CAPRICORN INVESTMENT GROUP LIMITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (REVIEWED)

for the six months ended 31 December 2018

Capricorn Group

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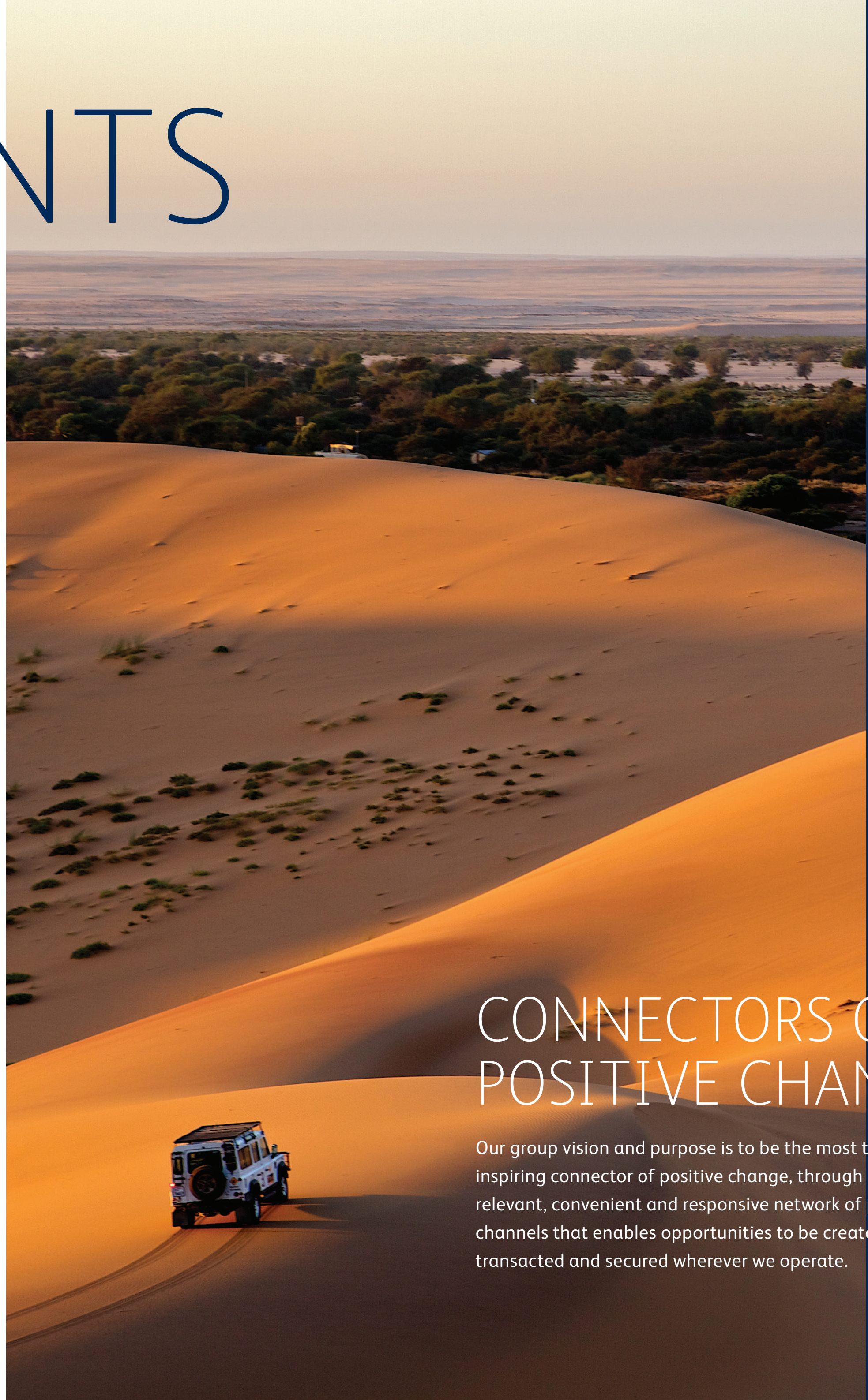

CONNECTORS OF POSITIVE CHANGE

Our group vision and purpose is to be the most trusted and inspiring connector of positive change, through a highly relevant, convenient and responsive network of people and channels that enables opportunities to be created, financed, transacted and secured wherever we operate.

KEY RATIOS

11.5%
Growth in operating profit

9.6%
Growth in headline earnings per share

8.5%
Profit before tax growth

5.4%
Net asset value growth

Group financial performance

Capricorn Group delivered satisfactory results, notwithstanding the current economic conditions in which it operates. Group operating profit for the six months ended 31 December 2018 increased by 11.5% compared to the prior year and group profit before tax increased by 8.5% year-on-year. Following fairly flat earnings over the last two years, the group has delivered growth in headline earnings per share of 9.6% in the first half of FY 2019.

The good growth in operating profit is due to good performance by subsidiaries delivering on their strategies, despite difficult operating environments. Bank Windhoek delivered above expectations during this period, while Entrepo made a substantial contribution to the group profit during its first six months in the group. Bank Gaborone and Capricorn Asset Management performed in line with their targets for growth and profitability. The Zambian operation has improved during the six months ended 31 December 2018 compared to the previous six months ended 30 June 2018. Sharp declines in investment income and challenging market conditions for underwriters resulted in income from associates reducing by 26.3% compared to the previous year.

Net interest income

The group's net interest income increased by 21.5% to N$1.1 billion (Dec 2017: N$896.7 million). Entrepo contributed 6.9% of the growth in net interest income during the current financial period. Bank Windhoek contributed 10.8% of the growth experienced, mainly as a result of an increased net interest margin for the six months ended 31 December 2018 compared to the six months ended 31 December 2017 due to improved cost of funding and effective liquidity management. Bank Gaborone and Cavmont Bank, on the other hand, saw a reduction in their net interest margins as a result of increased cost of funding due to low market liquidity in Botswana and Zambia. Consolidated, the group experienced an improvement in the net interest margin to 4.7% for the six months ended 31 December 2018 (2017: 4.0%).

Impairment charges

Impairment charges have for the first time been calculated in terms of the new IFRS 9 standard that was adopted on the 1st of July 2018. Impairment charges decreased by 3.3% to N$38.2 million for the six months ended 31 December 2018 (2017: N$39.5 million). Impairment charges were calculated based on IFRS 9 for the six months ended 31 December 2018, while IAS 39 was used for the six months ended 31 December 2017.

Non-interest income

Non-interest income increased by 8.3% to N$636.9 million for the period ended 31 December 2018. Excluding a capital profit of N$42.6 million on a partial sale of shares in VISA Inc during the comparative period, non-interest income increased by 16.8%. The growth is mainly attributable to a sharp increase in forex trading income (contributing 2.3% to the growth), income from electronic channels increasing by 18.8% on the back of a sharp increase in transaction volumes (contributing 5.2% to the growth) and the income from underwriting activities contributed by Entrepo for the first time (9.2% of the growth).

Operating expenses

Operating expenses increased 20.6% year-on-year from N$840.7 million to N$1.0 billion as at 31 December 2018.

The increase is a result of three main factors:

- the inclusion of Entrepo for the current financial year contributed 2.4% of the growth;
- 10.1% of the growth is due to staff cost which increased by 18.8% mainly as a result of annual salary increases, filling of vacancies and building capacity in Capricorn Private Wealth, various branches, strengthening of the IT function and an increase in provision for performance remuneration linked to the improved financial performance; and
- increased operational banking expenses, resulting from increased transaction volumes, account for 3.9% of the growth.

Loans and advances

Gross loans and advances increased by 12.6% (N$4.3 billion) from 31 December 2017 to N$38.4 billion as at 31 December 2018. The increase is mainly attributable to the inclusion of Entrepo and to commercial loans in Bank Windhoek increasing by 27.5% (N$1.4 billion).

Non-performing loans have increased from N$1.0 billion as at 31 December 2017 to N$1.6 billion at 31 December 2018. The increase is mainly as a result of five large, but well-secured loans within Bank Windhoek classified as non-performing loans. Impairment provisions increased by N$482.2 million (156.3%) from 31 December 2017 to 31 December 2018. This increase is mainly as a result of N$433.8 million recognised as the IFRS 9 first time adoption adjustment to opening reserves on 1 July 2018. The increase in impairment provisions as a result of the adoption of IFRS 9, resulted in the impairment coverage ratio increasing from 0.9% at 31 December 2017 to 2.1% at 31 December 2018.

Investments

On 13 July 2018, the group exercised all its rights in terms of the Nimbus Infrastructure Ltd rights issue at a cost of N$54.3 million thereby increasing the group's shareholding in Nimbus Infrastructure Ltd from 18.3% to 30.0%.

Funding

During the period under review, the group maintained adequate funding and liquidity levels. Total funding increased by N$3.2 billion (8.5%) from 31 December 2017 to N$41.7 billion as at 31 December 2018. This translates to a loan to funding ratio (LFR) of 90.1% (31 December 2017: 88.1%). Growth in funding is attributable mainly to growth in NCDs, demand deposits and senior debt in Bank Windhoek.

Total risk-based capital adequacy ratio

The group remains well capitalised with its total risk-based capital adequacy ratio of 14.5% (December 2017: 15.0%). This is well above the minimum regulatory capital requirement of 10.0%. Global Credit Ratings Company affirmed the group's and Bank Windhoek Ltd's credit ratings of AA(NA) with a stable outlook during November 2018.

Outlook

Following fairly flat results during the past two financial years during which the Namibian economy was in recession, it is gratifying to report positive growth for the group during the period under review. The group is confident that this growth will be maintained for the remainder of the financial year as it delivers on its strategy.

Beyond this financial year, in an economy that is showing signs of slow improvement, the group believes that by delivering on its strategy, diversifying its investments, continuing its focus on operational excellence and customer services through the operating subsidiaries and effectively executing the turnaround plan for Zambia, it will be able to continue delivering satisfactory results and value to all stakeholders.

Interim dividend

Notice is hereby given that an interim dividend of 30 cents per ordinary share was declared on 28 February 2019 for the period ended 31 December 2018.

- Last day to trade cum dividend: 8 March 2019
- First day to trade ex dividend: 11 March 2019
- Record date: 15 March 2019
- Payment date: 27 March 2019

02 STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

To enable the directors to meet these responsibilities:

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

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the period under review. The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The condensed consolidated interim financial statements presented on pages 6 to 24 have been prepared in accordance with the provisions of the Companies Act of Namibia and comply with the International Accounting Standard (IAS) 34 Interim Financial Reporting.

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

The condensed consolidated interim financial statements have been reviewed 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 auditor during the review were valid and appropriate. The independent auditor's review report is presented on page 5. The condensed consolidated interim financial statements, set out on pages 6 to 24, were authorised and approved for issue by the board of directors on 28 February 2019 and are signed on their behalf:

J J Swanepoel Chairman	M J Prinsloo Managing director

03 INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

to the Shareholders of Capricorn Investment Group Ltd

To the Shareholders of Capricorn Investment Group Ltd

We have reviewed the condensed consolidated interim financial statements of Capricorn Investment Group Ltd in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 December 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Capricorn Investment Group Ltd for the six months ended 31 December 2018 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R. Nangula Uaandja
Partner
Windhoek
28 February 2019

04 CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2018

	Notes	Six months ended 31 December 2018 N$'000 Reviewed	Six months ended 31 December 2017 N$'000 Reviewed	Year ended 30 June 2018 N$'000 Audited
Interest and similar income		**2,373,125**	2,108,766	4,244,215
Interest and similar expenses		**(1,283,919)**	(1,212,034)	(2,425,318)
Net interest income		**1,089,206**	896,732	1,818,897
Impairment charges on loans and advances		**(38,150)**	(39,462)	(80,840)
Net interest income after loan impairment charges		**1,051,056**	857,270	1,738,057
Non-interest income		**636,885**	588,078	1,225,168
Operating income		**1,687,941**	1,445,348	2,963,225
Operating expenses		**(1,013,655)**	(840,712)	(1,795,108)
Operating profit		**674,286**	604,636	1,168,117
Share of joint arrangement's results after tax		**2,063**	2,016	1,148
Share of associates' results after tax		**37,848**	51,385	83,236
Profit before income tax		**714,197**	658,037	1,252,501
Income tax expense		**(197,750)**	(171,265)	(318,066)
Profit for the period/year		**516,447**	486,772	934,435
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss				
Change in value of available-for-sale financial assets		**8,596**	23,416	44,026
Exchange differences on translation of foreign operations		**9,201**	(27,288)	7,779
Total comprehensive income for the period/year		**534,244**	482,900	986,240
Profit is attributable to:				
Equity holders of the group and company		**476,410**	477,390	922,556
Non-controlling interests		**40,037**	9,382	11,879
		516,447	486,772	934,435
Total comprehensive income is attributable to:				
Equity holders of the group and company		**492,269**	477,129	974,259
Non-controlling interests		**41,975**	5,771	11,981
		534,244	482,900	986,240
Basic earnings per ordinary share (cents)	14	**93.5**	93.6	180.6
Fully diluted earnings per ordinary share (cents)	14	**93.4**	93.4	180.3

05 CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
ASSETS				
Cash and balances with the central bank		**1,578,017**	1,783,114	1,642,557
Financial assets designated at fair value through profit or loss		**5,768,181**	4,299,419	5,245,981
Financial assets at amortised cost	10	**908,721**	853,651	874,252
Investment securities		**138,407**	129,385	134,028
Due from other banks		**1,332,686**	1,979,921	1,773,529
Loans and advances to customers		**37,580,673**	34,094,895	36,234,418
Other assets		**431,453**	482,761	612,470
Current tax asset		**93,636**	69,419	62,722
Investment in associates		**365,955**	312,060	282,511
Interest in joint arrangements		**9,402**	8,208	7,341
Intangible assets	11	**282,924**	296,989	283,933
Property, plant and equipment	12	**245,009**	207,690	238,446
Deferred tax asset		**186,840**	20,048	41,498
Total assets		**48,921,904**	44,537,560	47,433,686
LIABILITIES				
Due to other banks		**459,820**	261,281	252,683
Other borrowings	13	**1,677,307**	1,388,386	1,313,433
Debt securities in issue		**4,750,214**	4,270,910	4,777,074
Deposits		**34,776,118**	32,750,037	33,948,091
Other liabilities		**1,338,683**	390,616	1,232,189
Current tax liability		**1,796**	1,973	381
Deferred tax liability		**–**	3,881	7,205
Post-employment benefits		**11,836**	10,556	11,440
Total liabilities		**43,015,774**	39,077,640	41,542,496
EQUITY				
Share capital and premium		**738,663**	683,508	724,507
Non-distributable reserves		**74,548**	249,556	269,653
Distributable reserves		**4,774,445**	4,368,800	4,620,531
		5,587,656	5,301,864	5,614,691
Non-controlling interests in equity		**318,474**	158,056	276,499
Total shareholders' equity		**5,906,130**	5,459,920	5,891,190
Total equity and liabilities		**48,921,904**	44,537,560	47,433,686

06 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2018

		Non-distributable reserves		Distributable reserves						
	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	FCTR** N$'000	Retained earnings N$'000	Non-controlling interests N$'000	Total equity N$'000
For the six months ended 31 December 2017 (reviewed)										
Balance at 1 July 2017	684,665	50,536	197,650	16,294	145,165	3,354,609	(873)	608,336	154,533	5,210,915
Movement in treasury shares	(1,157)	–	–	–	–	–	–	–	–	(1,157)
Total comprehensive income for the period	–	–	–	–	23,416	–	(23,677)	477,390	5,771	482,900
Profit for the period	–	–	–	–	–	–	–	477,390	9,382	486,772
Other comprehensive income	–	–	–	–	23,416	–	(23,677)	–	(3,611)	(3,872)
Share-based payment charges	–	–	–	4,500	–	–	–	–	–	4,500
Reclassification to profit or loss	–	–	–	–	(42,647)	–	–	–	–	(42,647)
Profit on sale of treasury shares	–	–	–	–	–	–	–	1,289	–	1,289
Transfer between reserves	–	1,370	–	–	–	(1,370)	–	–	–	–
Dividends	–	–	–	–	–	–	–	(193,632)	(2,248)	(195,880)
Balance at 31 December 2017	683,508	51,906	197,650	20,794	125,934	3,353,239	(24,550)	893,383	158,056	5,459,920
For the six months ended 31 December 2018 (reviewed)										
Balance at 1 July 2018	**724,507**	**53,742**	**215,911**	**16,847**	**129,811**	**3,814,879**	**4,536**	**654,458**	**276,499**	**5,891,190**
Impact of new accounting standards at 1 July 2018										
IFRS 9										
IFRS 9 initial adoption	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(298,513)**	**–**	**(298,513)**
Credit risk reserve transfer to retained earnings	**–**	**–**	**(163,422)**	**–**	**–**	**–**	**–**	**163,422**	**–**	**–**
IFRS 15										
IFRS 15 initial adoption	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,558)**	**–**	**(86,558)**
Adjusted balance at the beginning of the reporting period	**724,507**	**53,742**	**52,489**	**16,847**	**129,811**	**3,814,879**	**4,536**	**432,809**	**276,499**	**5,506,119**
Movement in treasury shares	**14,156**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,156**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**8,596**	**–**	**7,263**	**476,410**	**41,975**	**534,244**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**476,410**	**40,037**	**516,447**
Other comprehensive income	**–**	**–**	**–**	**–**	**8,596**	**–**	**7,263**	**–**	**1,938**	**17 797**
Share-based payment charges	**–**	**–**	**–**	**5,000**	**–**	**–**	**–**	**–**	**–**	**5,000**
Profit on sale of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,042)**	**–**	**(1,042)**
Transfer between reserves	**–**	**(4,138)**	**(27,545)**	**–**	**–**	**4,138**	**–**	**27,545**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(152,347)**	**–**	**(152,347)**
Balance at 31 December 2018	**738,663**	**49,604**	**24,944**	**21,847**	**138,407**	**3,819,017**	**11,799**	**783,375**	**318,474**	**5,906,130**

* Share-based compensation reserve (SBCR)
** Foreign currency translation reserve (FCTR)

06 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 31 December 2018

		Non-distributable reserves		Distributable reserves						
	Share capital and premium N$'000	**Insurance fund reserve N$'000**	**Credit risk reserve N$'000**	**SBCR* N$'000**	**Fair value reserve N$'000**	**General banking reserve N$'000**	**FCTR** N$'000**	**Retained earnings N$'000**	**Non-controlling interests N$'000**	**Total equity N$'000**
For the year ended 30 June 2018 (audited)										
Balance at 1 July 2017	684,665	50,536	197,650	16,294	145,165	3,354,609	(873)	608,336	154,533	5,210,915
Issue of shares	41,508	–	–	–	–	–	–	–	–	41,508
Movement in treasury shares	(10,034)	–	–	–	–	–	–	–	–	(10,034)
Total comprehensive income for the year	–	–	–	–	44,026	–	7,677	922,556	11,981	986,240
Profit for the year	–	–	–	–	–	–	–	922,556	11,879	934,435
Other comprehensive income	–	–	–	–	44,026	–	7,677	–	102	51,805
Share-based payment charges	–	–	–	8,921	–	–	–	–	–	8,921
Vesting of shares	8,368			(8,368)	–	–	–	–	–	–
Profit on sale of treasury shares	–	–	–	–	–	–	–	2,690	–	2,690
Reclassification of profit and loss	–	–	–	–	(59,380)	–	–	–	–	(59,380)
Transfer between reserves	–	3,206	18,261	–	–	460,270	–	(481,737)	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	142,338	142,338
Change in ownership interest in subsidiary	–	–	–	–	–	–	–	(50,643)	(32,373)	(83,016)
Transfer of FCTR**	–	–	–	–	–	–	(2,268)	–	2,268	–
Dividends	–	–	–	–	–	–	–	(346,744)	(2,248)	(348,992)
Balance at 30 June 2018	724,507	53,742	215,911	16,847	129,811	3,814,879	4,536	654,458	276,499	5,891,190

* Share-based compensation reserve (SBCR)
** Foreign currency translation reserve (FCTR)

07 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 31 December 2018

	Six months ended		Year ended
	31 December 2018 N$'000 Reviewed	**31 December 2017 N$'000 Reviewed**	**30 June 2018 N$'000 Audited**
Cash flows from operating activities			
Cash utilised in operations	**(235,346)**	(47,252)	445,734
Dividends received	**14,403**	25,751	88,951
Other interest received	**226**	192	402
Taxes paid	**(193,350)**	(158,631)	(316,220)
Net cash (utilised in)/generated from operating activities	**(414,067)**	(179,940)	218,867
Cash flows from investing activities			
Additions to property, plant and equipment	**(23,340)**	(9,023)	(45,826)
Proceeds on sale of property, plant and equipment	**148**	59	2,192
Additions to intangible assets	**(31,687)**	(16,610)	(53,099)
Acquisition of associates/subsidiaries	**(54,276)**	(34,479)	(207,227)
Other	**–**	765	–
Net cash utilised in investing activities	**(109,155)**	(59,288)	(303,960)
Cash flows from financing activities			
Treasury shares acquired	**(21,375)**	(19,509)	(35,153)
Treasury shares sold	**36,573**	19,641	27,809
Proceeds from other borrowings	**799,555**	309,650	309,651
Other borrowings payments	**(508,282)**	(144,922)	(294,027)
Redemption of debt securities in issue	**(839,798)**	(196,057)	(1,341,584)
Debt securities coupon payments	**(209,241)**	(179,880)	(356,761)
Proceeds from the issue of debt securities	**806,000**	355,000	1,993,885
Dividends paid	**(152,347)**	(195,880)	(348,992)
Net cash utilised in financing activities	**(88,915)**	(51,957)	(45,172)
Net decrease in cash and cash equivalents	**(612,137)**	(291,185)	(130,265)
Effects of exchange rate on cash and cash equivalents	**34,375**	(28,880)	40,211
Cash and cash equivalents at the beginning of the period/year	**5,201,402**	5,291,456	5,291,456
Cash and cash equivalents at the end of the period/year	**4,623,640**	4,971,391	5,201,402

08 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2018

1. General information

Capricorn Investment Group Ltd ("Capricorn Group" or "the group") is a Namibian registered company that acts as an investment holding company and provides support services to the other group companies. Its main investments comprise 100 % shareholdings in Bank Windhoek Ltd (BW), Namib Bou (Pty) Ltd, Capricorn Asset Management (Pty) Ltd, Capricorn Unit Trust Management Company Ltd, Capricorn Capital (Pty) Ltd, Capricorn Connect (Pty) Ltd and Capricorn Investment Group (Pty) Ltd. The company has a 84.3 % shareholding in Capricorn Investment Holdings (Botswana) Ltd, which in turn holds 100 % of the share capital in Bank Gaborone Ltd (BG), a 97.9 % shareholding in Capricorn Capital Holdings Zambia PLC, which owns 100 % of Cavmont Bank Ltd (CB), a 55.5 % shareholding in Entrepo Holdings (Pty) Ltd (Entrepo) which owns 100 % of Entrepo Life Ltd and Entrepo Finance (Pty) Ltd, a 29.5 % shareholding in Sanlam Namibia Holdings (Pty) Ltd, a 28 % shareholding in Santam Namibia Ltd and 30.0 % in Nimbus Infrastructure Ltd.

These condensed consolidated interim financial statements were approved for issue on 28 February 2019 and have been reviewed, not audited.

2. Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Investment Group Ltd for the six months ended 31 December 2018 have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and presentation and disclosure requirements of the International Accounting Standard (IAS) 34 Interim Financial Reporting as well as the Companies Act of Namibia. The condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with IFRS.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for amendments listed in note 5. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Critical accounting estimates and judgement

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2018, except for amendments listed in note 5.

5. Standards and interpretations issued

5.1. Standards and interpretations issued affecting amounts reported and disclosures in the current financial period

Standards and interpretations issued affecting amounts reported and disclosures, and that have a material impact on the group are IFRS 9 Financial Instruments and IFRS 15 Revenue from Contract Customers.

The impact of IFRS 9 on expected credit loss impairment requirements resulted in an increase of N$433.8 million in statement of financial position impairments; an increase of 118 %.

The impact of IFRS 15 on deferred revenue liability resulted in an increase of N$125.8 million.

5.2. Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective that could have a material impact on the group are IFRS 16 Leases and IFRS 17 Insurance Contracts.

6. Seasonality of operations

Capricorn Group does not experience any significant seasonality of business operations.

7. Financial risk management and financial instruments

7.1. Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 30 June 2018. There have been no significant changes in the risk management department or risk management policies since the year-end.

7.2. Liquidity risk

The group raised senior debt to the value of N$806 million during the six months ended 31 December 2018 under BW's medium-term note programme registered with the NSX and JSE, of which Namibia's first Green Bond of N$66 million was raised in December 2018.

Capricorn Group raised long-term funding to the value of N$650 million from a Namibian financial institution during the six months ended 31 December 2018.

7.3. Fair value estimation

The table on the next page analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Fair value hierarchy

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

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

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible. No transfers of financial instruments have been made between fair value hierarchy levels during the six months ended 31 December 2018. There were no changes in valuation techniques during the period.

7. Financial risk management and financial instruments (continued)

	Level 1 N$'000	Level 2 N$'000	Total N$'000
Assets and liabilities measured at fair value			
As at 31 December 2018 (reviewed)			
Financial assets designated at fair value through profit or loss			
Debt securities	**1,076,742**	**4,691,439**	**5,768,181**
Available-for-sale financial assets			
Investment securities – listed	**138,407**	**–**	**138,407**
	1,215,149	**4,691,439**	**5,906,588**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	**–**	**3,537**	**3,537**
As at 31 December 2017 (reviewed)			
Financial assets designated at fair value through profit or loss			
Debt securities	822,759	3,476,660	4,299,419
Available-for-sale financial assets			
Investment securities – listed	129,385	–	129,385
	952,144	3,476,660	4,428,804
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	–	9,347	9,347
As at 30 June 2018 (audited)			
Financial assets designated at fair value through profit or loss			
Debt securities	1,091,826	4,154,155	5,245,981
Available-for-sale financial assets			
Investment securities – listed	134,028	–	134,028
	1,225,854	4,154,155	5,380,009
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	–	5,535	5,535

7. Financial risk management and financial instruments (continued)

	Valuation technique	Type of input	Valuation inputs – ranges 31 December 2018 Reviewed	31 December 2017 Reviewed	30 June 2018 Audited
Details of level 2 fair value instruments:					
Financial assets designated at fair value through profit or loss					
Treasury bills	*	Note 1a	**BW: 6.7% – 8.4% BG: 1.2% – 1.5%**	6.1 % – 8.6 %	BW: 6.8 % – 8.2 % BG: 1.2 % – 1.5 %
Government stock	*	Note 1a	**BW and Entrepo: 4.7% – 10.8%**	BW: 7.1 % – 10.6 %	BW and Entrepo: 7.3 % – 10.4 %
Unit trust funds	**	Note 2	**Note 2**	Note 2	Note 2
Other debt securities – Corporate bonds	*	Note 1a	**9.1%**	9.4 %	8.9 %
Financial assets at fair value through profit or loss					
Derivative financial instruments	*	Note 1a	**7.7% – 8.5%**	7.1 % – 7.2 %	7.2 % – 8.5 %
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	*	Note 1a	**7.7% – 8.5%**	7.1 % – 7.2 %	7.2 % – 8.5 %
Financial assets at amortised cost					
Treasury bills		Note 1a	**BW: 6.7% – 8.4%**	BW: 6.1 % – 8.6 %	BW: 6.4 % – 8.2 %
		Note 1a	**CB: 6.5% – 18.8%**	CB: 9.8 % – 16.5 %	CB: 4.8 % – 15.5 %
Government stock		Note 1a	**BW: 4.7% – 10.8%**	BW: 7.1 % – 11.0 %	BW: 7.3 % – 10.1 %
		Note 1a	**CB: 16.0% – 25.0%**	CB: 16.5 % – 20.0 %	CB: 16.0 % – 25.0 %

* Income approach: Present value of expected future cash flows.
** Market approach: The fair value is determined with reference to the daily published market prices.
Note 1a: Yield curves
Note 2: Valuations are performed per fund based on the net asset value of the underlying assets.

08 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2018

7. Financial risk management and financial instruments (continued)

The following table represents the fair value of financial instruments carried at amortised cost on the statement of financial position:

	31 December 2018		31 December 2017		30 June 2018	
	Carrying value N$'000 Reviewed	Fair value N$'000 Reviewed	Carrying value N$'000 Reviewed	Fair value N$'000 Reviewed	Carrying value N$'000 Audited	Fair value N$'000 Audited
Financial assets						
Cash and balances with the central bank	**1,578,017**	**1,578,017**	1,783,114	1,783,114	1,642,557	1,642,557
Financial assets at amortised cost	**908,721**	**989,469**	853,651	856,965	874,252	954,753
Due from other banks	**1,332,686**	**1,332,686**	1,979,921	1,979,921	1,773,529	1,773,529
Loans and advances to customers	**37,580,673**	**37,999,473**	34,094,895	34,366,463	36,234,418	36,897,068
Other assets	**431,453**	**431,453**	482,761	482,761	612,470	612,470
Financial liabilities						
Due to other banks	**459,820**	**459,820**	261,281	261,281	252,683	252,683
Other borrowings	**1,677,307**	**1,698,545**	1,388,386	1,194,842	1,313,433	1,352,570
Debt securities in issue	**4,750,214**	**4,740,039**	4,270,910	4,267,651	4,777,074	4,738,778
Deposits	**34,776,118**	**34,777,648**	32,750,037	32,750,478	33,948,091	33,946,212
Other liabilities	**1,338,683**	**1,338,683**	390,616	390,616	1,232,189	1,232,189

8. Capital management

The table on the next page summarises the composition of regulatory capital and the ratios of the group for the year ended 30 June 2018 and the six months ended 31 December 2018 and 31 December 2017. During these three periods, the individual entities within the group complied with all of the externally imposed capital requirements to which they are subjected.

8. Capital management (continued)

	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
Tier 1 capital			
Share capital and premium	**764,708**	727,264	769,933
General banking reserves	**3,824,841**	3,354,610	3,814,879
Retained earnings	**779,304**	842,863	1,388,980
Minority interests	**119,112**	154,533	276,499
Subtotal	**5,487,965**	5,079,270	6,250,291
Deduct: 50 % investments in group entities			
Goodwill	**(101,489)**	(85,599)	(101,489)
50 % investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	**(284,956)**	(182,393)	(310,919)
Net total Tier 1 capital	**5,101,520**	4,811,278	5,837,883
Tier 2 capital			
Subordinated debt	**410,520**	301,833	253,158
Five-year callable bonds	**410,520**	276,689	253,158
Preference shares	**–**	25,144	–
Current unaudited profits (including dividends paid)	**356,466**	271,893	–
Portfolio impairment	**356,348**	348,913	–
Minority interests	**25,449**	3,523	–
Subtotal	**1,148,783**	926,162	253,158
Deduct: 50% investments in group entities 50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	**(255,743)**	(138,636)	(133,588)
Net total Tier 2 capital	**893,040**	787,526	119,570
Total regulatory capital	**5,994,560**	5,598,804	5,957,453
Risk-weighted assets:			
Operational risk	**4,625,671**	4,623,865	4,623,353
Credit risk	**35,959,500**	32,309,129	33,606,443
Market risk	**745,232**	501,566	500,225
Total risk-weighted assets	**41,330,403**	37,434,560	38,730,021
Capital adequacy ratios:			
Leverage capital ratio	**11.2%**	11.3 %	11.8 %
Tier 1 risk-based capital ratio	**12.3%**	12.9 %	15.1 %
Total risk-based capital ratio	**14.5%**	15.0 %	15.4 %

08 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2018

9. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2018 is 29.3 % (30 June 2018: 27.2 % and 31 December 2017: 27.8 %).

10. Financial assets at amortised cost

The increase in financial assets at amortised cost is due to the acquisition of government stock to the value of N$30 million.

11. Intangible assets

Total additions in intangible assets during the period under review is mainly due to the capitalisation of IT costs of N$31.7 million, which also represents the total additions for the period.

12. Property, plant and equipment

Total additions to property, plant and equipment during the period ended 31 December 2018 amounted to N$23.3 million.

13. Other borrowings

	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
Opening balance	**1,313,433**	1,165,064	1,165,064
Additions	**799,555**	309,650	309,651
Repayments	**(440,158)**	(84,641)	(166,554)
Accrued interest	**66,983**	63,111	127,473
Coupon payments	**(68,124)**	(60,281)	(127,473)
Foreign exchange loss/(gain)	**5,618**	(4,517)	5,272
Closing balance	**1,677,307**	1,388,386	1,313,433

Repayment of N$83.6 million has been made in December 2018 to IFC (International Finance Corporation). The DEG loan of N$250 million was settled in full on 18 December 2018.

The Capricorn Group obtained a N$650 million bridge facility from a Namibian financial institution. The bridge facility is to be converted into five-year redeemable cumulative, non-voting preference shares in the current financial year. This bridge facility is partially secured and ranks pari passu with unsecured external debt. Shareholder loans have been subordinated in favour of the bridge facility. When the bridge facility is converted into preference shares, the preference shares will be subject to the same terms and conditions, rank pari passu with unsecured external debt and be partially secured. Interest on the facility is charged at Namibian prime rate less a spread of 2.7 % per annum.

The US$7 million loan from Bank One was settled in September 2018 and a new facility amounting to US$10 million was obtained from Bank One Ltd in September 2018. Interest on the new Bank One loan is charged at three-month LIBOR plus a spread of 2.3 % .

14. Earnings and headline earnings per ordinary share

	31 December 2018 Reviewed		
	Gross N$'000	Taxation N$'000	Net N$'000
Earnings			
Profit for the period attributable to the equity holders of the parent entity			**476,410**
Headline adjustments	**14**	**(4)**	**10**
Loss on disposal of property, plant and equipment	**14**	**(4)**	**10**
Headline earnings			**476,420**

	31 December 2017 Reviewed		
	Gross N$'000	Taxation N$'000	Net N$'000
Earnings			
Profit for the year attributable to the equity holders of the parent entity			477,390
Headline adjustments	(42,399)	(3)	(42,402)
Reclassification gain on disposal of available-for-sale financial asset	(42,647)	–	(42,647)
Other	248	(3)	245
Headline earnings			434,988

	30 June 2018 Audited		
	Gross N$'000	Taxation N$'000	Net N$'000
Earnings			
Profit for the year			922,556
Headline adjustments	(116,273)	–	(116,273)
Gain on bargain purchase	(38,837)	–	(38,837)
Fair value gain on disposal of shares	(77,300)	–	(77,300)
Other	(136)	–	(136)
Headline earnings			806,283

08 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2018

14. Earnings and headline earnings per ordinary share (continued)

	31 December 2018 Reviewed	31 December 2017 Reviewed	30 June 2018 Audited
Number of ordinary shares in issue at period/year-end ('000)	**519,184**	516,878	519,184
Less: Treasury shares	**(9,828)**	(6,925)	(6,688)
Adjusted for shares issued during the year ('000)	**–**	–	(1,730)
Weighted average number of ordinary shares in issue during the period/year ('000)	**509,356**	509,953	510,766
Diluted weighted average number of ordinary shares in issue during the period/year ('000)	**510,236**	511,151	511,646
Earnings per ordinary share (cents)			
Basic	**93.5**	93.6	180.6
Fully diluted	**93.4**	93.4	180.3
Headline earnings per ordinary share (cents)			
Basic	**93.5**	85.3	157.9
Fully diluted	**93.4**	85.1	157.6

15. Net asset value per ordinary share

	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
Net assets (excluding non-controlling interest) (N$'000)	**5,587,656**	5,301,864	5,614,691
Number of ordinary shares in issue at period/year-end ('000)	**509,356**	509,953	510,766
Net asset value per ordinary share (cents)	**1,097**	1,040	1,099

16. Dividends

Capricorn Investment Group Ltd declared and paid dividends amounting to N$155.8 million during the six-month period ended 31 December 2018 (30 June 2018: N$351.5 million and 31 December 2017: N$196.4 million).

Refer to note 20 for dividends declared after the reporting period.

for the six months ended 31 December 2018

17. Contingent assets, liabilities and commitments

	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
17.1. Capital commitments			
Contracted for but not yet incurred	**246,475**	85,489	9,393
Authorised but not contracted for	**123,464**	266,435	185,333
17.2. Letters of credit	**227,755**	92,948	315,491
17.3. Liabilities under guarantees	**1,106,491**	1,100,437	1,380,115
17.4. Loan commitments	**1,886,806**	2,060,566	1,714,759

17.5. Pending litigations

There are a few pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis. Provisions have been raised for these to the extent that the outcome is known.

18. Related parties

The group did not enter into material new related party transactions and balances for the six months ended 31 December 2018.

19. Segment information

The group considers its banking operations in Namibia and Botswana and microlending activities in Namibia as three operating segments. Other components include property development, unit trust management, asset management and Zambian banking operations. However, these components each contribute less than 5 % to the group revenue, assets and net profit after tax, therefore the group has no significant components other than banking and microlending activities. This is consistent with the internal reporting provided to the chief operating decision-maker, identified as the managing director of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

for the six months ended 31 December 2018

19. Segment information (continued)

	31 December 2018 N$'000 Reviewed	31 December 2017 N$'000 Reviewed	30 June 2018 N$'000 Audited
Operating income			
Banking – Namibia	**1,286,191**	1,180,176	2,389,530
Microlending – Namibia	**112,329**	–	–
Banking – Botswana	**150,202**	132,184	265,585
Other	**139,219**	132,988	308,110
Total	**1,687,941**	1,445,348	2,963,225
Profit after tax for the period/year			
Banking – Namibia	**422,180**	413,540	796,772
Microlending – Namibia	**80,037**	–	–
Banking – Botswana	**30,150**	30,214	52,130
Other	**(15,920)**	43,018	85,533
Total	**516,447**	486,772	934,435
Total assets			
Banking – Namibia	**37,938,369**	36,194,036	37,341,611
Microlending – Namibia	**1,187,057**	–	1,062,947
Banking – Botswana	**7,248,425**	5,822,065	6,402,253
Other	**2,548,053**	2,521,459	2,626,875
Total	**48,921,904**	44,537,560	47,433,686

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2018

20. Events subsequent to period-end

Dividends declared

On 28 February 2019, an interim dividend of 30 cents per ordinary share was declared for the period ended 31 December 2018, payable on 27 March 2019. The last day to trade shares on a cum dividend basis is on 8 March 2019, the first day to trade ex dividend is 11 March 2019 and the record date is 15 March 2019. The interim dividend amounting to N$155.8 million has not been recognised as a liability in the condensed consolidated interim financial statements. It will be recognised in the statement of changes in equity for the year ended 30 June 2019.

21. New investments

Nimbus Infrastructure Ltd

On 13 July 2018, Nimbus Infrastructure Ltd offered qualifying shareholders new ordinary shares at N$10.50 per share in a rights issue. The shareholders qualified to receive fifteen shares for every ten shares held. The Capricorn Group exercised all its rights at a cost of N$54.3 million. The percentage of shares held in Nimbus increased from 18.3 % to 30.0 % as a result of the rights issue.

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