Capricorn Investment Holdings Limited | Annual Report 2006

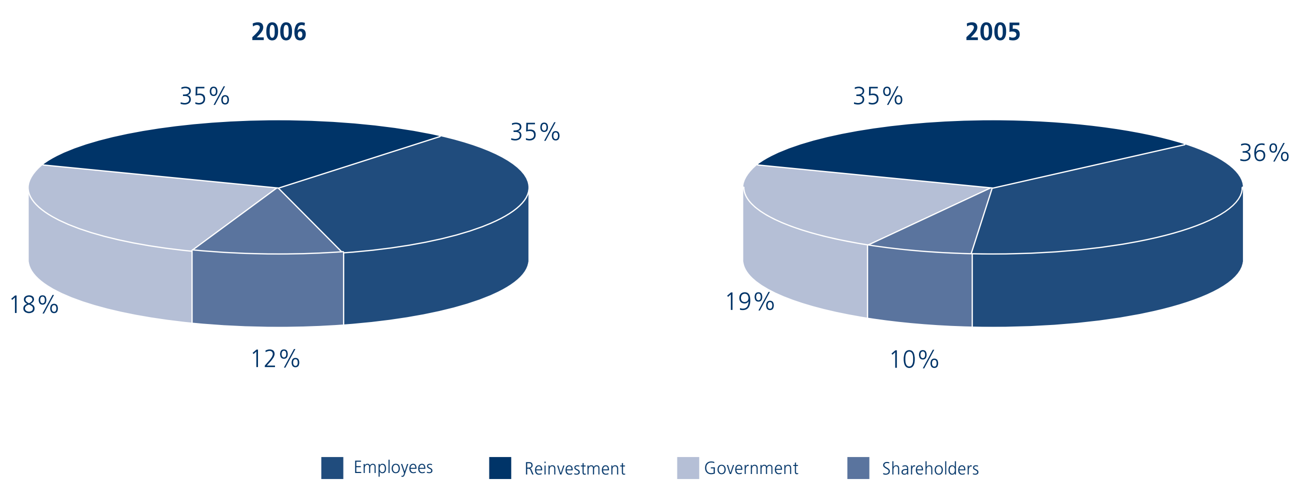
2006

Capricorn
Investment Holdings

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:				
To employees				
Remuneration, pension and other benefits	157,204	35%	149,551	36%
To providers of capital				
Dividends to shareholders	55,000	12%	42,413	10%
To government				
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	
Reinvestment within the group	158,294	35%	144,684	35%
Depreciation and amortisation	27,611		25,863	
Distributable reserves	130,683		118,821	
	454,358	100%	412,542	100%



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 improve ments 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 finan-cial 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

4. Subsidiaries

The following information relates to the Company's financial interests in its unlisted subsidiaries and special purpose entities (SPE's):

	Issued ordinary share capital and premium and proportion held		Details of the Company's Interests: Shares at valuation		Indebtedness from subsidiaries/SPE's	
	N$'000	%	2006 N$'000	2005 N$'000	2006 N$'000	2005 N$'000
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
			613,070	515,534	64,975	75,695

All subsidiaries are registered in Namibia, except for Capricorn Investment Holdings (Botswana) (Pty) Ltd, which is registered in Botswana.

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

	N$'000	%	Shares 2006 N$'000	Shares 2005 N$'000	Indebtedness 2006 N$'000	Indebtedness 2005 N$'000
Registered in Namibia:						
Bank Windhoek Nominees (Pty) Ltd		100	-	-	-	-
BW Finance (Pty) Ltd		100	-	-	-	-
Intellect Investments Namibia (Pty) Ltd		100	-	-	-	-
Grootfontein Holdings (Pty) Ltd		100	-	-	-	-
Registered in Botswana:						
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

	Issued ordinary share capital and premium and proportion held		Details of the Company's Interests: Shares at cost		Indebtedness from associates	
			2006	2005	2006	2005
	N$'000	%	N$'000	N$'000	N$'000	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	-	-

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.

7. Jointly controlled entity

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

	N$'000	%	2006 N$'000	2005 N$'000	2006 N$'000	2005 N$'000
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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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							
As previously reported		10,817	52,924	12,281	670,434	9,733	756,189
Effect of adopting IFRS net of tax		-	-	-	17,219	(170)	17,049
Transfer to regulatory general credit risk reserve		-	-	25,106	(25,106)	-	-
As restated		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

	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
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							
As previously reported		10,875	53,286	-	226,287	-	290,448
Effect of adopting IFRS net of tax		-	-	-	416,195	-	416,195
As restated		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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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)
Cash flows from operating profits before changes In operating assets and liabilities		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
Net cash flow from operating activities		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	-	-
Net cash used in investing activities		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
Net cash from financing activities		6,533	8,247	8,335	6,687
Net increase / (decrease) in cash and cash equivalents		310,272	27,155	111,309	(16,892)
Cash and cash equivalents at beginning of year		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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	Effective date
IAS 39 amendment *Financial Instruments: Recognition and Measurement - Cash Flow Hedge*	
The amendment to IAS 39 allows the designation, as a hedged item in consolidated financial statements, of the foreign currency risk of a highly probable forecast intragroup transaction under certain conditions. The Group will consider the amendment but the application is expected to be limited.	Annual periods commencing on or after 1 January 2006.
IAS 39 amendment *Financial Instruments: Recognition and Measurement - Fair Value Option*	
The revisions to IAS 39 restrict the extent to which entities can designate a financial asset or financial liability as at fair value through profit and loss only to specific situations. The amendment is not expected to reduce the Group's current application materially.	Annual periods commencing on or after 1 January 2006.
IAS 39 and IFRS 4 amendment *Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts*	
Under the revised statements the issuer of a financial guarantee contract would generally measure the contract: • initially at fair value; and • subsequently at the higher of the amount determined in accordance with IAS37 and the amount initially recognised (less, when appropriate, cumulative amortisation). The Group's current policy is substantially in line with this approach and no significant adjustment is expected.	Annual periods commencing on or after 1 January 2006.

	Effective date
IFRIC 4 *Determining Whether an Arrangement Contains a Lease*	
This interpretation provides guidance on determining whether an arrangement that does not take the legal form of a lease contains a lease and should be accounted for in terms of IAS 17 Leases. An arrangement contains a lease if the 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.	Annual periods commencing on or after 1 January 2006.
IFRIC 8 *Scope of IFRS 2*	
This interpretation clarifies that IFRS 2 applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share-based payment, but where other circumstances indicate that goods or services have been received.	Annual periods commencing on or after 1 January 2006.
IFRIC 9 *Reassessment of Embedded Derivatives*	
This interpretation clarifies that the assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative as per IAS 39 is when the entity first becomes a party to the contract, and that a first-time adopter of IFRS assesses the embedded derivative on the basis of conditions that existed at the later of the date it first became party to the contract and the date a reassessment is required. This is not expected to have an impact on the Group.	Annual periods commencing on or after 1 June 2006.

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	Effective date
IFRS 7 *Financial Instruments: Disclosure (including amendments to IAS 1 - Presentation of financial statements: Capital disclosures)*	
This standard deals with the disclosure of financial instruments, as well as the disclosure of related qualitative and quantitative risks associated with financial instruments. As IFRS 7 will 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.	Annual periods commencing on or after 1 January 2006.
The Group does not intend to early-adopt this standard.	
IFRIC 10 *Interim Financial Reporting and Impairment*	
This Interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.	Annual periods commencing on or after 1 November 2006.
The amendment will not have a significant impact on the Group's interim results.	
The following statements are not applicable to the business of the Group:	Annual periods commencing on or after: 1 January 2006
IFRIC 5 *Rights to interests arising from decommissioning, restoration and environmental Rehabilitation Funds*	

	Effective date
IFRIC 6 *Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment*	1 December 2006
IFRIC 7 *Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies*	1 March 2006
IFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2006

1.27 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation under IFRS for the current year.

1.28 Change in accounting policy

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.

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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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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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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Fair values of financial assets and liabilities

Fair value estimation

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

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

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.

	Carrying Value		Fair Value	
	2006 N$'000	2005 N$'000	2006 N$'000	2005 N$'000
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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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.

Accounting Policies

for the year ended 30 June 2006

(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	10,658	44,836	4,749	551,613	611,856
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	10,817	52,924	12,281	670,434	746,456
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	10,817	52,924	37,387	662,547	763,675
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	10,875	53,286	-	642,482	706,643

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	130,813	177,600

* 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

4.2.3 Reconciliation of assets, liabilities and equity

1 July 2004

Group

	Notes	GAAP N$'000	Effect of transition to IFRS N$'000	Reclassification of Balances N$'000	IFRS N$'000
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

4.2.3 Reconciliation of assets, liabilities and equity (continued)

30 June 2005

Group

	Notes	GAAP N$'000	Effect of transition to IFRS N$'000	Reclassification of Balances N$'000	IFRS N$'000
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

4.2.3 Reconciliation of assets, liabilities and equity (continued)

1 July 2005

Company

	Notes	GAAP N$'000	Effect of transition to IFRS N$'000	Reclassification of Balances N$'000	IFRS N$'000
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$'000	Group 2005 N$'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
	727,182	588,002
6. Interest expense		
Banks and customers	351,452	292,617
Other borrowed funds	13,856	11,803
Intergroup	7,309	5,902
	372,617	310,322
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	48,395	19,217
8. Non-interest income		
Banking related income		
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	35,502	36,879
Operating income	227,553	209,968

Notes to the Financial Statements

for the year ended 30 June 2006

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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
			6,300	4,116
- Less: Paid by subsidiaries			(1,036)	(2,839)
			5,264	1,277
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
	12,031	25,675	(71)	39,792
11. Share of associates' results before tax				
- Profit before tax (Note 21)	26,799	33,014		
- Dividends paid	(6,683)	(5,486)		
	20,116	27,528		
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	-	-
	83,870	83,862	1,304	928
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	83,966	84,464	1,400	1,530

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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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
	157,204	149,551	1,702	2,781

The number of employees for the Group as at 30 June 2006 amounted to 992 (2005: 965).

15. Cash and balances with central banks

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
Cash in hand	317,579	167,901	170,426	59,118
Balances with central bank	58,985	47,716	-	-
	376,564	215,617	170,426	59,118

16. Government and other securities

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
at fair value through profit or loss:				
Treasury bills	393,737	184,419		
Government stocks	162,977	269,290		
	556,714	453,709		

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$'000	Group 2005 N$'000
17. Derivative financial instruments		
Derivatives - Interest rate swaps	(4,588)	(14,109)
Derivative Investment Product	30,000	75,000
	25,412	60,891

The notional principal amounts of the oustanding 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.

	2006	2005
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
	25,412	60,891

18. Loans and advances to banks

	2006	2005
Loans and advances to other banks	-	16,816

The effective interest rate is 7.07% (2005: 5.54%).

19. Loans and advances to customers

	2006	2005
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	6,670,938	5,187,333
Less: Provisions for impairment		
- Specific credit risk provision	71,208	57,182
- General credit risk provision	38,796	48,801
	6,560,934	5,081,350

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.

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

Notes to the Financial Statements

for the year ended 30 June 2006

19. Loans and advances to customers (continued)

Group

Economic sector risk concentrations within the customer loan portfolio for the Group were as follows:

	2006 N$'000	2006 %	2005 N$'000	2005 %
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%
	6,560,934	100.0%	5,081,350	100.0%

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

	2006 N$'000	2006 %	2005 N$'000	2005 %
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%
	6,560,934	100.0%	5,081,350	100.0%

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	1,287,008	1,030,908
Unearned future finance income on instalment finances	(289,340)	(178,819)
Net investment in instalment finances	997,668	852,089

20. Investment in subsidiaries

	Company 2006 N$'000	Company 2005 N$'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	613,070	99,339
Indebtedness by subsidiaries	64,975	75,695
Total investment in subsidiaries	678,045	175,034
Directors' valuation	613,070	515,534

Notes to the Financial Statements

for the year ended 30 June 2006

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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	44,260	41,454		
Fair value reserves (not recognised due to cross-holding)	28,331	27,067		
Capital and other reserves	15,929	14,387		
	44,260	41,454		

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.

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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		
	-	71,618	-	-

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.

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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	-		
	53,707	48,207	47,290	47,290
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	177,060	158,726		
	99,648	160,512	63,863	64,887
Directors' valuation	99,648	160,512	99,648	160,512

Notes to the Financial Statements

for the year ended 30 June 2006

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
22. Other investments				
22.1 Jointly controlled assets - at cost				
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.				
22.2 Available-for-sale - at fair value				
CIH Share Trust - inventory shares: Bank Windhoek Beherend Ltd	-	2,715	-	-
22.3 Jointly controlled entity				
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

	Freehold land and buildings N$'000	Computer and other equipment N$'000	Vehicles, furniture and fittings N$'000	Total N$'000
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

Notes to the Financial Statements

for the year ended 30 June 2006

24. Property and equipment (continued)

	Freehold land and buildings N$'000	Computer and other equipment N$'000	Vehicles, furniture and fittings N$'000	Total N$'000
Group				
Year end - 30 June 2005				
Cost:				
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	13,941	84,610	71,901	170,452
Depreciation:				
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	(1,306)	(50,230)	(36,610)	(88,146)
Net book value at 30 June 2005	12,635	34,380	35,291	82,306

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				
Cost:				
Cost at 1 July 2005	7,173	1,599	49,269	58,041
Additions	6	9,161	-	9,167
Cost at 30 June 2006	7,179	10,760	49,269	67,208
Amortisation and impairment:				
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	-	(938)	(36,947)	(37,885)
Net book value at 30 June 2006	7,179	9,822	12,322	29,323
Year end - 30 June 2005				
Cost:				
Cost at 1 July 2004	5,754	938	49,269	55,961
Additions	1,419	661	-	2,080
Cost at 30 June 2005	7,173	1,599	49,269	58,041
Amortisation:				
Amortisation at 1 July 2004	-	-	(22,869)	(22,869)
Charge for the year	-	(450)	(7,039)	(7,489)
Amortisation at 30 June 2005	-	(450)	(29,908)	(30,358)
Net book value at 30 June 2005	7,173	1,149	19,361	27,683

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$'000	Group 2005 N$'000
26. Deposits from other banks		
Deposits from other banks	255,459	182,368

The effective interest rate is 7.12% (2005: 6.06%).

	2006 N$'000	2005 N$'000
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).

	2006 N$'000	2005 N$'000
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.

	2006 N$'000	2005 N$'000
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

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

	2006 N$'000	2006 %	2005 N$'000	2005 %
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:

	2006 N$'000	2006 %	2005 N$'000	2005 %
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	-
	286,259	151,742	55,519	42,482
30.1 Other provisions				
At 1 July	2,000	-		
Additional provisions charged to the income statement	1,200	2,000		
At 30 June	3,200	2,000		

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:

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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	138,341	125,244		

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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
Deferred income tax liabilities				
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		
	147,802	141,498		
Deferred income tax assets				
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		
	9,461	16,254		
Net deferred income tax liability	138,341	125,244		

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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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		
	3,502	14,943		

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$'000	Group 2005 N$'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

	2006 N$'000	2005 N$'000
- Authorised but not contracted for	45,840	26,004

33.2 Operating lease commitments

	2006 N$'000	2005 N$'000
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
	48,434	65,124

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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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				
Authorised share capital				
150,000,000 ordinary shares of 10c each	15,000	15,000	15,000	15,000
Issued share capital				
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
Share premium				
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

Unissued shares

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:

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'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
	801,117	670,434	790,815	226,287

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

	Group 2006 N$'000	Group 2005 N$'000	Company 2006 N$'000	Company 2005 N$'000
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	-	-
	306,812	226,217	2,956	750

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)
	6,683	5,486	148,069	50,818
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
	(73,011)	(45,750)	(2,966)	(693)
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
	(42,386)	(21,400)	(42,386)	(21,400)
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	-	-
	619,759	309,487	170,427	59,118

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.

	Group 2006	Group 2005	Company 2006	Company 2005
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

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	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
			22,439	44,401
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	7,053	2,940		
Deposits				
Deposits at 1 July	774	601		
Net movement during the year	(375)	173		
Deposits at 30 June	399	774		

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	314,727	77,723
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.