

Capricorn Investment Holdings Limited | Annual Report 2006

2006



Capricorn
Investment Holdings

Vision

The vision of Capricorn Investment Holdings Limited (CIH) is to be a leading regional financial services Group acting as a catalyst for economic growth and development in the countries in which the Group operates, and in this way create value for all its stakeholders.



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Directorate



Koos Brandt
Chairman

The Board of Directors of Capricorn Investment Holdings Limited



Johan Swanepoel
Group Managing Director



Gida Nakazibwe-Sekandi
Executive Director



Koot van Vuuren



Matheus Shikongo



John Mannheimer



Jacob Nghifindaka



Frans du Toit



Albie Basson



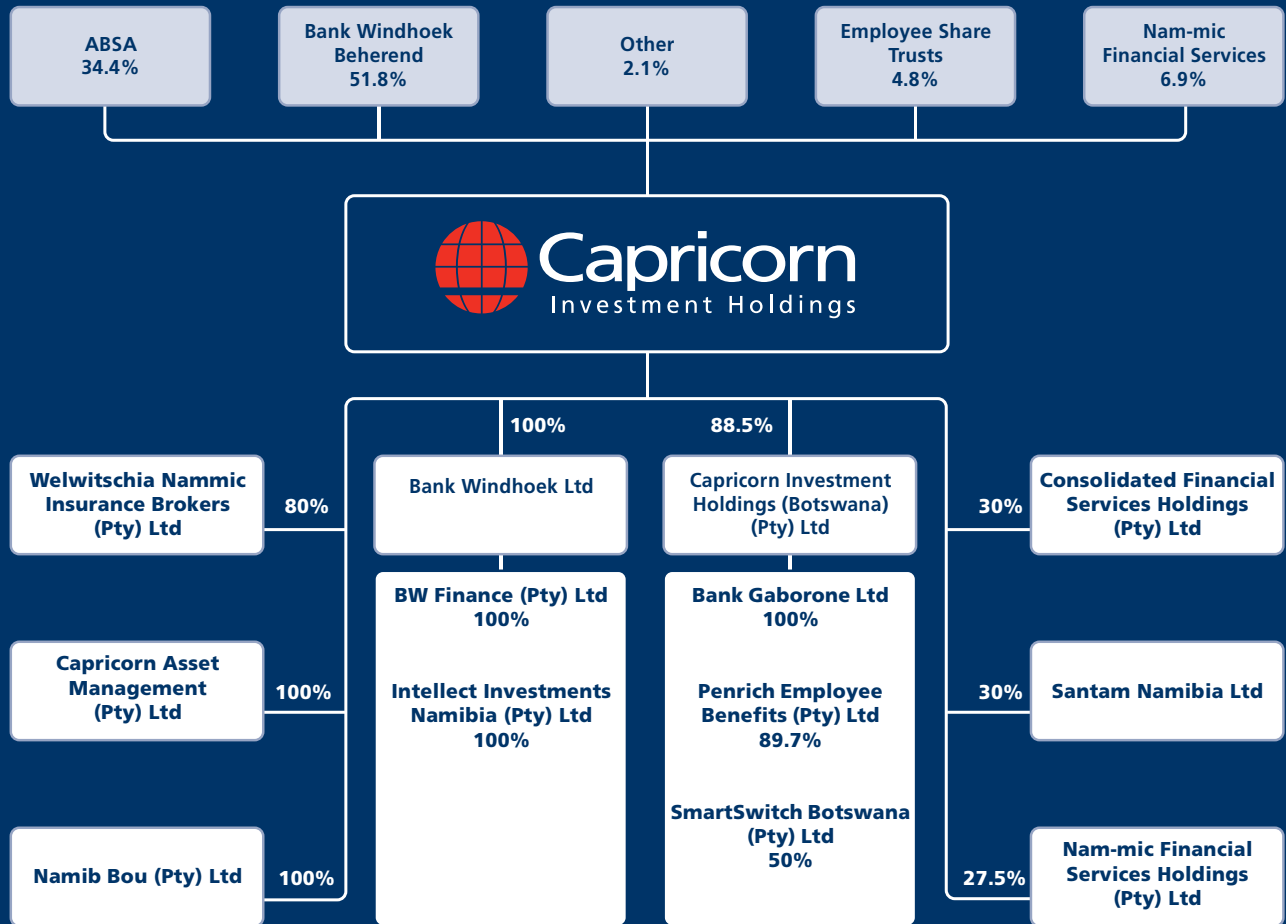
Hellmut von Ludwiger
Company Secretary



Peter Mageza

Group Structure

as at 30 June 2006



Group Chairman's Report

for the year ended 30 June 2006



Introduction

Capricorn Investment Holdings Limited, (CIH) is a regional services group with interests in banking, insurance, asset management and micro finance. The Group has a well established diversified portfolio of business interests in Namibia and Botswana, and will continue to explore new opportunities in the region.

The organisational changes introduced during 2005 have been successfully implemented. The Group's growth strategy has been formulated and will regularly be reviewed to ensure that it supports the vision of the Group and remains relevant to the changing needs of the markets in which we operate.

Capricorn Investment Holdings' support capabilities were strengthened with the establishment of the Group Human Advisory Division and the company is now well positioned to support existing and new group operations.

Group Overview

Bank Windhoek Limited remains the Group's flagship brand. The bank returned another solid performance with an asset growth of 24% to N\$ 7,5 billion which has also impacted positively on the profitability of the bank.

Bank Gaborone was issued with a commercial banking license in February 2006 by Bank of Botswana. During the year under review the focus has been on establishing start up operations, recruiting capable staff and preparing for the establishment of the Bank Gaborone brand. All these processes were successfully concluded and the bank opened its doors to the public in September 2006 with a competitive range of products and services.

CIH secured a 24.9% interest in Zambian banking operation, Cavmont Capital Bank (Pty) Limited (CCBL), shortly after the financial year end. CIH intends playing a major role in the repositioning of CCBL in the Zambian market.

The investment in the life assurance and related industry held in Sanlam Namibia, Capricorn Life Assurance, Sanlam Unit Trust Management and Capricorn Unit Trust Management returned satisfactory results despite fierce competition in the market.

The financial services interests of CIH are ably complemented by holdings in Santam Namibia and in Welwitschia Nammic Insurance Brokers. Both these companies contributed significantly to the Group results and held their positions as leaders in their respective industries.

Asset management, specifically in the money and capital market, is a core competence of the Group. Capricorn Asset Management was established at the end of the year in order to grow this business.

The strategic broad based economic empowerment partnership with Nammic Financial Services Holdings (NFS) has continued to mature with good benefits for CIH and other Group companies. At present the shareholding of NFS in the company is 6,9%. NFS's investment in the group was strengthened by the

Group Chairman's Report

for the year ended 30 June 2006

acquisition of 20% in Capricorn Asset Management after year end.

The Group disposed of its investment in Oryx Properties Limited with a good return. The proceeds will be used to partly fund the group's expansion in the region.

The Group will continue to build its business portfolio in bank assurance, asset management, and micro finance while looking for viable opportunities in the region's financial services markets, to further strengthen its position as a regional financial services group.

During the new financial year, there will be a stronger focus on leveraging synergies and unlocking value across the Group. The Group Operational Review provides more details about the Group's operations conducted through its local and regional subsidiaries and associated companies.

Financial Review

Group operating income increased by 9% to N\$ 234,1 million. Bank Windhoek was the biggest contributor with a profit before tax of N\$ 195,6 million, whilst results of foreign operations and share of associated company results amounted to N\$ 20,6 million and N\$ 20,1 million respectively.

The director's recommended a normal dividend of 32 cents per share, an increase of 28% compared to the previous financial year's declaration. The normal dividend of N\$ 35 million represents 5,8 times of the company's earnings. The company also declared a special dividend of 18 cents per share. This was made possible by the profit realised on the sale of the investment in Oryx Properties and a special dividend received from Bank Windhoek. The company retained N\$ 148 million in reserves to fund expansion and growth in our target markets.

The Group's balance sheet remains strong with a growth in total assets by 26% to N\$ 7,9 billion. Shareholders equity was N\$ 896 million.

The Group's annual financial statements for the year ended 30 June 2006 has been prepared in terms of IFRS for the first time. The impact of the transition to IFRS can be clearly seen in note 4 to the financial statements.

Operating Environment

Namibia's democracy is stable and has continued to enjoy the stability and peace that is conducive to economic growth and prosperity. President Hifikepunye Pohamba has set the agenda for economic transformation focusing on good corporate governance, the eradication of corruption, land reform, performance of state owned enterprises and employment creation. The Group believes that our young democracy can become successful provided the correct policies are implemented timeously.

The public private partnerships established by subsidiary and associate companies have begun to deliver value. Bank Windhoek's pioneering partnership with the Development Bank of Namibia marked its first year in existence with satisfactory results. Thirty Namibian entrepreneurs have been granted affordable enterprise financing to the value of N\$ 21 million committed from the partnership fund.

A number of processes have been put in place to support the development of Namibia's Financial Services Charter and while progress has been slow, stakeholders are committed to establishing a charter that will shape the industry of the future. The Group is actively involved and encourages operating subsidiaries and associate companies to contribute to the process.

The establishment of the Anti-Corruption Commission augers well for Namibia's credibility and has resulted in greater transparency about white collar crime and unethical business practices. The finalisation of the anti-money laundering legislation will also go a long way to protect the economy from unscrupulous transactions.

While skills shortage in the financial services sector remains a challenge the Group has stepped up its human resources planning to ensure retention of talent and the development of skills and leaders for the new economy. The Group will support companies in establishing appropriate policies and processes that will ensure that human capital is properly managed.

Namibia continues to face numerous challenges in its socio-economic environment with rising unemployment, skewed income distribution, rural and urban poverty and HIV Aids compounded by a weakening educational system. It is encouraging to note that these issues continue to be among the top priorities on the government's agenda.

Group Chairman's Report

for the year ended 30 June 2006

The Group's philosophy is to address the socio-economic issues through collaboration rather than duplication. Guided by the principles of public private partnership and other strategic alliances the group will within its means continue to contribute towards initiatives designed to address these challenges. During the year under review the Bank Windhoek Social Investment Fund was successful in strengthening its partnership with government. This resulted in the production of a national guideline for business plans, implementation of an entrepreneurship programme for inmates and a mentorship programme for ESME's among others. Good progress has been made with respect to the partnership with the Ministry of Education to implement entrepreneurship as a new subject in the school curriculum as from 2008.

The Group has recognised the need for creating affordable and respectable housing for low income households. Through its wholly owned subsidiary, Namib Bou, the Group hopes to use innovative construction methods to provide housing units that will improve the livelihoods of many Namibians while providing them with the opportunity to build assets. The Group will forge strategic partnerships with government, local authorities and other stakeholders who have an influence on the building and construction industry to participate in the implementation of its strategy.

Economic Empowerment

The Group's philosophy is that true economic empowerment should benefit the broader society in our country. Empowerment models should be designed to achieve socio-economic transformation through sustainable development of all aspects of our economy.

A strong component of the empowerment process should focus on enterprise development, skills and knowledge transfer. This will enable entrepreneurs to build successful enterprises that will create jobs and provide local goods and services for the benefit of broader society.

Our partnership with Nammic Financial Services (NFS) has enabled us to contribute towards development of NFS and in turn contribute to empowerment of union members and their dependants through wealth creation, job creation and the provision of accessible and affordable financial products and services.

The net asset value of NFS has grown to N\$ 44.3 million and the company employed an additional twenty people during the year under review to support sales and administration.

The Group is concerned that despite its own efforts and those of government, tangible benefits of most empowerment initiatives are yet to be realised. The Group will therefore continue to search for ways in which it can create opportunities in the economy and business structures that will meet the objectives of broad based empowerment.

As a Group, CIH believes that commitment on the part of all stakeholders, supported by an enabling policy framework is necessary for successful implementation of empowerment programmes in Namibia.

Economic Overview 2005/2006

International

We expect the slowdown in economic activities in the industrial economies will continue over the next 12 months. The Chinese economy will however remain an important catalyst for global economic growth in the foreseeable future. As a result demand for commodities will remain high with substantial benefits for commodity rich countries. China's role as a low cost manufacturing country should continue to have a stabilizing impact on global inflation. The expected commencement of lowering of interest rates in the USA will contribute to global economic growth.

South Africa

Interest rates are on the increase in South Africa mainly because of inflation pressure, pressure on the trade balance and excessive demand for credit. The expected recent decrease in the oil price to a new structural level of around \$60 per barrel will relieve some of the pressure on inflation and to some extent the trade balance. With the strong emphasis on economic growth and infrastructural expansion in South Africa, the current interest rate cycle is expected to be less intense and severe than in the past. The current yield curve predicts that the South African prime rate will peak at 13%.

Higher interest rates will obviously have a negative impact on spending and economic activities in general. The emphasis on economic growth and development in South Africa as well as strong global demand for commodities will however soften the adverse impact of higher interest rates and the South African economy should grow by at least 4,5% in 2007. The recent strengthening of the exchange rate of the Rand against major currencies after a strong depreciation has emphasized that the regional economy has remained

Group Chairman's Report

for the year ended 30 June 2006

attractive for international investment. It is anticipated that the Rand will trade in a band of R 7.00 to R 8.00 to the US Dollar over the next year.

Namibia

The major Namibian economic indicators of inflation, interest rates and exchange rates will follow the South African trends. Interest rates in Namibia are expected to peak at around 14,25% and should soften again by mid 2008.

2007 will be a challenging year for Namibia. Some sectors such as the mining industry will perform well and will have a positive impact on export earnings, employment and other macro economic variables. Tourism, although not nearly performing to its true potential, is expected to show relatively good growth. Provided there are no further delays, infrastructural development such as Kudu gas will also give some impetus to the Namibian economy. These positive features will however not be sufficient to take Namibia to the next level of economic growth and development as envisaged in Vision2030 and GDP will probably not grow by more than 4% in the next year. The challenge for decision makers and role players in the Namibian economy will be to develop those sectors in which Namibia can be competitive such as the tourism and services industry to ensure sustainable economic growth and development for all Namibians.

Acknowledgement

Every single employee in the Group deserves acknowledgement for contributing to the positive growth of the Group and for building a strong foundation that will form the basis for further growth and improvement in business performance. The quality and skills of our management and staff continue to give us a competitive edge. I would therefore like to thank the management and staff of the Group's subsidiaries who have once again proved their resilience in a challenging and demanding year, characterised by change and expansion.

I would like to congratulate Chris van Niekerk on a successful career as managing director of Welwitschia Nammic Insurance Brokers. Chris will retire from full time employment in December 2006 and we wish him success in his future plans.

My sincere appreciation goes out to all our loyal clients and shareholders for their confidence in the Group. Our success will never be complete without the support of a number of important stakeholders. We extend our gratitude to the Government and its institutions, the Bank of Namibia, Namfisa, as well as our professional consultants, attorneys and auditors for their partnership and services.

Last but not least, I would like to thank my fellow directors for their invaluable support, their participation in board deliberations and their knowledgeable input to the success of CIH during a year marked by a number of significant changes and business transactions.



JC Brandt
Chairman

Windhoek
13 September 2006

Group Operational Review

for the year ended 30 June 2006



Johan Swanepoel
Group Managing Director

The vision of Capricorn Investment Holdings Limited (CIH) is to be a leading regional financial services Group, to act as a catalyst for economic growth and development in the countries in which the Group operates, and while doing so create value for all its stakeholders.

To realise this vision a number of Group strategic objectives have been adopted. These objectives include the establishment of an effective service delivery model to support and grow all Group operations and a multi-sectoral synergetic business development strategy to fully unlock the potential of the Group. Teamwork, Innovation, Integrity, Learning and Excellence were adopted as the corporate values of the Group.

The recently established CIH Corporate Centre, a Group support function, demonstrated that there is potential to grow and improve performance of Group operating companies through delivery of value adding services and support. The CIH Corporate Centre facilitates the sharing of best practice, leveraging off synergies and building and strengthening strategic partnerships in order to grow existing business and explore new opportunities.

A strong foundation has been established for audit, legal, human resources, company secretariat and corporate marketing and communication services teams to effectively support Group operations in Namibia and in the region. Services are being rendered in accordance with service level agreements and are subject to a client satisfaction assessment.

Banking

Bank Windhoek Limited



James Hill
Managing Director

Bank Windhoek maintained its strong market position as a bank with local decision making, advanced technology and systems, and strong Namibian management. The Bank, with its focus on building long lasting and mutually beneficial relationships, has successfully delivered on its promise "together we do better".

The community banking roll out is close to completion and ahead of the schedule that was agreed with United Kingdom agency, DFID. The strategic alliance with the Development Bank of Namibia to improve access to funding for Emerging Small to Medium Enterprises (ESME's) has also been very successful.

The management and staff of the bank have skillfully applied their time and resources in repositioning the bank's products and services to make them more relevant to client needs. New value propositions were developed for new markets and new client segments in which the bank was previously under represented, or not represented at all. Other key initiatives included the introduction of a customer relationship management focus in the corporate and retail banking divisions, a critical review of pricing and costing of products and services and a sustained focus on building the internal support for the Bank Windhoek brand. During the year under review the bank also successfully introduced and adopted the widely applied balance score card methodology to track, monitor and measure the implementation of strategy at all levels of the bank's operations.

The low interest rate cycle has inevitably had a negative impact on the interest margins of the bank. This was mitigated to a great extent by the solid growth of 21.1% in advances and an increase in non interest income, allowing Bank Windhoek to report excellent results with a return of N\$ 195.6 million profit before tax. This represents a 15.5% increase on the previous financial year and continued the trend of sustained profit growth.

Group Operational Review

for the year ended 30 June 2006



Bank Gaborone Limited

André Barnard
Managing Director

Bank Gaborone was awarded its banking license in February 2006. The ensuing months were focused on recruiting capable and competent staff, establishing operating systems and processes, refining the entry strategy and developing the Bank's brand identity.

After the year end, during September 2006, Bank Gaborone launched its brand identity through a media campaign, introducing Bank Gaborone to the public through various public relations programmes. In the same month it opened its doors to the banking public in Botswana.

During the next year the Bank will focus its attention to building its brand presence and growing its customer base. The strategy entails a gradual roll out of the Bank's products and services into the Botswana market ensuring clients are offered the best service at all times. This approach allows for normal start up constraints and challenges to be effectively managed without unfavourable impact on clients and the newly established brand. Fellow subsidiary, Bank Windhoek, will act as a technical support partner during this establishment phase. This will allow for a quick transfer of technological skills and knowledge as well as best practice to the new employees of Bank Gaborone.

The vision of Bank Gaborone is to become Botswana's bank of choice, supported by its slogan, "growing together". The bank chose and replicated the brand visual system of Bank Windhoek and leveraged the equity in the name of Botswana's capital city Gaborone. This positioning has been positively received in the Botswana market and created curiosity about the Bank.

Insurance

Welwitschia Nammic Insurance Brokers

Chris van Niekerk
Managing Director



The Group's short term insurance brokerage business is conducted through Welwitschia Nammic Insurance Brokers, which during the year under review celebrated its twenty first year in insurance broking in Namibia.

Welwitschia Nammic Insurance Brokers had a successful year and posted nett profit before tax of over N\$ 9 million, inclusive of a capital gain of N\$ 2,5 million realised on the sale of its funeral business. The total short term premium income administrated increased by 13% to N\$ 102 million and gross earnings with 21% to N\$ 24 million.

During the 2006 financial year Nammic Brokers and Welwitschia Independent Insurance Brokers concluded the merger of their broking operations into Welwitschia Nammic Insurance Brokers. The company also unveiled a new brand identity in response to the feedback received from various stakeholders during a brand audit conducted early in 2005.

The company furthermore reviewed its organisational structures, enhanced the customer value proposition with respect to quality and value and put mechanisms in place that will ensure that social and developmental objectives are met to the satisfaction of all stakeholders.

During 2007 Welwitschia Nammic Insurance Brokers will focus on Group cross selling, penetration of the Bank Windhoek and NFS client bases, leveraging its brand repositioning and implementing the paperless office project. The management team is well positioned to transform the company into a Group focused broker and the preferred supplier of short term insurance products and services in Namibia.

Group Operational Review

for the year ended 30 June 2006



**Consolidated Financial
Services Holdings
Limited**

**Tertius Stears
Chief Executive Officer**

Although the formation of Consolidated Financial Services (CFS) dates back to 2004, the subsidiaries are only now beginning to reap the benefits of the synergies envisaged by the partial consolidation of the life insurance industry in Namibia.

CFS is a financial services group with a value proposition in life assurance and savings and investment products. Nammic Financial Services (NFS) has a 5% stake in CFS and a direct shareholding of 25% in Capricorn Life, a subsidiary of CFS.

During the period under review and in particular the recent six month ended 30 June 2006, short term profits exceeded expectations. This was mainly due to excellent inflows on the Credit Life business, good inflows on the Sanlam Personal Portfolios and Unit Trusts and above expected profits made on Group Scheme Business. CFS recorded an increase in embedded value of life business from N\$ 138 million to N\$ 158, 6 million between December 2005 and June 2006.

The primary drive of CFS remains to improve growth of embedded value driven through distribution models, support structures and overall approach to business.

CFS and its subsidiaries realise that sustained profitability is dependent on entrance into new markets, appropriate distribution models and an approach that is adaptable, transparent, and to the benefit of all its stakeholders.

As a result the long term focus of the CFS group of companies is to optimise cross selling opportunities, leverage the synergies from the BankAssurance relationship with Bank Windhoek and to exploit the value of the empowerment partnership with Nammic Financial Services to create sustainable shareholder value in the long term.



Santam Namibia

**Riaan Louw
Managing Director**
as of 1 September 2006

Santam Namibia concluded its most profitable year ever on 31st December 2005 by exceeding budgeted profit by 39% and reporting a 54% increase over the previous year's profit. This was due to both favorable underwriting results as well as excellent performance by the equity markets. Underwriting results for the six months ended 30 June 2006 was however disappointing largely as a result of the Mariental floods.

Santam Namibia received the PMR award for the best short term insurer in Namibia for the fourth consecutive year. During the period under review a market survey was also conducted among business partners (brokers) and the feedback received was very positive.

Santam Namibia is privileged to have Nammic Financial Services (NFS) as its empowerment partner and believes that the relationship presents new opportunities for Santam Namibia and NFS with a strong competitive edge in the short term underwriting market. The parties continue to exploit synergies and leverage advantages in order to realise the expected returns on the investment.

Santam Namibia continued to invest in the Namibian economy and in the communities in which it operates. The company, among others, supported the promotion of arts through the Schools Art Project to the value of N\$ 300 000.

As regards the future outlook for Santam Namibia, the company will have to change its focus from the traditional markets and products and become innovative in niche markets and the lower income groups in the Namibian market. This will ensure that Santam Namibia sustains its position as leading insurer of Namibia and realises its growth potential.

Group Operational Review

for the year ended 30 June 2006



Other Financial Services

Capricorn Investment Holdings (Botswana) (Pty) Limited

Louis Beukes
Managing Director

The 2005/2006 financial year has proven to be most exciting and rewarding for the Group operations in Botswana. The financial year saw the restructuring of the Botswana operations through the unbundling of the Penrich Employee Benefits Group (Penrich Group) and the final approval of the banking license for Bank Gaborone in February 2006.

Capricorn Investment Holdings (Botswana) (Pty) Limited (CIH Botswana) also finalised the investment in SmartSwitch Botswana a joint venture with Net-1 U.E.P.S, one of the world's leading smart card technology companies. The impact of this investment on the Group results will however only be felt in 2006/2007.

The CIH Botswana Group of companies once again showed positive growth with the Group showing a profit after tax of P 9,8 million. Total group assets grew to P 140 million for the financial year ending 30 June 2006 with shareholders equity increasing to P 44 million.

The micro finance business was severely impacted by the introduction, by the Botswana government, of a Central Registry to manage deductions from Government Employee Payrolls. Penrich Employee Benefits and its subsidiaries nevertheless reported excellent results with profit before tax growing to P 23,7 million. Although CIH Botswana is in its infancy, the company has positioned itself as a diversified financial services holding company in Botswana which makes the prospects for the future extremely exciting and challenging.



Nam-mic Financial Services Holdings (Pty) Limited

Sackey Aipinge
Managing Director

Associate company Nam-mic Financial Services (NFS), the Group's strategic business and empowerment partner continued to show satisfactory growth over the past year.

The period under review saw the ownership in NFS change when new shareholders, Labour Investment Holdings (Pty) Limited, Namibia Transport and Allied Workers Union and Namibia Farm Workers Union came on board.

The micro finance business division has, since the signing of the payroll deduction agreement with Government, continued to show a steady revenue flow for Nam-mic Financial Solutions (Pty) Limited (Nam-mic), a subsidiary of NFS. To date a total of 312 pay roll deduction agreements have been signed with private sector companies, parastals and government to provide financial services to members of the unions affiliated to the NUNW. The purpose of the micro loans is primarily to consolidate debt through accessible and affordable loans financed by BW Finance (Pty) Limited, a wholly owned subsidiary of Bank Windhoek.

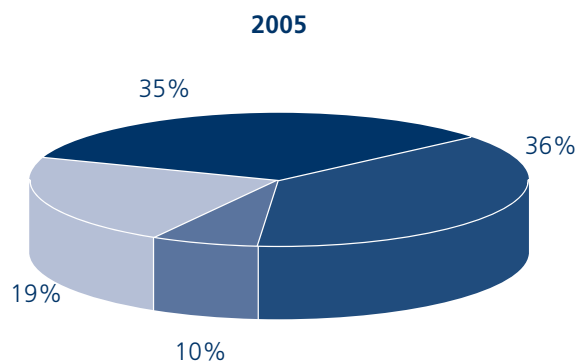
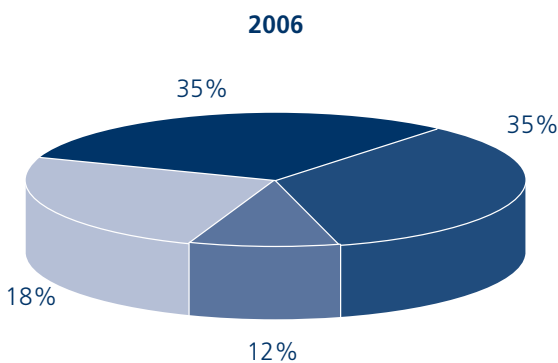
NFS reported a group profit after tax of N\$ 2,8 million for the financial year ended June 2006. The total value of its investments was N\$ 80 million with shareholder's equity of N\$ 44,3 million at the end of the financial year. A dividend of N\$ 750 000 was declared to shareholders while an amount of N\$ 1,5 million was also paid out in commissions to the affiliated unions.

NFS's vision is to be the leading Namibian broad-based BEE Company, creating opportunities for building and distributing wealth to stakeholders. Through strategic partnerships and alliances with selected financial institutions, NFS seeks to provide affordable and accessible products and services for its members.

Group Value Added Statement

for the year ended 30 June 2006

| | 2006 N\$'000 | 2006 % | 2005 N\$'000 | 2005 % |
|--|-----------------|-------------|-----------------|-------------|
| Interest earned and other operating income | 960,709 | | 809,961 | |
| Interest paid and direct costs of services | (506,351) | | (397,419) | |
| Value added | 454,357 | | 412,542 | |
| Distributed as follows: | | | | |
| <i>To employees</i> | | | | |
| Remuneration, pension and other benefits | 157,204 | 35% | 149,551 | 36% |
| <i>To providers of capital</i> | | | | |
| Dividends to shareholders | 55,000 | 12% | 42,413 | 10% |
| <i>To government</i> | | | | |
| Taxes | 83,860 | 18% | 75,894 | 19% |
| - Direct | 72,215 | | 54,317 | |
| - Indirect | | | | |
| VAT and levies | 10,590 | | 20,572 | |
| Stamp duty | 1,005 | | 1,005 | |
| <i>Reinvestment within the group</i> | | | | |
| Depreciation and amortisation | 158,294 | 35% | 144,684 | 35% |
| Distributable reserves | 27,611 | | 25,863 | |
| | 130,683 | | 118,821 | |
| | 454,358 | 100% | 412,542 | 100% |



■ Employees ■ Reinvestment ■ Government ■ Shareholders

Group Annual Financial Statements

for the year ended 30 June 2006

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 Audit and Risk Committees in the Group, appraises, evaluates and, when necessary, recommends improvements to 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, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the 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 8 to 50, 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 13 September 2006 and are signed on its behalf:



Koos Brandt
Chairman



JJ Swanepoel
Group Managing Director

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Corporate Governance Statement

for the year ended 30 June 2006

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

The roles of the chairperson and 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. Three of the non-executive directors of the Company are independent. Non-executive directors bring with them diversity of experience, insight, and independent judgement on issues of strategy, performance, resources, and standards of conduct. 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 of members for re-appointment is not automatic, but considered individually, based on their contribution.

Executive directors

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

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

Company Secretary

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

2. 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; programmes 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 fulfil their duties. The committee furthermore considers and recommends to the board appropriate remuneration for non-executive and executive directors as well as executive management of all Group companies.

5. Board credit and lending committees

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

Corporate Governance Statement

for the year ended 30 June 2006

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.

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 2006, 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 Group's banking subsidiaries employ a risk unit which is tasked with enterprise wide risk management and reports to the board audit and risk committees of the banks.

7.1 Financial Risk Management

Financial risk management is dealt with in the financial statements in note 2 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 programmes 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 board of directors, operating through their audit committees, provide oversight of the financial reporting process.

Report of the Independent Auditors

to the Members of Capricorn Investment Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Capricorn Investment Holdings Limited and its subsidiaries set out on pages 5 to 52 for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.



PricewaterhouseCoopers
Chartered Accountants (Namibia)

Windhoek
13 September 2006

Directors' Report

for the year ended 30 June 2006

The directors herewith submit their report with the annual financial statements of the Company and the Group for the year ended 30 June 2006.

1. General review

The Company acts as an investment holding Company. Its main investments are the 100% shareholdings in Bank Windhoek Limited and Namib Bou (Proprietary) Limited, and 80% in Welwitschia Nammic Insurance Brokers (Proprietary) Limited and Capricorn Management Services (Proprietary) Limited. The Company has a 27.5% shareholding in Nam-mic Financial Services Holdings (Proprietary) Limited, a 30% shareholding in Santam Namibia Limited and a 30% shareholding in Consolidated Financial Services Holdings Limited.

The Company owns 88.54% of the shareholding in Capricorn Investment Holdings (Botswana) (Proprietary) Limited, which in turn holds 100% of Bank Gaborone Limited and an 89.7% interest in the Penrich Employee Benefits group of companies in Botswana.

Bank Windhoek Limited conducts business as a registered bank and provides comprehensive banking services to its clients in Namibia. As an autonomous Namibian company the bank also provides international banking services through direct liaison with financial centres and institutions worldwide. The following business activities are conducted through this and other subsidiaries and associates:

Subsidiaries:

- Bank Windhoek Ltd - Banking
- Welwitschia Nammic Insurance Brokers (Pty) Ltd - Insurance broking
- Namib Bou (Pty) Ltd - Property investment holding
- Capricorn Investment Holdings (Botswana) (Pty) Ltd - Investment holding
- Capricorn Management Services (Pty) Ltd - Services
- Capricorn Asset Management (Pty) Ltd - Asset Management

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

Subsidiary of Capricorn Investment Holdings (Botswana) (Pty) Ltd:

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

Subsidiary of Penrich Employee Benefits (Pty) Ltd:

- Peo Micro (Pty) Ltd - Micro finance
- Penrich Insurance Brokers (Pty) Ltd - Insurance broking

Associates:

- Santam Namibia Ltd - Short-term insurance
- Consolidated Financial Services Holdings (Pty) Ltd - Long-term insurance
- Nam-mic Financial Services Holdings (Pty) Ltd - Investment holding

2. Financial results and dividends

Full details of the financial results of the Company and the Group are set out on pages 8 to 52.

Dividends of 50 cents per share (2005: 39c) amounting to N\$55,000,000 (2005: N\$42,412,500) were declared during the year under review. The N\$55,000,000 includes a normal dividend of N\$35,200,000 and a special dividend of N\$19,800,000. This normal dividend declared represents a dividend of 32.0 cents per share.

3. Share capital

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

During the year 1,250,000 shares were issued to the Capricorn Investment Holdings Limited Employee Share Trust, 250,000 at a premium of N\$5.64 per share, and 1,000,000 at a premium of N\$6.80 per share.

Directors' Report

for the year ended 30 June 2006

| | Issued ordinary share capital and premium and proportion held | | Details of the Company's Interests | | | |
|--|---|-----|------------------------------------|----------------|---|---------------|
| | N\$'000 | % | Shares at valuation 2006 N\$'000 | 2005 N\$'000 | Indebtedness from subsidiaries/SPE's 2006 N\$'000 | 2005 N\$'000 |
| 4. Subsidiaries | | | | | | |
| The following information relates to the Company's financial interests in its unlisted subsidiaries and special purpose entities (SPE's): | | | | | | |
| Bank Windhoek Ltd | 13,506 | 100 | 536,703 | 453,628 | - | - |
| Welwitschia Nammic Insurance Brokers (Pty) Ltd | 749 | 80 | 3,808 | 981 | - | - |
| Capricorn Management Services (Pty) Ltd | - | 80 | - | 2,474 | - | - |
| Namib Bou (Pty) Ltd | 23,000 | 100 | 24,408 | 29,257 | - | 26,333 |
| Capricorn Investment Holdings (Botswana) (Pty) Ltd | 34,045 | 89 | 47,151 | 29,194 | 55,337 | 40,745 |
| Capricorn Asset Management (Pty) Ltd | 1,000 | 100 | 1,000 | - | - | - |
| Starting Right Investments Fifty-Two (Pty) Ltd | - | 100 | - | - | - | - |
| Capricorn Investment Holdings Limited Employee Share Trust (SPE) | - | 100 | - | - | 9,595 | 8,567 |
| CIH Group Employee Share Benefit Trust (SPE) | - | 100 | - | - | 43 | 50 |
| All subsidiaries are registered in Namibia, except for Capricorn Investment Holdings (Botswana) (Pty) Ltd, which is registered in Botswana. | | | | | | |
| | | | <u>613,070</u> | <u>515,534</u> | <u>64,975</u> | <u>75,695</u> |
| The Company's interests in the aggregate income earned of subsidiaries amounted to N\$63.5 million (2005: N\$73.9 million) for the year after dividends of N\$111.3 million (2005: N\$58.5 million) had been declared. | | | | | | |
| 5. Indirect holdings in subsidiaries | | | | | | |
| <i>Registered in Namibia:</i> | | | | | | |
| Bank Windhoek Nominees (Pty) Ltd | | 100 | - | - | - | - |
| BW Finance (Pty) Ltd | | 100 | - | - | - | - |
| Intellect Investments Namibia (Pty) Ltd | | 100 | - | - | - | - |
| Grootfontein Holdings (Pty) Ltd | | 100 | - | - | - | - |
| <i>Registered in Botswana:</i> | | | | | | |
| Bank Gaborone Ltd | | 89 | - | - | - | - |
| Penrich Employment Benefits (Pty) Ltd | | 79 | - | - | - | - |
| Penrich Insurance Brokers (Pty) Ltd | | 79 | - | - | - | - |
| Peo Micro (Pty) Ltd | | 79 | - | - | - | - |

Directors' Report

for the year ended 30 June 2006

Details of the Company's Interests

| | Issued ordinary share capital and premium and proportion held | | Shares at cost | | Indebtedness from associates | |
|--|---|------|-----------------|-----------------|------------------------------|-----------------|
| | N\$'000 | % | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 6. Associates | | | | | | |
| Santam Namibia Ltd | 8,307 | 30 | 10,942 | 10,942 | - | - |
| Nam-mic Financial Services Holdings (Pty) Ltd | 8,000 | 27.5 | 5,631 | 6,655 | - | - |
| Consolidated Financial Services Holdings Ltd | 155,670 | 30 | 47,290 | 6,655 | - | - |
| <p>The Company's interests in the aggregate income earned of associates amounted to a profit of N\$20.1 million (2005: N\$27.5 million) for the year after distributions of N\$6.7 million (2005: N\$5.5 million) had been declared.</p> | | | | | | |
| 7. Jointly controlled entity | | | | | | |
| <p>The following information relates to the company's financial interest in its jointly controlled entity:</p> | | | | | | |
| Namclear (Proprietary) Limited | 12,500 | 25 | 2,252 | 3,131 | - | - |

8. Holding company and ultimate holding company

The Company is a subsidiary of Bank Windhoek Beherend Limited, a company registered in Namibia. This is also the Company's ultimate holding company.

9. Directors and Company Secretary

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

| | |
|---------------------|-------------------------|
| A J Basson | |
| J C Brandt | Chairman |
| F J du Toit | |
| P Mageza | |
| J J Mannheimer | |
| G Nakazibwe-Sekandi | |
| J N Nghifindaka | |
| M K Shikongo | |
| J J Swanepoel | Group Managing Director |
| J L J van Vuuren | |

Mr H G 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 |

10. Post balance sheet events

On 1 July 2006 the Company has sold its entire shareholding of ordinary shares in Capricorn Investment Holdings (Botswana) (Pty) Ltd to Bank Windhoek Beherend Ltd. The transaction was valued at Net Asset Value as recorded in the audited Annual Financial Statements of the Group, being N\$47,150,663. Accordingly no profit or loss on disposal arose.

No other circumstances have arisen, or events occurred, between the balance sheet date and the date of this report in respect of matters which would require adjustment to, or disclosure in, the annual financial statements of the Company and the Group, or which should be disclosed to the shareholders through some other medium, except as disclosed elsewhere in the report.

Consolidated Income Statement

for the year ended 30 June 2006

| | Notes | Group | | Company | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| Interest and discount income | 5 | 727,182 | 588,002 | - | - |
| Interest expense | 6 | (372,617) | (310,322) | - | - |
| Net interest income | | 354,565 | 277,680 | - | - |
| Impairment losses on loans and advances | 7 | (48,395) | (19,217) | - | - |
| Income from lending activities | | 306,170 | 258,463 | - | - |
| Non-interest income | 8 | 227,553 | 209,968 | - | - |
| Operating expenses | | (312,718) | (271,477) | - | - |
| Net income from banking and financing operations | | 221,005 | 196,954 | - | - |
| Net income from other operations | | 13,144 | 17,766 | 204,681 | 64,609 |
| Net operating income | 9 | 234,149 | 214,720 | 204,681 | 64,609 |
| Profit/(loss) on disposal of group companies | 10 | 12,031 | 25,675 | (71) | 39,792 |
| Share of results of associates | 11 | 20,116 | 27,528 | - | - |
| Profit before tax | | 266,296 | 267,923 | 204,610 | 104,401 |
| Taxation | 12 | (83,870) | (83,862) | (1,304) | (928) |
| Profit for the year | | 182,426 | 184,061 | 203,306 | 103,473 |
| Attributable to: | | | | | |
| Equity holders of the company | | 177,607 | 177,600 | 203,306 | 103,473 |
| Minority interest | | 4,819 | 6,461 | - | - |
| | | 182,426 | 184,061 | 203,306 | 103,473 |
| Earnings per share (cents) | 13 | 163.7 | 165.3 | 186.4 | 96.2 |
| Dividends per share (cents) | 37 | 50.0 | 39.0 | 50.0 | 39.0 |

Consolidated Balance Sheet

as at 30 June 2006

| | Notes | Group | | Company | |
|--|-------|------------------|------------------|-----------------|-----------------|
| | | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| Assets | | | | | |
| Cash and balances with central banks | 15 | 376,564 | 215,617 | 170,426 | 59,118 |
| Government and other securities | 16 | 556,714 | 453,709 | - | - |
| Derivative financial instruments | 17 | 25,412 | 60,891 | - | - |
| Loans and advances to banks | 18 | - | 16,816 | - | - |
| Loans and advances to customers | 19 | 6,560,934 | 5,081,350 | - | - |
| Investments in subsidiaries | 20 | - | - | 678,045 | 175,034 |
| Investments in associates | 21 | 99,648 | 160,512 | 63,863 | 64,887 |
| Investment in jointly controlled entity | 22 | 2,525 | 3,131 | - | - |
| Other investments | 22 | - | 2,715 | - | - |
| Other assets | 23 | 185,018 | 191,199 | 5,971 | 35,028 |
| Property and equipment | 24 | 91,301 | 82,306 | - | - |
| Intangible assets | 25 | 29,323 | 27,683 | - | - |
| Current tax assets | 40 | 5,236 | 21 | 525 | - |
| Deferred tax assets | 31 | 9,461 | 16,254 | - | - |
| Total assets | | 7,942,136 | 6,312,204 | 918,830 | 334,067 |
| Shareholders' equity | | | | | |
| Capital and reserves attributable to equity holders | | | | | |
| Share capital and premium | 34 | 70,274 | 63,741 | 72,496 | 64,161 |
| Non-distributable reserves | 35 | 24,515 | 12,281 | - | - |
| Distributable reserves | 36 | 801,117 | 670,434 | 790,815 | 226,287 |
| | | 895,906 | 746,456 | 863,311 | 290,448 |
| Minority interest | | 9,201 | 9,733 | - | - |
| Total equity | | 905,107 | 756,189 | 863,311 | 290,448 |
| Liabilities | | | | | |
| Deposits from banks | 26 | 255,459 | 182,368 | - | - |
| Other deposits | 27 | 655,403 | 350,971 | - | - |
| Debt securities in issue | 28 | 198,053 | 106,491 | - | - |
| Due to customers | 29 | 5,481,566 | 4,614,877 | - | - |
| Other liabilities | 30 | 286,259 | 151,742 | 55,519 | 42,482 |
| Current tax liabilities | 40 | 12,487 | 8,068 | - | 1,137 |
| Deferred tax liabilities | 31 | 147,802 | 141,498 | - | - |
| Total liabilities | | 7,037,029 | 5,556,015 | 55,519 | 43,619 |
| Total equity and liabilities | | 7,942,136 | 6,312,204 | 918,830 | 334,067 |

Consolidated Statement of Changes in Equity

for the year ended 30 June 2006

| | Notes | Share capital N\$'000 | Share premium N\$'000 | Non distributable reserves N\$'000 | Distributable reserves N\$'000 | Minority interest N\$'000 | Total equity N\$'000 |
|---|-------|--------------------------|--------------------------|--|--------------------------------------|---------------------------------|----------------------------|
| Group | | | | | | | |
| Balance at 1 July 2004 | | 10,658 | 44,836 | 4,749 | 551,613 | 8,065 | 619,921 |
| Net profit for the year | | - | - | - | 177,600 | 6,461 | 184,061 |
| Transfer to NDR (associates' reserves) | | - | - | 6,876 | (6,876) | - | - |
| Shares issued to Employee Share Trust | 34 | 175 | 6,512 | - | - | - | 6,687 |
| Shares held by Employee Share Trusts | 34 | (58) | (362) | - | - | - | (420) |
| Shares held by Employee Share Trusts - prior year | 34 | 42 | 1,938 | - | - | - | 1,980 |
| Transfer to NDR (credit risk reserve) | | - | - | 656 | (656) | - | - |
| Foreign currency translation reserve | | - | - | - | (8,834) | - | (8,834) |
| Dividend for 2005 | 37 | - | - | - | (42,413) | (4,793) | (47,206) |
| Balance at 30 June 2005 | | 10,817 | 52,924 | 12,281 | 670,434 | 9,733 | 756,189 |

| | | | | | | | |
|---|----|---------------|---------------|---------------|----------------|--------------|----------------|
| Balance at 1 July 2005 | | 10,817 | 52,924 | 12,281 | 670,434 | 9,733 | 756,189 |
| <i>As previously reported</i> | | - | - | - | 17,219 | (170) | 17,049 |
| <i>Effect of adopting IFRS net of tax</i> | | - | - | 25,106 | (25,106) | - | - |
| <i>Transfer to regulatory general credit risk reserve</i> | | - | - | - | - | - | - |
| <i>As restated</i> | | 10,817 | 52,924 | 37,387 | 662,547 | 9,563 | 773,238 |
| Net profit for the year | | - | - | - | 177,607 | 4,819 | 182,426 |
| Shares issued to Employee Share Trust | 34 | 125 | 8,210 | - | - | - | 8,335 |
| Shares held by Employee Share Trusts | 34 | (82) | (2,140) | - | - | - | (2,222) |
| Shares held by Employee Share Trusts - prior year | 34 | 58 | 362 | - | - | - | 420 |
| Transfer from NDR (credit risk reserve) | | - | - | (1,552) | 1,552 | - | - |
| Transfer from NDR (associates' reserves) | | - | - | (11,320) | 11,320 | - | - |
| Foreign currency translation reserve | 36 | - | - | - | 3,064 | - | 3,064 |
| Minority interest arising on business combinations | | - | - | - | - | 2,299 | 2,299 |
| Dividend for 2006 | 37 | - | - | - | (55,000) | (7,480) | 62,480 |
| Unclaimed dividends | | - | - | - | 27 | - | 27 |
| Balance at 30 June 2006 | | 10,918 | 59,356 | 24,515 | 801,117 | 9,201 | 905,107 |

Company

| | | | | | | | |
|--------------------------------|----|---------------|---------------|----------|----------------|----------|----------------|
| Balance at 1 July 2004 | | 10,700 | 46,774 | - | 165,227 | - | 222,701 |
| Shares issued | 34 | 175 | 6,512 | - | - | - | 6,687 |
| Net profit for the period | | - | - | - | 103,473 | - | 103,473 |
| Dividend for 2005 | 37 | - | - | - | (42,413) | - | (42,413) |
| Balance at 30 June 2005 | | 10,875 | 53,286 | - | 226,287 | - | 290,448 |

| | | | | | | | |
|---|----|---------------|---------------|----------|----------------|----------|----------------|
| Balance at 1 July 2005 | | 10,875 | 53,286 | - | 226,287 | - | 290,448 |
| <i>As previously reported</i> | | - | - | - | 416,195 | - | 416,195 |
| <i>Effect of adopting IFRS net of tax</i> | | - | - | - | - | - | - |
| <i>As restated</i> | | 10,875 | 53,286 | - | 642,482 | - | 706,643 |
| Shares issued | 34 | 125 | 8,210 | - | - | - | 8,335 |
| Net profit for the year | | - | - | - | 203,306 | - | 203,306 |
| Dividend for 2006 | 37 | - | - | - | (55,000) | - | (55,000) |
| Unclaimed dividends | | - | - | - | 27 | - | 27 |
| Balance at 30 June 2006 | | 11,000 | 61,496 | - | 790,815 | - | 863,311 |

Consolidated Cash Flow Statement

for the year ended 30 June 2006

| | Notes | Group | | Company | |
|---|---------|-----------------|-----------------|-----------------|-----------------|
| | | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| Cash flows from operating activities | | | | | |
| Interest receipts | | 727,182 | 588,002 | 8,188 | 4,282 |
| Interest payments | | (372,617) | (310,322) | - | - |
| Fee and commission receipts | | 162,462 | 143,799 | - | - |
| Other income received | | 65,091 | 66,169 | - | - |
| Cash payments to employees and suppliers | | (275,306) | (261,431) | (5,232) | (3,532) |
| Cash generated by operations | 38 | 306,812 | 226,217 | 2,956 | 750 |
| Dividends received | 39 | 6,683 | 5,486 | 148,069 | 50,818 |
| Income taxes paid | 40 | (73,011) | (45,750) | (2,966) | (693) |
| Dividends paid | 41 | (42,386) | (21,400) | (42,386) | (21,400) |
| <i>Cash flows from operating profits before changes in operating assets and liabilities</i> | | 198,098 | 164,553 | 105,673 | 29,475 |
| Changes in operating assets and liabilities | | | | | |
| Net decrease / (increase) in investment and trading securities | 16 / 42 | 46,320 | (264,985) | - | - |
| Net decrease in derivative financial instruments | 17 | 35,479 | - | - | - |
| Net increase in loans and advances to customers | 19 | (1,508,710) | (1,175,497) | - | - |
| Net decrease / (increase) in other assets | 23 | 6,181 | 60,823 | (1,060) | 5,098 |
| Net increase in amounts due to other banks | 26 | 89,907 | 125,324 | - | - |
| Net increase in other deposits | 27 | 304,432 | 147,367 | - | - |
| Net increase in debt securities in issue | 28 | 91,562 | 35,223 | - | - |
| Net increase in amounts due to customers | 29 | 866,689 | 1,056,140 | - | - |
| Net increase / (decrease) in other liabilities | 30 | 121,930 | (98,821) | 450 | 7 |
| <i>Net cash flow from operating activities</i> | | 251,888 | 50,127 | 105,063 | 34,580 |
| Cash flows from investing activities | | | | | |
| Purchase of property and equipment | 24 | (31,290) | (33,914) | - | - |
| Proceeds from sale of property and equipment | | 3,453 | 3,246 | - | - |
| Investments in intangible assets | 25 | (9,167) | (2,080) | - | - |
| Investment in associates | 21 | - | (47,290) | - | (47,290) |
| Proceeds on disposal of associate | | 84,857 | 20,332 | 953 | 20,332 |
| Investment in subsidiaries | 20 | - | - | (8,275) | (13,691) |
| Proceeds on disposal of subsidiary | 39 | - | 26,686 | - | 31,524 |
| Increase / (decrease) in indebtedness from subsidiary | 20 | - | - | 5,233 | (49,034) |
| Investment in jointly controlled entity | 22 | 606 | - | - | - |
| Purchase of other investments | 22 | - | (3,818) | - | - |
| Proceeds on disposal of other investments | 22 | 3,392 | 5,619 | - | - |
| <i>Net cash used in investing activities</i> | | 51,851 | (31,219) | (2,089) | (58,159) |
| Cash flows from financing activities | | | | | |
| Shares issued | 34 | 101 | 159 | 125 | 175 |
| Share premium raised | 34 | 6,432 | 8,088 | 8,210 | 6,512 |
| <i>Net cash from financing activities</i> | | 6,533 | 8,247 | 8,335 | 6,687 |
| Net increase / (decrease) in cash and cash equivalents | | | | | |
| Cash and cash equivalents at beginning of year | | 310,272 | 27,155 | 111,309 | (16,892) |
| | | 309,487 | 282,332 | 59,118 | 76,010 |
| Cash and cash equivalents at end of year | 42 | 619,759 | 309,487 | 170,427 | 59,118 |

Accounting Policies

for the year ended 30 June 2006

1. Summary of significant accounting policies

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

1.1 Basis of presentation

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, except as stated in Note 1.28.

The policies set out below have been consistently applied to all the years presented except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 July 2005. Therefore no retrospective adjustments in terms of IAS 32 and IAS 39 have been made to the comparative figures. The policies applied to financial instruments for 2005 are disclosed separately in note 1.5 and 1.6 below.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group's equity and its net income are provided in Note 4.2.

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 3.

1.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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(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.

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.

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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.

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

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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.

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

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considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

1.8 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 rateably 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 1.5 and 1.6 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.

No financial assets have been designated as held-to-maturity at transition to IFRS.

(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.

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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.

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

Investments in subsidiaries are measured at fair value.

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

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exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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.

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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).

(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 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.

(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.

1.18 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.

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1.19 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.

1.20 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.

1.21 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.

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.

1.22 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

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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.

1.23 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.

1.24 Fiduciary activities

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

1.25 Dividend distribution

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

1.26 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.

Effective date

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. The Group will apply this amendment from 1 July 2006.

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. The amendment will not have a significant effect on the Group's results.

Annual periods commencing on or after 1 January 2006.

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for the year ended 30 June 2006

| | Effective date | | Effective date |
|---|--|--|---|
| <p>IAS 39 amendment <i>Financial Instruments: Recognition and Measurement - Cash Flow Hedge</i></p> <p>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.</p> <p>IAS 39 amendment <i>Financial Instruments: Recognition and Measurement - Fair Value Option</i></p> <p>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. The amendment is not expected to reduce the Group's current application materially.</p> <p>IAS 39 and IFRS 4 amendment <i>Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts</i></p> <p>Under the revised statements the issuer of a financial guarantee contract would generally measure the contract:</p> <ul style="list-style-type: none"> • 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). <p>The Group's current policy is substantially in line with this approach and no significant adjustment is expected.</p> | <p>Annual periods commencing on or after 1 January 2006.</p> <p>Annual periods commencing on or after 1 January 2006.</p> <p>Annual periods commencing on or after 1 January 2006.</p> | <p>IFRIC 4 <i>Determining Whether an Arrangement Contains a Lease</i></p> <p>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 fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset. The amendment will not have a significant impact on the Group's results.</p> <p>IFRIC 8 <i>Scope of IFRS 2</i></p> <p>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.</p> <p>IFRIC 9 <i>Reassessment of Embedded Derivatives</i></p> <p>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.</p> <p>This is not expected to have an impact on the Group.</p> | <p>Annual periods commencing on or after 1 January 2006.</p> <p>Annual periods commencing on or after 1 January 2006.</p> <p>Annual periods commencing on or after 1 June 2006.</p> |

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for the year ended 30 June 2006

| | Effective date | | Effective date |
|---|--|--|-----------------------|
| IFRS 7 <i>Financial Instruments: Disclosure (including amendments to IAS 1 - Presentation of financial statements: Capital disclosures)</i> | Annual periods commencing on or after 1 January 2006. | IFRIC 6 <i>Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment</i> | 1 December 2006 |
| 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 supersede 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. | | IFRIC 7 <i>Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies</i> | 1 March 2006 |
| The Group does not intend to early-adopt this standard. | | IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> | 1 January 2006 |
| IFRIC 10 <i>Interim Financial Reporting and Impairment</i> | Annual periods commencing on or after 1 November 2006. | 1.27 Comparatives | |
| 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. | | Where necessary, comparative figures have been adjusted to conform with changes in presentation under IFRS for the current year. | |
| The amendment will not have a significant impact on the Group's interim results. | | 1.28 Change in accounting policy | |
| The following statements are not applicable to the business of the Group: | Annual periods commencing on or after: 1 January 2006 | During the year the Company changed its accounting policy to value its investment in subsidiaries 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. | |
| IFRIC 5 <i>Rights to interests arising from decommissioning, restoration and environmental Rehabilitation Funds</i> | | The impact on the financial results and position of the Company following the adoption of this policy is detailed in Note 4.2.3. | |
| | | 2. 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. | |

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for the year ended 30 June 2006

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.

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

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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.

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\$3,537,522 of 'Due to customers' up to one month, of which 64.5% 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.

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Interest rate risk analysis (N\$'000)

| Group | Up to 1 Month | 1 - 3 Months | 3 -12 Months | 1 - 5 Years | Over 5 Years | Non-interest Sensitive | Total |
|--|------------------|------------------|------------------|------------------|------------------|---------------------------|------------------|
| Assets | | | | | | | |
| Cash and balances with central bank | | | | | | 376,564 | 376,564 |
| Government and other securities | | 243,195 | 150,886 | 162,633 | | | 556,714 |
| Derivative financial instruments | | 25,412 | | | | | 25,412 |
| Loans and advances to customers | 6,560,934 | | | | | | 6,560,934 |
| Investment in associate companies | | | | | | 99,648 | 99,648 |
| Investment in jointly controlled entity | | | | | | 2,525 | 2,525 |
| Other assets | | | | | | 185,018 | 185,018 |
| Property, plant and equipment | | | | | | 91,301 | 91,301 |
| Intangible assets | | | | | | 29,323 | 29,323 |
| Current tax assets | | | | | | 5,236 | 5,236 |
| Deferred tax assets | | | | | | 9,461 | 9,461 |
| Total assets | 6,560,934 | 268,607 | 150,886 | 162,633 | - | 799,076 | 7,942,136 |
| Liabilities | | | | | | | |
| Deposits from banks | 255,459 | | | | | | 255,459 |
| Other deposits | | | | | | 655,403 | 655,403 |
| Debt securities in issue | | | | | | 198,053 | 198,053 |
| Due to customers | 3,537,522 | 1,224,286 | 718,045 | 1,713 | - | | 5,481,566 |
| Other liabilities | | | | | | 286,259 | 286,259 |
| Current tax liabilities | | | | | | 12,487 | 12,487 |
| Deferred tax liabilities | | | | | | 147,802 | 147,802 |
| Total liabilities | 3,792,981 | 1,224,286 | 718,045 | 1,713 | - | 1,300,004 | 7,037,029 |
| Equity | | | | | | | |
| Share capital and premium | | | | | | 70,274 | 70,274 |
| Non-distributable reserves | | | | | | 24,515 | 24,515 |
| Distributable reserves | | | | | | 801,117 | 801,117 |
| Total shareholder's equity | - | - | - | - | - | 895,906 | 895,906 |
| Minority | | | | | | 9,201 | 9,201 |
| Total equity and liabilities | 3,792,981 | 1,224,286 | 718,045 | 1,713 | - | 2,205,111 | 7,942,136 |
| Interest sensitivity gap | 2,767,953 | (955,679) | (567,159) | 160,920 | - | (1,406,035) | - |
| Cumulative interest sensitivity gap | 2,767,953 | 1,812,274 | 1,245,115 | 1,406,035 | 1,406,035 | - | - |

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for the year ended 30 June 2006

Liquidity risk analysis (N\$'000)

| Group | Up to 1 Month | 1 - 3 Months | 3 -12 Months | 1 - 5 Years | Over 5 Years | Equity | Total |
|---|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| Assets | | | | | | | |
| Cash and balances with central bank | 376,564 | | | | | | 376,564 |
| Government and other securities | | 243,195 | 150,886 | 162,633 | | | 556,714 |
| Derivative financial instruments | | 25,412 | | | | | 25,412 |
| Loans and advances to customers | 1,962,579 | 18,965 | 182,734 | 1,379,390 | 3,017,266 | | 6,560,934 |
| Investment in associate companies | | | | | 99,648 | | 99,648 |
| Investment in jointly controlled entity | | | | | 2,525 | | 2,525 |
| Other assets | 177,135 | | 6,842 | 1,041 | | | 185,018 |
| Property, plant and equipment | | | | 74,840 | 16,461 | | 91,301 |
| Intangible assets | | | | | 29,323 | | 29,323 |
| Current tax assets | | | 5,236 | | | | 5,236 |
| Deferred tax assets | | | | | 9,461 | | 9,461 |
| Total assets | 2,516,278 | 287,572 | 345,698 | 1,617,904 | 3,174,684 | - | 7,942,136 |
| Liabilities | | | | | | | |
| Deposits from banks | 255,459 | | | | | | 255,459 |
| Other deposits | 22,653 | 175,770 | 456,980 | | | | 655,403 |
| Debt securities in issue | | | | 198,053 | | | 198,053 |
| Due to customers | 3,537,522 | 1,224,286 | 718,045 | 1,713 | | | 5,481,566 |
| Other liabilities | 283,059 | | 3,200 | | | | 286,259 |
| Current tax liabilities | | | 12,487 | | | | 12,487 |
| Deferred tax liabilities | | | | 147,802 | | | 147,802 |
| Total liabilities | 4,098,693 | 1,400,056 | 1,190,712 | 347,568 | - | - | 7,037,029 |
| Equity | | | | | | | |
| Share capital and premium | | | | | | 70,274 | 70,274 |
| Non-distributable reserves | | | | | | 24,515 | 24,515 |
| Share capital and premium | - | - | - | - | - | 801,117 | 801,117 |
| Total shareholder's equity | | | | | | 895,906 | 895,906 |
| Minority | | | | | | | |
| | | | | | | 9,201 | 9,201 |
| Total equity and liabilities | 4,098,693 | 1,400,056 | 1,190,712 | 347,568 | - | 905,107 | 7,942,136 |
| Liquidity sensitivity gap | (1,582,415) | (1,112,484) | (845,014) | 1,270,336 | 3,174,684 | (905,107) | - |
| Cumulative liquidity sensitivity gap | (1,582,415) | (2,694,899) | (3,539,913) | (2,269,577) | 905,107 | - | - |

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| | Carrying Value | | Fair Value | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| Fair values of financial assets and liabilities | | | | |
| Fair value estimation | | | | |
| <p>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.</p> <p>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.</p> <p>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.</p> | | | | |
| Group | | | | |
| Financial assets | | | | |
| Loans and advances to customers | 6,560,934 | 5,081,350 | 6,560,934 | 5,081,350 |
| Financial liabilities | | | | |
| Due to other banks | 255,459 | 215,617 | 255,459 | 215,617 |
| Other deposits | 655,403 | 453,709 | 655,403 | 453,709 |
| Due to customers | 5,481,566 | 5,081,350 | 5,481,566 | 5,081,350 |
| Debt securities in issue | 198,053 | 60,891 | 202,557 | 60,891 |

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for the year ended 30 June 2006

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.

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.

e) Other deposits

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

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\$3.1m (2005: Nil). There are no (2005: 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.

3. Critical accounting estimates and judgements in applying accounting policies

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

(a) Impairment losses 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 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.

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(e) Investments in subsidiaries

Shares in subsidiaries are classified as financial assets at fair value through profit or loss and have been valued using the net asset value of the respective companies as basis.

4. Transition to IFRS

4.1 Basis of transition to IFRS

4.1.1 Application of IFRS 1

The Group's financial statements for the year ended 30 June 2006 will be the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in Note 1.1. The Group has applied IFRS 1 in preparing these consolidated financial statements.

The Group's transition date is 1 July 2004. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these consolidated financial statements is 30 June 2006.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

4.1.2 Exemptions from full retrospective application – elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 July 2004 transition date.

(b) Fair value as deemed cost exemption

A first time adopter may elect to measure certain items of property, plant and equipment at fair value as at transition date. The group did not make use of this exemption.

(c) Employee benefits exemption

A first time adopter may elect to recognise all cumulative actuarial gains and losses as at transition date. The group did not have accumulative actuarial gains and losses; this exemption is not applicable.

(d) Cumulative translation differences exemption

A first time adopter may elect to set the previously accumulated cumulative translation differences to zero at transition date. The Group did not have cumulative translation differences; this exemption is not applicable.

(e) Compound financial instruments exemption

The Group has not issued any compound instruments; this exemption is not applicable.

(f) Assets and liabilities of subsidiaries, associates and joint ventures exemption

This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.

(g) Designation of previously recognised financial assets and financial liabilities exemption

The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss. The adjustments relating to IAS 32 and IAS 39 at the balance sheet date of 1 July 2005, the IAS 32/39 transition date, are detailed in Note 4.2.

(h) Share-based payment transaction exemption

This exemption is not applicable. No equity instruments were granted on or before 7 November 2002. No equity instruments that were granted after 7 November 2002 vested before 1 January 2005.

(i) Insurance contracts exemption

The Group does not issue insurance contracts; this exemption is not applicable.

(j) Decommissioning liabilities included in the cost of property, plant and equipment exemption

The Group does not have decommissioning liabilities; this exemption is not applicable.

(k) Fair value measurement of financial assets or liabilities at initial recognition

The Group has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.

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(l) Exemption from restatement of comparatives for IAS 32, IAS 39 and IFRS 4

The Group elected to apply this exemption. It applies previous GAAP rules to derivatives, financial assets and financial liabilities for the 2005 comparative information. The adjustments required for differences between GAAP and IAS 32 and IAS 39 are determined and recognised at 1 July 2005. The adjustments are detailed in Note 4.2.

(m) Exemption from the requirement to present comparative information for IFRS 6.

This exemption is not applicable to the Group.

(n) Exemption from the requirement to provide comparative disclosures for IFRS 7.

This exemption is not applicable to the Group.

4.1.3 Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application.

(a) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 July 2004 have not been re-stated in terms of IFRS. Management did not chose to apply the IAS 39 derecognition criteria to a date earlier than 1 July 2005.

(b) Hedge accounting exception

Management has claimed hedge accounting from 1 July 2005 only if the hedge relationship meets all the hedge accounting criteria under IAS 39. No formal hedge documentation was put in place in the past and therefore hedge accounting has not been applied.

(c) Estimates exception

Estimates under IFRS at 1 July 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

(d) Assets held for sale and discontinued operations exception

Management applies IFRS 5 prospectively from 1 July 2005. The Group did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was required.

Accounting Policies

for the year ended 30 June 2006

| | Share capital N\$'000 | Share premium N\$'000 | Non-distributable reserves N\$'000 | Distributable reserves N\$'000 | Equity N\$'000 |
|--|--------------------------|--------------------------|---------------------------------------|-----------------------------------|--------------------------|
| 4.2 Reconciliations between IFRS and GAAP | | | | | |
| 4.2.1 Reconciliation of equity | | | | | |
| Group | | | | | |
| Balance 1 July 2004 | | | | | |
| Total equity under GAAP as previously stated | 10,658 | 44,836 | 4,749 | 551,613 | 611,856 |
| Restatement of credit impairment | _* | _* | _* | _* | _* |
| Total equity under IFRS | <u>10,658</u> | <u>44,836</u> | <u>4,749</u> | <u>551,613</u> | <u>611,856</u> |
| Balance 30 June 2005 | | | | | |
| Total equity under GAAP as previously stated | 10,817 | 52,924 | 12,281 | 670,434 | 746,456 |
| Restatement of credit impairment | _* | _* | _* | _* | _* |
| Total equity under IFRS | <u>10,817</u> | <u>52,924</u> | <u>12,281</u> | <u>670,434</u> | <u>746,456</u> |
| Balance 1 July 2005 | | | | | |
| Total equity under GAAP as previously stated | 10,817 | 52,924 | 12,281 | 670,434 | 746,456 |
| Restatement of credit impairment | - | - | 25,106 | (8,787) | 16,319 |
| Reclassification of financial instruments | - | - | - | 900 | 900 |
| Total equity under IFRS | <u>10,817</u> | <u>52,924</u> | <u>37,387</u> | <u>662,547</u> | <u>763,675</u> |
| Company | | | | | |
| Balance 1 July 2005 | | | | | |
| Total equity under GAAP as previously stated | 10,875 | 53,286 | - | 226,287 | 290,448 |
| Reclassification of financial instruments | - | - | - | 416,195 | 416,195 |
| Total equity under IFRS | <u>10,875</u> | <u>53,286</u> | <u>-</u> | <u>642,482</u> | <u>706,643</u> |
| 4.2.2 Reconciliation of net income | | | | | |
| | | | | 1 July 2004 N\$ '000 | 30 June 2005 N\$ '000 |
| Net income under GAAP | | | | 130,813 | 177,600 |
| Restatement of credit impairment | | | | _* | _* |
| Net income under IFRS | | | | <u>130,813</u> | <u>177,600</u> |

* There are no restatements of reserves or net income as the Group elected exemption from restatement of comparatives for IAS 32 and IAS 39.

Accounting Policies

for the year ended 30 June 2006

| | Notes | GAAP N\$'000 | Effect of transition to IFRS N\$'000 | Reclassification of Balances N\$'000 | IFRS N\$'000 |
|---|-------|------------------|---|---|------------------|
| 4.2.3 Reconciliation of assets, liabilities and equity | | | | | |
| 1 July 2004 | | | | | |
| Group | | | | | |
| Assets | | | | | |
| Cash and balances with central bank | | 196,753 | - | - | 196,753 |
| Investment and trading securities | 1 | 241,324 | - | (241,324) | - |
| Government and other securities | 1 | - | - | 242,305 | 242,305 |
| Derivative financial instruments | 1 | - | - | (981) | (981) |
| Loans and advances to banks | | - | - | - | - |
| Loans and advances to customers | | 3,911,730 | - | - | 3,911,730 |
| Customers' liabilities for acceptances | 2 | 189,536 | - | (189,536) | - |
| Investments in associates | | 116,993 | - | - | 116,993 |
| Other investments | | 9,174 | - | - | 9,174 |
| Other assets | | 255,614 | - | - | 255,614 |
| Property, plant and equipment | | 69,356 | - | - | 69,356 |
| Intangible assets | | 33,091 | - | - | 33,091 |
| Current tax assets | | 520 | - | - | 520 |
| Deferred tax assets | | 13,355 | - | - | 13,355 |
| Total assets | | 5,037,446 | - | (189,536) | 4,847,910 |
| Liabilities | | | | | |
| Deposits from banks | | 40,228 | - | - | 40,228 |
| Other deposits | | 203,604 | - | - | 203,604 |
| Callable bonds | 3 | 71,268 | - | (71,268) | - |
| Debt securities in issue | 3 | - | - | 71,268 | 71,268 |
| Due to customers | | 3,558,737 | - | - | 3,558,737 |
| Liability for acceptances | 2 | 189,536 | - | (189,536) | - |
| Other liabilities | | 230,496 | - | - | 230,496 |
| Current tax liabilities | | - | - | - | - |
| Deferred tax liabilities | | 123,656 | - | - | 123,656 |
| Total liabilities | | 4,417,525 | - | (189,536) | 4,227,989 |
| Equity | | | | | |
| Share capital and premium | | 55,494 | - | - | 55,494 |
| Non-distributable reserves | | 4,749 | - | - | 4,749 |
| Distributable reserves | | 551,613 | - | - | 551,613 |
| Total shareholder's equity | | 611,856 | - | - | 611,856 |
| Minority interest | | 8,065 | - | - | 8,065 |
| Total equity and liabilities | | 5,037,446 | - | (189,536) | 4,847,910 |

Accounting Policies

for the year ended 30 June 2006

| | Notes | GAAP N\$'000 | Effect of transition to IFRS N\$'000 | Reclassification of Balances N\$'000 | IFRS N\$'000 |
|---|-------|------------------|---|---|------------------|
| 4.2.3 Reconciliation of assets, liabilities and equity (continued) | | | | | |
| 30 June 2005 | | | | | |
| Group | | | | | |
| Assets | | | | | |
| Cash and balances with central bank | | 215,617 | - | - | 215,617 |
| Investment and trading securities | 1 | 514,600 | - | (514,600) | - |
| Government and other securities | 1 | - | - | 453,709 | 453,709 |
| Derivative financial instruments | 1 | - | - | 60,891 | 60,891 |
| Loans and advances to banks | 4 | - | - | 16,816 | 16,816 |
| Loans and advances to customers | | 5,081,350 | - | - | 5,081,350 |
| Customers' liabilities for acceptances | 2 | 244,524 | - | (244,524) | - |
| Investments in associates | | 160,512 | - | - | 160,512 |
| Other investments | | 5,846 | - | - | 5,846 |
| Other assets | | 191,199 | - | - | 191,199 |
| Property, plant and equipment | 5 | 89,345 | - | (7,039) | 82,306 |
| Intangible assets | 5 | 20,644 | - | 7,039 | 27,683 |
| Current tax assets | | 21 | - | - | 21 |
| Deferred tax assets | | 16,254 | - | - | 16,254 |
| Total assets | | 6,539,912 | - | (227,708) | 6,312,204 |
| Liabilities | | | | | |
| Deposits from banks | 4 | 165,552 | - | 16,816 | 182,368 |
| Other deposits | | 350,971 | - | - | 350,971 |
| Callable bonds | 3 | 106,491 | - | (106,491) | - |
| Debt securities in issue | 3 | - | - | 106,491 | 106,491 |
| Due to customers | | 4,614,877 | - | - | 4,614,877 |
| Liability for acceptances | 2 | 244,524 | - | (244,524) | - |
| Other liabilities | | 151,742 | - | - | 151,742 |
| Current tax liabilities | | 8,068 | - | - | 8,068 |
| Deferred tax liabilities | | 141,498 | - | - | 141,498 |
| Total liabilities | | 5,783,723 | - | (227,708) | 5,556,015 |
| Equity | | | | | |
| Share capital and premium | | 63,741 | - | - | 63,741 |
| Non-distributable reserves | | 12,281 | - | - | 12,281 |
| Distributable reserves | | 670,434 | - | - | 670,434 |
| Total shareholder's equity | | 746,456 | - | - | 746,456 |
| Minority interest | | 9,733 | - | - | 9,733 |
| Total equity and liabilities | | 6,539,912 | - | (227,708) | 6,312,204 |

Accounting Policies

for the year ended 30 June 2006

| | Notes | GAAP N\$'000 | Effect of transition to IFRS N\$'000 | Reclassification of Balances N\$'000 | IFRS N\$'000 |
|---|-------|------------------|---|---|------------------|
| 4.2.3 Reconciliation of assets, liabilities and equity (continued) | | | | | |
| 1 July 2005 | | | | | |
| Group | | | | | |
| Assets | | | | | |
| Cash and balances with central bank | | 215,617 | - | - | 215,617 |
| Investment and trading securities | 1 | 514,600 | - | (514,600) | - |
| Government and other securities | 1 | - | - | 453,709 | 453,709 |
| Derivative financial instruments | 1 | - | - | 60,891 | 60,891 |
| Loans and advances to banks | 4 | - | - | 16,816 | 16,816 |
| Loans and advances to customers | | 5,081,350 | 17,900 | - | 5,099,250 |
| Customers' liabilities for acceptances | 2 | 244,524 | - | (244,524) | - |
| Investments in associates | | 160,512 | - | - | 160,512 |
| Other investments | | 5,846 | - | - | 5,846 |
| Other assets | | 191,199 | - | - | 191,199 |
| Property, plant and equipment | 5 | 89,345 | - | (7,039) | 82,306 |
| Intangible assets | 5 | 20,644 | - | 7,039 | 27,683 |
| Current tax assets | | 21 | - | - | 21 |
| Deferred tax assets | | 16,254 | - | - | 16,254 |
| Total assets | | 6,539,912 | 17,900 | (227,708) | 6,330,104 |
| Liabilities | | | | | |
| Deposits from banks | 4 | 165,552 | - | 16,816 | 182,368 |
| Other deposits | | 350,971 | - | - | 350,971 |
| Callable bonds | 3 | 106,491 | - | (106,491) | - |
| Debt securities in issue | 3 | - | - | 106,491 | 106,491 |
| Due to customers | | 4,614,877 | - | - | 4,614,877 |
| Liability for acceptances | 2 | 244,524 | - | (244,524) | - |
| Other liabilities | | 151,742 | 851 | - | 152,593 |
| Current tax liabilities | | 8,068 | - | - | 8,068 |
| Deferred tax liabilities | | 141,498 | - | - | 141,498 |
| Total liabilities | | 5,783,723 | 851 | (227,708) | 5,556,866 |
| Equity | | | | | |
| Share capital and premium | | 63,741 | - | - | 63,741 |
| Non-distributable reserves | 6 | 12,281 | 25,106 | - | 37,387 |
| Distributable reserves | 6 | 670,434 | (7,887) | - | 662,547 |
| Total shareholder's equity | | 746,456 | 17,219 | - | 763,675 |
| Minority interest | | 9,733 | (170) | - | 9,563 |
| Total equity and liabilities | | 6,539,912 | 17,900 | (227,708) | 6,330,104 |

Accounting Policies

for the year ended 30 June 2006

| | Notes | GAAP N\$'000 | Effect of transition to IFRS N\$'000 | Reclassification of Balances N\$'000 | IFRS N\$'000 |
|---|-------|-----------------|---|---|-----------------|
| 4.2.3 Reconciliation of assets, liabilities and equity (continued) | | | | | |
| 1 July 2005 | | | | | |
| Company | | | | | |
| Assets | | | | | |
| Cash and balances with central banks | | 59,118 | - | - | 59,118 |
| Investments in subsidiaries | 6 | 175,034 | 416,195 | - | 591,229 |
| Investments in associates | | 64,887 | - | - | 64,887 |
| Other assets | | 35,028 | - | - | 35,028 |
| Total assets | | 334,067 | 416,195 | - | 750,262 |
| Liabilities | | | | | |
| Other liabilities | | 42,482 | - | - | 42,482 |
| Current tax liabilities | | 1,137 | - | - | 1,137 |
| Total liabilities | | 43,619 | - | - | 43,619 |
| Equity | | | | | |
| Share capital and premium | | 64,161 | - | - | 64,161 |
| Distributable reserves | 6 | 226,287 | 416,195 | - | 642,482 |
| Total shareholder's equity | | 290,448 | 416,195 | - | 706,643 |
| Total equity and liabilities | | 334,067 | 416,195 | - | 750,262 |

Description and nature of items affected by the transition to IFRS or reclassification

Note:

1. Previously reported 'Investments in trading securities' were split into 'Government and other securities' and 'Derivative financial instruments' as per IAS 30.
2. 'Customers' liabilities for acceptances' were removed from the face of the balance sheet and reported as 'Letters of credit and liabilities under guarantees' under contingent liabilities in the notes to the financial statements (note 35.5).
3. Previously reported 'Callable bonds' were reclassified as 'Debt securities in issue' as per IAS 30.
4. The 'Deposit from banks' amount in 2005 was the net result of 'Deposit from banks' and 'Loans and advances to banks'. The amount was split to disclose the gross 'Loans and advances to banks' and 'Deposit from banks'.
5. Depreciation for computer equipment was deducted from intangible assets. The amount was reallocated to show the correct net book values at year end.
6. Refer to accounting policy 4.2.1 for the reconciliation between GAAP and IFRS.

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | |
|--|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 |
| 5. Interest and discount income | | |
| Cash and money market assets | 45,070 | 35,466 |
| Loans and advances | 682,111 | 552,509 |
| Intergroup | 1 | 27 |
| | <u>727,182</u> | <u>588,002</u> |
| 6. Interest expense | | |
| Banks and customers | 351,452 | 292,617 |
| Other borrowed funds | 13,856 | 11,803 |
| Intergroup | 7,309 | 5,902 |
| | <u>372,617</u> | <u>310,322</u> |
| 7. Impairment losses on loans and advances | | |
| Loans and advances to customers (Note 19) | 14,025 | (4,608) |
| - Specific impairment | 15,101 | 10,485 |
| - Portfolio impairment | 19,391 | 13,419 |
| Loans written off during the year as uncollectible | (122) | (79) |
| Amounts recovered during the year | <u>48,395</u> | <u>19,217</u> |
| 8. Non-interest income | | |
| <i>Banking related income</i> | | |
| Commissions, credit related and other fees | 162,462 | 143,799 |
| - External | 161,583 | 142,926 |
| - Intergroup | 879 | 873 |
| Trading income | 29,589 | 29,290 |
| - Foreign exchange - commission | 4,342 | 3,997 |
| - Foreign exchange - translation gains | 17,213 | 14,238 |
| - Money Market | 8,034 | 11,055 |
| Other non-interest income | <u>35,502</u> | <u>36,879</u> |
| Operating income | <u>227,553</u> | <u>209,968</u> |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 9. Operating income | | | | |
| Operating income is stated after crediting the following income in addition to that already noted in Notes 5, 6, 7 and 8: | | | | |
| Dividends received - subsidiaries | - | - | 111,269 | 59,751 |
| Dividends received - associates | 6,683 | 5,486 | 6,683 | 5,367 |
| Interest received | 5,974 | 11,991 | 8,188 | 4,282 |
| Profit on sale of property and equipment | 1,242 | 656 | - | - |
| Commissions earned by insurance broking operations | 21,106 | 17,384 | - | - |
| Support service fees received - subsidiaries | - | - | 2,379 | 400 |
| Changes in fair value of investments in subsidiaries (refer Note 4.1.2 (g)) | - | - | 89,260 | - |
| 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) | 157,204 | 149,551 | 5,525 | 2,781 |
| Professional services | 5,135 | 2,942 | 48 | - |
| Advertising and marketing | 13,208 | 11,128 | 158 | - |
| Repairs and maintenance | 7,617 | 6,776 | 2 | - |
| Depreciation (Note 24) | 20,084 | 18,374 | - | - |
| Amortisation and impairment of intangible assets (Note 25) | 7,527 | 7,488 | - | - |
| Loss on foreign exchange translation | - | - | 5,487 | 1,259 |
| Operating lease rentals - immovable property | 21,548 | 19,782 | 497 | 303 |
| Expenses incurred to earn insurance broking commission | 13,183 | 12,547 | - | - |
| Auditors remuneration: | | | | |
| - Audit fees | 1,222 | 931 | 67 | 55 |
| - Other services | 710 | 1,584 | 12 | 43 |
| Directors emoluments: | | | | |
| - For services as directors | | | 1,384 | 192 |
| - For other services | | | 4,916 | 3,924 |
| - Less: Paid by subsidiaries | | | 6,300 | 4,116 |
| | | | (1,036) | (2,839) |
| | | | <u>5,264</u> | <u>1,277</u> |
| 10. Profit/(loss) on disposal of Group companies | | | | |
| Profit on disposal of subsidiary | - | 22,040 | - | 25,675 |
| Profit / (loss) on disposal of associates | 12,031 | 3,635 | (71) | 14,117 |
| | <u>12,031</u> | <u>25,675</u> | <u>(71)</u> | <u>39,792</u> |
| 11. Share of associates' results before tax | | | | |
| - Profit before tax (Note 21) | 26,799 | 33,014 | | |
| - Dividends paid | (6,683) | (5,486) | | |
| | <u>20,116</u> | <u>27,528</u> | | |
| 12. Taxation | | | | |
| Current tax | 72,311 | 54,919 | 1,400 | 1,530 |
| Income tax - prior year | (96) | (602) | (96) | (602) |
| Deferred tax (Note 31) | 3,502 | 14,943 | - | - |
| Share of tax of associates | 8,153 | 14,602 | - | - |
| | <u>83,870</u> | <u>83,862</u> | <u>1,304</u> | <u>928</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 | 266,296 | 267,923 | 204,610 | 104,401 |
| Prima facie tax calculated at a tax rate of 35% | 93,204 | 93,773 | 71,613 | 36,540 |
| Income not subject to tax | (12,019) | (14,768) | (72,500) | (36,718) |
| Expenses not deductible for tax purposes | 2,781 | 5,459 | 2,287 | 1,708 |
| Income tax expense | <u>83,966</u> | <u>84,464</u> | <u>1,400</u> | <u>1,530</u> |
| Further information about deferred tax is presented in Note 31. | | | | |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 13. Earnings per share | | | | |
| Group earnings per share are calculated by dividing the net profit attributable to shareholders of N\$177.6 million (2005: N\$177.6 million) by the weighted average number of ordinary shares in issue during the year of 108.5 million (2005: 107.4 million). | | | | |
| Company earnings per share are calculated dividing the net profit attributable to shareholders of N\$203.3 million (2005: N\$103.5 million) by the weighted average number of ordinary shares in issue during the year of 109.1 million (2005: 107.5 million). | | | | |
| 14. Staff costs | | | | |
| Wages and salaries | 140,010 | 135,647 | 1,407 | 2,693 |
| Staff training and transfer cost | 6,983 | 4,648 | 122 | 7 |
| Pension costs - defined contribution plans | 10,211 | 9,256 | 173 | 81 |
| | <u>157,204</u> | <u>149,551</u> | <u>1,702</u> | <u>2,781</u> |
| The number of employees for the Group as at 30 June 2006 amounted to 992 (2005: 965). | | | | |
| 15. Cash and balances with central banks | | | | |
| Cash in hand | 317,579 | 167,901 | 170,426 | 59,118 |
| Balances with central bank | 58,985 | 47,716 | - | - |
| | <u>376,564</u> | <u>215,617</u> | <u>170,426</u> | <u>59,118</u> |
| 16. Government and other securities | | | | |
| <i>at fair value through profit or loss:</i> | | | | |
| Treasury bills | 393,737 | 184,419 | | |
| Government stocks | 162,977 | 269,290 | | |
| | <u>556,714</u> | <u>453,709</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. | | | | |
| The current portfolio of Government stocks has been designated as financial assets at fair value through profit or loss. | | | | |
| Treasury bills with a nominal value of N\$352,450,000 (2005: N\$65,010,000) and government stock with a nominal value of N\$142,710,000 (2005: N\$92,390,000) are pledged as securities with the Bank of Namibia. | | | | |
| The effective interest rates range from 7,01% to 7,86% for the Treasury bills and from 9,13% to 9,35% for Government bonds. | | | | |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | |
|--|------------------|------------------|
| | 2006 N\$'000 | 2005 N\$'000 |
| 17. Derivative financial instruments | | |
| Derivatives - Interest rate swaps | (4,588) | (14,109) |
| Derivative Investment Product | 30,000 | 75,000 |
| | <u>25,412</u> | <u>60,891</u> |
| The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2006 were N\$154,720,000 (2005: N\$244,720,000). | | |
| At 30 June 2006 the fixed interest rates varied from 8.27% to 12.42% (2005: 8.47% to 10.67%) and the floating rates are 7.54% (JIBAR Safex rates). | | |
| The maturity dates of the interest rate swaps range from July 2007 to April 2015. | | |
| Repayable within 1 year | 30,000 | 75,000 |
| Receivable after 1 year but within 5 years | (4,828) | (14,575) |
| Repayable after 5 years | 240 | 466 |
| | <u>25,412</u> | <u>60,891</u> |
| 18. Loans and advances to banks | | |
| Loans and advances to other banks | - | 16,816 |
| The effective interest rate is 7.07% (2005: 5.54%). | | |
| 19. Loans and advances to customers | | |
| Overdrafts | 1,596,881 | 1,045,963 |
| Term loans | 1,380,860 | 1,003,252 |
| Mortgages | 2,419,724 | 1,996,372 |
| Instalment finance | 997,668 | 852,089 |
| Other | 275,805 | 289,657 |
| Gross loans and advances | <u>6,670,938</u> | <u>5,187,333</u> |
| Less: Provisions for impairment | | |
| - Specific credit risk provision | 71,208 | 57,182 |
| - General credit risk provision | 38,796 | 48,801 |
| | <u>6,560,934</u> | <u>5,081,350</u> |

Term loans include a balance of N\$150,000,000, which comprises of government stock securities purchased under agreements to resell ('reverse repos').

The effective interest rate for the portfolio is 11.79% (2005: 12.22%).

The aggregate amount of non-performing loans on which interest was not being accrued amounted to N\$108,648,000 at 30 June 2006 (2005: N\$98,355,000). Accumulated unrecognised interest related to such loans amounted to N\$84,176,000 (2005: N\$72,856,000). All loans have been written down to their recoverable amount.

| | Specific Provision | Portfolio Provision |
|---|-----------------------|------------------------|
| Movement in provisions for impairment for the Group are as follows: | | |
| Balance at 1 July 2004 | 61,790 | 38,316 |
| Provision for loan impairment | (4,608) | 10,485 |
| Balance at 30 June 2005 | <u>57,182</u> | <u>48,801</u> |
| Effect of adopting IFRS | - | (25,106) |
| Provision for loan impairment | 14,025 | 15,101 |
| Balance at 30 June 2006 | <u>71,207</u> | <u>38,796</u> |

Notes to the Financial Statements

for the year ended 30 June 2006

| | 2006 N\$'000 | 2006 % | 2005 N\$'000 | 2005 % |
|---|------------------|---------------|------------------|---------------|
| 19. Loans and advances to customers (continued) | | | | |
| Group | | | | |
| Economic sector risk concentrations within the customer loan portfolio for the Group were as follows: | | | | |
| Agriculture and forestry | 465,217 | 7.1% | 377,805 | 7.4% |
| Mining and quarrying | 290,325 | 4.4% | 83,596 | 1.6% |
| Manufacturing | 133,311 | 2.0% | 88,233 | 1.7% |
| Building and construction | 152,189 | 2.3% | 62,212 | 1.2% |
| Electricity | 12,754 | 0.2% | 16,348 | 0.3% |
| Trade and business services | 658,266 | 10.0% | 474,172 | 9.3% |
| Transport | 132,484 | 2.0% | 64,701 | 1.3% |
| Finance | 833,529 | 12.7% | 716,498 | 14.1% |
| Individuals | 2,785,396 | 42.5% | 2,157,106 | 42.5% |
| Government | 282,131 | 4.3% | 328,383 | 6.5% |
| Other | 815,332 | 12.4% | 712,296 | 14.0% |
| | <u>6,560,934</u> | <u>100.0%</u> | <u>5,081,350</u> | <u>100.0%</u> |

Maturity analysis of loans and advances to customers for the Group:

| | | | | |
|---|------------------|---------------|------------------|---------------|
| Repayable on demand | 1,962,579 | 29.9% | 1,078,772 | 21.2% |
| Repayable within 1 month | 18,965 | 0.3% | 14,294 | 0.3% |
| Repayable after 1 month but within 6 months | 113,026 | 1.7% | 42,013 | 0.8% |
| Repayable after 6 months | 4,466,364 | 68.1% | 3,946,271 | 77.7% |
| | <u>6,560,934</u> | <u>100.0%</u> | <u>5,081,350</u> | <u>100.0%</u> |

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

| | 2006 N\$'000 | 2005 N\$'000 |
|---|------------------|------------------|
| Repayable within 1 year | 53,942 | 38,734 |
| Repayable after 1 year but within 5 years | 1,211,368 | 972,907 |
| Repayable after 5 years | 21,698 | 19,267 |
| Gross investment in instalment finances | <u>1,287,008</u> | <u>1,030,908</u> |
| Unearned future finance income on instalment finances | (289,340) | (178,819) |
| Net investment in instalment finances | <u>997,668</u> | <u>852,089</u> |

20. Investment in subsidiaries

| | Company | |
|--|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 |
| Balance at beginning of period | 99,339 | 87,648 |
| Designated at fair value through profit or loss | 416,195 | - |
| Disposal of subsidiary | - | (2,000) |
| Issue of new shares by subsidiary | 8,276 | 13,691 |
| Changes in fair value of investment (Note 4.1.2 (g)) | 89,260 | - |
| Balance at end of period | <u>613,070</u> | <u>99,339</u> |
| Indebtedness by subsidiaries | 64,975 | 75,695 |
| Total investment in subsidiaries | <u>678,045</u> | <u>175,034</u> |
| Directors' valuation | <u>613,070</u> | <u>515,534</u> |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 21. Investment in associates | | | | |
| Santam Namibia Ltd | | | | |
| Capricorn Investment Holdings Ltd has a 30% (2005: 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 | | | 10,942 | 10,942 |
| Net asset value | 8,980 | 8,980 | | |
| Investment at beginning of the year: | 8,980 | 8,980 | | |
| Share of current year's retained income | 6,039 | 3,140 | | |
| - Profit before tax (Note 1) | 18,928 | 13,687 | | |
| - Current and deferred tax | (6,289) | (5,180) | | |
| - Dividends paid | (6,600) | (5,367) | | |
| Post acquisition retained income at the beginning of the year | 23,848 | 20,708 | | |
| - on original investment | 23,848 | 23,348 | | |
| - on portion sold during the year | - | (2,640) | | |
| | 38,867 | 32,828 | 10,942 | 10,942 |
| Summarised financial information | | | | |
| Non-current assets | 138,849 | 122,276 | | |
| Technical assets | 64,345 | 31,925 | | |
| Current assets | 177,158 | 97,540 | | |
| Non-current liabilities | (16,470) | (12,689) | | |
| Technical provisions | (109,165) | (86,866) | | |
| Current liabilities | (125,165) | (42,760) | | |
| Capital and reserves | 129,552 | 109,426 | | |
| Nam-mic Financial Services Holdings (Pty) Ltd | | | | |
| Capricorn Investment Holdings Ltd has a 27.5% (2005: 32.5%), non-controlling, investment in Nam-mic Financial Services Holdings (Pty) Ltd, an investment brokerage group. | | | | |
| Carrying value of investment in associate | | | | |
| Cost | | | 5,631 | 6,655 |
| - Net asset value | 2,626 | 2,626 | | |
| - Goodwill | 3,183 | 3,183 | | |
| Investment at beginning of the year: | 5,809 | 5,809 | | |
| Disposal of portion: | (894) | - | | |
| - Net asset value | (404) | - | | |
| - Goodwill | (490) | - | | |
| Investment after disposal of portion | 4,915 | 5,809 | | |
| Share of current year's retained income | 424 | 1,038 | | |
| - Profit before tax (Note 1) | 632 | 1,330 | | |
| - Current and deferred tax | (125) | (292) | | |
| - Dividends paid | (83) | - | | |
| Post acquisition retained income at the beginning of the year | 1,735 | 1,012 | | |
| - on original investment | 2,050 | 1,012 | | |
| - on portion sold during the year | (315) | - | | |
| | 7,074 | 7,859 | 5,631 | 6,655 |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 21. Investment in associates (continued) | | | | |
| Summarised financial information | | | | |
| Non-current assets | 80,455 | 79,209 | | |
| Current assets | 4,863 | 7,244 | | |
| Non-current liabilities | (39,873) | (43,070) | | |
| Current liabilities | (1,185) | (1,929) | | |
| Capital and reserves | <u>44,260</u> | <u>41,454</u> | | |
| Fair value reserves (not recognised due to cross-holding) | 28,331 | 27,067 | | |
| Capital and other reserves | <u>15,929</u> | <u>14,387</u> | | |
| | <u>44,260</u> | <u>41,454</u> | | |
| Oryx Properties Ltd | | | | |
| During the year the Group sold its entire interest in Oryx Properties Ltd, a property loan stock company, listed on the Namibian Stock Exchange. Before the disposal the Group held an effective 26.35%, non-controlling interest. | | | | |
| Carrying value of investment in associate | | | | |
| Cost | - | 54,132 | - | - |
| Share of current year's retained income | - | 7,831 | | |
| Post acquisition retained income at the beginning of the year | - | 9,655 | | |
| | - | <u>71,618</u> | - | - |
| Consolidated Financial Services Holdings Ltd | | | | |
| Capricorn Investment Holdings Ltd holds an effective 30.0%, non-controlling interest in Consolidated Financial Services Holdings Ltd, a Namibian company providing a variety of financial services. | | | | |
| Carrying value of investment in associate | | | | |
| Cost | 47,290 | 47,290 | 47,290 | 47,290 |
| - Net asset value | 46,701 | 46,701 | | |
| - Goodwill | 589 | 589 | | |
| Share of current year's retained income | 5,500 | 917 | | |
| - Profit before tax (Note 1) | 7,239 | 2,587 | | |
| - Current and deferred tax | (1,739) | (1,670) | | |
| Post acquisition retained income at the beginning of the year | 917 | - | | |
| | <u>53,707</u> | <u>48,207</u> | <u>47,290</u> | <u>47,290</u> |
| Summarised financial information | | | | |
| Non-current assets | 683,339 | 468,388 | | |
| Current assets | 55,761 | 130,219 | | |
| Minority interest | (1,096) | (1,414) | | |
| Non-current liabilities | (513,007) | (319,359) | | |
| Current liabilities | (47,937) | (119,108) | | |
| Capital and reserves | <u>177,060</u> | <u>158,726</u> | | |
| | <u>99,648</u> | <u>160,512</u> | <u>63,863</u> | <u>64,887</u> |
| Directors' valuation | <u>99,648</u> | <u>160,512</u> | <u>99,648</u> | <u>160,512</u> |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | | | |
|---|-----------------|-----------------|--|---|---|------------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 | | |
| 22. Other investments | | | | | | |
| <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. | - | 641 | - | - | | |
| 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 Available-for-sale - at fair value</i> | | | | | | |
| CIH Share Trust - inventory shares: Bank Windhoek Beherend Ltd | - | 2,715 | - | - | | |
| <i>22.3 Jointly controlled entity</i> | | | | | | |
| Shares at cost | 2,525 | 3,131 | - | - | | |
| 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. | | | | | | |
| Total investments | 2,525 | 5,846 | - | - | | |
| Directors' valuation | 2,525 | 5,846 | - | - | | |
| 23. Other assets | | | | | | |
| Accounts receivable and prepayments | 93,666 | 61,221 | - | - | | |
| Inventories | 2,278 | 2,899 | - | - | | |
| - Other inventories | 1,237 | 1,737 | - | - | | |
| - Property in possession | 1,041 | 1,162 | - | - | | |
| Dividends receivable | - | - | 4,883 | 35,000 | | |
| Other receivables | 89,048 | 127,032 | 1,088 | 1 | | |
| Other taxes | 26 | 46 | - | 27 | | |
| | 185,018 | 191,198 | 5,971 | 35,028 | | |
| 24. Property and equipment | | | | | | |
| Group | | | | | | |
| Year end - 30 June 2006 | | | | | | |
| Cost: | | | | | | |
| 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 and valuation at 30 June 2006 | 18,673 | 77,185 | 74,431 | 170,289 | | |
| Depreciation: | | | | | | |
| 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) | | |
| Net book value at 30 June 2006 | 16,911 | 34,482 | 39,908 | 91,301 | | |
| | | | Freehold land and buildings N\$'000 | Computer and other equipment N\$'000 | Vehicles, furniture and fittings N\$'000 | Total N\$'000 |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Freehold land and buildings N\$'000 | Computer and other equipment N\$'000 | Vehicles, furniture and fittings N\$'000 | Total N\$'000 |
|---|--|---|---|------------------|
| 24. Property and equipment (continued) | | | | |
| Group | | | | |
| Year end - 30 June 2005 | | | | |
| <i>Cost:</i> | | | | |
| Cost at 1 July 2004 | 12,678 | 72,139 | 57,169 | 141,986 |
| Additions | 1,831 | 14,677 | 17,406 | 33,914 |
| Disposals | (568) | (2,206) | (2,674) | (5,448) |
| Cost and valuation at 30 June 2005 | <u>13,941</u> | <u>84,610</u> | <u>71,901</u> | <u>170,452</u> |
| <i>Depreciation:</i> | | | | |
| Accumulated depreciation at 1 July 2004 | (78) | (40,357) | (31,487) | (72,630) |
| Charge for the year | (568) | (11,017) | (6,789) | (18,374) |
| Depreciation on disposals | 48 | 1,144 | 1,666 | 2,858 |
| Accumulated depreciation at 30 June 2005 | <u>(1,306)</u> | <u>(50,230)</u> | <u>(36,610)</u> | <u>(88,146)</u> |
| <i>Net book value at 30 June 2005</i> | <u>12,635</u> | <u>34,380</u> | <u>35,291</u> | <u>82,306</u> |

Details regarding the fixed properties are available to shareholders at the registered office of the Group.

25. Intangible assets

| | Trademarks and Brands N\$'000 | Goodwill N\$'000 | Computer software cost N\$'000 | Total N\$'000 |
|---|--|---------------------|---|------------------|
| Group | | | | |
| Year end - 30 June 2006 | | | | |
| <i>Cost:</i> | | | | |
| Cost at 1 July 2005 | 7,173 | 1,599 | 49,269 | 58,041 |
| Additions | 6 | 9,161 | - | 9,167 |
| Cost at 30 June 2006 | <u>7,179</u> | <u>10,760</u> | <u>49,269</u> | <u>67,208</u> |
| <i>Amortisation and impairment:</i> | | | | |
| Amortisation and impairment at 1 July 2005 | - | (450) | (29,908) | (30,358) |
| Charge/impairment for the year | - | (488) | (7,039) | (7,527) |
| Amortisation and impairment at 30 June 2006 | <u>-</u> | <u>(938)</u> | <u>(36,947)</u> | <u>(37,885)</u> |
| <i>Net book value at 30 June 2006</i> | <u>7,179</u> | <u>9,822</u> | <u>12,322</u> | <u>29,323</u> |
| Year end - 30 June 2005 | | | | |
| <i>Cost:</i> | | | | |
| Cost at 1 July 2004 | 5,754 | 938 | 49,269 | 55,961 |
| Additions | 1,419 | 661 | - | 2,080 |
| Cost at 30 June 2005 | <u>7,173</u> | <u>1,599</u> | <u>49,269</u> | <u>58,041</u> |
| <i>Amortisation:</i> | | | | |
| Amortisation at 1 July 2004 | - | - | (22,869) | (22,869) |
| Charge for the year | - | (450) | (7,039) | (7,489) |
| Amortisation at 30 June 2005 | <u>-</u> | <u>(450)</u> | <u>(29,908)</u> | <u>(30,358)</u> |
| <i>Net book value at 30 June 2005</i> | <u>7,173</u> | <u>1,149</u> | <u>19,361</u> | <u>27,683</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 eight years.

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | |
|---|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 |
| 26. Deposits from other banks | | |
| Deposits from other banks | 255,459 | 182,368 |
| The effective interest rate is 7.12% (2005: 6.06%). | | |
| 27. Other deposits | | |
| Negotiable certificates of deposit | 655,403 | 350,971 |
| The effective interest rate is 7.73% (2005: 7.99%). | | |
| The value of NCD's held as collateral amounts to N\$5,649,738 (2005: N\$1,505,273). | | |
| 28. Debt securities in issue | | |
| Balance at 1 July 2005 | 106,491 | 71,268 |
| Bonds issued - nominal value | 90,000 | 30,000 |
| Discount on issue | 8,147 | 1,565 |
| Interest capitalised | (3,321) | 677 |
| Fair value adjustment - AC133 | - | 2,981 |
| Restatement of opening balance for effective interest rate | (3,414) | - |
| Effective interest rate adjustment | 150 | - |
| Balance as at 30 June 2006 | 198,053 | 106,491 |
| 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\$202,557,379 and N\$95,447,889 respectively at 30 June 2006. | | |
| 29. Due to customers | | |
| Current accounts | 1,131,736 | 1,116,666 |
| Savings accounts | 268,553 | 228,760 |
| Other deposits | 4,081,277 | 3,269,451 |
| Due to customers | 5,481,566 | 4,614,877 |

The effective interest rate for the portfolio is 6.43% (2005: 6.10%).

Other deposits to the value of N\$523,574,667 (2005: N\$476,055,704) are held as collateral.

| Group | 2006 N\$'000 | 2006 % | 2005 N\$'000 | 2005 % |
|--|-----------------|-----------|-----------------|-----------|
| Economic sector risk concentrations within the customer current, savings, deposit account portfolio for the Group were as follows: | | | | |
| Government | 229,331 | 4.2% | 314,517 | 6.8% |
| Financial corporations | 1,696,933 | 31.0% | 299,921 | 6.5% |
| Non-financial corporations | 2,721,218 | 49.7% | 2,609,217 | 56.5% |
| Individuals | 834,084 | 15.2% | 1,391,222 | 30.1% |
| | 5,481,566 | 100.0% | 4,614,877 | 100.0% |
| Maturity analysis within the customer current, savings, deposit account portfolio for the Group: | | | | |
| Withdrawable on demand | 3,537,523 | 64.5% | 3,009,190 | 65.2% |
| Maturing within 1 month | 1,224,286 | 22.3% | 952,103 | 20.6% |
| Maturing after 1 month but within 6 months | 373,245 | 6.8% | 422,805 | 9.2% |
| Maturing after 6 months but within 12 months | 346,512 | 6.3% | 230,779 | 5.0% |
| | 5,481,566 | 100.0% | 4,614,877 | 100.0% |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 30. Other liabilities | | | | |
| Accounts payable | 4,511 | 17,435 | - | - |
| Dividends payable | 55,000 | 42,413 | 55,000 | 42,413 |
| Accruals | 27,309 | 18,551 | 76 | 69 |
| Other provisions (Note 30.1) | 3,200 | 2,000 | - | - |
| Other | 196,239 | 71,343 | 443 | - |
| | <u>286,259</u> | <u>151,742</u> | <u>55,519</u> | <u>42,482</u> |
| 30.1 Other provisions | | | | |
| At 1 July | 2,000 | - | | |
| Additional provisions charged to the income statement | 1,200 | 2,000 | | |
| At 30 June | <u>3,200</u> | <u>2,000</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 N\$3.2 million provided at 30 June 2006. Refer to 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% (2005: 35%). | | | | |
| The movement on the deferred income tax account is as follows: | | | | |
| At the beginning of the year | 125,244 | 110,301 | | |
| Effect of adopting IAS 39 | 9,595 | - | | |
| Income statement charge | 3,502 | 14,943 | | |
| At the end of the year | <u>138,341</u> | <u>125,244</u> | | |
| Deferred income tax assets and liabilities are attributable to the following items: | | | | |
| <i>Deferred income tax liabilities</i> | | | | |
| Accelerated tax depreciation and amortisation | 20,425 | 22,323 | | |
| Loans and receivables | 106,039 | 86,377 | | |
| Government stock and other securities | 9,465 | 341 | | |
| Derivative financial instruments | 8,894 | 30,502 | | |
| Other temporary differences | 2,979 | 1,955 | | |
| | <u>147,802</u> | <u>141,498</u> | | |
| <i>Deferred income tax assets</i> | | | | |
| Provisions | 3,325 | 630 | | |
| Loan loss provisions | 4,548 | 14,339 | | |
| - Effect of adopting IFRS | (8,787) | - | | |
| - Current year movement | 13,335 | 14,339 | | |
| Assessed tax losses | 1,588 | 1,285 | | |
| | <u>9,461</u> | <u>16,254</u> | | |
| Net deferred income tax liability | <u>138,341</u> | <u>125,244</u> | | |
| The deferred tax charge in the income statement comprises the following temporary differences: | | | | |
| Accelerated tax depreciation and amortisation | (1,898) | 479 | | |
| Loans and receivables | 19,662 | (6,206) | | |
| Government stock and other securities | 9,124 | (4,804) | | |
| Derivative financial instruments | (21,608) | 27,419 | | |
| Other temporary differences | (2,464) | 2,860 | | |
| Provisions | (621) | (1,817) | | |
| Loan loss provisions | 1,004 | (3,021) | | |
| Assessed tax losses | 303 | 33 | | |
| | <u>3,502</u> | <u>14,943</u> | | |
| Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. | | | | |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | |
|---|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 |
| 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 Namibian full-time permanent employees are members of the Capricorn Investment Holdings Limited Group Employee Retirement Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is governed by the Pension Funds Act 1956, which requires an actuarial valuation every three years. | | |
| The latest actuarial valuation was carried out on 31 March 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 | 45,840 | 26,004 |
| 33.2 Operating lease commitments | | |
| Office premises | | |
| - Not later than 1 year | 15,207 | 18,667 |
| - Later than 1 year but not later than 5 years | 31,748 | 41,631 |
| - Later than 5 years | 1,479 | 4,826 |
| | <u>48,434</u> | <u>65,124</u> |
| Funds to meet these commitments will be provided from own resources. | | |
| 33.3 Deferred tax liability guarantee in favour of Oryx Properties Ltd | | |
| 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 N\$ 8.4 million as at 30 June 2006 (2005: N\$ 8.4 million). | | |
| 33.4 Unit trust repurchase agreement | | |
| The Group has entered into an agreement with Bank Windhoek Selekt Fund as follows - In the event of a liquidity shortage arising in the fund Bank Windhoek Limited is obliged to purchase specified bills at book value amounting to N\$774,288,532 at 30 June 2006 (2005: N\$761,377,141) that Bank Windhoek Selekt Fund offers to it. The purpose of the agreement is to transfer the market risk on the Unit Trust scheme from Bank Windhoek Selekt Fund to Bank Windhoek Limited. | | |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 33.5 Pending litigation | | | | |
| A pending legal claim against the Bank has given rise to a contingent liability of N\$2,4 million as well as possible legal costs of N\$200,000 at 30 June 2006. | | | | |
| 33.6 Letters of credit and liabilities under guarantees | 367,698 | 244,524 | | |
| 34. Share capital and -premium | | | | |
| <i>Authorised share capital</i> | | | | |
| 150,000,000 ordinary shares of 10c each | 15,000 | 15,000 | 15,000 | 15,000 |
| <i>Issued share capital</i> | | | | |
| Balance at the beginning of the year: | | | | |
| Group: 108,172,277 (2005: 106,580,564) ordinary shares of 10c each | 10,817 | 10,658 | | |
| Company: 108,750,000 (2005: 107,000,000) ordinary shares of 10c each | | | 10,875 | 10,700 |
| Shares issued during the year | 125 | 175 | 125 | 175 |
| Less: | | | | |
| 314,727 (2005: 77,723) shares held by Capricorn Investment Holdings Limited Employee Share Trust | (32) | (8) | - | - |
| 500,000 (2005: 500,000) shares held by CIH Group Employee Share Benefit Trust | (50) | (50) | - | - |
| Add back prior year deduction of shares held by Share Trusts | 58 | 42 | - | - |
| Balance at the end of the year: | | | | |
| Group: 109,185,273 (2005: 108,172,277) ordinary shares of 10c each | 10,918 | 10,817 | | |
| Company: 110,000,000 (2005: 108,750,000) ordinary shares of 10c each | | | 11,000 | 10,875 |
| <i>Share premium</i> | | | | |
| Balance at the beginning of the year: | 52,924 | 44,836 | 53,286 | 46,774 |
| Shares issued during the year | 8,210 | 6,512 | 8,210 | 6,512 |
| Less: 314,727 (2005: 77,723) shares held by Capricorn Investment Holdings Limited Employee Share Trust | (2,140) | (362) | - | - |
| Add back prior year deduction of shares held by Share Trust | 362 | 1,938 | - | - |
| Balance at the end of the year: | 59,356 | 52,924 | 61,496 | 53,286 |
| Total share capital and premium | 70,274 | 63,741 | 72,496 | 64,161 |
| <i>Unissued shares</i> | | | | |
| 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. | | | | |
| 35. Non-distributable reserves | | | | |
| Comprised: | | | | |
| Contingency reserve required by insurance operations | - | 6,082 | | |
| Unrealised gains on investments | - | 5,238 | | |
| General credit risk reserve | 24,515 | 961 | | |
| | 24,515 | 12,281 | | |
| The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment provisions of Bank Windhoek Ltd. | | | | |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 36. Distributable reserves | | | | |
| Comprised: | | | | |
| General banking reserve | 498,430 | 438,930 | - | - |
| Foreign currency translation reserve | (6,877) | (9,941) | - | - |
| Retained income | 309,564 | 241,445 | 790,815 | 226,287 |
| | <u>801,117</u> | <u>670,434</u> | <u>790,815</u> | <u>226,287</u> |
| Bank Windhoek Ltd makes an appropriation to a general banking reserve for unforeseeable risks and future losses. The general banking reserve can only be distributed with the approval of the shareholders. | | | | |
| 37. Dividends per share | | | | |
| During the current year under review dividends of 50 cents per share (2005: 39 cents per share) amounting to a total of N\$55,000,000 (2005: N\$42,412,500) were declared by the Company. This represents a normal dividend of 32 cents per share and a special dividend of 18 cents per share. | | | | |
| Dividends paid by subsidiaries to minorities amounted to N\$7,480,000 (2005: N\$4,793,000). | | | | |
| 38. Cash generated by operations | | | | |
| Income before taxation | 266,296 | 267,923 | 204,610 | 104,401 |
| Dividends received | (6,683) | (5,486) | (117,952) | (65,118) |
| Adjusted for non-cash items: | | | | |
| - Depreciation | 20,084 | 18,374 | - | - |
| - Profit on disposal of property and equipment | (1,242) | (656) | - | - |
| - Amortisation and impairment of intangible assets | 7,527 | 7,488 | - | - |
| - Share of results of associates before tax | (20,116) | (27,528) | - | - |
| - (Profit) / Loss on disposal of associate | (12,031) | (3,635) | 71 | (14,117) |
| - Profit on disposal of subsidiary | - | (22,040) | - | (25,675) |
| - Revaluation of subsidiaries | - | - | (89,260) | - |
| - Loss on foreign exchange translation | - | - | 5,487 | 1,259 |
| - Prior year adjustment due to IAS39 | 26,815 | - | - | - |
| - Foreign currency translation adjustment | 3,064 | (8,834) | - | - |
| - Minority shareholders' adjustment | (5,351) | (4,793) | - | - |
| - Profit on disposal of investments | (677) | (473) | - | - |
| - Provision for impairment losses on loans and advances | 29,126 | 5,877 | - | - |
| | <u>306,812</u> | <u>226,217</u> | <u>2,956</u> | <u>750</u> |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 39. Dividends received | | | | |
| Dividends received are reconciled to the amounts disclosed in the income statements as follows: | | | | |
| Amounts receivable at the beginning of the year | - | - | 35,000 | 20,700 |
| Amounts accrued to the income statements | 6,683 | 5,486 | 117,952 | 65,118 |
| Amounts receivable at the end of the year | - | - | (4,883) | (35,000) |
| | <u>6,683</u> | <u>5,486</u> | <u>148,069</u> | <u>50,818</u> |
| 40. Income taxes paid | | | | |
| Income taxes paid are reconciled to the amounts disclosed in the income statements as follows: | | | | |
| Amounts prepaid / (unpaid) at the beginning of the year | (8,047) | 520 | (1,137) | (902) |
| Current tax charged to the income statements (Note 1) | (72,215) | (54,317) | (1,304) | (928) |
| Amounts unpaid / (prepaid) at the end of the year | 7,251 | 8,047 | (525) | 1,137 |
| | <u>(73,011)</u> | <u>(45,750)</u> | <u>(2,966)</u> | <u>(693)</u> |
| 41. Dividends paid | | | | |
| 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 | (42,413) | (21,400) | (42,413) | (21,400) |
| Amounts charged for the year | (55,000) | (42,413) | (55,000) | (42,413) |
| Amounts written back | 27 | - | 27 | - |
| Amounts unpaid at the end of the year | 55,000 | 42,413 | 55,000 | 42,413 |
| | <u>(42,386)</u> | <u>(21,400)</u> | <u>(42,386)</u> | <u>(21,400)</u> |
| 42. Cash and cash equivalents | | | | |
| 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) | 376,564 | 215,617 | 170,427 | 59,118 |
| Treasury bills and government stocks | 243,195 | 93,870 | - | - |
| | <u>619,759</u> | <u>309,487</u> | <u>170,427</u> | <u>59,118</u> |
| 43. Related party transactions | | | | |
| Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Bank Windhoek Beherend Ltd, incorporated in Namibia, which owns 52% of the enterprise's ordinary shares. | | | | |
| A number of 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. Information relating to the extent of intergroup transactions is provided on Notes 5, 6, 7, 8 and 9 of these annual financial statements. | | | | |
| 43.1 Interest received | | | | |
| Interest received on intercompany loan accounts. The loans bear interest at commercial interest rates and there are no fixed terms of repayment. These arrangements are reviewed from time to time. | | | | |
| Namib Bou (Pty) Ltd | | | 1,996 | - |
| Capricorn Investment Holdings Employee Share Trust | | | 1,098 | - |
| Capricorn Investment Holdings (Botswana) (Pty) Ltd | | | - | 355 |

Notes to the Financial Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-----------------|-----------------|--------------------------|-----------------|
| | 2006 N\$'000 | 2005 N\$'000 | 2006 N\$'000 | 2005 N\$'000 |
| 43.2 Preference dividends received | | | | |
| Capricorn Investment Holdings (Botswana) (Pty) Ltd | | | 4,800 | 2,806 |
| 43.3 Loans to related parties | | | | |
| The terms and conditions of these loans are as noted in 43.1 above. | | | | |
| Namib Bou (Pty) Ltd | | | - | 26,333 |
| Capricorn Investment Holdings Employee Share Trust | | | 9,595 | 8,567 |
| CIH Group Employee Share Benefit Trust | | | 43 | 50 |
| Capricorn Investment Holdings (Botswana) (Pty) Ltd | | | 12,801 | 9,451 |
| | | | <u>22,439</u> | <u>44,401</u> |
| 43.4 Support service fees received | | | | |
| Support service fees received from subsidiaries and associates | | | 2,379 | 400 |
| Dividends received on ordinary and preference shares are disclosed in Note 7. | | | | |
| 43.5 Housing scheme loans to directors | | | | |
| Loans | | | | |
| Loans outstanding at 1 July | 2,940 | 2,113 | | |
| Net movement during the year | 4,113 | 827 | | |
| Loans outstanding at 30 June | <u>7,053</u> | <u>2,940</u> | | |
| Deposits | | | | |
| Deposits at 1 July | 774 | 601 | | |
| Net movement during the year | (375) | 173 | | |
| Deposits at 30 June | <u>399</u> | <u>774</u> | | |
| Directors' remuneration is disclosed in Note 10. | | | | |
| 44. Employee Share Trust | | | | |
| | | | Number of shares 2006 | 2005 |
| Number of shares reserved for the Scheme remaining unissued on 30 June 2006 | 3,915,100 | 4,724,350 | | |
| Number of shares issued by the Trust to Beneficiaries still Scheme shares | 4,334,900 | 3,431,900 | | |
| Number of shares sold by the Trust to Beneficiaries during the year | 1,215,500 | 1,632,750 | | |
| Number of shares available for sale by the Trust to proposed Beneficiaries on 30 June 2006 | <u>314,727</u> | <u>77,723</u> | | |
| Number of shares held by the CIH Group Employee Share Benefit Trust for the benefit of employees on job levels 10 to 13 | 500,000 | 500,000 | | |
| 45. Risk management | | | | |
| Exposure to credit, interest rate and currency risk and other operating risks arises in the normal course of the Group's business. Details of the risk management policies and procedures are included in accounting policy 2. | | | | |

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