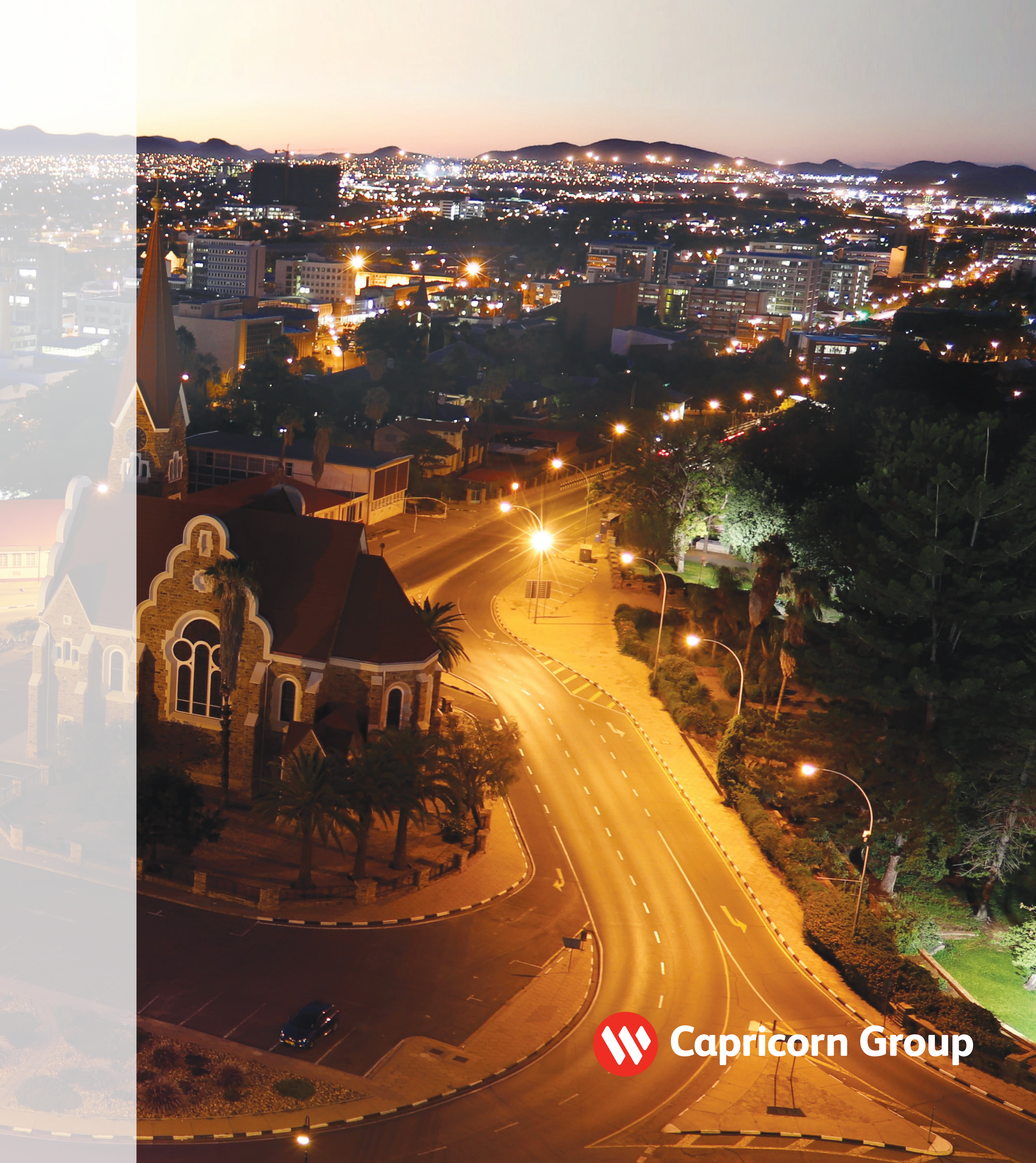
2019 SUMMARISED FINANCIAL RESULTS

for the year ended 30 June 2019



Capricorn Group

Contents

GROUP FINANCIAL PERFORMANCE

Capricorn Group profit after tax surpasses the N$1 billion mark for the first time

Despite the economies in the region where we operate being under severe pressure, the Capricorn Group delivered very good results, with group profit after tax for the year ended 30 June 2019 of N$1,015 million (June 2018 N$934.4 million).

Bank Windhoek, Capricorn Asset Management and Entrepo Holdings' performances exceeded expectations, while Bank Gaborone performed in line with its targets for growth and profitability. Cavmont Bank showed improvement compared to the prior year with a significantly reduced operating loss compared to the previous year.

Corporate and abnormal once-off transactions impacting the comparability of the results since the previous financial year:

- The contribution from Entrepo is for the first time included in our full-year results; and
- Exceptional items relating to a gain-on-bargain purchase of Entrepo of N$38.8 million and profit on the sale of Visa shares of N$77.3 million were included in the prior period, and not repeated in the current period.

Strong growth in earnings attributable to shareholders (excluding exceptional items in the prior year) increased by 15.3% year-on-year.

Net interest income

The group increased net interest income by 17.3% to N$2.1 billion (2018: N$1.8 billion). Bank Windhoek contributed 8.3% of the growth, derived from an increased net interest margin from 4.2% to 4.3% compared to last year, resulting from improved cost of funding and effective liquidity management. The margin improvement has been achieved notwithstanding the bank increasing lower-yielding liquid assets significantly (growth of 15.3%), whilst higher-yielding loans and advances showed growth of 6.3% over the year. This resulted in a considerable improvement in the average loan to funding "LFR" ratio of Bank Windhoek from 93.1% to 92.1% compared to the prior year. Entrepo contributed 5.0% of the growth. Bank Gaborone's net interest margin decreased from 3.8% to 3.5%, mainly due to increased cost of funding resulting from more prudent liquidity management through an increased maturity profile.

Impairment charges

Impairment charges were calculated for the first time in terms of the new IFRS 9 standard that was adopted on 1 July 2018. This forward looking approach based on an expected loss model, as opposed to an incurred loss model, accounted for most of the 41.7% increase year on year. The downgrade of the Zambian sovereign rating also resulted in a first ever impairment of treasury bills and government bonds of ZK13.9 million in accordance with IFRS 9.

Non-interest income

Non-interest income (excluding the effect of exceptional items) grew by 22.6% to N$1.36 billion for the year ended 30 June 2019. The growth is mainly due to strong forex trading income across the three banks, strong consistent income from electronic channels in Bank Windhoek, transaction fee income growth in Bank Gaborone as well as income from underwriting activities contributed by Entrepo for the first time. Asset management income increased by 11.3% to N$118.2 million (2018: N$105.8 million).

Operating expenses

Operating expenses increased 14.3% year-on-year. The increase is mainly due to the growth in staff costs of 15.6% and operational banking expenses growth of 18.6%. Staff cost is attributed to the inclusion of Entrepo, building capacity in Capricorn Private Wealth and the group's IT function and increase in performance remuneration linked to the group's improved financial performance. Operational banking expenses grew in line with transaction fees as a result of increased transaction volumes. Excluding the items mentioned above, remaining cost only increased by 2.0%, well below inflation.

Loans and advances

Gross loans and advances increased by 6.5% (N$2.3 billion) to N$39.0 billion. N$2.0 billion of this increase is accounted for by commercial loans in Bank Windhoek and Bank Gaborone increasing by 31.2% and 28.6% respectively. Bank Windhoek experienced a fairly large shift in its asset mix with overdrafts and mortgage loans remaining relatively flat and vehicle finance declining, while commercial loans accelerated.

GROUP FINANCIAL PERFORMANCE continued

Current adverse economic conditions has seen a substantial increase in non-performing loans (NPLs) across the industry. Our group was no exception with NPL's increasing from N$1.2 billion as at 30 June 2018 to N$1.6 billion as at 30 June 2019.

The increase in impairment provisions following the IFRS 9 adoption resulted in the impairment coverage ratio increasing from 6.8% to 7.2%.

Investments

On 13 July 2018, the group exercised all its rights as part of the Nimbus Infrastructure Limited rights issue at a cost of N$54.3 million, thereby increasing the shareholding in Nimbus Infrastructure Limited 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$3.61 billion (9.0%) from 30 June 2018 to N$43.90 billion as at 30 June 2019. Growth in funding is attributable mainly to growth in NCDs in Bank Windhoek and term deposits at Bank Gaborone. This was largely driven by market appetite.

Liquid assets

Liquid assets increased by 14.6% compared to the prior year. This is largely due to a key focus by Bank Windhoek to grow liquid assets which increased by 15.3%, resulting in a significant improvement to the bank's LFR ratio.

Total risk-based capital adequacy ratio

The group remains well capitalised with its total risk-based capital adequacy ratio of 14.9% (June 2018: 15.3%). This is well above the minimum regulatory capital requirement of 10.0%. GCR affirmed the group's and Bank Windhoek Limited's credit ratings of AA(NA) with a stable outlook during November 2018.

Outlook

We anticipate difficult conditions to persist, amplified by economic challenges and the widespread impact of the drought. This calls for enhanced engagement with our clients on all aspects of their financial needs and finding ways to mitigate risk for all. Building on the speed of execution and adaptability that we ingrained in the business this year, we will exploit opportunities and further improve our offerings.

We are positive that the group will remain resilient and continue to deliver positive results. By delivering on our strategy, diversifying investment and keeping our focus on operational excellence, we will be able to continue creating value and contributing to positive change.

Final dividend

Notice is hereby given that a final dividend of 36 cents per ordinary share was declared on 20 August 2019 for the year ended 30 June 2019. Taking into account the interim dividend of 30 cents per share, this represents a total dividend of 66 cents per ordinary share for the year ended 30 June 2019 (June 2018: 60 cents per share).

- Last day to trade cum dividend: 6 September 2019
- First day to trade ex dividend: 9 September 2019
- Record date: 13 September 2019
- Payment date: 27 September 2019

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2019

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

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various group 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, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

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

The condensed consolidated financial statements presented on pages 6 to 20 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards, (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 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 financial statements, set out on pages 6 to 20, were authorised and approved for issue by the board of directors on 20 August 2019 and are signed on their behalf:

J J Swanepoel
Chairman

M J Prinsloo
Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of Capricorn Investment Group Limited

We have reviewed the condensed consolidated financial statements of Capricorn Investment Group Limited, contained in the accompanying provisional report, which comprise the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the Namibia Stock Exchange Listing Requirements for provisional reports, as set out in note 2 to the financial statements, 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 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 financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical 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 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 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 performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Capricorn Investment Group Limited for the year ended 30 June 2019 are not prepared, in all material respects, in accordance with the requirements of the Namibia Stock Exchange Listing Requirements for provisional reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of Namibia.

PricewaterhouseCoopers

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

20 August 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Notes	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Interest and similar income		**4,740,554**	4,244,215
Interest and similar expenses		**(2,607,681)**	(2,425,318)
Net interest income		**2,132,873**	1,818,897
Impairment charges on loans and advances		**(114,547)**	(80,840)
Net interest income after loan impairment charges		**2,018,326**	1,738,057
Non-interest income		**1,359,484**	1,225,168
Operating income		**3,377,810**	2,963,225
Operating expenses		**(2,052,038)**	(1,795,108)
Operating profit		**1,325,772**	1,168,117
Share of joint arrangement's results after tax		**3,675**	1,148
Share of associates' results after tax		**72,657**	83,236
Profit before income tax		**1,402,104**	1,252,501
Income tax expense	9	**(386,805)**	(318,066)
Profit for the year		**1,015,299**	934,435
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in value of financial assets at fair value through other comprehensive income		**7,263**	44,026
Exchange differences on translation of foreign operations		**1,339**	7,779
Total comprehensive income for the year		**1,023,901**	986,240
Profit attributable to:			
Equity holders of the parent entity		**929,889**	922,556
Non-controlling interests		**85,410**	11,879
		1,015,299	934,435
Total comprehensive income attributable to:			
Equity holders of the parent entity		**937,616**	974,259
Non-controlling interests		**86,285**	11,981
		1,023,901	986,240
Earnings per ordinary share for the profit attributable to the equity holders of the parent entity during the year:			
Basic (cents)	14	**181.6**	180.6
Fully diluted (cents)	14	**181.3**	180.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Assets			
Cash and balances with the central bank		**1,572,616**	1,642,557
Financial assets at fair value through profit or loss	10	**2,037,188**	5,245,981
Financial assets at amortised cost		**860,314**	874,252
Financial assets at fair value through other comprehensive income	10	**4,742,725**	134,028
Due from other banks		**1,724,043**	1,773,529
Loans and advances to customers		**38,182,596**	36,234,418
Other assets		**554,420**	612,470
Current tax asset		**109,549**	62,722
Investment in associates		**348,716**	282,511
Interest in joint arrangements		**11,016**	7,341
Intangible assets	11	**275,839**	283,933
Property and equipment	12	**284,444**	238,446
Deferred tax asset		**107,502**	41,498
Total assets		**50,810,968**	47,433,686
Liabilities			
Due to other banks		**245,703**	252,683
Other borrowings	13	**996,372**	1,313,433
Debt securities in issue		**5,670,974**	4,777,074
Deposits		**36,984,725**	33,948,091
Other liabilities		**738,132**	1,232,189
Current tax liability		**2,052**	381
Deferred tax liability		**–**	7,205
Post-employment benefits		**12,232**	11,440
Total liabilities		**44,650,190**	41,542,496
Equity			
Share capital and premium		**720,302**	724,507
Non-distributable reserves		**85,954**	269,653
Distributable reserves		**5,009,140**	4,620,531
		5,815,396	5,614,691
Non-controlling interests		**345,382**	276,499
Total shareholders' equity		**6,160,778**	5,891,190
Total equity and liabilities		**50,810,968**	47,433,686

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

		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
Transfer between reserves	–	3,206	18,261	–	–	460,270	–	(481,737)	–	–
Reclassification to profit and loss	–	–	–	–	(59,380)	–	–	–	–	(59,380)
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)*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

for the year ended 30 June 2019

		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 2019 (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										
IFRS 9										
Credit risk reserve transfer to retained earnings	–	–	(194,536)	–	–	–	–	194,536	–	–
IFRS 9 initial adoption	–	–	–	–	–	–	–	(322,274)	–	(322,274)
IFRS 15										
IFRS 15 initial adoption	–	–	–	–	–	–	–	(108,209)	–	(108,209)
Adjusted balance at the beginning of the year	724,507	53,742	21,375	16,847	129,811	3,814,879	4,536	418,511	276,499	5,460,707
Movement in treasury shares	(9,633)	–	–	–	–	–	–	–	–	(9,633)
Total comprehensive income for the year	–	–	–	–	7,263	–	464	929,889	86,285	1,023,901
Profit for the year	–	–	–	–	–	–	–	929,889	85,410	1,015,299
Other comprehensive income	–	–	–	–	7,263	–	464	–	875	8,602
Share-based payment charges	–	–	–	11,802	–	–	–	–	–	11,802
Vesting of shares	5,428	–	–	(5,428)	–	–	–	–	–	–
Profit on sale of treasury shares	–	–	–	–	–	–	–	(1,042)	–	(1,042)
Transfer between reserves	–	(2,617)	13,454	–	–	28,918	–	(39,755)	–	–
Reclassification to profit and loss	–	–	–	–	(136,379)	–	–	136,379	–	–
Dividends	–	–	–	–	–	–	–	(307,555)	(17,402)	(324,957)
Balance at 30 June 2019	720,302	51,125	34,829	23,221	695	3,843,797	5,000	1,136,427	345,382	6,160,778

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Cash flows from operating activities		
Cash generated from operations	**2,055,687**	1,874,578
Increase in net operating assets	**(648,158)**	(1,428,844)
Net cash generated from operations	**1,407,529**	445,734
Dividends received	**90,703**	88,951
Other interest received	**702**	402
Taxes paid	**(428,753)**	(316,220)
Net cash generated from operating activities	**1,070,181**	218,867
Cash flows from investing activities		
Additions to property, plant and equipment	**(76,234)**	(45,826)
Additions to intangible assets	**(64,329)**	(53,099)
Proceeds on sale of property, plant and equipment	**1,219**	2,192
Acquisition of associate	**(54,276)**	(34,461)
Acquisition of subsidiaries (net cash flow)	**–**	(172,766)
Net cash utilised in investing activities	**(193,620)**	(303,960)
Cash flows from financing activities		
Proceeds from other borrowings	**204,555**	309,651
Other borrowings repayments	**(640,768)**	(294,027)
Redemption of debt securities in issue	**(993,816)**	(1,341,584)
Debt securities coupon payments	**(396,709)**	(356,761)
Proceeds from the issue of debt securities	**1,826,392**	1,993,885
Dividends paid	**(324,957)**	(348,992)
Other	**(12,965)**	(7,344)
Net cash utilised in financing activities	**(338,268)**	(45,172)
Net increase/(decrease) in cash and cash equivalents	**538,293**	(130,265)
Cash and cash equivalents at the beginning of the year	**5,201,402**	5,291,456
Effects of exchange rate changes on cash and cash equivalents	**15,337**	40,211
Cash and cash equivalents at the end of the year	**5,755,032**	5,201,402

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. General information

Capricorn Group is a Namibian registered holding company and has been listed on the Namibian Stock Exchange (NSX) since 20 June 2013. Its investments comprised 100 % shareholdings in Bank Windhoek Ltd (BW), Capricorn Asset Management (Pty) Ltd (CAM), Capricorn Unit Trust Management Company Ltd (CUTM), Mukumbi Investments Ltd, Capricorn Capital (Pty) Ltd, Capricorn Investment Group (Pty) Ltd, Capricorn Mobile (Pty) Ltd and Namib Bou (Pty) Ltd, an effective 97.9 % shareholding in Cavmont Capital Holdings Zambia Plc (CCHZ), a 55.5 % shareholding in Entrepo Holdings (Pty) Ltd (Entrepo) and an 84.3 % shareholding in Capricorn Investment Holdings (Botswana) Ltd (CIHB), throughout the year under review. The company has 29.5 % shareholding in Sanlam Namibia Holdings (Pty) Ltd, 28.0 % in Santam Namibia Ltd and 30.0 % in Nimbus Infrastructure Ltd.

These condensed consolidated financial statements were approved by the board of directors for issue on 20 August 2019 and have been reviewed, not audited.

2. Basis of presentation

The condensed consolidated financial statements for Capricorn Investment Group Ltd for the year ended 30 June 2019 have been prepared in accordance with the requirements of the Namibia Stock Exchange (“NSX”) Listing requirements for provisional reports and the requirements of the Companies Act of Namibia. The listing requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and at a minimum, contain the information required by IAS 34 Interim Financial reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for amendments listed in note 5.

4. Critical accounting estimates and judgment

The preparation of the condensed consolidated 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 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.

5. Standards and interpretations issued

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

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 Contracts with Customers.*

The impact of IFRS 9 on expected credit loss impairment requirements resulted in an increase of N$434.2 million in statement of financial position impairments; an increase of 119 % .

The impact of IFRS 15 on deferred revenue liability resulted in an increase of N$111.2 million.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective that could have an 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

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

7.2 Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The banks are the largest contributors to the group's liquidity risk.

The condensed consolidated financial statements do not include all liquidity risk management information and disclosures required in the consolidated annual financial statements; they should be read in conjunction with the group's consolidated annual financial statements as at 30 June 2018.

7.3 Fair value estimation

The table below 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

7. Financial risk management and financial instruments continued

7.3 Fair value estimation continued

Fair value hierarchy *continued*

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 year ended 30 June 2019. There were no changes in valuation techniques during the year.

Assets and liabilities measured at fair value	Level 1 N$'000	Level 2 N$'000	Total N$'000
As at 30 June 2019 (reviewed)			
Financial assets designated at fair value through profit or loss	**673,150**	**1,364,038**	**2,037,188**
Unit trust investments	**–**	**1,364,038**	**1,364,038**
Money market investments	**673,150**	**–**	**673,150**
Financial assets at fair value through profit or loss			
Derivative financial instruments (included in other assets)	**–**	**357**	**357**
Financial assets designated at fair value through other comprehensive income	**3,160**	**4,739,565**	**4,742,725**
Treasury bills	**–**	**3,494,404**	**3,494,404**
Government stock	**–**	**728,511**	**728,511**
Corporate bonds	**–**	**40,498**	**40,498**
Tradable instruments	**–**	**476,152**	**476,152**
Investment securities – listed	**3,160**	**–**	**3,160**
	676,310	**6,103,960**	**6,780,270**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	**–**	**5,959**	**5,959**
As at 30 June 2018 (audited)			
Financial assets designated at fair value through profit or loss	1,091,826	4,154,155	5,245,981
Treasury bills	–	3,221,439	3,221,439
Government stock	–	438,741	438,741
Unit trust investments	–	42,056	42,056
Money market investments	1,091,826	–	1,091,826
Tradable instruments	–	411,707	411,707
Corporate bonds	–	40,212	40,212
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

7. Financial risk management and financial instruments continued

7.3 Fair value estimation continued

Fair value hierarchy continued

	June 2019 Reviewed		June 2018 Audited	
	Carrying value N$'000	Fair value N$'000	Carrying value N$'000	Fair value N$'000
Financial assets				
Cash and balances with the central bank	**1,572,616**	**1,572,616**	1,642,557	1,642,557
Financial assets at amortised cost	**860,314**	**927,876**	874,252	954,753
Due from other banks	**1,724,043**	**1,724,043**	1,773,529	1,773,529
Loans and advances to customers	**38,182,596**	**39,383,373**	36,234,418	36,897,068
Other assets	**554,420**	**554,420**	612,470	612,470
Financial liabilities				
Due to other banks	**245,703**	**245,703**	252,683	252,683
Other borrowings	**996,372**	**1,014,814**	1,313,433	1,352,570
Debt securities in issue	**5,670,974**	**5,801,459**	4,777,074	4,738,778
Deposits	**36,984,725**	**36,984,956**	33,948,091	33,949,212
Other liabilities	**738,132**	**738,132**	1,232,189	1,232,189

Details of level 2 and 3 fair value instruments:

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) June 2019 Reviewed	Valuation inputs (ranges) June 2018 Audited
Financial assets measured at fair value				
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income				
Treasury bills	Income approach*	Note 1	**BW: 6.8% – 7.9%** **BG: 1.2% – 1.5%**	BW: 6.8% – 8.2% BG: 1.2% – 1.5%
Government stock	Income approach*	Note 1	**BW & Entrepo: 7.3% – 9.9%**	BW & Entrepo: 7.3% – 10.4%
Corporate bond	Income approach*	Note 1	**N/A**	BW: 8.9%
Unit trust investments	Market approach**	Note 4	**BW: 8.9%**	Note 4
– OTC currency options	Income approach*	Note 1	**EUR16.3 – 17.1** **USD13.6 – 17.6**	EUR14.5 – 16.6 USD11.9 – 12.1
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
– Discount rate		Note 1	**BW: 10.5%** **BG: 6.5%** **CB: 12.0% – 29.8%** **Entrepo: 21.5%**	BW: 10.5% BG: 6.5% CB: 10.0% – 29.3% Entrepo: 18.5% – 21.5%
– Earnings rate		Note 2	**BW: 6.3% – 19.7%** **BG: 4.5% – 32.0%** **CB: 0% – 30.5%** **Entrepo: 18.5% – 21.5%**	BW: 6.3% – 19.7% BG: 4.5% – 32.0% CB: 0% – 33.5% Entrepo: 18.5% – 21.5%
– Term to maturity		Note 3	**3 – 360 months**	3 – 360 months

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

7. Financial risk management and financial instruments continued

7.3 Fair value estimation continued

***Fair value hierarchy** continued*

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) June 2019 Reviewed	Valuation inputs (ranges) June 2018 Audited
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	**BW: 7.9% – 10.7% CB: 13.6% – 20.9%**	BW: 6.4% – 8.2% CB: 4.8% – 15.5%
Government stock	Income approach*	Note 1	**BW: 7.5% – 15.2% CB: 16.0% – 25.5%**	BW: 7.3% – 10.1% CB: 16.0% – 25.0%
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	**BW: 7.7% – 8.5%**	BW: 7.2% – 8.5%
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
– Discount rate		Note 1	**BW: 7.9% – 10.7% CG: 4.9%*** **	BW: 7.6% – 11.8% CG: 4.3%***
– Earnings rate		Note 1	**BW: 7.5% – 15.2% CG: 4.9%*** **	BW: 8.2% – 12.0% CG: 4.3%***
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	**BW: 8.3% BG: 5.8%**	BW: 9.8% BG: 5.8%
Senior debt – unsecured	Income approach*	Note 1	**BW: 5.2% – 9.2% BG: 3.2% – 7.8%**	BW: 7.0% – 11.3% BG: 3.2% – 7.8%
Debentures	Income approach*	Note 1	**BG: 3.2% – 7.8%**	BW: 7.0% – 11.3% BG: 3.2% – 7.8%
Deposits				
Promissory notes	Income approach*	Note 1	**BW: 7.3% – 7.9%**	BW: 7.5% – 8.2%
Replica notes	Income approach*	Note 1	**N/A**	BW: 7.3%

** Present value of expected future cash flows.*

*** The fair value is determined with reference to the daily published market prices.*

****Loan denominated in US Dollars*

Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.

Note 2: Contractual interest rates per transaction observable on the banking system.

Note 3: Contractual maturities per transaction observable on the banking system.

Note 4: Valuations are performed per fund based on the net asset value of the underlying assets.

BW: Bank Windhoek Limited

BG: Bank Gaborone Limited

CB: Cavmont Bank Limited

CG: Capricorn Group

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

8. Capital management

For the years ending 30 June 2018 and 30 June 2019 the individual entities within the group complied with all of the externally imposed capital requirements to which they are subjected.

	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Capital adequacy ratios:		
Total risk-based capital ratio	**14.9%**	15.4 %
Tier I risk-based capital ratio	**12.3%**	15.1 %
Leverage capital ratio	**10.9%**	11.8 %

9. Income tax expense

The effective tax rate, based on profit before tax and share of associates' results was 29.2 % for the year ended 30 June 2019 (2018: 27.2 %).

10. Financial assets

Treasury bills, government stock and tradeable instruments in our trading book were reclassified from financial assets at fair value through profit and loss, as per IAS 39, to financial assets at fair value through other comprehensive income, as per IFRS 9, as from 1 July 2018.

11. Intangible assets

Total additions to intangible assets during the year ended 30 June 2019 amounted to N$64.3 million (2018: N$53.1 million). The increase is mainly due to an increase in internally generated software.

12. Property and equipment

Total additions to property, plant and equipment during the year ended 30 June 2019 amounted to N$76.2 million (2018: N$45.8 million).

13. Other borrowings

	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Balance as at 1 July	**1,313,433**	1,165,064
Additions	**204,555**	309,651
Repayments	**(640,768)**	(294,027)
Accrued interest	**116,108**	127,473
Foreign exchange gain	**3,044**	5,272
Balance as at 30 June	**996,372**	1,313,433

Other borrowings consist of N$920 million long-term funding with IFC (International Finance Corporation), of which N$346 million has been repaid to date, as well as a long-term loan from AFD (Agence Francaise de Développement) of N$219 million. The balance is further made up of a Bank One loan of N$142 million and a loan from the Caliber Capital Trust of N$55 million. N$250 million long-term funding from DEG (Deutsche Investitions- und Entwicklungsgesellschaft) has been repaid in full in December 2018.

The IFC loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment was made in December 2017. Interest on the IFC loans is charged at three-month JIBAR plus an average spread of 2.95 %.

The AFD loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment is due in December 2020. Interest on the AFD loan is charged at three-month JIBAR plus a spread of 1.131 %.

The interest on the Bank One loan is repayable quarterly over the one-year term of the loan with the capital amount being repayable at the end of the loan. Interest on the Bank One loan is charged at three-month LIBOR plus a spread of 2.3 %.

The Caliber Capital Trust loan bears interest at Namibian prime plus 3.5 % and is repayable at the end of the loan term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

14. Earnings and headline earnings per share

	Gross N$'000	Taxation N$'000	Net N$'000
As at 30 June 2019 (reviewed)			
Earnings			
Profit for the year attributable to the equity holders of the parent entity			**929,889**
Headline adjustments	**(566)**	**–**	**(566)**
Other	**(566)**	**–**	**(566)**
Headline earnings			**929,323**
As at 30 June 2018 (audited)			
Earnings			
Profit for the year			922,556
Headline adjustments	(116,273)	–	(116,273)
Bargain purchase gain	(38,837)	–	(38,837)
Fair value gain on disposal of shares	(77,300)	–	(77,300)
Other	(136)	–	(136)
Headline earnings			806,283

	June 2019 Reviewed	June 2018 Audited
Number of ordinary shares in issue at year-end ('000)	**519,184**	519,184
Less: Treasury shares	**(7,068)**	(6,688)
	512,116	512,496
Adjusted for shares issued during the year ('000)	**–**	(1,730)
Weighted average number of ordinary shares in issue during the year ('000)	**512,116**	510,766
Adjusted for effect of future share-based payment transactions ('000)	**818**	880
Diluted weighted average number of ordinary shares in issue during the year ('000)	**512,934**	511,646
Earnings per ordinary share (cents)		
Basic	**181.6**	180.6
Fully diluted	**181.3**	180.3
Headline earnings per ordinary share (cents)		
Basic	**181.5**	157.9
Fully diluted	**181.2**	157.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

15. Net asset value per ordinary share

	June 2019 Reviewed	June 2018 Audited
Net asset value per ordinary share (cents)		
Net assets excluding non-controlling interests (N$'000)	**5,815,396**	5,614,591
Weighted average number of ordinary shares in issue during the year-end ('000)	**512,116**	510,766
Net asset value per share (cents)	**1,136**	1,099

16. Dividends per share

Capricorn Investment Group Ltd company declared and paid dividends of N$311.5 million during the year ended 30 June 2019 (30 June 2018: N$351.5 million).

Refer to note 21 for dividends declared after year-end.

17. Contingent assets, liabilities and commitments

		June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
17.1	**Capital commitments**		
	Contracted for but not yet incurred	**85,953**	9,393
	Authorised but not contracted for	**108,436**	185,333
		194,389	194,726
17.2	**Letters of credit**	**124,818**	315,491
17.3	**Liabilities under guarantees**	**1,280,854**	1,380,115
17.4	**Loan commitments**	**1,699,163**	1,714,759
17.5	**Operating lease commitments**	**195,898**	149,127

17.6 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.

18. Related party transactions

Excluding the transaction mentioned in note 21, the group did not enter into any other material new related party transactions or had any new material balances with related parties for the year ended 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

19. Segment information

The group considers its banking operations in Namibia and Botswana as major operating segments; the other major operating segment is the microlending activities in Namibia. Other components include property development, insurance, asset management, unit trust management and the Zambian banking operations, however these components each contribute less than 10% to the group revenue, assets and profit for the year, therefore the group has no significant components other than banking and microlending activities. This is in a manner 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.

In assessing the performance of the banking and microlending operations, the managing director reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking and microlending activities. The financial information included below is based on the banks' and microlender's annual financial statements which complies with IFRS measurement and recognition criteria. In order to reconcile to the statement of comprehensive income and statement of financial position all entities that do not qualify as separate segments, as well as consolidation journal entries, are included in the 'other' line.

	June 2019 N$'000 Reviewed	June 2018 N$'000 Audited
Operating income		
Banking – Namibia	**2,545,283**	2,389,530
Microlending and related activities – Namibia	**237,264**	38,837
Banking – Botswana	**307,684**	265,585
Other	**287,579**	269,273
Total	**3,377,810**	2,963,225
Profit after tax for the year		
Banking – Namibia	**797,714**	796,772
Microlending and related activities – Namibia	**171,823**	38,837
Banking – Botswana	**59,655**	52,130
Other	**(13,893)**	46,696
Total	**1,015,299**	934,435
Total assets		
Banking – Namibia	**39,639,242**	37,341,611
Microlending and related activities – Namibia	**1,264,384**	1,062,947
Banking – Botswana	**7,507,020**	6,402,253
Other	**2,400,322**	2,626,875
Total	**50,810,968**	47,433,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

20. Business acquisitions

Additional acquisition of 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 15 shares for every 10 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 % as a result of the rights issue.

21. Events subsequent to year-end

Final dividends

On 20 August 2019 a final dividend of 36 cents per ordinary share was declared for the year ended 30 June 2019, payable on 27 September 2019. The last day to trade shares on a cum dividend basis is on 6 September 2019, the first day to trade ex dividend is 9 September 2019 and the record date is 13 September 2019. The final dividend amounting to N$186.9 million has not been recognised as a liability in the condensed consolidated financial statements. It will be recognised in the statement of changes in equity for the year ended 30 June 2020.

Acquisition of Paratus Group

On 1 July 2019 Capricorn Group concluded a 30% acquisition in Paratus, a well-established Information and Communication Technologies group. Paratus and its subsidiaries and associates operate in 13 African countries with the most significant being Angola, Namibia, Zambia and Botswana.