<u>55,650</u>
<b>16. Government and other securities</b>				
<i>At fair value through profit or loss:</i>				
Treasury bills	407,184	393,736		
Government stocks	280,176	162,977		
	<u>687,360</u>	<u>556,713</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. These securities are carried at fair value. Treasury bills and government stock with a maturity of less than 90 days from the balance sheet date are included in cash and cash equivalents for the purposes of the cash flow statement.

Treasury bills with a nominal value of NS\$308,140,000 (2006: NS\$ 352,450,000) and Government stock with a nominal value of NS\$244,760,000 (2006: NS\$ 142,710,000) are pledged as securities with the Bank of Namibia.

The effective interest rates range from 8.76% to 9.80% (2006: 7.01% to 7.86%) for the Treasury bills and from 9.20% to 9.64% (2006: 9.13% to 9.35%) for Government bonds.

	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>17. Derivative financial instruments</b>				
Derivatives - Interest rate swaps	(600)	(4,588)		
Derivative Investment Product	47,000	30,000		
	<u>46,400</u>	<u>25,412</u>		
The maturity dates of the interest rate swaps range from July 2007 to January 2010.				
Repayable within 1 year	46,994	30,000		
Receivable after 1 year but within 5 years	(594)	(4,828)		
Repayable after 5 years	-	240		
	<u>46,400</u>	<u>25,412</u>		

The notional principal amounts of the outstanding interest rate swap contracts at 30 June were NS\$87,720,000 (2006: NS\$154,720,000).

The derivative instruments did not meet the criteria for hedge accounting and thus no cash flow or fair value hedge accounting adjustments were made during the 2006 and 2007 financial years. The changes in fair value of the derivative instruments were recognised immediately through profit and loss and the derivatives are disclosed separately in the balance sheet.

At 30 June the fixed interest rates varied from 8.27% to 12.42% (2006: 8.27% to 12.42%) and the floating rates are 8.47% to 11.05% (2006: 7.54%) (JIBAR Safex rates).

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	Group		Company	
	2007	2006	2007	2006
	N\$'000	N\$'000	N\$'000	N\$'000
<b>18. Loans and advances to banks</b>				
Loans and advances to other banks	<u>62,255</u>	<u>-</u>		
The effective interest rate is 10.02%.				
<b>19. Loans and advances to customers</b>				
Overdrafts	1,515,412	1,596,881		
Term loans	1,809,054	1,380,860		
Mortgages	3,057,395	2,419,724		
Installment finance	1,128,883	997,668		
Other	<u>373,106</u>	<u>275,805</u>		
Gross loans and advances	<u>7,883,850</u>	<u>6,670,938</u>		
Less: Provisions for impairment				
- Specific credit risk provision	94,286	71,208		
- General credit risk provision	<u>44,539</u>	<u>38,796</u>		
	<u>7,745,025</u>	<u>6,560,934</u>		

Term loans include a balance of N\$100 million (2006: N\$150 million), which comprises of government stock securities purchased under agreements to resell ('reverse repos').

The effective interest rate for the portfolio is 12.35% (2006: 11.79%).

The aggregate amount of non-performing loans on which interest was not being accrued amounted to N\$123,559,000 at 30 June 2007 (2006: N\$108,648,000). Accumulated unrecognised interest related to such loans amounted to N\$98,458,000 (2006: N\$84,176,000). All loans have been written down to their recoverable amount.

Movement in provisions for impairment for the Group are as follows:

	Specific provision	Portfolio provision
Balance at 1 July 2006	57,182	48,801
Effect of adopting IFRS	-	(25,106)
Provision for loan impairment	<u>14,002</u>	<u>15,101</u>
Balance at 30 June 2006	71,184	38,796
Provision for loan impairment	<u>23,102</u>	<u>5,742</u>
Balance at 30 June 2007	<u>94,286</u>	<u>44,538</u>

Group	2007	2007	2006	2006
	N\$'000	%	N\$'000	%
Economic sector risk concentrations within the customer loan portfolio for the Group were as follows:				
Agriculture and forestry	426,255	5.5%	465,217	7.1%
Mining and quarrying	93,758	1.2%	290,325	4.4%
Manufacturing	230,092	3.0%	133,311	2.0%
Building and construction	164,049	2.1%	152,189	2.3%
Electricity	12,144	0.2%	12,754	0.2%
Trade and business services	839,363	10.8%	658,266	10.0%
Transport	69,341	0.9%	132,484	2.0%
Finance	1,225,879	15.8%	833,529	12.7%
Individuals	3,327,527	43.0%	2,785,396	42.5%
Government	366,141	4.7%	282,131	4.3%
Other	<u>990,476</u>	<u>12.8%</u>	<u>815,332</u>	<u>12.4%</u>
	<u>7,745,025</u>	<u>100.0%</u>	<u>6,560,934</u>	<u>100.0%</u>

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	2007 N\$'000	2007 %	2006 N\$'000	2006 %
<b>19. Loans and advances to customers (continued)</b>				
<b>Group</b>				
Maturity analysis of loans and advances to customers for the Group:				
Repayable on demand	1,645,884	21.3%	1,962,579	29.9%
Repayable within 1 month	144,991	1.9%	18,965	0.3%
Repayable after 1 month but within 6 months	125,398	1.6%	113,026	1.7%
Repayable after 6 months	<u>5,828,752</u>	<u>75.3%</u>	<u>4,466,364</u>	<u>68.1%</u>
	<u>7,745,025</u>	<u>100.0%</u>	<u>6,560,934</u>	<u>100.0%</u>
The loans and advances to customers include installment finance receivables which may be analysed as follows:				
	2007 N\$'000	2006 N\$'000		
Repayable within 1 year	41,827	53,942		
Repayable after 1 year but within 5 years	1,422,917	1,211,368		
Repayable after 5 years	<u>52,573</u>	<u>21,698</u>		
Gross investment in installment finances	1,517,317	1,287,008		
Unearned future finance income on installment finances	<u>(387,586)</u>	<u>(289,340)</u>		
Net investment in installment finances	<u>1,129,731</u>	<u>997,668</u>		
	<b>Group</b>	<b>2006</b>	<b>Company</b>	<b>2006</b>
	2007 N\$'000	N\$'000	2007 N\$'000	2006 N\$'000

**20. Investment in subsidiaries**

Balance at beginning of period	26,499	26,499
Additions	<u>242,514</u>	<u>-</u>
Balance at end of period	<u>269,013</u>	<u>26,499</u>
Indebtedness by subsidiaries	<u>12,688</u>	<u>-</u>
Total investment in subsidiaries	<u>281,701</u>	<u>26,499</u>
Directors' valuation	<u>649,785</u>	<u>467,472</u>

**21. Investment in associates**

**Santam Namibia Ltd**

Capricorn Investment Holdings Ltd has a 30% (2006: 30%) investment in Santam Namibia Ltd, a short-term insurance company. The year end of the associate is 31 December. Unaudited results for the six month period to 30 June are used for the consolidation of this associate.

**Carrying value of investment in associate**

Cost	8,980	8,980	39,941	-
- Net asset value	<u>8,980</u>	<u>8,980</u>		
- Goodwill	<u>-</u>	<u>-</u>		
Share of current year's retained income	(937)	6,039		
- Profit before tax (Note 11)	<u>16,615</u>	<u>18,928</u>		
- Current and deferred tax	<u>(5,552)</u>	<u>(6,289)</u>		
- Dividends paid	<u>(12,000)</u>	<u>(6,600)</u>		
Post acquisition retained income at the beginning of the year	<u>29,887</u>	<u>23,848</u>		
	<u>37,930</u>	<u>38,867</u>		

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	Group		Company	
	2007 N\$'000	2006 N\$'000	2007 N\$'000	2006 N\$'000
<b>21. Investment in associates (continued)</b>				
<b>Summarised financial information</b>				
Non-current assets	165,125	138,849		
Technical assets	72,510	64,345		
Current assets	134,566	177,158		
Non-current liabilities	(19,619)	(16,470)		
Technical provisions	(126,217)	(109,165)		
Current liabilities	(99,934)	(125,165)		
Capital and reserves	<u>126,431</u>	<u>129,552</u>		
<b>Nam-mic Financial Services Holdings (Pty) Ltd</b>				
Bank Windhoek Holdings Ltd has a 27.5% (2006: 27.5%), non-controlling, investment in Nam-mic Financial Services Holdings (Pty) Ltd, an investment brokerage group.				
<b>Carrying value of investment in associate</b>				
Cost	4,915	4,915		
- Net asset value	2,222	2,222		
- Goodwill	2,693	2,693		
Share of current year's retained income	5,257	424		
- Profit before tax (Note 11)	5,460	632		
- Current and deferred tax	-	(125)		
- Dividends paid	(203)	(83)		
Post acquisition retained income at the beginning of the year	2,159	1,735		
	<u>12,331</u>	<u>7,074</u>		
<b>Summarised financial information</b>				
Non-current assets	113,189	80,455		
Current assets	7,795	4,863		
Non-current liabilities	(54,817)	(39,873)		
Current liabilities	(2,474)	(1,185)		
Capital and reserves	<u>63,693</u>	<u>44,260</u>		
Fair value reserves (not recognised due to cross-holding)	16,074	28,331		
Capital and other reserves	<u>47,619</u>	<u>15,929</u>		
	<u>63,693</u>	<u>44,260</u>		
<b>Consolidated Financial Services Holdings (Pty) Ltd</b>				
Capricorn Investment Holdings Ltd holds an effective 29.5% (2006: 30.0%), non-controlling interest in Consolidated Financial Services Holdings (Pty) Ltd, a Namibian company providing a variety of financial services.				
<b>Carrying value of investment in associate</b>				
Cost	47,290	47,290		
- Net asset value	46,701	46,701		
- Goodwill	589	589		
Share of current year's retained income	9,742	5,500		
- Profit before tax (Note 11)	12,023	7,239		
- Current and deferred tax	(2,281)	(1,739)		
Post acquisition retained income at the beginning of the year	6,417	917		
	<u>63,449</u>	<u>53,707</u>		
<b>Summarised financial information</b>				
Non-current assets	789,555	683,339		
Current assets	39,775	55,761		
Minority interest	-	(1,096)		
Non-current liabilities	(626,738)	(513,007)		
Current liabilities	(50,621)	(47,937)		
Capital and reserves	<u>151,971</u>	<u>177,060</u>		

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	Group		Company	
	2007 N\$'000	2006 N\$'000	2007 N\$'000	2006 N\$'000
<b>21. Investment in associates (continued)</b>				
<b>Cavmont Capital Holdings Zambia Plc</b>				
Capricorn Investment Holdings Ltd holds an effective 24.9%, non-controlling interest in Cavmont Capital Holdings Zambia Plc, a Zambian company providing a variety of financial services.				
<b>Carrying value of investment in associate</b>				
Cost	10,542	-	10,542	-
- Net asset value	5,251	-		
- Goodwill	5,291	-		
Share of current year's retained income	598	-		
- Profit before tax (Note 11)	774	-		
- Current and deferred tax	(176)	-		
Share of foreign currency translation reserve	738	-		
Post acquisition retained income at the beginning of the year	-	-		
	11,878	-		
<b>Summarised financial information</b>				
Non-current assets	8,767	-		
Current assets	182,308	-		
Current liabilities	(164,725)	-		
Capital and reserves	26,350	-		
<b>VTB (Pty) Ltd</b>				
During the year the Group purchased 49.67% non-controlling interest in VTB Capital Namibia (Pty) Ltd, a financial consulting company. The purchase included the acquisition of 50% of the non-cumulative, non-participating, convertible preference shares.				
<b>Carrying value of investment in associate</b>				
Cost/ Investment	22,881	-		
- Net asset value	22,881	-		
Share of current year's retained income	113	-		
- Profit before tax (Note 11)	113	-		
	22,994	-		
<b>Summarised financial information</b>				
Non-current assets	437	-		
Current assets	46,034	-		
Current liabilities	(450)	-		
Capital and reserves	46,021	-		

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	2007 N\$'000	2006 N\$'000	2007 N\$'000	2006 N\$'000
<b>21. Investment in associates (continued)</b>				
<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.				
<b>Carrying value of investment in associate</b>				
Cost	11,348	-		
- Net asset value	<u>11,348</u>	<u>-</u>		
Share of current year's loss	(2,560)	-		
	<u>8,788</u>	<u>-</u>		
Total investment in associates	<u>157,370</u>	<u>99,648</u>	<u>50,483</u>	<u>-</u>
Directors' valuation	<u>157,370</u>	<u>99,648</u>	<u>157,370</u>	<u>-</u>
<b>22. Other investments</b>				
<i>22.1 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	<u>741</u>	<u>-</u>	<u>-</u>	<u>-</u>
The value of the Group's share in assets, liabilities, income and expenditure is not significant to the Group as a whole.				
<i>22.2 Jointly controlled entity</i>				
Investment in Namclear (Pty) Ltd - at cost	<u>4,023</u>	<u>2,525</u>	<u>-</u>	<u>-</u>
	<u>4,023</u>	<u>2,525</u>	<u>-</u>	<u>-</u>
The Group obtained a 25% interest in Namclear (Proprietary) 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.				
<i>22.3 Available-for-sale - at fair value</i>				
JSE listed shares (valued at closing bid prices at year end)	<u>1,138</u>	<u>716</u>	<u>1,138</u>	<u>716</u>
	<u>1,138</u>	<u>716</u>	<u>1,138</u>	<u>716</u>
<i>22.4 Held-to-maturity</i>				
Loan to Nam-mic Financial Services Holdings (Pty) Ltd	-	3,481	-	3,481
Total investments	<u>5,902</u>	<u>6,722</u>	<u>1,138</u>	<u>4,197</u>
Directors' valuation	<u>5,902</u>	<u>6,722</u>	<u>1,138</u>	<u>4,197</u>

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	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>23. Other assets</b>				
Accounts receivable and prepayments	21,098	93,666	-	-
Inventories	18,826	2,278	-	-
- Other inventories	16,491	1,237	-	-
- Property in Possession	2,335	1,041	-	-
Dividends receivable	-	-	21,140	29,038
Other receivables	182,591	89,049	3,128	-
Other taxes	3	26	-	-
	222,518	185,019	24,268	29,038
<b>24. Property and equipment</b>				
	<b>Freehold land and buildings</b>	<b>Computer and other equipment</b>	<b>Vehicles, furniture and fittings</b>	<b>Total</b>
	NS'000	NS'000	NS'000	NS'000
<b>Group</b>				
<b>Year end - 30 June 2007</b>				
<i>Cost:</i>				
Cost at 1 July 2006	18,673	77,185	74,431	170,289
Additions	3,423	23,515	21,641	48,579
Disposals	-	(1,043)	(1,100)	(2,143)
Disposals through subsidiaries	-	-	(4,878)	(4,878)
Acquisitions through business combinations	-	-	320	320
Cost at 30 June 2007	22,096	99,657	90,414	212,167
<i>Depreciation:</i>				
Accumulated depreciation at 1 July 2006	(1,762)	(42,703)	(34,523)	(78,988)
Charge for the year	(506)	(10,916)	(8,532)	(19,954)
Depreciation on disposals	-	1,016	613	1,629
Accumulated depreciation at 30 June 2007	(2,268)	(52,603)	(42,442)	(97,313)
<i>Net book value at 30 June 2007</i>	19,828	47,054	47,972	114,854
<b>Group</b>				
<b>Year end - 30 June 2006</b>				
<i>Cost:</i>				
Cost at 1 July 2005	13,941	84,610	71,901	170,452
Additions	4,984	13,213	13,093	31,290
Disposals	(252)	(20,638)	(10,563)	(31,453)
Cost at 30 June 2006	18,673	77,185	74,431	170,289
<i>Depreciation:</i>				
Accumulated depreciation at 1 July 2005	(1,306)	(50,230)	(36,610)	(88,146)
Charge for the year	(486)	(12,098)	(7,500)	(20,084)
Depreciation on disposals	30	19,625	9,587	29,242
Accumulated depreciation at 30 June 2006	(1,762)	(42,703)	(34,523)	(78,988)
<i>Net book value at 30 June 2006</i>	16,911	34,482	39,908	91,301

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

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**25. Intangible assets**

	Trademarks and Brands NS'000	Goodwill NS'000	Computer software cost NS'000	Other intangibles NS'000	Total NS'000
<b>Group</b>					
<b>Year end - 30 June 2007</b>					
<i>Cost:</i>					
Cost at 1 July 2006	7,179	9,822	49,269	-	66,270
Additions	24	-	-	-	24
Disposal of subsidiaries	-	(9,822)	-	-	(9,822)
Acquisition of subsidiaries	-	53,213	-	5,659	58,872
Cost at 30 June 2007	<u>7,203</u>	<u>53,213</u>	<u>49,269</u>	<u>5,659</u>	<u>115,344</u>
<i>Amortisation and impairment:</i>					
Amortisation and impairment at 1 July 2006	-	-	(36,947)	-	(36,947)
Charge/impairment for the year	(1,449)	-	(7,039)	(989)	(9,477)
Amortisation and impairment at 30 June 2007	<u>(1,449)</u>	<u>-</u>	<u>(43,986)</u>	<u>(989)</u>	<u>(46,424)</u>
<i>Net book value at 30 June 2007</i>	<u>5,754</u>	<u>53,213</u>	<u>5,283</u>	<u>4,670</u>	<u>68,920</u>
<b>Group</b>					
<b>Year end - 30 June 2006</b>					
<i>Cost:</i>					
Cost at 1 July 2005	7,173	1,599	49,269	-	58,041
Additions	6	8,223	-	-	8,229
Cost at 30 June 2006	<u>7,179</u>	<u>9,822</u>	<u>49,269</u>	<u>-</u>	<u>66,270</u>
<i>Amortisation and impairment:</i>					
Amortisation and impairment at 1 July 2005	-	-	(29,908)	-	(29,908)
Charge/impairment for the year	-	-	(7,039)	-	(7,039)
Amortisation and impairment at 30 June 2006	<u>-</u>	<u>-</u>	<u>(36,947)</u>	<u>-</u>	<u>(36,947)</u>
<i>Net book value at 30 June 2006</i>	<u>7,179</u>	<u>9,822</u>	<u>12,322</u>	<u>-</u>	<u>29,323</u>

Computer software costs consists of computer software acquisition and development cost. Trademarks and brands consist of trademark costs associated with the Bank Windhoek trademark. The trademark has a remaining amortisation period of seven years. The company does not own any intangible assets.

	Group	
	2007 NS'000	2006 NS'000
<b>26. Due to other banks</b>		
Deposits from other banks	<u>99,915</u>	<u>255,459</u>
The effective interest rate is 8.67% (2006: 7.12%).		
<b>27. Other deposits</b>		
Negotiable certificates of deposit	<u>1,480,766</u>	<u>655,403</u>

The effective interest rate is 9.32% (2006: 7.73%). The value of NCDs held as collateral amounts to N\$ 8,886,564 (2006: N\$ 5,649,738).

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	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>28. Debt securities in issue</b>				
<b>Subordinated Callable Bonds</b>				
Balance at 1 July	198,053	106,491		
Bonds issued - nominal value	-	90,000		
Discount on issue	-	8,147		
Interest capitalised	-	(3,321)		
Restatement of opening balance for effective interest rate	-	(3,414)		
Effective interest rate adjustment	(24)	150		
Balance as at 30 June	<u>198,029</u>	<u>198,053</u>		
Subordinated Callable Bonds with a nominal value of N\$100,000,000 and N\$90,000,000 paying a fixed semi-annual coupon at a nominal rate of 11% and 10.5% per annum respectively. The bonds were issued with a maturity date of 4 February 2014, but are callable at their principal amount (together with interest due) on 4 February 2009. The effective interest rates range from 10.48% to 11.78% for the different debt security issues.				
The fair values of the bonds were N\$ 200,169,046 (2006: N\$ 202,557,379) at 30 June 2007.				
<b>Promissory Notes</b>				
Promissory Notes	<u>137,043</u>	-	<u>137,043</u>	-
Promissory notes with a nominal value of N\$135,000,000 paying 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.				
Total Debt securities in issue	<u>335,072</u>	<u>198,053</u>	<u>137,043</u>	<u>-</u>
<b>29. Due to customers</b>				
Current accounts	1,705,646	1,131,736		
Savings accounts	321,124	268,553		
Other deposits	4,133,998	4,081,276		
Due to customers	<u>6,160,768</u>	<u>5,481,565</u>		
The effective interest rate for the portfolio is 8.05% (2006: 6.43%).				
Other deposits to the value of N\$721,747,620 (2006: N\$523,574,667) are held as collateral.				
	2007	2007	2006	2006
	NS'000	%	NS'000	%
<b>Group</b>				
Economic sector risk concentrations within the customer current, savings and deposit account portfolio for the Group were as follows:				
Government	210,840	3.4%	229,331	4.2%
Financial corporations	2,386,973	38.7%	1,696,933	31.0%
Non-financial corporations	2,444,558	39.7%	2,721,218	49.6%
Individuals	1,118,397	18.2%	834,083	15.2%
	<u>6,160,768</u>	<u>100.0%</u>	<u>5,481,565</u>	<u>100.0%</u>

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**29. Due to customers (continued)**

	2007 NS'000	2007 %	2006 NS'000	2006 %
<b>Group</b>				
Maturity analysis within the customer current, savings and deposit account portfolio for the Group:				
Withdrawable on demand	3,732,923	60.6%	3,537,523	64.5%
Maturing within 1 month	1,005,145	16.3%	1,224,286	22.3%
Maturing after 1 month but within 6 months	732,906	11.9%	373,245	6.8%
Maturing after 6 months but within 12 months	689,795	11.2%	346,511	6.3%
	<u>6,160,768</u>	<u>100.0%</u>	<u>5,481,565</u>	<u>100.0%</u>

	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>30. Other liabilities</b>				
Accounts payable	283,985	4,511	3,023	-
Dividends payable	34,600	29,195	33,000	3,233
Accruals	-	27,309	-	-
Other provisions (note 30.1)	4,100	3,200	-	-
Other	3,118	196,239	-	-
	<u>325,803</u>	<u>260,454</u>	<u>36,023</u>	<u>3,233</u>

**30.1 Other provisions**

At 1 July	3,200	2,000
Additional provisions charged to the income statement	900	1,200
At 30 June	<u>4,100</u>	<u>3,200</u>

The amounts shown comprise a gross provision in respect of a certain legal claim brought against the group by a customer. In the opinion of the directors, after taking appropriate legal advice, the outcome of this legal claim will not give rise to any significant loss beyond the amount of NS\$4.1 million provided at 30 June 2007. (Note 33.5)

**31. Deferred income taxes**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2006: 35%).

The movement on the deferred income tax account is as follows:

At the beginning of the year	138,341	125,244
Effect of adopting IAS 39	-	9,595
Income statement charge	2,882	3,502
At the end of the year	<u>141,223</u>	<u>138,341</u>

Deferred income tax assets and liabilities are attributable to the following items:

<i>Deferred income tax liabilities</i>		
Accelerated tax depreciation and amortisation	20,949	20,425
Loans and receivables	114,834	106,039
Government stock and other securities	7,524	9,465
Derivative financial instruments	16,240	8,894
Other temporary differences	2,374	2,979
	<u>161,921</u>	<u>147,802</u>

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	Group	
	2007	2006
	NS'000	NS'000
<b>31. Deferred income taxes (continued)</b>		
<i>Deferred income tax assets</i>		
Provision	5,208	3,325
Loan loss provisions	15,332	4,548
- Effect of adopting IFRS	-	(8,787)
- Current year movement	15,332	13,335
Assessed tax losses	158	1,588
	20,698	9,461
 Net deferred income tax liability	 141,223	 138,341

The deferred tax charge in the income statement comprises the following temporary differences:

Accelerated tax depreciation and amortisation	524	(1,898)
Loans and receivables	8,795	19,662
Government stock and other securities	(1,941)	9,124
Derivative financial instruments	7,346	(21,608)
Other temporary differences	(605)	(2,464)
Provisions	(1,883)	(621)
Loan loss provisions	(10,784)	1,004
Assessed tax losses	1,430	303
	2,882	3,502

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

**32. Retirement benefit obligations**

**32.1 Medical aid scheme**

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

**32.2 Pension schemes**

All full-time permanent employees are members of the Bank Windhoek 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 2005 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 future liabilities.

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

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

**33.1 Capital commitments**

- Authorised but not contracted for	42,441	45,840
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	Group		Company	
	2007	2006	2007	2006
	NS'000	NS'000	NS'000	NS'000
<b>33. Contingent liabilities, - assets and commitments (continued)</b>				
<b>33.2 Operating lease commitments</b>				
Office premises				
- Not later than 1 year	19,912	15,207		
- Later than 1 year but not later than 5 years	40,753	31,748		
- Later than 5 years	-	1,479		
	<b>60,665</b>	<b>48,434</b>		
Funds to meet these commitments will be provided from own resources.				
<b>33.3 Deferred tax liability guarantee in favour of Oryx Properties Ltd</b>				
Bank Windhoek Holdings Limited (previously Capricorn Investment Holdings Limited) and its subsidiary Namib Bou (Proprietary) Limited have guaranteed the deferred tax liability assumed by Oryx Properties Limited on the acquisition of the Maerua complex companies. In the event of the deferred tax liability realising in the first five years from 2 December 2002, the full liability is guaranteed by Namib Bou (Pty) Ltd and 50% of the liability is guaranteed for the following 5 years. The deferred tax liability guaranteed was NS 8.4 million as at 30 June 2007 (2006: NS 8.4 million).				
<b>33.4 Unit trust repurchase agreement</b>				
The Group 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.				
<b>33.5 Pending litigation</b>				
A pending legal claim against the Bank has given rise to a contingent liability of NS1.5 million as well as possible legal costs of NS200,000 at 30 June 2007. The total exposure on the claim as per legal advice is NS5.6 million of which NS4.1 million has been provided.				
<b>33.6 Letters of credit and liabilities under guarantees</b>	<b>513,998</b>	<b>367,698</b>		
<b>34. Share capital and -premium</b>				
<b>Authorised share capital</b>				
5,000,000 ordinary shares of NS1 each	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>34. Share capital and -premium (continued)</b>				
<b>Issued share capital</b>				
Balance at the beginning of the year:				
Group: 4,041,000 (2006: 3,933,600) ordinary shares of NS\$1 each	4,041	3,934		
Company: 4,041,000 (2006: 4,041,000) ordinary shares of NS\$1 each			4,041	4,041
Shares issued during the year: 359,000 (2006: Nil)	359	-	359	-
Less:				
359,000 (2006: Nil) shares held by Capricorn Investment Holdings Limited Employee Share Trust	(359)	-	-	-
Add back prior year deduction of shares held by Share Trusts	-	107	-	-
Balance at the end of the year:				
Group: 4,041,000 (2006: 4,041,000) ordinary shares of NS\$1 each	<u>4,041</u>	<u>4,041</u>		
Company: 4,400,000 (2006: 4,041,000) ordinary shares of NS\$1 each			<u>4,400</u>	<u>4,041</u>
<b>Share premium</b>				
Balance at the beginning of the year:	71	71	71	71
Shares issued during the year: 359,000 (2006: Nil)	11,671	-	11,671	-
Less:				
359,000 (2006: Nil) shares held by Capricorn Investment Holdings Limited Employee Share Trust	(11,671)	-	-	-
Balance at the end of the year:	<u>71</u>	<u>71</u>	<u>11,742</u>	<u>71</u>
<b>Total share capital and premium</b>	<u><u>4,112</u></u>	<u><u>4,112</u></u>	<u><u>16,142</u></u>	<u><u>4,112</u></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, whereupon the authority can be renewed.				
<b>35. Non-distributable reserves</b>				
Comprised:				
Profit on disposal of subsidiary	-	-	15,942	15,942
General credit risk reserve	16,408	12,792	-	-
	<u>16,408</u>	<u>12,792</u>	<u>15,942</u>	<u>15,942</u>
<b>36. Distributable reserves</b>				
Comprised:				
General reserve	260,074	260,074	7,710	7,710
Foreign currency translation reserve	8,744	(3,588)	-	-
BWH Shares held by Employee Share Trust	(1,998)	(1,159)	-	-
Retained income	328,424	280,869	175,515	525,335
	<u>595,244</u>	<u>536,196</u>	<u>183,225</u>	<u>533,045</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>37. Dividends per share</b>				
During the current year under review dividends of 1,450 cents per share (2006: 150 cents per share) amounting to a total of N\$63,800,000 (2006: N\$6,061,500) were declared by the Company.				
<b>38. Cash generated by operations</b>				
Income before taxation	308,217	271,028	155,804	33,880
Dividends received	(3,813)	(8,902)	(167,024)	(30,568)
Adjusted for non-cash items:				
- Depreciation	19,954	20,084	-	-
- Loss / (Profit) on disposal of property and equipment	16	(1,242)	-	-
- Amortisation and impairment of intangible assets	9,477	7,039	-	-
- Adjustment to fair value of investments	-	-	-	(774)
- Share of results of associates before tax	(26,983)	(20,116)	-	-
- Profit on disposal of associate	-	(12,031)	-	-
- Goodwill amortised	-	-	-	-
- Effect of consolidation of Employee Share Trust	(839)	1,669	-	-
- Prior year adjustment due to IAS39	-	21,370	-	-
- Foreign currency translation adjustment	(1,596)	1,599	-	-
- Minority shareholders' adjustment	(182,107)	10,113	-	-
- Profit on disposal of investments	-	(774)	-	-
- Provision for impairment losses on loans and advances	28,844	29,126	-	-
	<u>151,170</u>	<u>318,963</u>	<u>(11,220)</u>	<u>2,538</u>
<b>39. Dividends received</b>				
Dividends received are reconciled to the amounts disclosed in the income statements as follows:				
Amounts receivable at the beginning of the year	-	-	29,038	22,697
Amounts accrued to the income statements	3,813	8,902	167,024	30,568
Amounts receivable at the end of the year	-	-	(21,140)	(29,038)
	<u>3,813</u>	<u>8,902</u>	<u>174,922</u>	<u>24,227</u>
<b>40. Income taxes paid</b>				
Income taxes paid are reconciled to the amounts disclosed in the income statements as follows:				
Amounts prepaid / (unpaid) at the beginning of the year	(7,276)	(7,904)	(24)	143
Current tax charged to the income statements (Note 12)	(101,639)	(73,166)	(852)	(952)
Amounts unpaid / (prepaid) at the end of the year	39,008	7,276	(631)	24
	<u>(69,907)</u>	<u>(73,794)</u>	<u>(1,507)</u>	<u>(785)</u>
<b>41. Dividends paid</b>				
Dividends paid are reconciled to the amounts disclosed in the statements of changes in equity as follows:				
Amounts unpaid at the beginning of the year	(29,195)	(20,194)	(3,233)	-
Amounts charged for the year	(141,564)	(39,844)	(63,800)	(6,062)
Amounts unpaid at the end of the year	34,600	29,195	33,000	3,233
	<u>(136,159)</u>	<u>(30,843)</u>	<u>(34,033)</u>	<u>(2,829)</u>

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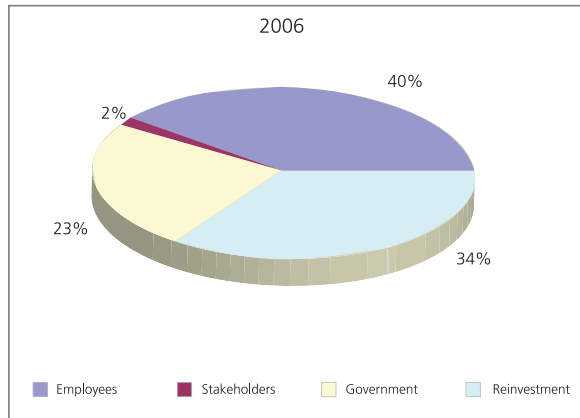
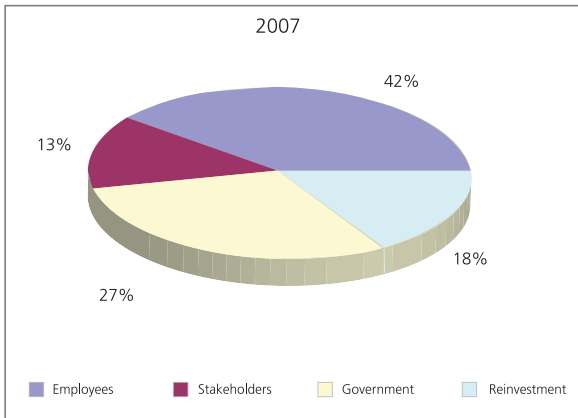
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

	Group		Company	
	2007 NS'000	2006 NS'000	2007 NS'000	2006 NS'000
<b>42. 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)	332,266	432,215	30,154	55,650
Treasury bills and government stocks	273,234	243,195	-	-
	<u>605,500</u>	<u>675,410</u>	<u>30,154</u>	<u>55,650</u>
<b>43. Change in accounting policy</b>				
The Company changed its accounting policy to value its subsidiaries at the cost of acquisition. Previously the subsidiaries were valued at fair value.				
The effect on the opening balance of accumulated profit:				364,551
The effect on the prior year income statement:				<u>76,422</u>
				<u>440,973</u>
This change in accounting policy had no tax or deferred tax effects.				
<b>44. Cross-border exposures</b>				
As at year-end, the Bank had a cross-border exposure of N\$50 million with Absa Bank Ltd.				
<b>45. Related party transactions</b>				
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 Company controls the Bank Windhoek Holdings Limited Group, Capricorn Investment Holdings (Botswana) Group and Capricorn Asset Management (Pty) Ltd.				
A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and conditions at market rates. Consequently no disclosure is made on the information in respect of these transactions with and balances arising from the ordinary course of business with related companies, directors and employees.				
<b>43.1 Services rendered</b>				
Bank Windhoek Holdings Limited - subsidiary	<u>-</u>	<u>-</u>	<u>(538)</u>	<u>-</u>
<b>43.2 Loans to/ (from) related parties</b>				
Bank Windhoek Holdings Limited - subsidiary	<u>-</u>	<u>-</u>	<u>704</u>	<u>-</u>
<b>43.3 Key management and directors compensation</b>				
			<i>Directors and Key management</i>	
			<b>2007</b>	<b>2006</b>
Salaries and other short-term benefits			<u>3,706</u>	<u>4,916</u>

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**ANNEXURE 1: GROUP VALUE ADDED STATEMENT**  
**for the year ended 30 June 2007**

	2007 NS'000	2007 %	2006 NS'000	2006 %
Interest earned and other operating income	1,270,896		993,178	
Interest paid and direct costs of services	<u>(780,724)</u>		<u>(600,291)</u>	
<b>Value added</b>	<b><u>490,172</u></b>		<b><u>392,887</u></b>	
Distributed as follows:				
<b>To employees</b>				
Remuneration, pension and other benefits	207,076	42%	157,204	40%
<b>To providers of capital</b>				
Dividends to shareholders	63,800	13%	6,062	2%
<b>To government</b>				
Taxes	130,817	27%	96,407	25%
- Direct	109,647		81,319	
- Indirect				
VAT and levies	19,903		13,994	
Stamp duty	1,267		1,094	
<b>Reinvestment within the group</b>				
Depreciation	88,479	18%	133,214	34%
Distributable reserves	29,431		29,561	
	59,048		103,653	
	<b><u>490,172</u></b>	<b><u>100%</u></b>	<b><u>392,887</u></b>	<b><u>101%</u></b>



**This statement does not form part of the audited financial statements.**



**Capricorn**  
Investment Holdings