

Banking in
Africa
comes
of age

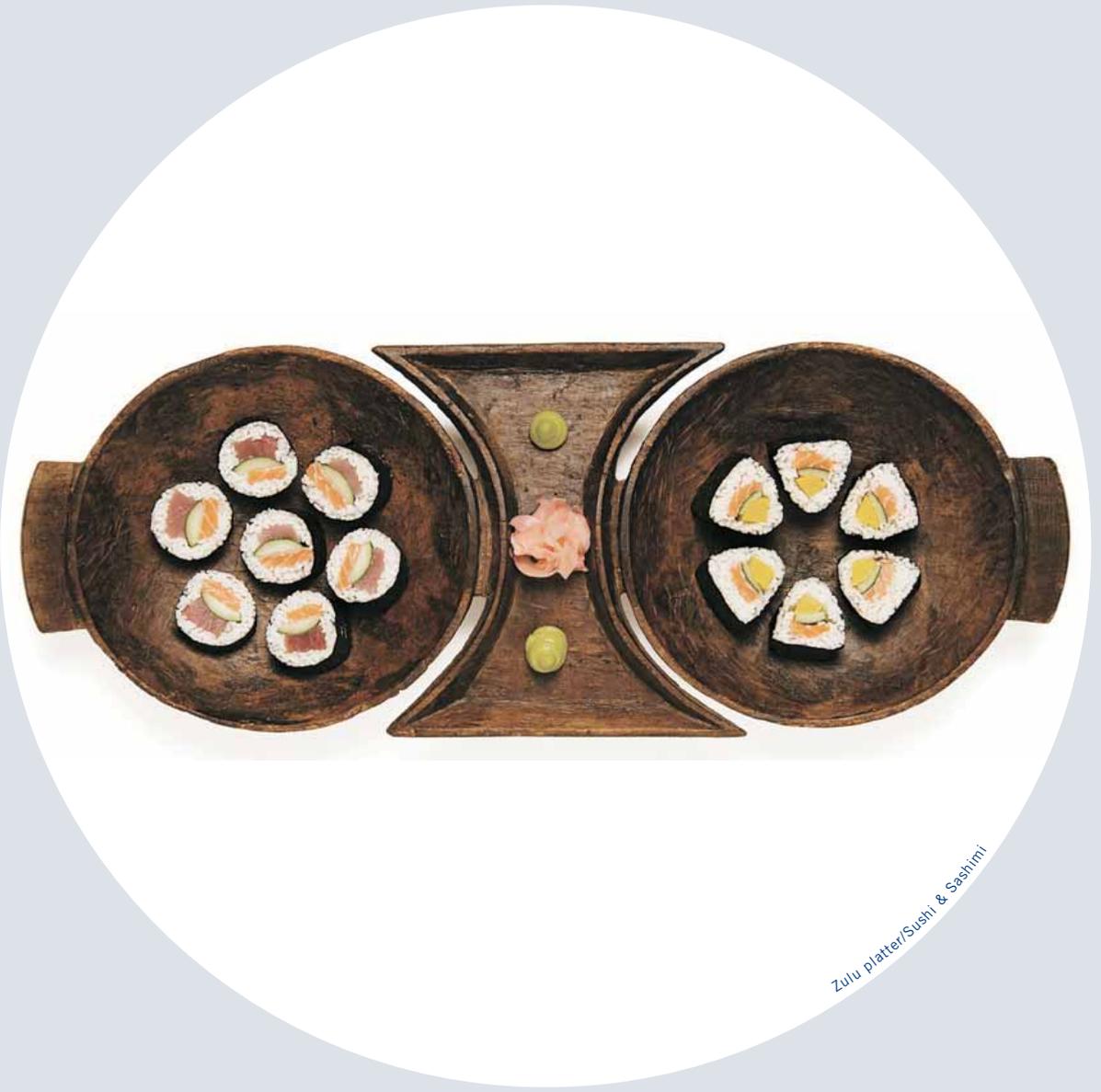


AFRICAN BANKING
CORPORATION

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Zulu platter/Sushi & Sashimi

International banking flair for Africa.

At African Banking Corporation you can enjoy the full value of world-class banking in Africa. Our teams' unique local knowledge combined with international know how forms the basis by which we deliver world-class solutions relevant to our clients' needs and challenges. Harness Africa's potential through our banking, treasury and investment advisory services.



Luba bowl with figure/Paella

Introduction

ABC Holdings Limited is listed on the Botswana and Zimbabwe Stock exchanges and is the holding company of the African Banking Corporation group of companies which comprise diverse financial services activities in the areas of corporate, international, investment and merchant banking, leasing finance, asset management, stock broking and treasury services. African Banking Corporation aims to deliver world-class financial solutions to the sub-Saharan African region.

Despite the adverse conditions in some countries we operate in, the group posted a pleasing set of results with an improvement on all key performance indicators.

The African Banking Corporation brand has continued to strengthen and as an institution we have gained recognition from market players and regulators alike.

Our strong brand and committed staff have enabled us to weather the volatile conditions and the symbolism of our logo – creative energy, radiance and unity – inspires us to fulfil our vision of delivering world-class financial solutions to our clients and partners in Africa.

To ensure that we deliver on our brand promise, we continue to recruit staff with global expertise and a thorough knowledge of the people and cultures we operate in, and to continually train and emphasise development of staff throughout the organisation.

Our core values remain the guiding principles by which we operate and form the basis of our corporate personality.

Values and Personality

Our core values, the result of broad stakeholder consultation, centre on four distinct areas; **INTEGRITY, INNOVATION, PASSION and PROFESSIONALISM.**

Our **INTEGRITY** is the result of our being reliable, ethical, credible, trustworthy with a great sense of heritage. Our cast iron ethics form our unquestionable character and business practice.

Underpinning **INNOVATION** are the following traits: visionary, dynamic, energetic, challenging and agile. In practical terms, our adoption of this core value means that we are devoted to driving change by provoking new ideas and always doing things differently.

And we are **PASSIONATE** because we are inherently people focused, accessible with a personal and customized approach, not forgetting our vital African energy. In short, we are **PASSIONATE** because we believe in and love what we do.

Finally, being **PROFESSIONAL** to us entails being uncompromising, focused, confident and offering world-class products and services. We strive to be excellent at what we do and are always looking to improve on our performance.

These essential and enduring values are deeply rooted in our organization, underlying our daily actions.

Group Financial Highlights

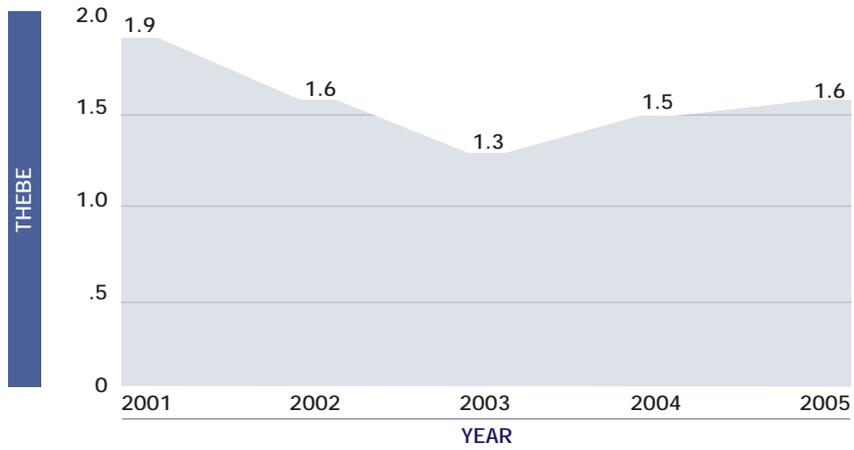
Financial highlights for the year ended 31 December 2005 on a historical cost basis

	31-DEC-05	31-DEC-04	31-DEC-03	31-DEC-02	31-DEC-01
	US\$'000s	US\$'000s	US\$'000s	US\$'000s	US\$'000s
Income Statement					
Net income from lending activities	20,353	16,671	9,127	6,569	4,758
Other income	27,974	29,899	24,249	31,256	19,372
Income from associates and joint venture	813	831	3,139	-	715
Total income	49,140	47,401	36,515	37,825	24,845
Operating expenditure	(29,330)	(32,869)	(27,221)	(20,893)	(12,670)
Net operating income	19,810	14,532	9,294	16,932	12,175
Loss on discontinuing operations	-	-	(284)	-	-
Exceptional items	(1,845)	(373)	(4,541)	(3,154)	(603)
Net income before taxation	17,965	14,159	4,469	13,778	11,572
Taxation	(6,611)	(5,571)	(4,214)	(3,898)	(3,744)
Profit after tax	11,354	8,588	255	9,880	7,828
Minority interest	198	1,203	612	-	(23)
Attributable profits	11,552	9,791	867	9,880	7,805
Headline Earnings	11,751	7,743	4,929	13,034	8,408
Balance Sheet					
Cash and cash equivalents	37,657	67,414	71,727	42,439	27,624
Financial assets held for trading	156,437	128,565	73,300	34,544	20,793
Investments	6,340	14,287	7,055	11,432	6,776
Investment in associates and joint venture	6,261	6,692	1,849	-	-
Loans and advances to customers and acceptances	120,938	161,449	149,230	101,039	72,910
Other assets and investment property	6,690	14,600	15,565	14,957	-
Property and equipment	4,940	7,976	8,782	3,137	1,788
Goodwill	6,261	11,051	11,341	13,741	13,672
	345,524	412,034	338,849	221,289	143,563
Shareholders' equity	35,999	43,021	35,867	28,476	32,153
Deposits	243,198	268,850	218,233	118,149	83,861
Repurchase agreements	13,362	17,399	18,246	3,587	748
Other liabilities and acceptances	32,065	61,864	46,742	52,342	26,801
Preference share liabilities	20,900	20,900	19,761	18,735	-
	345,524	412,034	338,849	221,289	143,563
Shares in issue	113,449,724	113,449,724	113,449,724	113,449,724	113,449,724
Cost to income ratio	55%	62%	68%	51%	45%
Average shareholders funds	39,510	39,444	32,172	30,315	35,061
Return on average shareholders funds (Headline)	30%	20%	15%	43%	24%
Net asset value per share (cents)	31.7	35.6	27.3	25.1	27.1

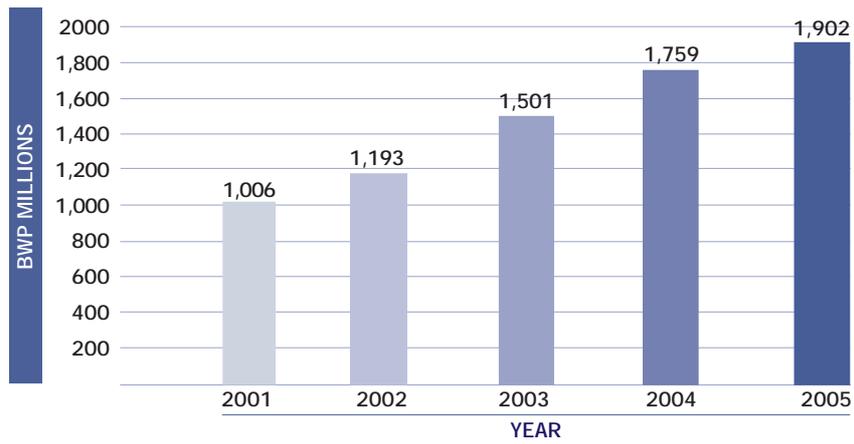
Closing Exchange rate to the US\$

	2005	2004	2003	2002	2001
Botswana Pula	5.51	4.27	4.43	5.39	7.01
Euro	0.85	0.73	0.80	0.95	1.07
Mozambican Metical	24,183.00	20,457.21	23,207.43	24,100.00	23,542.10
Tanzanian Shilling	1,162.01	1,073.01	1,035.90	992.22	916.00
Zambian Kwacha	3,480.52	4,700.00	4,500.00	4,600.00	3,832.00
Zimbabwe Dollar					
- official	26,000.00	5,610.00	824.00	55.00	55.00
- parallel market	88,092.00	6,200.00	5,000.00	1,500.00	325.00

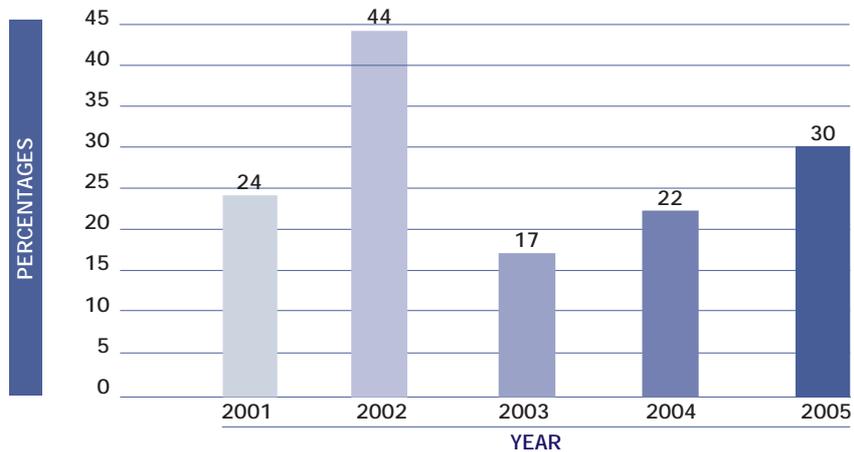
NET ASSET VALUE PER SHARE



TOTAL ASSETS



RETURN ON AVERAGE SHAREHOLDERS FUNDS (HEADLINE)



Chairman's Statement



Global Environment

Growth in the global economy continued to be driven by the U.S. and Chinese economies. However, global growth slowed down in 2005 to 4.3% compared to 5.1% recorded in 2004 partly as a result of the adverse effects of high oil prices.

Africa's economic performance remained favourable with real growth estimated at 4.5% (2004: 5.3%). The debt forgiveness initiatives of the G-8 became the centre-piece of macro-economic events of the sub-Saharan region in 2005. The general strengthening of the commodity prices also bolstered the regional economy especially in Zambia and Tanzania. The improvement was also evident in falling inflation and relatively stable currencies. Across the whole region, with the unfortunate exception of Zimbabwe, macroeconomic indicators exhibited a positive trend and should be sustained in the future underpinned by strong commodity prices and improving economic fundamentals.

On the political front the trend is also generally positive. Elections and the transition in Mozambique, Namibia and Tanzania went smoothly and in line with constitutional provisions. All the presidents have taken office and are likely to continue with the positive policies of the previous governments. The trend of political stability seems well established and is expected to hold going forward. Once again Zimbabwe is the odd one out where the political environment particularly in relation to the rest of the World remains unfavourable.

Botswana

Botswana is often referred to as the miracle economy and continues to experience high growth rates. Real GDP growth has averaged between 4% and 8% over the past decade. According to estimates Botswana's GDP growth will average 3.8% in 2005, with the mining sector being the main engine for growth.

Inflation trends remained firmly set in the two digit levels in the fourth quarter of 2005 and closed the year at 11.4%. The main driver for the high inflation was undoubtedly the 12% devaluation of the local currency by the government in May 2005 coupled with high international oil prices, which has seen the cost of imported goods rise.

After remaining unchanged for most of the period in 2004 at 14.00%, the Bank of Botswana adjusted the bank rate twice during 2005 and closed the year at 14.5%.

On the financial market front, the Botswana Stock Exchange performed well in 2005 with the domestic companies index rising by 23% in Pula terms, but declined by 5% in USD terms. In January 2006, the Bank of Botswana announced that with effect from 1 March 2006, only registered commercial and merchant banks will be allowed to purchase Bank of Botswana Certificates, and this is seen as a positive catalyst for investing in the capital market.

Despite the continued competition from commercial banks ABC

Botswana managed to grow its balance sheet by 32% with deposits from customers being the main driver of the growth. However attributable profit was 41% below prior year due to thinning margins largely as a result of most of the funds being invested in low risk but low yielding Bank of Botswana Certificates. The Bank is well capitalised as evidenced by a high capital adequacy ratio of 23%.

Mozambique

Mozambique's firm commitment to sound macroeconomic policies and implementation of structural reforms supported by considerable foreign direct investment has resulted in strong economic growth rates. Real GDP is estimated to have grown by 7.7% in 2005. Notwithstanding the massive economic growth over the past decade, the level of economic development is still very low.

The inflation rate increased significantly to 14% as at the end of December 2005, reversing a trend that had been established in the first half of the year, where inflation went as low as 2.3% in June 2005. The reversal was largely attributable to the depreciation of the currency. Over the year the currency depreciated by 28% from 18,889 in December 2004 to 24,183 in December 2005 against the US dollar.

ABC Mozambique posted a pleasing set of results with an improvement on all key performance indicators. The operation posted after tax profits of BWP6.7 million on the back of strong net interest and non-funded income. The balance sheet grew by 54% on the back of increased deposits. Deposits increased by a commendable 68%. Capital adequacy ratio at 18% comfortably exceeds the 10% prescribed by the Bank of Mozambique.

Tanzania

Tanzania recorded stable macro economic indicators, with inflation and interest rates showing minimal movements. Elections were held in the last quarter of the year and passed peacefully in the mainland but were somewhat marred by pockets of violence in Zanzibar.

ABC Tanzania and TDFL recorded a combined headline loss of BWP1.4 million. The loss is largely attributable to a disproportionate amount of non-interest earning assets, which were inherited from the predecessor institutions. As a result, this had an adverse impact on net interest income. Whilst the balance sheet of ABC Tanzania has now been cleaned up, the operation is significantly under-capitalised and efforts are now underway to merge the two institutions resulting in higher level of capital.

Zambia

Zambia recorded a real GDP growth rate of 5.1% in 2005 compared to the growth rate of 5.4% registered in the 2004. Annual inflation rate declined to 15.9% at the end of 2005. The main driver for the lower rate of inflation was the appreciation of the local currency and lower cost of maize importation in the last quarter of the year. The Kwacha appreciated by 29.4% from ZMK4 770: USD1 in 2004 to ZMK3 300: USD1 at end of 2005.

The Country reached HIPC completion point in April 2005. As a result the Paris club of creditors wrote off 100% of Zambia's public and publicly guaranteed debt. In addition the Country qualified for 100% write off of its debt to ADB, IMF and World Bank. Zambia's external debt as at December 2005 is estimated at US\$ 4.5 billion (2004: US\$7.1 billion). Under the new G8 initiative a significant balance of the debt will be written off. As a result of the above the Kwacha is projected to be stable in 2006.

ABC Zambia returned to profitability and recorded a profit after tax of BWP 1.5 million against a loss of BWP 2.1 million recorded in 2004. Profitability was largely driven by non-interest income buoyed by high foreign exchange trading profits. Coming from a strong performance in 2004, Microfinance Africa Zambia Limited recorded disappointing results with attributable loss of BWP132,000 on the back of a high impairment of loans. The impairment of loans was high due to data quality issues arising from the implementation of a new loan tracking system.

Zimbabwe

Zimbabwe is currently faced with enormous economic challenges including an unsustainable fiscal deficit, spiraling inflation rate and a currency losing value at an accelerating and seemingly unstoppable rate. Inflation in 2005 peaked at 585.8% in December largely fuelled by an acute shortage of foreign currency, resulting in extreme shortages of food, fuel and electricity. Capacity utilisation for most manufacturing companies was at a bare minimum, a reflection of the prevailing economic environment. Several policy initiatives have been undertaken to try to bring some semblance of normalcy to the economy and reign in the parallel market. Regrettably all these initiatives have come to nought, the Zimbabwe dollar depreciated from ZWD 6,200: US\$1 in prior year to close the year at ZWD 88,092: US\$1. It is now clear that the authorities need a holistic approach to the country's problems if any progress is to be achieved.

Despite the harsh macroeconomic environment, the financial sector has remained remarkably resilient over the year. Although a number of financial institutions were placed under curatorship in 2004, the banking system remained robust in 2005. Following the exit of marginal financial institutions, the sector was dominated by banks with high capital adequacy ratios, low foreign currency risk and very short-term maturities of both assets and liabilities to cope with volatile interest rates.

Notwithstanding the difficult operating environment, the Zimbabwe operations produced sterling results with headline earnings up 34%. The increase is commendable particularly when viewed against the massive depreciation of the Zimbabwe dollar. The credit quality has been maintained at high levels as the operation continued its cautious and selective lending policy. The mark to market gains on both equities and money market instruments contributed positively to the bottom line.

Capital adequacy ratios of the Zimbabwe operations are well above prescribed minimum levels as a result of the group taking a cautious approach to lending owing to the high default risk in the current economic environment.

Management

Bekithemba (Beki) Moyo was appointed the Group Chief Financial Officer in the second half of the year, replacing Mrs. Ruth Credo who has now assumed the role of Executive Consultant for the Group. Beki Moyo is a Chartered Accountant and holds a B. Acc (Hons) (UZ) and an MBA (Manchester). He previously held the position of Group Treasurer.

Hashmon Matemera was appointed Group Head of Treasury and Structured Finance during the same period. Hashmon previously held the position of Group Head Structured Finance. He holds a BSc Econ.(UZ) and an MSc Econ.(UZ).

Directorate

Subsequent to year-end, Mr. Tom C. Barry resigned from the Board because of pressures elsewhere in his business. Tom joined the Board of ABCH at inception and contributed enormously to its formation and development to date. The Group will miss Tom's service and we wish him well in his endeavours.

Strategic Developments

With the exception of ABC Tanzania the levels of capital of the subsidiaries has improved significantly in 2005. The group is focusing on improving the capital levels to the internal target of US\$8 million to US\$10 million for all our banking subsidiaries. ABC Botswana and the Zimbabwe subsidiaries are currently the only operations within the target range, with ABC Mozambique and Zambia projected to be within this range through profits generated in 2006.

The preference shareholders' agreement should be terminated by mutual consent with effect from 30 September 2006, subject to shareholders' approval. In terms of the restructuring agreement, which should be signed shortly, the preference shareholders will convert 30% of their redeemable preference shares to ordinary equity. Consequently shareholders' funds will increase by USD 5.7 million. This should put the Company in good stead going forward. The balance of 70% will be redeemed in two equal installments with the final installment being due and payable by 30 September 2006.

Dividend

Capital requirements have been increased in a number of jurisdictions that the group operates in. Consequently, the Directors have recommended that a final dividend for the current year be passed. With the group's financial position strengthening, the board would like to return to paying a dividend in line with the Company's policy.

Conclusion

ABC Holdings Limited has shown steady progress and the board would like to congratulate Douglas Munatsi and his team for a pleasing set of results.

O M Chidawu

Chairman

28 February 2006

Directorate & Group Management

ABC Holdings Limited - Board of Directors

Chairman	Mr O.M. Chidawu
Non-Executive Directors	Mr H. Buttery
	Mr N. Kudenga
	Mr M. J. Mbaakanyi
	Mr H. Wasmus
	Mr T. S. Mothibatsela (appointed 9 August 2005)
Executive Director	Mr D.T. Munatsi (Chief Executive Officer)

Remuneration Committee

Mr H. Buttery
Mr O.M. Chidawu

Audit and Risk Committee

Mr N. Kudenga (Chairman)
Mr M.J. Mbaakanyi
Mr J. Wasmus

Group Management

D.T. Munatsi	Chief Executive Officer
F.M. Dzanya	Chief Banking Officer
B. Moyo	Chief Financial Officer
N. Gapare	Head of Human Resources
J.J.I. Machapu	Chief Risk Officer
M. de Klerk	Group Legal Counsel
H. Matemera	Group Head of Treasury and Structured Finance
L.W. Vermeulen	Chief Information Officer

Executive Committee

Mr O.M. Chidawu (Chairman)
Mr H. Buttery
Mr F. Dzanya
Mr D. Munatsi



Standing from left: M. de Klerk, J.J.I. Machapu, B. Moyo, F.M. Dzanya Seated: D.T. Munatsi

Directorate



CHIDAWU, Oliver M. (Zimbabwean) - Chairman

Oliver Chidawu was born in Zimbabwe in 1954. He is a first generation entrepreneur who founded and manages the Kuchi Group of companies that is active in building and electrical contracting. Mr. Chidawu is a major shareholder in Bitumen Construction Services and Heritage Insurance Company. He was a founding shareholder and director of Heritage Investment Bank that merged with First Merchant Bank in 1997.



BUTTERY, Howard J. (South African)

Howard Buttery was born in South Africa in 1946. In his position as Chairman of Bell Equipment Limited, a listed South African company, his current focus is on the strategic alliance development of 3 international companies namely John Deere (United States), Liebherr (Germany) as well as Hitachi (Japan). He also serves on a number of boards – firstly as a non-executive director of the Rogers & Company Limited (Mauritius) and secondly as a non-executive director on two international management funds (Swiss).



WASMUS, Johannes (Dutch)

Hans Wasmus was born in Holland in 1941. He holds a diploma in Accountancy from The Netherlands Institute for Chartered Accountants and a Diploma in Economics. He was employed by FMO, the Netherlands based development finance institution for 25 years until 2002, initially as regional manager for Africa and thereafter as CFO. During this period he was seconded to Indebank Malawi as senior advisor. He is still a senior advisor to FMO and is a non-executive director of several companies.



MOTHIBATSELA, Tshipa S. (Botswana)

Tshipa Mothibatsela was born in South Africa in 1948. He holds a Bachelor of Engineering in Mining from the University of Zambia and a Masters in Engineering from Pennsylvania State University in the USA. Tshipa completed a Management Development Programme with Anglo American Corporation and went on to establish his own company, TTCS in Botswana. Tshipa is Chief Executive Officer and Director of Mothibatsela and Associates Consulting Engineers, a company he founded.



KUDENGA, Ngoni (Zimbabwean)

Ngoni Kudenga was born in Zimbabwe in 1952. He is a Chartered Accountant and holds a Bachelor of Accountancy degree from the University of Zimbabwe and is a fellow of the Chartered Institute of Management Accountants. He is a past president of the Institute of Chartered Accountants. Currently he is the Managing Partner of BDO Kudenga & Co. Chartered Accountants of Zimbabwe. He serves on the boards of Bindura Nickel Corporation, Anglo American Corporation Zimbabwe and several private companies.



MBAAKANYI, Modiri J. (Botswana)

Modiri Mbaakanyi was born in Botswana in 1946. He is the Executive Chairman of Tswana Construction and Hemano Investments. He is the non-Executive Chairman of Sefalana Holdings Limited. He is a member of a number of prominent Boards including the Institute of Development Management and the Botswana National Productivity Centre. He travels extensively on various Botswana Government assignments. Mr Mbaakanyi holds a Bachelor of Arts degree (Economics) from the University of Botswana and a Masters of Science degree (Business Management) from the Arthur D Little Management Education Institute in Boston, Massachusetts.



MUNATSI, Douglas T. (Zimbabwean) - Chief Executive Officer

Douglas Munatsi was born in Zimbabwe in 1962. He holds an MBA (Finance) from the USA and a Bachelor's Degree in Business Studies from the University of Zimbabwe. He is also an Associate of the Institute of Bankers of Zimbabwe by examination. Prior to the establishment of ABCH, he was Managing Director of First Merchant Bank, Managing Director of Heritage Investment Bank and an executive with the International Finance Corporation (IFC) in its regional mission for Southern Africa. IFC is the private arm sector of the World Bank.

Group Companies Directorate

African Banking Corporation International Limited

Chairman O M Chidawu
M Mbaakanyi
D T Munatsi
F M Dzanya

Registered Address: ABC House, Tholo Office Park, Plot 50669,
Fairground Office Park, Gaborone, Botswana

African Banking Corporation Botswana Limited

Chairman M. Mbaakanyi
D T Munatsi
B Moyo
D Moremi
D Khama
T Mothibatsela
J Kurian

Registered Address: ABC House, Tholo Office Park, Plot 50669,
Fairground Office Park, Gaborone, Botswana

African Banking Corporation Zambia Limited

Chairman C. Chileshe
D T Munatsi
N Kudenga
A Munshi
G Narder
J.W. Thomas
C M Chikwashi
Z C Shaba
C Milupi
B Nundwe

Registered Adress: National Savings & Credit Building, Northend
Cairo Road, Lusaka, Zambia

African Banking Corporation Tanzania Limited

Chairman J. Kipokola
O M Chidawu
M Maajar
R Dave
J Doriya
W Nyachia
D T Munatsi
I Chasosa

Registered Address First Floor Barclays House, Ohio Street,
P.O. Box 31 Dar es Salaam, Tanzania

African Banking Corporation Mozambique SARL

Chairman B. Alfredo
J McGuffog
V Viseu
D T Munatsi

Registered Address No. 999 Avenida Julius Nyerere, Polana Cimento,
Maputo, Mozambique

Tanzania Development Finance Company Limited

Chairman J. Kipokola
N Kudenga
J Doriya
W Nyachia
DT Munatsi
I Chasosa

Registered Address TDFL Building, Ohio St./Upanga Rd,
P O Box 2478, Dar es Salaam, Tanzania

African Banking Corporation Zimbabwe Limited

Chairman N. Kudenga
H Brits
F M Dzanya
F R G Read
J Sibanda

Registered Address: ABC House, Mount Pleasant Business Park,
1 Endeavour Crescent, Mount Pleasant, Harare, Zimbabwe

African Banking Corporation Securities Limited

Chairman P. Chigumira
F. Read
B. Sibanda
C. Simatyaba
P. Sithole

Registered Address: ABC House, Mount Pleasant Business Park,
1 Endeavour Crescent, Mount Pleasant, Harare, Zimbabwe

African Banking Corporation Asset Finance Limited

Chairman F. Ziumbe
H. Matemera
J. Mazonde
O. Moyo

Registered Address: ABC House, Mount Pleasant Business Park,
1 Endeavour Crescent, Mount Pleasant, Harare, Zimbabwe

Iroko Financial Products Limited

Chairman D. T. Munatsi
F. Ekam-Dick
U. K. Gujadhur
Y. K. Juwaheer

Registered Address: 10, Frere Felix de Valois Street, Port Louis,
Mauritius

Incorporation Details

ABC Holdings Limited
Registration number: 99/4865
ABC House, Tholo Office Park
Plot 50669
Fairgrounds Office Park
Gaborone
Botswana

Auditors

KPMG Certified Public Accountants
Plot 50364B
Fairgrounds Office Park
Gaborone
Botswana

Share Transfer Secretaries

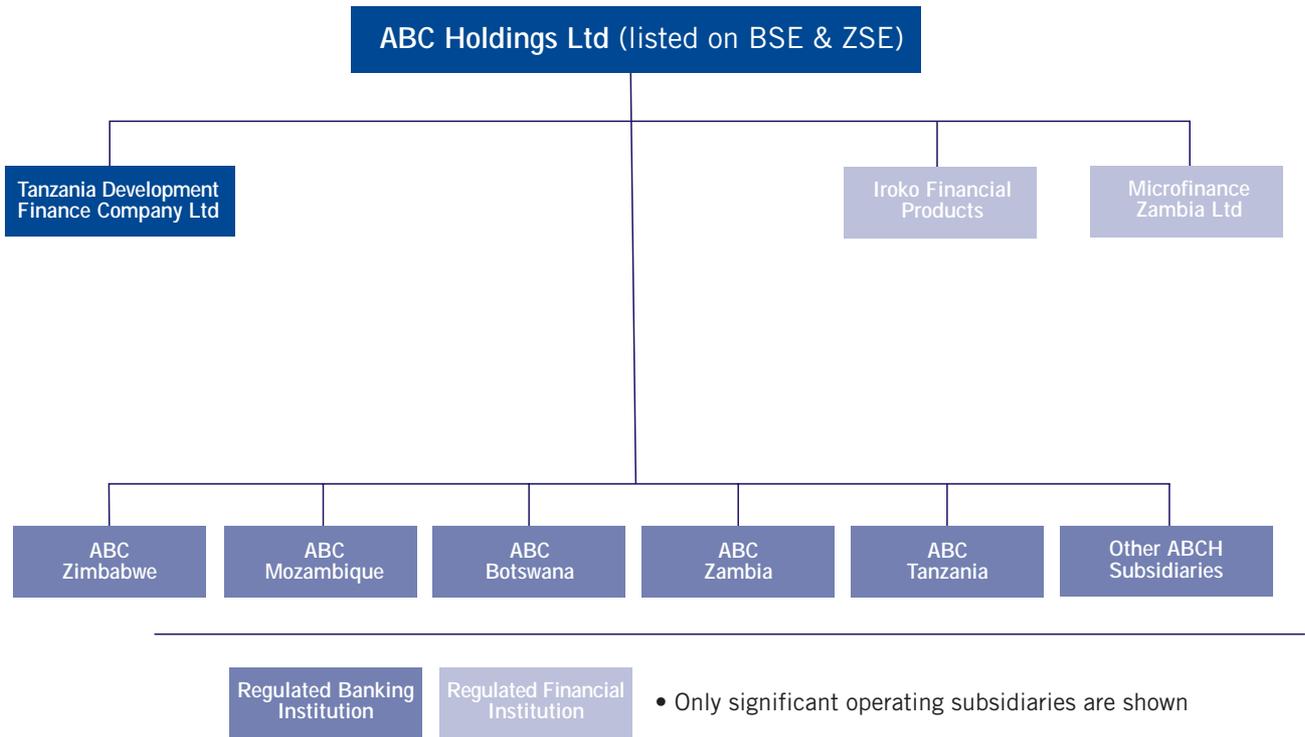
ABC Transfer & Secretarial Services (Pty) Ltd
ABC House, Tholo Office Park
Plot 50669
Fairgrounds Office Park
Gaborone
Botswana

First Transfer Secretaries (Private) Ltd
13th Floor, Century House
45 Samora Machel Avenue
P O Box 11
Harare
Zimbabwe

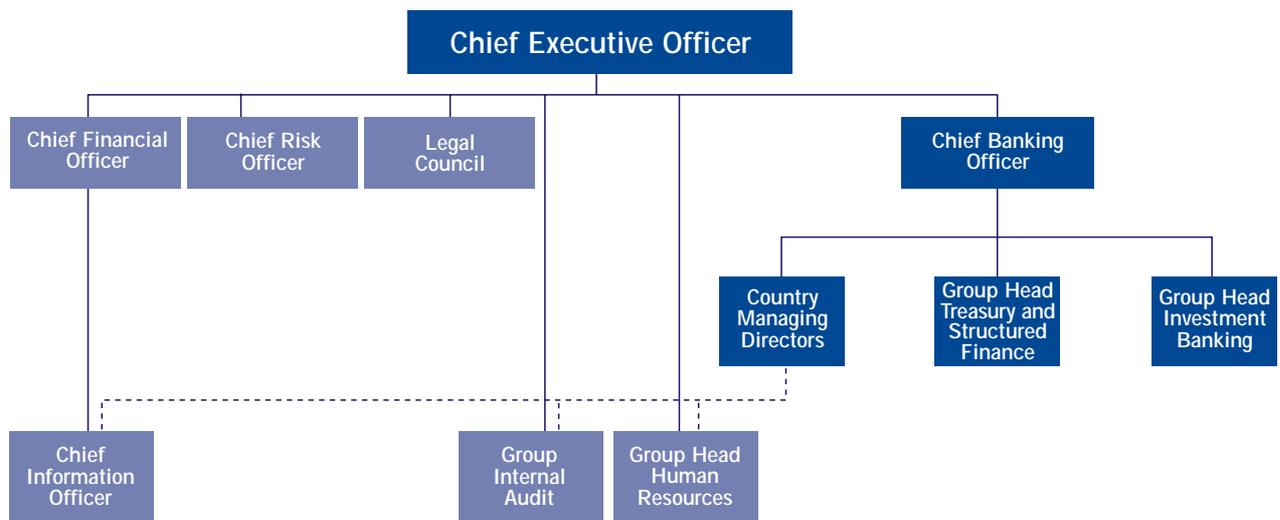
ABC Holdings Limited

Company Secretary and Legal Advisor
Armstrongs Attorneys
5th Floor, Barclays House
P O Box 1368
Gaborone
Botswana

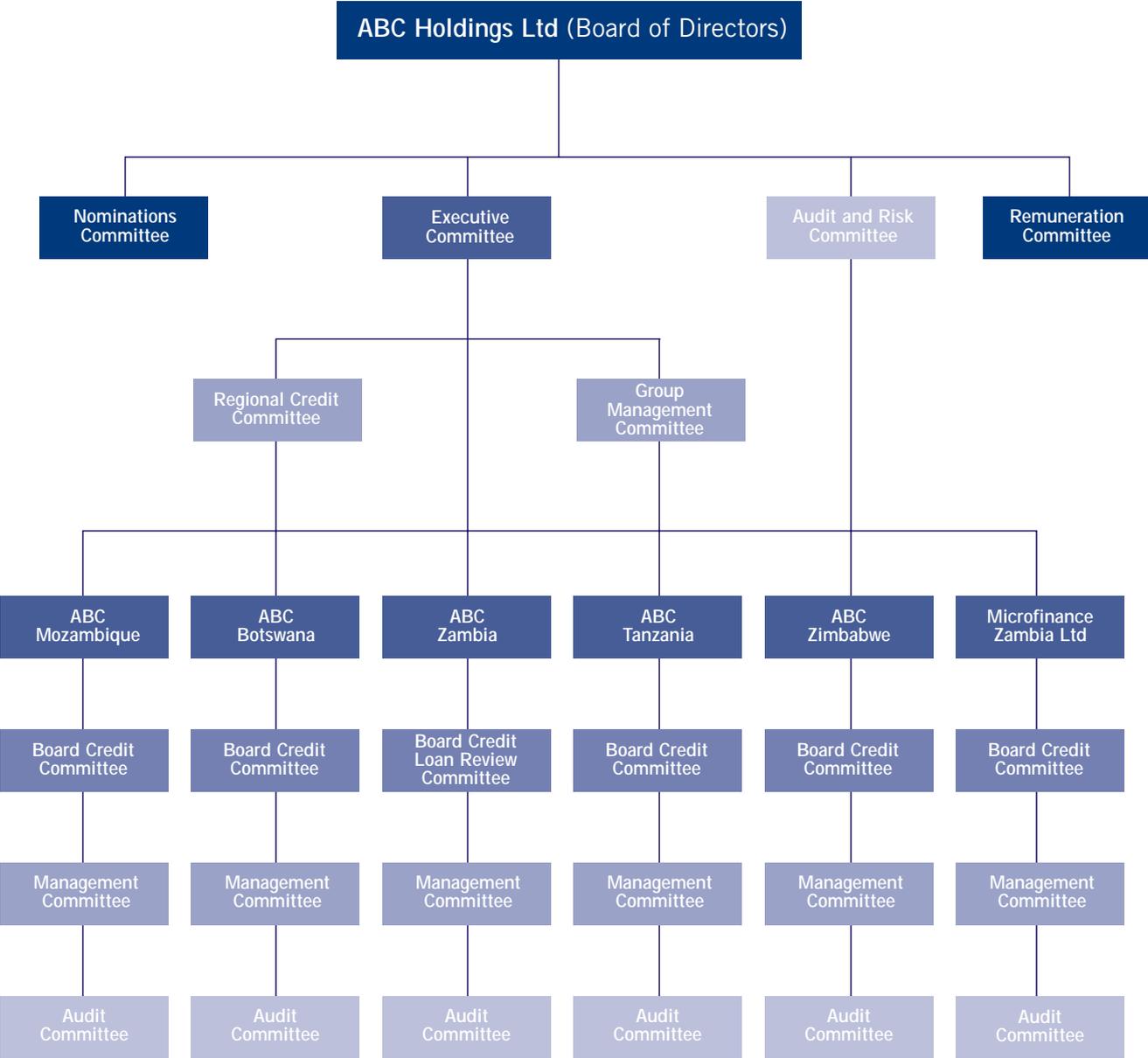
Organisation Structure - ABC Holdings Ltd



Group Management - ABC Holdings Ltd



Governance Structure - ABC Holdings Ltd



Operational Overview



Ethiopian serving platter/Spring rolls

Chief Executive Officer's Report



Overview

The group's performance in 2005 showed marked improvement over prior years with positive trends in all key performance indicators. This strong performance clearly demonstrates that the group is moving closer to achieving its vision of becoming a pan-African financial services group. On a geographical segmental basis, the group's operations in Zimbabwe and Mozambique contributed significantly to the group earnings, only Tanzania recorded a loss in the year ended 31 December 2005.

It is encouraging to note that net interest income now covers 83% of total operating costs. This was achieved on the back of an improvement in the net interest income coupled with cost containment as the group has maintained overall operating costs at prior year levels. The short-term goal of the group is for net interest income to cover operating costs (The burden). The group maintained its credit rating awarded by Global Credit Rating (GCR) Company of A3 and BBB- for short and long term debt respectively. Furthermore, GCR has placed the group on a positive outlook reflecting its improved performance and its ability to upscale lending and obtain critical mass.

Financial performance

Headline earnings increased by 69% from BWP 36.0 million achieved in prior year to BWP 60.8 million. This translates into headline earnings per share of 54 thebe, up from 32 thebe recorded in the previous year. The results are pleasing particularly when viewed against massive

currency depreciation in Zimbabwe. The Zimbabwe dollar depreciated from ZWD6,200: USD1 in prior year to close the year at ZWD88,092: USD1. Notwithstanding the adverse currency movement, the Zimbabwe operation contributed 77%, albeit down from 97% in prior year. Mozambique and Botswana contributed 11% and 8% respectively. Zambia operations contributed BWP1.4 million in 2005 compared to BWP678 thousand posted in 2004. The Tanzania operations continue to be a challenge for the group and posted a loss of BWP 1.4 million. Attributable earnings for the group at BWP 57.7 million comfortably exceed BWP 45.5 million achieved in prior year.

Return on equity increased by 3 percentage points from 29% to 32%. Net asset value per share also increased from BWP 1.52 in 2004 to BWP 1.62 during the period under review.

It is also pleasing to note that cost to income ratio at 56% is lower than 62% recorded in the prior year. While showing a positive trend, it is still higher than the short to medium term group target of 50%.

The group's results have been driven by impressive growth in both funded and non-funded income. Net interest income increased from BWP103 million to BWP126 million on the back of good margins particularly in Zimbabwe and an 11% increase in interest earning assets.

Other income increased from BWP139 million to BWP145 million, with the major contributor being the mark to market gains arising from financial assets held for trading. In addition, strong foreign currency trading income was recorded in Mozambique and Zambia thereby contributing significantly to other income.

Impairment of loans and advances amounted to BWP20.7 million compared to BWP25.6 million recorded in the prior year. Despite this reduction, the impairment charge still remains high and this is a major cause for concern. Good progress made during the year to improve the quality of the loan book was negated by provisions in the micro finance operation. The charge was unusually high due to data quality issues arising from the implementation of a new loan tracking system. This level of impairments is not expected to recur. The operation contributed 35% to the overall provision. Operating expenditure throughout the group has been kept in check happily resulting in a slight reduction from BWP153 million to BWP152 million. Operating expenditure for the year under review includes retrenchment costs of BWP3.6 million. As expected employee costs continue to be the single biggest expense accounting for 58% of the group's total costs up from 51% in 2004.

The group's effective tax rate declined slightly to 37% from 39% in prior year. The rate remains high due to losses in operations for which there is no tax relief. Over time this rate should come down to around the 30% mark.

Total assets grew by 8% from BWP1 759 million to BWP1 902 million at the end of 2005. Significant growth was recorded in financial assets held for trading, which increased from BWP549 million to BWP861 million. Loans and advances remained static at BWP662 million and this is a reflection of management's strategy of selective lending across the group. The change in asset mix is also reflective of the macroeconomic environment in Zimbabwe where the balance sheet is skewed towards low risk money and equity market instruments. Deposits from customers increased from BWP1 148 million to BWP1 339 million with the highest increase being recorded in Botswana.

Following successive losses in Tanzania, a decision was taken to write off the entire goodwill valued at BWP 16 million in respect of ABC Tanzania. In addition discussions to exit Iroko are at an advanced stage and Iroko has therefore been classified under assets available for sale, which assets have been fully impaired.

The Group balance sheet remains strong with Shareholders' Equity, excluding minority interests of BWP 185 million. The massive depreciation of the Zimbabwe dollar resulted in the foreign currency translation reserve increasing by BWP48 million. All the licensed subsidiaries are fully compliant with minimum regulatory capital requirements.

Operational Review

Business Segments

Treasury operations continued to be the mainstay of the group with increased trading income recorded in Zimbabwe, Zambia and Mozambique. Mozambique and Zambia benefited from high foreign exchange trading activities during the year. Improved liquidity across the group enabled the group to maximize money market trading income. The structured finance division continues to be innovative and contributed positively to group profits.

With political and economic stability being firmly established in most of the group's operating markets, margins continue to go down with Botswana and Tanzania being hardest hit. In contrast, Zimbabwe continues to be perceived as a high-risk area and hence the margins are generally higher. The volatility in the Zimbabwean money and capital markets enabled our treasury unit to maximize returns particularly in the second half of the year.

Despite the reduction in impairment of loans and advances, corporate and private banking contribution was lower than projected due to reduced margins in most of the countries we operate in. In addition the group adopted a cautious lending policy resulting in the book being maintained at prior year levels. Owing to the above the quality of the book has improved as evidenced by the reduction in impairment of loans and advances in the lending portfolio. Efforts will continue in the coming year to increase the loan book without compromising the quality of loan assets, thereby keeping the incidence of bad debts at a manageable level.

The micro finance operation turned a disappointing set of results, with high impairment of loans being the major contributor to the adverse performance. The high bad debt charge surfaced after the implementation of the new loan tracking system, which brought to light a possible overstatement of debtors. A decision was then taken to impair the loans but the final position can only be established once the clean up exercise has been finalized in the first half of 2006. The implementation of the new loan tracking system will improve the efficiencies in debt collection and client management in 2006 and beyond.

Investment banking division showed good growth in Zambia and Zimbabwe in both local currency terms and Pula terms. Assets under management grew by 53% with Botswana and Zimbabwe being the major contributors.

Support Divisions

Internal audit has continued to play a key role in maintaining and improving internal controls in the group. The main internal audit function is based in Zimbabwe and provides internal audit services across the group. The group internal audit function is further supported by country internal auditors. The head of internal audit reports directly to the audit committee and his reports are acted upon by management throughout the group.

The compliance officers in countries ensure compliance with both internal procedures and external requirements. All countries have fully fledged compliance officers who are senior managers with direct access to the country managing directors and the audit committee chairmen.

The risk management functions of the group are vested in the Group Risk department headed by the Chief Risk Officer who has direct access to the Audit and Risk Committee. With the high impairment of loans advances charged in 2004, credit risk was one of the key areas that received attention from the risk department during the year ended 31 December 2005. The marked improvement in credit risk reviews and management of the loan book has borne fruit during the year evidenced by the reduction in the impairment charge. The department also focused on management of liquidity risk especially with the continued adverse economic environment in Zimbabwe.

The MIS system implementation is still in progress and it is seen as a good ingredient to ensure meaningful and timely financial reporting to all stakeholders. Information technology is a bedrock of efficient management information systems hence the group's commitment to continually improve the IT platform for all operating units. During the year there has been improvements to the service delivery, which in the past was hampered by the various telecommunications issues.

One of the major ingredients for a successful wholesale Bank is the quality of its people. As a result the development of human resources is critical for the group. After the success of the group's first Graduate Management Development Program, the second program received overwhelming response from all countries that we operate in. The

second set of trainees is due to graduate in May 2007.

Future Prospects

A firm foundation has been laid for sustained profitability going forward. The group's priority in 2006 will be to consolidate the gains made in 2005 and indeed being recognised as a significant player in our chosen markets. I am happy to report that with the exception of Tanzania all legacy issues are now behind us, consequently operations outside Zimbabwe should register positive balance sheet and profitability growth. The environment in Zimbabwe will in all probability continue to be challenging. As a result, Zimbabwe's contribution is expected to remain strong but declining as a percentage of the group total earnings.

On an operational level, deposit mobilisation and improving the capital base for our subsidiaries will continue to be a focus point for the group in 2006. The marked improvement in key performance indicators in 2005 should enhance our ability to raise both deposits and credit lines.

As alluded to above, Tanzania remains a challenge for the group and the operation has to start making profits without further delay. Whilst the balance sheet of ABC Tanzania is now clean, the operation is significantly under-capitalised, largely due to inherited bad debts written off over the last couple of years. In this regard the group is working on several initiatives, which if successful will result in ABCT's capital increasing to a minimum of USD 6 million.

The group is committed to income diversification particularly to reduce Zimbabwe 's overall percentage contribution and we believe we are poised for further consolidation and growth in the coming year.

Acknowledgements

I would like to thank and congratulate management and staff on their continued commitment and hard work during 2005. Their effort and the Board's guidance has enabled the group to deliver good results and maintain value for shareholders.

D T Munatsi

Chief Executive Officer

28 February 2006

Capital Adequacy

ABC Holdings Limited

Capital Adequacy statement as at 31 December 2005

	2005 %	2004 %	2003 %	2002 %	2001 %
CAPITAL ADEQUACY OF ABC BANKING OPERATIONS					
ABC Zimbabwe Limited	32%	17%	13%	13%	14%
ABC Securities Limited (Zimbabwe)	222%	234%	21%	19%	81%
ABC Asset Finance Limited (Zimbabwe)	124%	45%	16%	15%	23%
ABC Botswana Limited	23%	24%	19%	20%	15%
ABC Mozambique Sarl	18%	21%	21%	38%	40%
ABC Zambia Limited	22%	21%	24%	21%	76%
ABC Tanzania Limited	10%	11%	6%	12%	8%

Consolidated Capital Adequacy of ABC Holdings Limited on a Historical Cost Basis

	2005		2004	
	Assets per Balance Sheet off Balance Sheet BWP'000s	Risk-weighted Assets BWP'000s	Assets per Balance Sheet off Balance Sheet BWP'000s	Risk-weighted Assets BWP'000s
Risk-weighted assets				
On balance sheet				
0% riskweighting	799,003	-	596,289	-
20% riskweighting	215,709	43,142	253,985	50,797
50% risk weighting	5,008	2,504	26,960	13,480
100% risk weighting	853,995	853,995	875,386	875,386
Off balance sheet				
50% risk weighting	46,738	23,369	35,710	17,855
100% risk weighting	31,684	31,684	69,627	69,627
Total	1,952,137	954,694	1,857,957	1,027,145

Qualifying Capital

	BWP'000s	Percentage of Risk-weighted assets	BWP'000s	Percentage of Risk-weighted assets
Primary Capital				
Share capital and premium	225,205	24%	225,205	22%
Capital Reserves & Retained Earnings	213,534	22%	148,878	14%
Impairments (Goodwill & FCTR)	(288,177)	-30%	(249,686)	-24%
	150,562	16%	124,397	12%
Secondary Capital				
Preference share capital	23,011		26,772	
General debt provision (50%)	3,018		2,913	
Available for sale reserves	1,364		1,084	
	27,393	3%	30,769	3%
Total Qualifying Capital	177,955	19%	155,166	15%

This statement has been prepared by applying the risk weightings applicable to regulated banks in Botswana, to all group assets, and Basle 1 principles to capital, in order to derive a consolidated capital adequacy ratio. It is intended as a guideline only .

Products and services

CORPORATE AND INTERNATIONAL BANKING

The Corporate and International Division has highly motivated and professional staff with a wealth of experience who are able to provide clients with prompt, advice and personalised service.

The team strives to carefully balance available resources to fulfil the group's goal of achieving high capital ratios, liquidity and strong credit quality. The division offers the following comprehensive facilities:

- bridging loans
- short term loans
- medium term loans
- cash advances
- off-shore finance (import and export)
- documentary letters of Credit
- guarantees
- asset finance
- professional finance
- syndicated loans and
- commodity finance

African Banking Corporation's International Banking team uses its experience to provide clients with high level expertise in conducting international banking transactions.

TREASURY

Our Treasury team is committed to providing world class service in every sphere, both domestic and international by:

- providing a top quality and professional level of service in both domestic and international financial markets;
- offering interest and exchange rates that are among the most competitive in the market;
- being one of the market leaders in the development of new financial products in the respective countries;

- supplying an impartial and expert advisory service; and
- building a close personal relationship with clients to obtain a full understanding of their particular businesses in order to tailor services that meet individual needs.

Products offered by Treasury division include

Domestic

- demand deposits
- call deposits
- forward rate arrangements
- Bills of Exchange, including Treasury Bills, Banker's Acceptances, Accommodation Bills, Negotiable Certificates of Deposit, Promissory Notes and Commercial Paper;
- capital markets instruments including government, municipal and parastatal bonds; and
- other derivate products, including options on bonds and index linked bonds

International

- demand deposits
- call deposits
- spot foreign exchange market transactions in major and certain regional currencies;
- forward exchange rates
- currency options
- currency swaps

INVESTMENT BANKING

ABC's Investment Banking division is committed to:

- delivering first class, independent professional advisory services;
- establishing strong value- added partnerships by acquiring an in- depth understanding of clients' businesses;

- creating innovative financial structures to achieve clients' strategic goals consistent with their cost and risk management objectives;
- effecting corporate restructurings with the objective of reducing cost of borrowing and managing foreign exchange risk in order to help create wealth for its clients;
- providing expert underwriting and placement capability for equity and debt issues;
- raising long term capital on both corporate and project finance basis;
- structuring privatizations to unlock value for Government, create ownership opportunities for the public and private productive assets in the hands of the private sector;
- establishing and maintaining relationships with major stockbrokers, accounting and legal firms, as well as emerging market funds and institutional and private investors; and
- employing and motivating professionals of the highest calibre and integrity.

Advisory Services

- Debt and equity capital markets
 - Private placements
 - Privatisation
 - Mergers, acquisitions and disposals
 - Restructuring
- Project financing
 - Infrastructure Finance
 - Public-private partnership or private finance
 - Mining finance
 - Property Finance
- Securitisation

Investment Management Services

The Investment Management team advises and manages funds on behalf of institutional and retail clients. We offer:

- Asset Management for institutions and corporations. This includes exposure to equity, property, bond and money markets
- Ancillary support services - safe custody, dividends, cash

management and investment commentaries

- Portfolio Management
- Unit Trusts which include;
 - Equity-based funds
 - Cash-based Funds
 - Property-based funds

Private Equity

Our Private equity team selectively makes investments in unlisted businesses on a medium-term basis. In addition to acting as fund manager for private equity funds invested by institutional clients, the team may also identify proprietary investment opportunities for the group.

STRUCTURED TRADE FINANCE

Our Structured Trade Finance unit creates tailor-made frameworks to cater for clients' requirements and needs outside normal banking credit lines. Here the focus is on underlying transaction flows, rather than balance sheet strength.

Whilst core trade products, such as negotiable instruments (e.g. bills of exchange, promissory notes) and documentary credit (letters of credit), still play a role in cross-border trade, our structured Trade Finance Unit provides more sophisticated derivatives of these products and risk-hedging instruments.

Types of financing includes back to back transactions, collateralized management stock financing, avalised note discounting, structured discounting facility, order finance and participation trade finance.

Group Management Committee



Douglas Munatsi-Chief Executive Officer

Douglas Munatsi was born in Zimbabwe in 1962. He has been Chief Executive Officer of the ABC Holdings Group since its formation in 2000. Prior to the establishment of African Banking Corporation, Douglas founded Heritage Investment Bank (HIB), which quickly established a reputation for successful introduction of innovative capital market products and became one of the leading merchant banks in Zimbabwe. Following the merger of HIB and First Merchant Bank in 1997, Douglas became Managing Director of the merged bank, which retained the First Merchant Bank name. Prior to establishing HIB, Douglas Munatsi was an executive in the Southern Africa regional mission of the International Finance Corporation (IFC). Before joining the IFC, he worked at Barclays Bank in Zimbabwe. Douglas Munatsi holds a Bachelor of Business Studies degree from the University of Zimbabwe and a Master of Business Administration (Finance) from the American University, Washington D.C. He is also an Associate of the Institute of Bankers of Zimbabwe.



Francis Dzanya-Chief Banking Officer

Francis Dzanya was born in Zimbabwe in 1960. Francis has over 20 years, experience in the banking industry in Southern Africa, of which 10 years was in ABC Holdings and its predecessor companies. Before assuming his current position, Francis Dzanya was Group Head of Corporate, Private and International Banking and Managing Director of ABC Zimbabwe. Prior to the formation of ABC Holdings in 2000, Francis was General Manager, Corporate, Private and International Banking at First Merchant Bank, a predecessor entity of ABC Holdings. He also held the position of General Manager, Risk Management at Heritage Investment Bank (HIB). He also worked as a Branch Manager at Zimbabwe Banking Corporation in Zimbabwe and Botswana. Francis Dzanya holds a Bachelor of Arts (Honours) degree in Banking, Insurance and Finance from Sheffield Hallam University in the UK and Higher National Diploma in Banking and Finance from John Moores University, also in the UK. He is an Associate of the Chartered Institute of Bankers.



Beki Moyo-Chief Financial Officer

Beki Moyo was born in Zimbabwe in 1967. Prior to his current appointment, Beki held the position of Head of Treasury and was an Executive Director of ABC Botswana. In the course of a banking career spanning over 10 years, Beki also held the position of Finance Director of ABC Zimbabwe, and was General Manager - Finance at udc, a predecessor entity of ABC Holdings and Chief Accountant at Stanbic Bank Zimbabwe. Before entering banking, Beki Moyo trained and qualified as a Chartered Accountant with Deloitte and Touché, where he was later appointed Audit Manager. Beki Moyo holds a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe and a Master of Business Administration degree in Banking and Finance from Manchester University. He is a Chartered Accountant (Zimbabwe).



Julius Machapu-Chief Risk Officer

Julius Machapu was born in Zimbabwe in 1957. Before his appointment to his present post, Julius was the Chief Financial Officer of ABC Holdings and Finance Director of its predecessor entities, namely First Merchant Bank of Zimbabwe (FMB) and Heritage Investment Bank (HIB). He also held senior finance positions in commerce and industry in Zimbabwe. Julius Machapu holds a Bachelor of Accountancy degree from the University of Zimbabwe and is a Chartered Accountant (Zimbabwe).



Hashmon Matemera-Group Head of Treasury and Structured Finance

Hashmon Matemera was born in Zimbabwe in 1964. He has over 17 years, banking experience, gained in merchant banking, commercial banking and as a central banker. Before being appointed to his current position, Hashmon was Head of Structured Finance and an Executive Director of Banking Services at ABC Zimbabwe. He also served as General Manager, Risk Management, at ABC Zimbabwe and as Senior Manager, Risk Management at the Commercial Bank of Zimbabwe (CBZ). Prior to joining CBZ, Hashmon spent 10 years at the Reserve Bank of Zimbabwe, mostly in the Supervision and Surveillance Division, where he held the position of Manager/Offsite Supervision, with responsibility for commercial and merchant banks. Hashmon Matemera holds a Bachelor of Science (Honours) degree in Economics and a Master of Science in Economics, both from the University of Zimbabwe.



Markus de Klerk-Group Legal Counsel and Secretary to the Board

Markus de Klerk was born in Zimbabwe in 1966. Markus joined ABC Holdings Limited from Phoenix Associates where he was a Consultant. Previously he was with Merchant Bank of Central Africa Limited (MBCA), for a period of five years, where he held various posts in the Recoveries, Risk Management and Company Secretariat Departments. When he left MBCA he joined Mitchell & Mitchell Fresh Exports, as Group Legal Advisor and Company Secretary. Markus, an admitted Attorney of Zimbabwe, has also practiced in a number of legal firms both in Zimbabwe and South Africa. Markus holds a Bachelor of BA LLB from the Kwa Zulu- Natal University.

Risk and Governance



Shangaan wooden Bowl/Breads of the world

RISK MANAGEMENT

Effective risk management is critical in a complex organization like ABC Holdings Ltd (“ABCH”). A strong and solid risk management culture exists that ensures that sound business decisions are made that properly balance the diverse risks inherent in any transaction and the rewards. A culture of risk awareness and compliance is embedded in ABCH’s day to day activities.

Approach to Risk Management

The board of ABCH recognizes that it is ultimately responsible for, and accountable to shareholders for:

- the process of risk management and the systems of internal control;
- identifying, evaluating and managing the significant risks faced by the group ;
- ensuring that there is an adequate system of internal control in place to mitigate the significant risks faced by the company to an acceptable level;
- ensuring that there is a documented and tested process in place, which allows the company to continue its critical business, processes in the event of a disastrous incident impacting its activities;
- reviewing the system of internal control for effectiveness and efficacy;

As a banking group, risk identification and management is an integral part of our business processes and must be a core competence of the group. The Board has approved a risk framework which applies to all group companies.

Risk management in the Group is underpinned by the following pillars.

- **Governance Structures**

The board has put in place a risk governance structure throughout the Group which ensures effective oversight.

- **Risk Ownership, Identification and Evaluation.**

Ownership and management of risks begins in the business units and each subsidiary. Risks are identified and evaluated at this level, following through to the Holding Company and Group level.

- **Group Risk Management Framework**

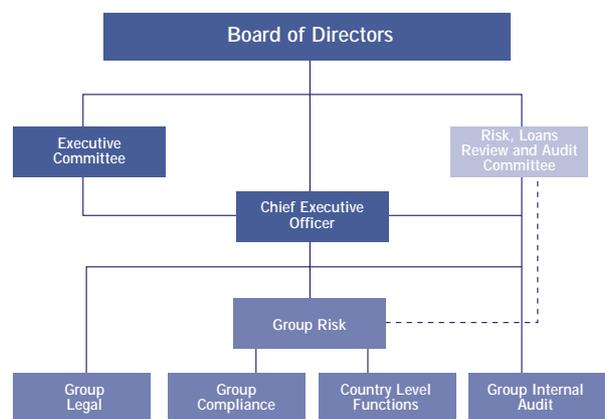
The Group has a comprehensive risk management framework which

was approved by the board. The framework clearly documents the risk management policies which are to be followed in the Group. Group Risk Management is responsible for maintaining and updating the risk management framework.

- **Reporting**

Each subsidiary or business unit produces risk reports which are discussed at board level. Group risk provides detailed risk information to the ABCH Board of Directors. The risk reports contain a balanced assessment of significant risks and the effectiveness of risk management procedures and what management is doing in managing those risks

Risk Governance Structure



Role of Group Risk Management

The Group Risk function is responsible for the maintenance of a culture of risk awareness throughout the group. While each business unit retains the primary responsibility for managing its own risks, Group Risk Management independently monitors, manages and reports on all risks facing the Group as mandated by the Board of Directors. It coordinates risk management activities across the group, ensuring that risk parameters are properly set and adhered to across all risk categories and in all of the group’s businesses. Group Risk ensures that all risk exposures can be measured and effectively monitored across the group. The effective management of risk was one of the key drivers for the group’s investment in technology.

Group Risk Management continually seeks new ways to enhance its risk management techniques. It also updates the Group Risk

Management Framework on a regular basis to capture new policies adopted by the Board of directors.

Group Risk regularly reports to the Executive Committee and the Risk, Loans Review and Audit Committee, providing the board with the assurance that it requires that risks are being managed and controlled in the Group.

The key role of Group Risk is recognized by ABCH and the function is headed by a member of executive management who reports to the Chief Executive Officer.

Group Internal Audit

The primary function of internal audit is to give an objective assurance to the board that there are adequate management processes to identify and monitor risks and that effective internal controls are in place to manage those risks. Group Internal Audit independently audits and evaluates the effectiveness of the Group's risk management, internal controls and governance processes.

Internal Audit operates under Terms of Reference which were approved by the Risk, Loans Review and Audit Committee. The terms of reference defines the role and objectives, authority and responsibility of the audit function. The Group Internal Auditor reports to the Chief Executive Officer and has unrestricted access to the Chairman of the Risk, Loans Review and Audit Committee.

At the beginning of each financial year Internal Audit carries out risk assessment for all business units and subsidiaries. A comprehensive audit plan for the year is then derived based on this risk assessment and identifies areas of focus. The areas of focus are confirmed with executive management before they are approved by the Risk, Loans Review and Audit Committee. The audit plan is reviewed regularly and any changes are approved by the Risk, Loans Review and Audit Committee.

Compliance

Compliance risk is the risk of non-compliance with all relevant regulatory

statutes, central bank supervisory requirements and industry code of practice. The compliance function is an integral part of the overall Group Risk Management function. A decentralized compliance function has been implemented within the business units and subsidiaries. Compliance officers have been appointed in each operating entity.

Compliance risk is managed effectively through the development and implementation of compliance processes, development of effective policies and procedures affecting the respective regulatory framework, provide advice and training on the constantly changing regulatory issues. A key role of compliance officers in the Group is to develop and maintain sound and smooth working relationships with the various regulators throughout the countries in which ABCH has operations.

Group Legal

The function is headed by the Group General Counsel and is responsible for ensuring that legal risk is adequately managed. This is effected through the use of standard approved legal documentation wherever possible. Specialised external legal advisors are used whenever required for non-standard transactions. The Group General Counsel ensures that only approved legal advisors are used to give legal opinions or to draw up specialized agreements.

The main categories of risk inherent in the business of the group are:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Market Risk
- Currency Risk
- Operational Risk
- Solvency Risk
- Reputational Risk

Credit Risk is the risk of loss due to the inability or unwillingness of a particular counterparty to meet their obligations. Country (or Sovereign) risk is part of overall credit risk and is managed as part of the credit risk management function as it has a major impact on individual counterparties ability to perform.

The Board has defined and documented a credit policy for the group which forms the basis of credit decisions. This policy includes a framework of limits and delegation of credit approval authority which are strictly adhered to. No one individual has the power to authorize credit exposures.

Each country in which the group operates has a credit committee which operates within the defined limits set by the Board. These committees are responsible for the management of credit risk within their country including, credit decisions, processes, legal and documentation risk and compliance with provisioning policies.

The Risk department regularly reviews each country's adherence to required standards.

The Regional Credit committee reports through Exco to the Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and provisioning policies.

The group has adopted standard provisioning policies which at a minimum comply with the prudential guidelines of the respective countries' central banks. Provisions are determined monthly at country level and are subject to regular review by Group Risk. On a bi-annual basis the levels of provisions are reviewed by external auditors.

Liquidity Risk is the risk that the group may not be able to meet its commitments due to a shortage of funds that normally arises as a result of maturity mismatch between assets and liabilities. **Interest Rate Risk** is the risk of incurring losses as a result of a change in interest rates that arises when assets and liabilities reprice at different times.

The Assets and Liabilities Management committee (ALCO) is responsible for managing liquidity and interest rate risk in the group. ALCO committees have been established in each country and meet on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO.

The group has adopted a conservative approach to liquidity risk

exceeding statutory requirements. It holds liquidity reserves in highly tradeable instruments or money market placements which are immediately available if required. Liquidity is assessed by currency as well as by time bracket. Group liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements.

In order to reduce interest rate risk, the majority of the group's lendings are on a variable interest rate with a term of less than one year. This approach has been adopted as a result of the scarcity of term deposits in the region which limits the group's ability to build a substantial, stable pool of fixed rate funding.

Market Risk is the risk that adverse changes in the market value of a portfolio of financial instruments (including derivatives) may result in losses to the group. **Currency Risk** is the risk of adverse movements in exchange rates resulting in a loss to the group.

Market and foreign currency exposures related to dealing positions are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All trading positions are marked to market as required by IAS39.

The Group Risk division is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorized transactions are promptly identified.

The currency exposure that arises as a result of the group's continuing expansion and cross border investment activities is managed through Regional Credit Committee and Group ALCO.

Operational Risk is the risk of loss due to inadequate, or breakdowns in, internal processes, systems, and people as well as the effect of external events. It includes reputational risk and technology risk.

The group tries to mitigate these risks through strong corporate governance structures and internal control systems, complimented by a healthy culture system.

The Risk, Loans Review and Audit committee is responsible for monitoring operational risk, reputational risk and other risks not managed by separate committees. However management throughout the organization is responsible for introducing and maintaining effective operational processes and procedures. They are the front line in managing operational risk.

Effective compliance and internal audit functions are a critical part of the governance activities relating to operating risk. Compliance officers have been appointed in each jurisdiction although in countries where businesses are still small, the compliance and risk functions have been combined.

The internal audit function operates centrally, but visits each region several times per year. This modus operandi also increases internal audit's independence from regional operations. Internal audit reviews the efficacy of internal controls and procedures, recommending improvements to management where applicable.

The governance of technology issues was given particular attention in King II and the IT Steering Committee has wide representation from business areas and meets regularly to address policy issues.

Solvency Risk

The level of capital and unimpaired reserves are evidence of the shareholder's commitment to ensuring the continuing operations and solvency of the group.

Solvency risk is measured by the capital adequacy ratio which requires capital to be held in relation to risk weighted asset classifications. The group is committed to holding sufficient capital to meet both the capital requirements at a consolidated level and to maintain capital adequacy levels at a country level that are above the minimum requirements of the respective central banks.

Reputational Risk is managed through adherence to corporate governance

standards, the Group's business integrity policy and corporate values.

CORPORATE GOVERNANCE

ABC Holdings Ltd (ABCH) is committed to the principles of openness, integrity and accountability. In February 2003, the board endorsed the adoption of the second report of the King Commission.

Board of Directors

The board currently comprises 7 directors, including 5 independent non-executive directors, 1 non-executive director and 1 executive director. The board composition is balanced so that no one individual or small group can dominate decision making. The depth of experience and diversity of the board ensures that robust and forthright debate on all issues of material importance to the group occurs. ABCH Director's profiles may be found on page 12 of this report

The roles of Chairman and CEO are separate and no individual has unfettered control over decision making. The chairman is a non-executive director appointed by the board.

The board is responsible to shareholders for setting of strategic direction, monitoring of operational performance and management, risk management processes and policies, compliance and setting of authority levels as well as the selection of new directors. The board is also responsible for the integrity and quality of communication with stakeholders, including employees, regulators and shareholders. The Board has adopted a Risk Management Framework and has delegated its responsibility for risk to the Risk, Loans Review and Audit Committee. This committee reviews risk management processes in the Group and ensures that board policies and decisions on risk are properly implemented. The committee assesses the adequacy and effectiveness of the risk management structures in the group and report to the board on all risk governance issues.

All directors have direct access to the advice and service of the company secretary and to information on the group's affairs. A formal board charter has been adopted which deals with board's role, responsibility and procedures.

Country operations have their own boards, with external representation and function within the requirements of their jurisdiction.

The ABCH board meets at least quarterly. During the past financial year it met 4 times, and held several additional telephonic meetings. The CEO and senior executives are available to brief directors where required.

Director's attendance at meetings in 2005.

	February	June	August	December
Barry	Y	N	N	N
Buttery	Y	Y	Y	Y
Chidawu	Y	Y	Y	Y
Hug	Y	Y	n/a	n/a
Kudenga	Y	Y	Y	Y
Mbaakanyi	Y	N	Y	Y
Mothibatsela	n/a	n/a	Y	Y
Munatsi	Y	Y	Y	Y
Wasmus	Y	Y	Y	Y

Board Committees

The board is assisted in the discharge of its responsibilities by a number of sub-committees. A pictorial representation of the governance structure can be found on page 17.

These committees are accountable to the board, with the exception of the management committee which reports to the executive committee. Minutes of sub-committee meetings are circulated and reported on at the following board meeting. Senior executives are invited to attend meetings where appropriate.

Board committees may make use of external professional advisers, when necessary, to discharge specific tasks.

Executive Committee

The Executive Committee (EXCO) is constituted to assist the chief executive in managing the group and implementing strategy, policies and procedures subject to the board's limitations on delegation to the chief executive.

The chief executive's authority in managing the group is unrestricted. EXCO assists the chief executive to guide and control the overall

direction of the business of the group and acts as a medium of communication and co-ordination between business units and group companies, and the board. EXCO meets monthly and is supported by a management committee comprising of all divisional and functional heads which meets weekly. EXCO consists of 2 non-executive directors and 2 executives.

The committee also considers non-remuneration aspects of human resources such as succession planning and skills development within the Group.

Risk , Loans Review and Audit Committee

The audit committee is chaired by Mr N. Kudenga, an independent non-executive director of ABCH. The audit committee has adopted the Terms of References for both the Risk Committee and Audit Committee as detailed in the King II report. In particular it assists the board in the discharge of its duties relating to financial reporting to all stakeholders, compliance, risk management, loans review and the effectiveness of accounting and management information systems.

Meetings are held regularly throughout the year and are attended by external and internal auditors as well as senior executive management. The committee met four times in 2005. Issues addressed include the review of accounting policies, internal and external audit functions, IT risks, business continuity planning, financial reporting, operational risks, risk management, capital adequacy, compliance and the adequacy of management information. Detailed loans information and all arrears are considered by the committee together with the adequacy of the bad debt provisions.

The committee considered whether the company and the group are going concerns and recommended that the board endorse a statement to this effect and that the financial statements prepared on this basis should be approved.

Remuneration committee

The remuneration committee is chaired by Mr. O M Chidawu, a non-executive director of ABCH. The CEO attends the meetings of this committee by invitation but does not participate in any discussions on his remuneration. The committee is responsible for the senior executive

remuneration policy . It fixes the remuneration packages of individual directors within agreed terms of reference, in order to avoid potential conflicts of interest.

The remuneration committee is responsible for setting the remuneration philosophy of the group. It aims to ensure that the financial rewards offered by the company to employees are sufficient to attract people of the calibre required for effective running of the company and to produce the required returns to its shareholders. Annually the committee reviews the profit sharing scheme which is based on achievement of a specified return to shareholders. The committee met four times in 2005.

Nominations Committee

The Nomination Committee comprises two non-executive directors and is responsible for making recommendations to the board on all new board appointments. A formal process is in place in terms of which the skills needed are identified and those individuals who might best assist the board in their endeavours are recruited. During the year Mr. Tsipa Samuel Mothibatsela was appointed to the board. In terms of the memorandum and articles, the longest serving one third of directors retire by rotation annually and stand for re-election. Messrs. Buttery, Chidawu, and Kudenga will retire at the AGM to be held in May 2006, and being eligible, will stand for re-election. Resumes of directors standing for re-election are given on page 76.

Organisational Ethics and Business Integrity

The need for the organization to act professionally at all times is enshrined in the Group's mission statement. Good governance and ethical conduct is critical to counterparty and investor perceptions of a banking group, particularly in Africa. Professional and ethical conduct is an integral part of how the Group conducts its business on a daily basis and the Group strives to ensure that its integrity and professional conduct is beyond reproach at all times. Every six months each employee's performance is measured against set targets. Leadership development programmes are in place to ensure that ethical conduct is an integral part of the business culture. While it is probably impossible to achieve a perfect result, we attempt to limit the cost of unethical behaviour to our stakeholders.

The group has adopted a business integrity policy which comprehensively deals with issues such as money laundering, insider trading, bribery, political activities, confidentiality and data privacy as well as whistle blowing. ABCH adopts a firm approach in dealing with any inappropriate or fraudulent behaviour of management or staff at any level. Our policies and procedures are being constantly improved to prevent possible future losses in this critical area.

Directors and Executives disclose any material interests they may have and recuse themselves from participating in discussions on credit or other proposals relating to their interests.

Dealing on Stock Exchanges

As part of its commitment to conducting business in a professional and ethical manner at all time times, the Group follows strict guidelines in respect of dealing on the Stock Exchanges by employees and directors. A policy is in place prohibiting directors and employees in dealing in stocks when they are in possession of price-sensitive information, which may generally not be available to the public. Dealing is further restricted in dealing in ABCH's shares and other related counters during defined periods which are generally six weeks prior to the publication of the interim and final results

Health and Safety Policy

ABCH seeks to ensure that it engages in activities which do not jeopardise the health and safety of its employees, taking into account the industrial sectors concerned. ABCH will encourage businesses supported by it to adopt appropriate health and safety measures and endeavour to comply, within a reasonable period, with local legislative requirements, as far as occupational health and safety is concerned.

Environmental Policy

ABCH recognises that environmental risks should be part of the normal checklist of risk assessment and management. As part of ABCH's credit risk assessment, it seeks to ensure that the environmental effects of its support are assessed and monitored in the planning, implementation and operational stages of a project

Corporate Social Investment

African Banking Corporation Holding (ABCH) is a responsible corporate citizen and it invests in, among others, the children and women of Africa. The group seeks to support projects that help to build for the future of Africa. The projects are varied but are all focused on upliftment of women and the promotion of well-rounded African children. Furthermore the thrust is on the development of the African heritage and this is achieved through the promotion of arts, dance, song language and rituals that are distinctively African.

Children

In 2005, the bank continued with its focus on caring for children particularly, AIDS orphans. African Banking Corporation Zambia Limited (ABCZ) partnered with Our Ladies Hospice. The Hospice is an NGO run by volunteers and it caters for HIV/AIDS patients. The hospice is also used as a counseling and a Voluntary Testing Centre. It is situated in Kalingalinga Township, Lusaka.

Zambia, as is the case with the rest of the world, has been impacted by the adverse effects of HIV/AIDS and hence ABCZ felt the need to partner with the hospice. The services offered by the Hospice are contributing towards the awareness and the well being of the community and its development.

In Zimbabwe, the bank donated money to St Paul's Mission Hospital, which caters for 20 children from birth to age fourteen. The donation was aimed at providing entertainment for the children. Many of the children in hospital are not only in pain because of the diseases affecting them, but also because of loneliness and the sad reality of being away from home and families. Hence the bank chose to purchase television sets, toys and books to keep them entertained. The bank continued its sponsorship in the area of education through the support of disabled students at the University of Zimbabwe and various donations throughout schools regionally. In Tanzania, the bank donated computers to Kilimanjaro Development Forum a Non-Governmental Organisation promoting economic and educational development.

Women

African Banking Corporation Botswana Limited (ABCB) participated in the Breast Cancer Association initiative and was also involved in a march against the rising incidents of murders and suicides called "Passion Killings." The bank also funded a women institution involved in knitting and selling of

garments for the deaf, blind and mentally challenged children in Francistown.

Arts and Culture

On the cultural area the bank continued with the sponsorship of The Harare International Film Festival of the Arts through the sponsorship of the opening night concert, running the HIFA ticket box and also the branding of the African Banking Corporation -7 Arts theatre. The opening concert, "What about You" featured Afro tenors, a group of three South Africans, Oliver Mutukudzi, Chitungwiza Harmony Singers, Sontonga String Quartet, Air Power, Zim Zim Acrobats to mention a few. The show combined both song and dance.

Community Initiatives

African Banking Corporation Zimbabwe Limited, (ABCZ) partnered with the Zimbabwe Republic Police (ZRP) in the preservation of order and the provision of peace of mind.

On realising that the Zimbabwe Republic Police was operating under strenuous conditions and was not fully equipped to provide the protection that the community expected due to lack of resources, African Banking Corporation decided to help. On carrying out an audit the bank identified a number of resources that it could provide. Firstly, the bank realised the importance of efficient and reliable communication and provided computers and telephones handsets for stations in Harare, Bulawayo, Mutare and Chinhoyi.

The bank also donated eight motorcycles to be used throughout the country to ensure accessibility to some remote areas and ensure quick response to crime prevention.

The bank also embarked on a project to spruce up the image of the Police stations and started with Borrowdale and Mbare police stations in Harare where it painted the buildings, tiled the floors in the charge offices and provided reception chairs for the clients. In Bulawayo, the bank adopted the Bulawayo Central and West Commonage Police station. The bank supported the Mutare Central Police Station and the Chinhoyi Central Police Station.

The group continued to support many other community related projects and it is through this support that the bank aims to establish a strong Pan-African brand.

Annual Financial Statements



Moroccan couscous platter/Swiss cheese

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Directors' Responsibility

Responsibility for the Annual Financial Statements

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

To enable the directors to meet these responsibilities:

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

The annual financial statements have been prepared in accordance with the provisions of the Botswana Companies Act, the Botswana

Stock Exchange Regulations and International Financial Reporting Standards relating to companies and banks.

The directors have no reason to believe that the group or any subsidiary company within the group will not be going concerns in the year ahead, based on the forecasts and available cash resource. These financial statements have accordingly been prepared on that basis.

It is the responsibility of the independent auditors to report on financial statements. Their report to the members of the Company is set out on page 37 of this annual report.

Approval of the Annual Financial Statements

The directors' report and the annual financial statements, which appear on pages 38 to 73, were approved by the Board of directors on 28 February 2006 and are signed by:

O M CHIDAWU
CHAIRMAN

D T MUNATSI
CHIEF EXECUTIVE OFFICER

Auditors' Report



**KPMG Certified Public Accountants
Audit**
Bagakolodi House
Plot 50364B, Fairground Park
PO Box 1519, Gaborone, Botswana.

Telephone +267 391 2400
Telefax +267 397 5281
www.kpmg.com

Report of the independent auditors to the members of ABC Holdings Limited

We have audited the accompanying financial statements of ABC Holdings Limited and its subsidiaries set out on pages 38 to 73 for the year ended 31 December 2005. These consolidated financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Botswana Companies Act (CAP 42:01) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have examined the books, accounts and vouchers of the company and group to the extent we considered necessary and have obtained all the information and explanations which we required. We have satisfied ourselves as to the existence of securities. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the company and its subsidiaries have kept proper books of accounts with which the financial statements are in agreement and the financial statements present fairly, in all material respects, the financial position of the company and its subsidiaries at 31 December 2005 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 42:01) in Botswana

A handwritten signature in blue ink, appearing to be 'M.M.', is written above the printed name of the auditor.

KPMG
Certified Public Accountants

28 February 2006
Gaborone

Directors' Report

Nature of Business

ABC Holdings Limited is listed on the Botswana and Zimbabwe Stock exchanges and is the holding company of the African Banking Corporation group of companies which comprise diverse financial services activities in the areas of corporate, international, investment and merchant banking, leasing finance, asset management, stock broking and treasury services. African Banking Corporation aims to deliver world-class financial solutions to the sub-Saharan African region.

Authorised and issued Share Capital

Details of the share capital are set out in note 16 to the financial statements. There was no change in the authorized or issued share capital of the company during the year.

Group Results

Inflation adjusted headline earnings amounted to BWP 18 million and headline earnings per share to 17.8 thebe. On a historical cost basis, the group posted headline earnings profit of BWP60.8 million compared to BWP36.0 million achieved in the prior year and headline earnings per share of 53.6 thebe. Headline earnings were derived principally from the group's banking activities with the Zimbabwe operations contributing 77% of the earnings. Group profits attributable to ordinary shareholders amounted to BWP 17.1 million on an inflation-adjusted basis and BWP 57.7 million on a historical cost basis

A general review of the business and operations of major subsidiaries is given in the Chief Executive Officer's review on pages 19 to 21 of this annual report.

The financial statements have been prepared in accordance with International Financial Reporting Standards and the accounting policies of the group, which are considered by the directors to be appropriate. Accounting policies have been applied in a manner consistent with that in the previous financial year and details of significant policies can be found on pages 46 to 49.

Subsidiary and Associated Companies

Details of the groups' subsidiaries and associated companies are set out in note 34 of this annual report.

Acquisitions and disposals

During the financial year, the company made no material acquisitions or disposals. However discussions to exit Iroko Financial Products Limited are at an advanced stage and the net assets of Iroko have been classified as assets available-for-sale, which assets have been fully impaired.

Directors' Interests in the shares of ABC Holdings Limited

Directors held no direct shareholding interests in ABC Holdings Limited. The following table depicts the interests of Directors in the shares of ABC Holdings Limited. These interests are indirect and beneficial.

INDIRECT, BENEFICIAL SHAREHOLDING	NUMBER OF SHARES AS AT 31 DECEMBER 2005	NUMBER OF SHARES AS AT 31 DECEMBER 2004
O.M. Chidawu	13,006,966	13,280,852
N. Kudenga	304,008	304,008
D.T. Munatsi	11,764,517	12,213,602

Directors' interests in transactions

Any interests by Directors in transactions between the company and third parties were disclosed to committees that were responsible for approval prior to such approval being granted and interested parties are required to recuse themselves from any approval process. Details of lending exposures can be found in the note on related party transactions on page 64 of this report.

Directors Emoluments

Directors' emoluments in respect of the company's directors (Executive and Non-Executive) are shown in note 5.2 to the financial statements.

The earnings and perquisites of the Group Chief Executive Officer are approved by the Remuneration Committee of the Board.

Directors and Secretaries

Full details of the directorate are shown on page 14. Details of the secretary are given on page 15.

The following resignations and appointments occurred during the current year:

Mr RW Hug resigned from the board on 1 June 2005 and Mr T Mothibatsela was appointed to the board on 9 August 2005.

Subsequent to the year-end Mr TC Barry resigned from the board because of pressures elsewhere in his business.

The following directors retire by rotation at the Annual General Meeting to be held on 30 May 2006:

Messrs H J Buttery, O M Chidawu, N Kudenga

Brief CVs of Directors eligible and available for re-election at the Annual General Meeting are included in Notice to Shareholders.

Dividends

The Directors have recommended that a final dividend for the current year be passed as capital requirements have been increased in a number of jurisdiction that we operate in. With the Group's financial position strengthening, the board would like to return to paying a dividend in line with the company's policy. A 10% preference share coupon, as approved by the ordinary shareholders at the Annual General Meeting in 2002, was paid to Preference Shareholders.

Insurance

ABC Holdings Limited and its subsidiaries are insured against banking risks, asset losses, professional indemnity and Directors and officers' claims at a level of cover, which is considered to be adequate by the directors.

Post-balance sheet events

Subsequent to the balance sheet date, the preference shareholders' agreement was terminated by mutual consent. In terms of the restructuring agreement, the preference shareholders will convert 30% of their redeemable preference shares to ordinary equity. The balance of 70% will be redeemed in two equal installments with the final installment being due and payable by September 2006. No adjustment has been made in the consolidated financial statements.

M de Klerk

Secretary to the Board

28 February 2006

ABC Holdings Limited
Consolidated profit and loss account for the year ended 31 December 2005

	Notes	Inflation Adjusted		Historical Cost	
		2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
Interest and similar income		438,955	456,194	322,041	365,967
Interest expense and similar charges		(268,991)	(332,005)	(195,959)	(262,920)
Net interest income	1	169,964	124,189	126,082	103,047
Impairment of loans and advances	2	(20,728)	(25,638)	(20,728)	(25,638)
Income from lending activities		149,236	98,551	105,354	77,409
Other income	3	164,521	169,820	144,806	138,830
Income from associates and joint venture	4	4,209	3,857	4,209	3,857
Total operating income		317,966	272,228	254,369	220,096
Operating expenditure	5	(189,272)	(176,074)	(151,825)	(152,621)
Loss on net monetary position		(62,581)	(33,726)	-	-
Net operating income		66,113	62,428	102,544	67,475
Exceptional items		(9,552)	(1,733)	(9,552)	(1,733)
Impairment of goodwill	6	(17,133)	(1,733)	(17,133)	(1,733)
Impairment of Iroko investment	35	(5,093)	-	(5,093)	-
Recovery of impaired loan book		12,674	-	12,674	-
Profit before taxation		56,561	60,695	92,992	65,742
Taxation	7	(38,453)	(35,783)	(34,221)	(25,866)
Profit for the year		18,108	24,912	58,771	39,876
Attributable to:					
Equity holders of parent		17,082	30,498	57,745	45,462
Minority interest		1,026	(5,586)	1,026	(5,586)
Profit for the year		18,108	24,912	58,771	39,876
Earnings per share	8	Thebe	Thebe	Thebe	Thebe
Basic earnings per share	8.1	15.1	26.9	50.9	40.1
Headline earnings per share	8.2	17.8	18.5	53.6	31.7

ABC Holdings Limited
Consolidated balance sheet as at 31 December 2005

	Notes	Inflation Adjusted		Historical Cost	
		2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
ASSETS					
Cash and cash equivalents	9	207,304	287,846	207,304	287,846
Financial assets held for trading	10	861,202	548,954	861,202	548,954
Investments	11	34,901	61,004	34,901	61,004
Investment in associates and joint venture		34,467	28,572	34,467	28,572
Loans and advances to customers	12	662,795	662,222	662,795	662,222
Customer liabilities for acceptances		2,983	27,143	2,983	27,143
Other assets	15	17,577	38,591	17,577	38,591
Deferred tax assets	25	8,441	6,982	8,441	6,982
Investment property	14	10,811	16,770	10,811	16,770
Property and equipment	13	40,875	68,683	27,196	34,058
Goodwill	6	34,467	47,185	34,467	47,185
Total assets		1,915,823	1,793,952	1,902,144	1,759,327
LIABILITIES					
Deposits	22	1,338,826	1,147,949	1,338,826	1,147,949
Other interest-bearing liabilities	23	102,950	130,820	102,950	130,820
Repurchase agreements		73,560	74,292	73,560	74,292
Liability for acceptances		2,983	27,143	2,983	27,143
Current tax liabilities		10,187	24,369	10,187	24,369
Deferred tax liability	25	20,305	16,875	16,073	6,225
Preference share liability	17	115,056	89,240	115,056	89,240
Other liabilities	24	44,330	75,594	44,330	75,594
Total liabilities		1,708,197	1,586,282	1,703,965	1,575,632
SHAREHOLDERS' EQUITY					
Share capital and premium	16	225,205	225,205	225,205	225,205
Foreign currency translation reserve	18	(28,386)	(4,442)	(253,712)	(202,501)
Capital and other reserves	19	19,119	18,278	24,503	18,278
Retained earnings	20	(21,464)	(42,400)	189,031	131,684
Total equity attributable to equity holders of parent		194,474	196,641	185,027	172,666
Minority interest	21	13,152	11,029	13,152	11,029
Total shareholders' equity		207,626	207,670	198,179	183,695
Total shareholders' equity and liabilities		1,915,823	1,793,952	1,902,144	1,759,327

ABC Holdings Limited
Company balance sheet as at 31 December 2005

	Notes	Historical Cost	
		2005 BWP '000s	2004 BWP '000s
ASSETS			
Cash and cash equivalents		-	2,524
Investment in subsidiaries	34	362,512	362,512
Investments		729	566
Other assets		929	2,220
Deferred tax assets		97	119
Total assets		364,267	367,941
LIABILITIES			
Inter-company balances		18,221	14,812
Current tax liabilities		-	916
Preference share liability	17	115,056	89,240
Other liabilities		7,287	7,470
Total liabilities		140,564	112,438
SHAREHOLDERS' EQUITY			
Share capital and premium	16	226,898	226,898
Foreign currency translation reserve		(7,599)	23,406
Retained earnings		4,404	5,199
Total shareholders' equity		223,703	255,503
Total shareholders' equity and liabilities		364,267	367,941

Company profit and loss for the ended 31 December 2005

	Notes	Historical Cost	
		2005 BWP '000s	2004 BWP '000s
Interest and similar income		2,344	967
Interest expense and similar charges		(12,598)	(9,545)
Net interest loss		(10,254)	(8,578)
Impairment of loans and advances		-	(6,630)
		(10,254)	(15,208)
Other income		16,643	23,027
Total operating income		6,389	7,819
Operating expenditure		(5,395)	(5,866)
Profit before tax		994	1,953
Taxation		(1,787)	(3,888)
Loss for the year		(793)	(1,935)

ABC Holdings Limited
Statement of changes in shareholders' equity for the year ended 31 December 2005

Inflation Adjusted	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Available For Sale Reserve	Capital Reserve	Revenue Reserves				
	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s			
Balance at 1 January 2004	5,672	221,226	(15,593)	952	7,600	(68,260)	151,597	21,740	173,337	
Net profit for the year						30,498	30,498	(5,586)	24,912	
Reserve transfers			2,531	(952)	3,059	(4,638)	-		-	
Reserve created				1,084	6,535		7,619		7,619	
Foreign currency translation movement			8,620				8,620	(5,125)	3,495	
Recognised as treasury shares	(1,693)						(1,693)		(1,693)	
Balance at 31 December 2004	3,979	221,226	(4,442)	1,084	17,194	(42,400)	196,641	11,029	207,670	
Net profit for the year						17,082	17,082	1,026	18,108	
Reserve transfers					561	(561)	-		-	
Reserve created				280			280		280	
Foreign currency translation movement			(23,944)				(23,944)	1,097	(22,847)	
Negative goodwill recognised						4,415	4,415		4,415	
Balance at 31 December 2005	3,979	221,226	(28,386)	1,364	17,755	(21,464)	194,474	13,152	207,626	
Historical Cost	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Available For Sale Reserve	Capital Reserve	Revenue Reserves				
	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s	BWP'000s			
Balance at 1 January 2004	5,672	221,226	(186,538)	952	7,600	88,329	137,241	21,740	158,981	
Net profit for the year						45,462	45,462	(5,586)	39,876	
Reserve transfers				(952)	3,059	(2,107)	-		-	
Reserve created				1,084	6,535		7,619	-	7,619	
Foreign currency translation movement			(15,963)				(15,963)	(5,125)	(21,088)	
Recognised as treasury shares	(1,693)						(1,693)	-	(1,693)	
Balance at 31 December 2004	3,979	221,226	(202,501)	1,084	17,194	131,684	172,666	11,029	183,695	
Net profit for the year						57,745	57,745	1,026	58,771	
Reserve transfers					4,813	(4,813)	-		-	
Reserve created				280	1,132		1,412		1,412	
Foreign currency translation movement			(51,211)				(51,211)	1,097	(50,114)	
Negative goodwill recognised						4,415	4,415		4,415	
Balance at 31 December 2005	3,979	221,226	(253,712)	1,364	23,139	189,031	185,027	13,152	198,179	

Consolidated cashflow statement for the year ended 31 December 2005

	Notes	Inflation Adjusted		Historical Cost	
		2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash available from operating activities	1	170,007	123,079	133,681	82,704
Taxation paid		(50,664)	(17,307)	(40,014)	(11,954)
Net cash inflow from operating activities		119,343	105,772	93,667	70,750
Net decrease in operating funds		(114,775)	(93,156)	(114,775)	(108,866)
Increase in loans and advances to customers and other assets		(247,441)	(297,217)	(247,441)	(312,927)
Increase in deposits and other liabilities		132,666	204,061	132,666	204,061
CASH FLOWS FROM INVESTING ACTIVITIES		(4,652)	(8,550)	(4,176)	(8,489)
Purchase of property and equipment		(5,862)	(8,730)	(5,386)	(8,669)
Proceeds on disposal of property and equipment		1,210	180	1,210	180
CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-
(Decrease)/increase in cash and cash equivalents		(84)	4,066	(25,284)	(46,605)
Cash and cash equivalents at the beginning of the year		287,846	317,937	287,846	317,937
Exchange adjustment on opening balance		(80,458)	(34,157)	(55,258)	16,514
Cash and cash equivalents at the end of the year	9	207,304	287,846	207,304	287,846

Consolidated cashflow statement for the year ended 31 December 2005

	Notes	Inflation Adjusted		Historical Cost	
		2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
1 Reconciliation of operating profit to cash flows from operating activities					
Profit before taxation		56,561	60,695	92,992	65,742
Adjusted for:					
Depreciation		15,961	19,935	5,785	8,239
(Profit)/loss on sale of property & equipment		(516)	40	(516)	40
Impairment of loans and advances (net of recoveries)		21,991	21,811	21,991	21,811
Loss on net monetary position		62,581	33,726	-	-
Impairment of Iroko investment		5,093	-	5,093	-
Goodwill impairment		17,133	1,733	17,133	1,733
Property revaluation gains		(9,290)	(15,901)	(9,290)	(15,901)
Other impairment losses		493	1,040	493	1,040
Cashflows from operating activities		170,007	123,079	133,681	82,704

Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of the Botswana Companies Act (Chapter 42:01).

Basis of preparation

The financial results of entities in Zimbabwe have been adjusted to reflect the changes in the general level of prices as they operate in a hyperinflationary economy with cumulative three-year inflation of over 100%. The restatement for the purchasing power of the Zimbabwe entities is based on IAS 29 *Financial Reporting in Hyperinflationary Economies*, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The restatement was calculated by conversion factors derived from the countrywide consumer price index published by the Central Statistical Office of Zimbabwe. The restated results are converted into the group's presentation currency, Botswana Pula, at the closing rate ruling on 31 December.

The group presents both inflation-adjusted accounts and historical cost accounts for the benefit of investors. Financial instruments held for trading and available for sale investments are stated at fair value. Other financial assets and financial liabilities are stated at amortised cost.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS's that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- **Fair value of financial instruments**

Many of the group's financial instruments are measured at fair

value on the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgement (e.g. interest rates, volatility, estimated cash flows etc) and therefore cannot be determined with precision.

- **Deferred tax assets**

The recognition of deferred tax asset is based on profit forecasts made by management of the particular group company where the asset has arisen. These forecasts are based on the group's re-capitalisation plans of the subsidiary and market conditions prevailing in the economy in which the company operates.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

Currency

The financial statements are presented in Botswana Pula (BWP), rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements for the year ended 31 December 2005 comprise the company, its subsidiaries and the group's interest in associates and its jointly controlled entity.

Subsidiaries

Subsidiaries are those enterprises controlled by the company. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those enterprises in which the group has significant influence, but not control over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis from the date significant influence commences until the date that significant influence ceases.

Jointly controlled entities

Jointly controlled entities are those enterprises over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's share of the total gains or losses of the entity on an equity accounted basis from the date that joint control commences until the date joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill and negative goodwill

All business combinations are accounted for by applying the purchase method. Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment. Impairment losses are recognised in the income statement.

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the cost of the acquisition. Negative goodwill, which arose from acquisitions prior to 1 January 2003 has been recognised in shareholders' equity.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Botswana Pula at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Botswana Pula at the monthly average foreign exchange rates for the year. The revenues and expenses of foreign operations in hyperinflationary economies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognized directly as foreign currency translation reserve in equity.

Foreign currency transactions

Foreign currency transactions are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement and shown under other income.

Recognition of assets and liabilities

Assets are recognised when the group irrevocably gains control of a resource from which future economic benefits are expected to flow to the group.

Liabilities are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation is, or outflow of resources from the group can be made. If there is a possible obligation or outflow of resources from the group or where a reliable estimate is not available, a contingent liability is disclosed.

Derecognition of assets and liabilities

An asset is derecognised when the group loses control over the contractual rights that comprise the asset. A liability is derecognised when it is extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with banks and short term highly liquid investments with maturities of three or less when purchased.

Financial assets held for trading

Financial assets held for trading are those instruments that the group principally holds for the purposes of short-term profit making. These include investments and derivatives held for trading.

Trading instruments are measured at fair value based on quoted market price using the bid/offer mid rate at the balance sheet date. If there is no quoted market price in an active market, the instruments are measured at the lower of cost and directors' valuation.

Gains or losses arising from the revaluation of financial assets held for trading are taken to the income statement.

Investments

Investments comprise held-to-maturity and available-for-sale fixed interest and equity or other financial instruments.

Held-to-maturity fixed interest instruments held in investments portfolio are stated at amortised cost less any impairment in value.

Available-for-sale quoted investments are valued at market value using the bid/offer rate. Unlisted equity investments and instruments for which there is no quoted market price are stated at the lower of cost or directors' valuation.

Available for sale investments are marked to market and any gains or losses arising from the revaluation of investments are shown in shareholders equity as available-for-sale reserves. On realisation of the investment, the available-for-sale reserves are transferred to income statement.

Loans and advances

Loans and advances are accounted for on an amortised cost basis. These are stated net of allowances for specific and portfolio impairment.

Included in loans and advances are finance lease receivables. Finance lease receivables are those leases where the Group transfers substantially all the risk and reward incident to ownership of an asset. Finance lease charges are recognised in income using the effective interest rate method.

Impairment of loans and advances

Specific impairment allowances are made against the carrying amounts

of loans and advances that are identified as being impaired based on regular reviews. The amount of impairment is the group's conservative estimate of the amount needed to reduce the carrying value of the asset to the expected recoverable amount. The recoverable amount is measured as the present value of expected future cash flows, discounted based on the original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective rate determined under the contract.

Portfolio impairment allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date and is determined having regard to economic conditions and general risk.

Irrecoverable loans and advances are written off after all reasonable restructuring and collection activities have taken place and the possibility of further recovery is considered remote.

Acceptances

Acceptances comprise undertakings of the group to pay bills of exchange drawn on customers. The group expects most of the acceptances to be presented before being reimbursed by customers. Acceptances are accounted for and disclosed as a liability with a corresponding asset.

Property and equipment

Items of property and equipment are stated at cost or fair value less accumulated depreciation and impairment losses. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Valuations of freehold properties are carried out periodically by independent professional property valuers based on open market values of the properties. Surpluses and deficits arising thereon are transferred to equity. The revaluation surplus or deficit is reversed when the asset is disposed of.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the property and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings 40-50 years
- Bank premises 20 years
- Computer equipment 3 - 4 years
- Office equipment 4 years
- Furniture and fittings 5 - 10 years
- Vehicles 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investment property

Investment properties are properties which are held by the group either to earn rental income or for capital appreciation or for both. Investment

property is stated at fair value determined annually by an independent registered valuer. Fair value is based on open market value and any gain or loss arising is recognised in the income statement.

Deposits and other liabilities

Deposits and other liabilities are classified as non-trading liabilities and are stated at their amortised cost.

Repurchase agreements

Securities sold subject to a linked repurchase agreement ("repos") are recorded in the balance sheet as trading securities and the counterparty liability is included in liabilities. Gains, losses or interest resulting from these transactions are included in income.

Managed funds and trust activities

Certain companies in the group operate unit trusts, hold and invest funds on behalf of clients and act as trustees and in other fiduciary capacities. Assets and liabilities representing such activities are not included on the balance sheet, as these relate directly to clients. The values of these items are disclosed in note 28. Income from these activities is brought into account over the period to which the service relates.

Share capital

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as an interest expense.

Repurchase of share capital

Shares repurchased by group companies are classified as treasury shares, and held at cost. These shares are treated as a deduction from the issued share capital and the cost price of the shares is presented as a deduction from total equity. Dividends received from treasury shares is eliminated on consolidation.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

Impairment

At each balance sheet date the group reviews the carrying amounts of assets that are not carried at fair value for any indication of impairment.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement in the period in which it is identified.

Operating income

Income such as revenue derived from service fee, net interest income, commissions, net surplus arising from trading activities and other income are included in operating income.

Revenue recognition

Interest income and interest expense are recognised in the income statement for all interest bearing financial instruments on an accruals basis using the effective yield method based on the original settlement amount.

Other income includes exchange gains or losses, commissions, fees receivable, trading income, dividend income, rental income and profit or loss on disposal of property and equipment.

Fee and commission income arises from services provided by the group including cash management, project and structured trade finance transactions. Fee and commission income is recognised when the corresponding service is provided and receipt of the fee is certain.

Net trading income includes realised gains and losses arising from trading in financial assets and liabilities and unrealised changes in fair value of these instruments.

Dividend income is recognised in the income statement on the date that the dividend is declared.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Employee benefits

Defined contribution plans

It is the policy of the group to provide pension fund benefits to employees under defined contribution funds.

The group's obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Post retirement medical aid benefits

In terms of certain employment contracts, the group provides for medical aid contributions to qualifying employees beyond the date of normal retirement. Although these benefits are a defined benefit plan, the full liability has not been recognised as the number of employees affected is very small. The contributions are recognised as an expense in the income statement as incurred.

Termination benefits

The group recognises gratuity and other termination benefits in the financial statements when it has a present obligation relating to termination.

Leave pay provision

The group's obligation in respect of accumulated leave days is recognised in full in the financial statements.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets or liabilities are measured using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segmental reporting

The group's segmental reporting is in the form of a geographical analysis. A geographical segment refers to a distinguishable component of the group that is engaged in providing a service within a particular economic environment and is subject to risks and rewards that are different from those of the other segments.

Notes to the financial statements for the year ended 31 December 2005

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
1. NET INTEREST INCOME				
Interest and similar income				
Cash and cash equivalents	41,269	170,132	30,584	133,463
Investment securities	249,438	129,330	166,595	99,441
Loans and advances	133,514	146,718	116,208	123,304
Other	14,734	10,014	8,654	9,759
	438,955	456,194	322,041	365,967
Interest expense				
Banks and customers	251,183	293,537	178,151	228,017
Other borrowed funds	7,973	28,903	7,973	25,338
Preference shares	9,835	9,565	9,835	9,565
	268,991	332,005	195,959	262,920
Net Interest Income	169,964	124,189	126,082	103,047
Investment securities comprise government securities, treasury bills, bankers' acceptances and other bills.				
Interest income and expense on repurchase agreements has been shown net under investment securities.				
2. IMPAIRMENT OF LOANS AND ADVANCES				
Specific impairments	21,347	21,751	21,347	21,751
Portfolio impairments	210	4,401	210	4,401
Other write - offs	434	60	434	60
Recoveries	(1,263)	(574)	(1,263)	(574)
	20,728	25,638	20,728	25,638
3. OTHER INCOME				
Fees and commission receivable	33,798	24,711	29,026	20,715
Net trading income	66,350	80,232	60,390	72,224
Unrealised foreign exchange (loss)/gains	(21,581)	12,506	(17,668)	10,353
Gains from investments	53,677	28,389	53,398	18,002
Fair value adjustment on investment property	9,290	15,901	9,290	15,901
Rental and other income	22,987	8,081	10,370	1,635
	164,521	169,820	144,806	138,830

Notes to the financial statements for the year ended 31 December 2005

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
4. INCOME FROM ASSOCIATES AND JOINT VENTURE				
Income from associates	2,391	1,476	2,391	1,476
Income from joint venture	1,818	2,381	1,818	2,381
	4,209	3,857	4,209	3,857
5. OPERATING EXPENDITURE				
Administrative expenses	51,512	54,146	41,703	55,467
Property lease rentals	9,041	4,254	8,496	4,233
Staff costs (note 5.1)	104,733	90,528	88,248	77,497
Auditors' remuneration	2,972	2,424	2,540	2,398
Depreciation	15,961	19,935	5,785	8,239
Directors' remuneration (note 5.2)	4,560	3,747	4,560	3,747
Impairment of assets	493	1,040	493	1,040
	189,272	176,074	151,825	152,621
5.1 Staff costs				
Salaries	52,072	68,282	47,185	57,448
Pension and social security costs	3,208	3,248	2,350	2,795
Other staff costs	49,453	18,998	38,713	17,254
	104,733	90,528	88,248	77,497
The average number of employees during the year ended 31 December 2005 was 395 (2004: 438)				
5.2 Director's remuneration				
For management services				
Remuneration for management services	2,996	2,018	2,996	2,018
	2,996	2,018	2,996	2,018
Non-executive directors				
Fees as director of holding company	1,228	1,297	1,228	1,297
Fees as director of subsidiaries	336	432	336	432
	1,564	1,729	1,564	1,729
	4,560	3,747	4,560	3,747

Notes to the financial statements for the year ended 31 December 2005

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
6. GOODWILL				
Cost				
Balance at the beginning of the year	62,927	62,927	62,927	62,927
Negative goodwill	4,415	-	4,415	-
	67,342	62,927	67,342	62,927
Amortisation and impairment losses				
Balance at the beginning of the year	15,742	12,655	15,742	12,655
Impairment losses	17,133	-	17,133	-
Amortisation charge	-	3,087	-	3,087
	32,875	15,742	32,875	15,742
	34,467	47,185	34,467	47,185
Charge to income statement				
Negative goodwill recognised in income	-	(1,354)	-	(1,354)
Goodwill amortisation	-	3,087	-	3,087
Goodwill impairment	17,133	-	17,133	-
Total goodwill expense in income statement	17,133	1,733	17,133	1,733
7. TAXATION				
Current tax expense				
Current year	16,917	26,224	16,917	26,224
Under- provision in prior years	991	1,677	991	1,677
Bank levies	2,213	3,084	2,213	3,084
Tax on treasury bills/ other bills income	549	626	549	626
	20,670	31,611	20,670	31,611
Deferred taxation				
Current year	17,743	4,172	13,511	(5,745)
Rate change	40	-	40	-
	17,783	4,172	13,551	(5,745)
	38,453	35,783	34,221	25,866
Reconciliation of effective tax charge				
Income tax using standard tax rates	24,713	35,306	30,184	25,041
Non-deductible expenses	22,701	8,914	12,998	8,847
Tax exempt revenues	(7,396)	(3,952)	(7,396)	(3,537)
Tax incentives not recognised in income statement	(3,271)	(8,108)	(3,271)	(8,108)
Effect of tax losses utilised	(1,538)	(1,138)	(1,538)	(1,138)
Under/(over) provision in prior years	991	1,677	991	1,677
Bank levies	2,213	3,084	2,213	3,084
Rate change	40	-	40	-
	38,453	35,783	34,221	25,866
Effective tax rate	68%	59%	37%	39%

8. EARNINGS PER SHARE

8.1 Basic earnings per share

Inflation Adjusted

The basic earnings per share at 31 December 2005 of 15.1 thebe (2004: 26.9 thebe) is based on net profit for the year of BWP 17.1 million (2004: BWP 30.5 million) and calculated using a weighted average number of ordinary shares in issue of 113 449 724 (2004: 113 449 724)

Historical Cost

The basic earnings per share at 31 December 2005 of 50.9 thebe (2004: 40.1 thebe) is based on net profit for the year of BWP 57.7 million (2004: BWP 45.5 million) and calculated using a weighted average number of ordinary shares in issue of 113 449 724 (2004: 113 449 724)

8.2 Headline earnings per share

Inflation Adjusted

The headline earnings per share at 31 December 2005 of 17.8 thebe (2004: 18.5 thebe) is based on headline earnings attributable to ordinary shareholders of BWP 20.2 million (2004: BWP 21.0 million) and calculated using a weighted average number of ordinary shares in issue of 113 449 724 (2004: 113 449 724)

Historical Cost

The headline earnings per share at 31 December 2005 of 53.6 thebe (2004: 31.7 thebe) is based on headline earnings attributable to ordinary shareholders of BWP 60.8 million (2004: BWP 36.0 million) and calculated using a weighted average number of ordinary shares in issue of 113 449 724 (2004: 113 449 724)

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
Reconciliation of net profit to headline earnings				
Profit for the year	17,082	30,498	57,745	45,462
Less:	(19,145)	(11,243)	(19,145)	(11,243)
Property revaluation gain	(5,955)	(11,243)	(5,955)	(11,243)
Recovery of impaired loan book	(12,674)	-	(12,674)	-
Profit on disposal of property and equipment	(516)	-	(516)	-
Add:	22,226	1,733	22,226	1,733
Impairment of goodwill	17,133	1,733	17,133	1,733
Impairment of Iroko investment	5,093	-	5,093	-
Headline earnings	20,163	20,988	60,826	35,952

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
9. CASH AND CASH EQUIVALENTS				
Cash on hand	5,942	4,727	5,942	4,727
Balances with central banks	60,011	42,900	60,011	42,900
Balances with other banks	141,351	240,219	141,351	240,219
	207,304	287,846	207,304	287,846

Notes to the financial statements for the year ended 31 December 2005

	2005	2005	2004	2004
	Historical Cost/ Notional Amount BWP'000s	Fair Value BWP'000s	Historical Cost/ Notional Amount BWP'000s	Fair Value BWP'000s
10. FINANCIAL ASSETS HELD FOR TRADING				
Debt and other fixed income instruments				
Bills, bonds and notes issued by:				
Governments	365,697	764,902	491,326	484,566
Other public sectors issuers	413	14	4,553	4,562
Other issuers	13,053	2,753	12,185	12,185
Money market instruments issued by:				
Other issuers	8,133	6,925	25,358	25,358
	387,296	774,594	533,422	526,671
Equity instruments and other non-fixed income instruments				
Equity instruments	2,001	85,838	22,283	22,283
Forward contracts	175	4	-	-
Currency swaps	64	766	-	-
	2,240	86,608	22,283	22,283
Total financial assets held for trading	389,536	861,202	555,705	548,954

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
11. INVESTMENTS				
Debt and other fixed-income instruments held to maturity				
Bonds and notes issued by:				
Governments	1,953	34,778	1,953	34,778
Equity investments and other non-fixed-income instruments available for sale				
Listed equity investments	668	567	668	567
Other unlisted investments	32,280	25,659	32,280	25,659
	32,948	26,226	32,948	26,226
	34,901	61,004	34,901	61,004
12. LOANS AND ADVANCES TO CUSTOMERS				
Corporate and trade finance	432,599	353,204	432,599	353,204
Installment finance	109,938	168,743	109,938	168,743
Microfinance	59,806	24,074	59,806	24,074
Other	123,731	195,887	123,731	195,887
Gross loans	726,074	741,908	726,074	741,908
Allowance for impairment of loans and advances	(63,279)	(79,686)	(63,279)	(79,686)
Net loans and advances	662,795	662,222	662,795	662,222
Cash collateralised loans included above	209,759	128,983	209,759	128,983
Collateral held is shown in deposits from customers				
12.1 MATURITY ANALYSIS				
On demand to one month	106,682	174,004	106,682	174,004
One month to three months	222,953	128,211	222,953	128,211
Three months to one year	200,147	204,925	200,147	204,925
Greater than one year	133,013	155,082	133,013	155,082
	662,795	662,222	662,795	662,222

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
12.2 SECTORAL ANALYSIS				
Agriculture and agro-processing	51,650	86,359	51,650	86,359
Construction	21,185	33,898	21,185	33,898
Wholesale, retail trade and other services	40,884	76,823	40,884	76,823
Public sector	120,811	175,934	120,811	175,934
Manufacturing	104,561	75,351	104,561	75,351
Finance	15,690	26,411	15,690	26,411
IT and telecommunication	27,685	19,467	27,685	19,467
Transport	43,845	71,173	43,845	71,173
Mining and energy	49,588	35,494	49,588	35,494
Individuals	100,298	42,151	100,298	42,151
Other	86,598	19,161	86,598	19,161
	662,795	662,222	662,795	662,222
12.3 GEOGRAPHIC ANALYSIS				
Botswana	116,683	246,790	116,683	246,790
Zambia	167,429	108,173	167,429	108,173
Zimbabwe	166,494	154,520	166,494	154,520
Mozambique	102,193	61,481	102,193	61,481
Tanzania	106,817	71,869	106,817	71,869
Other	3,179	19,389	3,179	19,389
	662,795	662,222	662,795	662,222
12.4 IMPAIRMENT OF LOANS AND ADVANCES				
Balance at the beginning of the year	79,686	62,793	79,686	62,793
Exchange and inflation adjustment	(470)	(8,718)	(470)	(8,718)
Acquisitions	-	(4,074)	-	(4,074)
Amounts written off during the year	(40,743)	(9,748)	(40,743)	(9,748)
	38,473	40,253	38,473	40,253
Suspended interest raised	3,249	13,281	3,249	13,281
Impairment of loans and advances	21,557	26,152	21,557	26,152
Specific impairments	21,347	21,751	21,347	21,751
Portfolio impairments	210	4,401	210	4,401
	63,279	79,686	63,279	79,686
Comprising:				
Specific impairments	57,243	73,860	57,243	73,860
Portfolio impairments	6,036	5,826	6,036	5,826
	63,279	79,686	63,279	79,686

Notes to the financial statements for the year ended 31 December 2005

	As % of Loans & advances	Outstanding balance BWP'000s	Securities & recoveries BWP'000s	Net exposure BWP'000s	Provisions raised BWP'000s
12.5 Non-performing advances					
As at 31 December 2005					
Corporate and trade finance	6%	44,098	12,242	31,856	28,699
Instalment finance	3%	25,337	7,307	18,030	16,902
Microfinance	4%	28,155	2	28,153	11,453
Other	0%	189	-	189	189
	13%	97,779	19,551	78,228	57,243
Sectoral analysis					
Agriculture and agroprocessing	7%	6,748	2,442	4,306	3,538
Construction	9%	8,703	1,081	7,622	6,509
Wholesale, retail trade and other services	13%	12,591	1,394	11,197	11,185
Public sector	0%	-	-	-	-
Manufacturing	15%	14,904	8,089	6,815	5,734
Finance	1%	1,239	-	1,239	1,237
IT and telecommunication	0%	-	-	-	-
Transport	7%	7,306	3,157	4,149	3,448
Mining and energy	1%	507	32	475	235
Individuals	33%	32,376	623	31,753	15,102
Other	14%	13,405	2,734	10,671	10,255
	100%	97,779	19,552	78,227	57,243
As at 31 December 2004					
Corporate and trade finance	6%	41,808	5,996	35,812	23,740
Installment finance	8%	62,602	6,095	56,507	49,541
Microfinance	0%	746	-	746	-
Other	0%	579	-	579	579
	14%	105,735	12,091	93,644	73,860
Sectoral analysis					
Agriculture and agroprocessing	6%	6,448	-	6,448	3,291
Construction	5%	5,915	1,368	4,547	2,478
Wholesale, retail trade and other services	26%	27,285	3,081	24,204	21,078
Public sector	0%	-	-	-	-
Manufacturing	18%	18,560	5,792	12,768	11,368
Finance	3%	3,347	-	3,347	1,408
IT and telecommunication	4%	4,322	-	4,322	4,322
Transport	11%	12,085	1,142	10,943	9,015
Mining and energy	1%	718	-	718	162
Individuals	3%	2,705	-	2,705	1,294
Other	23%	24,350	708	23,642	19,444
	100%	105,735	12,091	93,644	73,860

13. PROPERTY AND EQUIPMENT

Inflation Adjusted	Freehold land and buildings BWP '000s	Vehicles BWP '000s	Computer and office equipment BWP '000s	Furniture and fittings BWP '000s	Total BWP '000s
Details of the group's property and equipment are as follows:					
Cost at 31 December 2004	19,378	6,279	117,691	10,945	154,293
Exchange and inflation adjustments	(6,151)	(2,122)	(36,980)	(1,110)	(46,363)
Additions	-	3,518	1,814	530	5,862
Disposals	-	(771)	(1,192)	(1,140)	(3,103)
Cost or valuation at 31 December 2005	13,227	6,904	81,333	9,225	110,689
Accumulated depreciation at 31 December 2004	(728)	(4,554)	(75,382)	(4,946)	(85,610)
Exchange and inflation adjustments	1,159	1,816	23,867	2,193	29,035
Disposals	-	641	1,618	463	2,722
Charge for the year	(1,047)	(867)	(12,285)	(1,762)	(15,961)
Accumulated depreciation at 31 December 2005	(616)	(2,964)	(62,182)	(4,052)	(69,814)
Net book value at 31 December 2005	12,611	3,940	19,151	5,173	40,875
Net book value at 31 December 2004	18,650	1,725	42,309	5,999	68,683
On 31 December 2005, buildings situated in Zimbabwe were revalued by independent professional valuers based on open market values of the properties.					
Historical Cost	Freehold land and buildings BWP '000s	Vehicles BWP '000s	Computer and office equipment BWP '000s	Furniture and fittings BWP '000s	Total BWP '000s
Details of the group's property and equipment are as follows:					
Cost at 31 December 2004	18,110	2,220	36,778	7,124	64,232
Exchange adjustments	(5,486)	(221)	(16,965)	(1,050)	(23,722)
Additions	-	3,148	1,708	530	5,386
Revaluation surplus	1,603	-	-	-	1,603
Disposals	-	(771)	(989)	(1,140)	(2,900)
Cost or valuation at 31 December 2005	14,227	4,376	20,532	5,464	44,599
Acc depreciation at 31 December 2004	(1,736)	(1,391)	(24,801)	(2,246)	(30,174)
Exchange adjustments	967	273	13,337	1,982	16,559
Disposals	-	521	1,013	463	1,997
Charge for the year	(857)	(809)	(2,448)	(1,671)	(5,785)
Accumulated depreciation at 31 December 2005	(1,626)	(1,406)	(12,899)	(1,472)	(17,403)
Net book value at 31 December 2005	12,601	2,970	7,633	3,992	27,196
Net book value at 31 December 2004	16,374	829	11,977	4,878	34,058
On 31 December 2005, buildings situated in Zimbabwe were revalued by independent professional valuers based on open market values of the properties.					

Notes to the financial statements for the year ended 31 December 2005

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
14. INVESTMENT PROPERTY				
Balance at beginning of the year	16,770	1,860	16,770	680
Exchange and inflation adjustment	(15,249)	(991)	(15,249)	189
Increase in fair value	9,290	15,901	9,290	15,901
Balance at end of the year	10,811	16,770	10,811	16,770
Investment property comprises commercial properties that are leased to third parties. During the year ended 31 December 2005 BWP102 thousand was recognised as rental income in the income statement (2004:BWP 271 thousand). The carrying amount of the investment property is the fair value of the property as determined by registered independent valuers.				
15. OTHER ASSETS				
Accrued income	1,830	9,515	1,830	9,515
Prepaid expenses	13,426	12,394	13,426	12,394
Other amounts due	2,321	16,682	2,321	16,682
	17,577	38,591	17,577	38,591
16. SHARE CAPITAL AND PREMIUM				
16.1 Authorised				
150 000 000 shares of BWP 0.05 each	7,500	7,500	7,500	7,500
16.2 Issued and fully paid				
113 449 724 shares of BWP 0.05 each	5,672	5,672	5,672	5,672
Share premium	221,226	221,226	221,226	221,226
Total company	226,898	226,898	226,898	226,898
Recognised as treasury shares	(1,693)	(1,693)	(1,693)	(1,693)
Total group	225,205	225,205	225,205	225,205
The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the meetings of the company. The unissued ordinary shares are under control of the directors. Treasury shares comprise the cost of the company's own shares held by a subsidiary company.				
17. PREFERENCE SHARES				
17.1 Authorised				
50 shares of USD 1 million (BWP 5.5million) each	275,000	275,000	275,000	275,000
17.2 Issued and fully paid				
19 shares of USD 1 million (BWP 5.5 million) each	104,104	104,104	104,104	104,104
Transaction costs	(3,121)	(3,121)	(3,121)	(3,121)
Net preference share liability at date of issue	100,983	100,983	100,983	100,983
Accrued preference dividend	10,460	8,113	10,460	8,113
Foreign Currency Translation Gain/(Loss)	3,613	(19,856)	3,613	(19,856)
Amount classified as debt	115,056	89,240	115,056	89,240

The preference shares are cumulative, redeemable, convertible, non-voting each with nominal value of US\$1 million and each share carries a coupon rate of 10% per annum. Dividends are payable annually in arrears.

In accordance with the agreement, the preference shares are convertible annually at the option of the holder over a period of 4 years starting from 31 July 2006, subject to the total preference shares converted not exceeding 10% of the ordinary shares in issue. Based on initial discounted cash flows, all the preference shares have been classified as debt.

A premium is payable to the holder should the shares be redeemed, that will equate to an internal rate of return of 20% on the holder's investment.

An amount of BWP 83 million is shown as contingent liability.

Interest attributable to the liability component is recognized in interest expense and similar charges.

The unissued preference shares are under the control of the directors.

Subsequent to the balance sheet date, the preference shareholders' agreement was terminated by mutual consent. Details are in note 36.

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
18. FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year	(4,442)	(15,593)	(202,501)	(186,538)
Movement during the year	(23,944)	11,151	(51,211)	(15,963)
At end of the year	(28,386)	(4,442)	(253,712)	(202,501)
19. CAPITAL AND OTHER RESERVES				
Statutory reserve				
At beginning of the year	7,878	5,411	7,878	5,411
Transfer from retained earnings	1,050	2,467	1,050	2,467
At end of the year	8,928	7,878	8,928	7,878
Other reserves				
At beginning of the year	10,400	3,141	10,400	3,141
Created during the year	280	7,619	1,412	7,619
Transfer to retained earnings	(489)	(360)	3,763	(360)
At end of the year	10,191	10,400	15,575	10,400
At end of the year	19,119	18,278	24,503	18,278
20. RETAINED EARNINGS				
At beginning of the year	(42,400)	(68,260)	131,684	88,329
Net profit for the year	17,082	30,498	57,745	45,462
Transfer to statutory reserves	(1,050)	(2,467)	(1,050)	(2,467)
Transfer from/(to) other reserve	489	360	(3,763)	360
Transfer to FCTR	-	(2,531)	-	-
Negative goodwill recognised	4,415	-	4,415	-
At end of the year	(21,464)	(42,400)	189,031	131,684

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
21. MINORITY INTERESTS				
Balance at the beginning of the year	11,029	21,740	11,029	21,740
Minority share of losses	1,026	(5,586)	1,026	(5,586)
Movements in other reserves	1,097	(5,125)	1,097	(5,125)
At end of year	13,152	11,029	13,152	11,029
22. DEPOSITS				
Deposits from banks	126,919	216,085	126,919	216,085
Deposits from other customers	1,211,907	931,864	1,211,907	931,864
	1,338,826	1,147,949	1,338,826	1,147,949
Payable on demand				
Corporate customers	264,667	262,014	264,667	262,014
Public Sector	4,196	7,844	4,196	7,844
Private banking customers	25,565	34,781	25,565	34,781
Other financial institutions	1,010	13,699	1,010	13,699
Banks	15,973	60,784	15,973	60,784
	311,411	379,122	311,411	379,122
Term deposits				
Corporate customers	255,787	238,279	255,787	238,279
Public sector	426,312	245,031	426,312	245,031
Private banking customers	26,130	27,229	26,130	27,229
Other financial institutions	208,240	102,987	208,240	102,987
Banks	110,946	155,301	110,946	155,301
	1,027,415	768,827	1,027,415	768,827
	1,338,826	1,147,949	1,338,826	1,147,949
Maturity analysis				
On demand to one month	697,404	493,845	697,404	493,845
One month to three months	472,177	206,111	472,177	206,111
Three months to one year	165,266	438,918	165,266	438,918
Over one year	3,979	9,075	3,979	9,075
	1,338,826	1,147,949	1,338,826	1,147,949

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
23. OTHER INTEREST-BEARING LIABILITIES				
Secured by Bank of Botswana certificates	12,875	42,699	12,875	42,699
Unsecured	90,075	88,121	90,075	88,121
	102,950	130,820	102,950	130,820
Maturity analysis				
On demand to one month	133	2,022	133	2,022
One month to three months	6,972	32,244	6,972	32,244
Three months to one year	41,667	11,660	41,667	11,660
Over one year	54,178	84,894	54,178	84,894
	102,950	130,820	102,950	130,820
24. OTHER LIABILITIES				
Accrued expenses	28,570	15,679	28,570	15,679
Other	15,760	59,915	15,760	59,915
	44,330	75,594	44,330	75,594
Other liabilities are due and payable within twelve months				
25. DEFERRED TAXATION				
Balance at the beginning of the year	9,893	8,527	(757)	2,441
Exchange and inflation adjustment	(6,418)	4,564	-	-
Unutilised tax losses	(399)	(5,473)	(399)	(5,473)
Accounting provisions and other temporary differences	8,788	2,275	8,788	2,275
Balance at the end of the year	11,864	9,893	7,632	(757)
Disclosed as follows:				
Deferred tax assets	(8,441)	(6,982)	(8,441)	(6,982)
Deferred tax liability	20,305	16,875	16,073	6,225
	11,864	9,893	7,632	(757)
26. CONTINGENT LIABILITIES				
The company has the following contingent liabilities as at 31 December:-				
Guarantees	47,581	12,598	47,581	12,598
Contingent liability to preference share holders in respect of guaranteed return	83,154	57,029	83,154	57,029
Letters of credit and other contingent liabilities	46,598	35,710	46,598	35,710
	177,333	105,337	177,333	105,337
The contingent liabilities in respect of the guaranteed return to preference shareholders is dependent upon whether they choose to convert the preference shares. Details of the conversion options can be found in note 17.				
27. COMMITMENTS				
The company has the following commitments as at 31 December:-				
Commitments in respect of capital expenditure				
Approved and contracted for	-	-	-	-
Approved but not contracted for	13,128	2,109	13,128	2,109
	13,128	2,109	13,128	2,109
Funds to meet these commitments will be provided from existing group resources.				
Commitments under operating leases				
Office premises	8,499	4,397	8,499	4,397
Equipment and motor vehicles	337	665	337	665
	8,837	5,062	8,837	5,062

Notes to the financial statements for the year ended 31 December 2005

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
28. ASSET MANAGEMENT & UNIT TRUSTS ACTIVITIES				
The group provides asset management and unit trusts activities to pension funds, individuals, trusts and other institutions, whereby it holds and manages assets. The group receives a management fee for providing these services. Assets under management are not assets of the Group and are not recognised in the balance sheet.				
The group is not exposed to any credit risk relating to such placements.				
Funds under management	257,439	168,088	257,439	168,088
29. EMPLOYEE BENEFITS				
Except in Zimbabwe the group makes contributions to defined contribution plans which are administered externally and for which both the employee and the employer contribute.				
In Zimbabwe all employees of the group are members of the African Banking Corporation Zimbabwe Limited Pension Fund, which is a defined contribution plan. In addition the National Social Security Authority scheme was introduced on 1 October 1994 and with effect from that date all employees became members of the scheme, to which both the employee and the employer contribute.				
Amounts recognised as an expense for the year				
Pension and post retirement medical costs	690	2,351	570	1,986
National Social Security Authority Scheme	307	897	307	809
	997	3,248	877	2,795
The group has an obligation in respect of post retirement medical benefits to previous employees of FMB Holdings Limited. The number of employees that is covered by this benefit is 54. (2004 - 54)				
		Closing 31 December 2005	Average 31 December 2005	Closing 31 December 2004
30. EXCHANGE RATES				
United States Dollar		0.18	0.19	0.23
Zimbabwe Dollar		16,002	16,002	1,452
Tanzanian Shilling		211	215	251
Zambian Kwacha		632	840	1,101
Mozambican Metical		4,393	4,452	4,791
South African Rand		1.15	1.23	1.32

31. RELATED PARTY TRANSACTIONS

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24 as knowledge of related party transactions may affect the assessment of operations, risks and opportunities facing the organisation. The definition of IAS 24 is not always consistent with banking regulations and the group's risk framework, which practically govern the exposure to insiders and related parties.

An entity is defined as related to a director when they or their immediate family either hold more than 20% of the equity or they exercise significant influence over the operating policies of the entity.

ABC Holdings Limited is the ultimate holding company in the ABC group. The list of the top ten shareholders in the group is included on page 75.

Subsidiary companies and associates

ABC Holdings Limited and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year. These transactions are entered into the normal course of business, under terms that are no more favourable than those arranged with third parties.

Loans to associates as at 31 December 2005 amounted to BWP 20.1 million (2004: BWP 9.3 million) which represents 10% (2004:5%) of shareholders' funds.

ABC Consulting and Management Services Limited has entered into management services agreement with group companies on arms length basis. Details of disclosures of investments in subsidiaries, associate and jointly controlled entity are set out in note 34.

Directors and officers

Emoluments to directors have been disclosed in note 5.2

The list of directors of ABC and its major subsidiaries are shown.

The total exposure of the group to directors and parties related to them in terms of IAS 24 as at 31 December 2005 is BWP 7.9 million (2004:BWP 9.7 million) which represents 4% (2004:5%) of shareholders' funds.

Particulars of lending transactions entered into with directors and officers or their related companies which have given rise to exposure on the balance sheet as at the end of the year are as follows:

	31 December 2005	31 December 2004
Loans to directors		
Housing and personal loans to DT Munatsi	1,740	2,032
Loans to entities related to OM Chidawu and DT Munatsi	125	2,060
Loans to entities related to OM Chidawu	4,229	2,651
Loans to entities related to N Kudenga	-	620
Loans to entities related to M Mbaakanyi	1,248	1,285
Loans to entities related to C Chileshe	596	1,099
	7,938	9,747
Transactions with key management personnel		
Loans to key management personnel		
DT Munatsi	1,740	2,032
F Dzanya	5,057	709
B Moyo	1,628	1,104
H Matemera	1,383	198
J Machapu	548	70
	10,356	4,113
Remuneration to key management personnel		
Short term employment benefits	10,627	8,162
Post-employment benefits	338	378
	10,965	8,540

All loans bear interest and fees at rates applicable to similar exposures to third parties and have appropriate security.

The group assists officers and employees in respect of housing, motor vehicle and personal loan at subsidised rates in some instances. Consistent policies and processes govern the granting and terms of such loans.

Notes to the financial statements for the year ended 31 December 2005

BWP '000	Headline earnings	Contribution	Net profit	Contribution	Total Assets	Contribution	Total Equity	Contribution
32 SEGMENTAL ANALYSIS								
Inflation Adjusted for the year ended 31 December 2005								
Botswana	5,080	25%	5,080	30%	947,101	49%	46,975	23%
Mozambique	6,689	33%	6,689	39%	184,284	10%	31,437	15%
Tanzania	(1,417)	-7%	(901)	-5%	159,979	8%	29,696	14%
United Kingdom	1,970	10%	1,970	12%	-	0%	-	0%
Zambia	1,341	7%	1,341	8%	239,148	13%	38,002	18%
Zimbabwe	6,430	32%	12,385	72%	302,600	16%	69,159	33%
ABCH & other	70	0%	(9,482)	-56%	82,711	4%	(7,643)	-3%
Total	20,163	100%	17,082	100%	1,915,823	100%	207,626	100%
For the year ended 31 December 2004								
Botswana	8,642	41%	8,642	28%	719,078	40%	52,177	25%
Mozambique	5,276	25%	5,276	17%	118,846	7%	23,450	11%
Tanzania	(52)	0%	(52)	0%	190,032	11%	18,976	9%
United Kingdom	(3,940)	-18%	(3,940)	-13%	42,236	2%	4,338	2%
Zambia	678	3%	678	2%	158,957	9%	20,840	10%
Zimbabwe	20,147	96%	31,390	103%	496,406	27%	84,878	41%
ABCH & other	(9,763)	-47%	(11,496)	-37%	68,397	4%	3,011	2%
Total	20,988	100%	30,498	100%	1,793,952	100%	207,670	100%
Historical Cost for the year ended 31 December 2005								
Botswana	5,080	8%	5,080	9%	947,101	50%	46,975	24%
Mozambique	6,689	11%	6,689	12%	184,284	10%	31,437	16%
Tanzania	(1,417)	-2%	(901)	-2%	159,979	8%	29,696	15%
United Kingdom	1,970	4%	1,970	4%	-	0%	-	0%
Zambia	1,341	2%	1,341	2%	239,148	13%	38,002	19%
Zimbabwe	47,093	77%	53,048	92%	288,921	15%	59,712	30%
ABCH & other	70	0%	(9,482)	-17%	82,711	4%	(7,643)	-4%
Total	60,826	100%	57,745	100%	1,902,144	100%	198,179	100%
For the year ended 31 December 2004								
Botswana	8,642	24%	8,642	19%	719,078	41%	52,177	28%
Mozambique	5,276	15%	5,276	12%	118,846	7%	23,450	13%
Tanzania	(52)	0%	(52)	0%	190,032	11%	18,976	10%
United Kingdom	(3,940)	-11%	(3,940)	-9%	42,236	2%	4,338	3%
Zambia	678	2%	678	1%	158,957	9%	20,840	11%
Zimbabwe	35,111	97%	46,354	102%	461,781	26%	60,903	33%
ABCH & other	(9,763)	-27%	(11,496)	-25%	68,397	4%	3,011	2%
Total	35,952	100%	45,462	100%	1,759,327	100%	183,695	100%

33 FINANCIAL INSTRUMENTS

Exposures to credit, interest rate, currency risk and liquidity risk arise in the normal course of the group's business.

Credit Risk

Credit risk is the risk of loss due to inability or unwillingness of a client or other counter party to meet its obligations. Credit risk is a significant risk facing the group.

In order to manage this risk, the Board has a defined credit policy for the company, which is documented and forms the basis of all credit decisions. The company structures the levels of credit risk it undertakes placing limits on the amounts of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. The group also makes provision against non-performing accounts.

Interest Rate Risk

The group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates of interest on its financial position and cash flows.

Liquidity Risk

The analysis of assets and liabilities of the company into relevant maturity groups is based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for banks ever to be completely matched since business transacted is often of uncertain items and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

Currency Risk

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities.

The group manages foreign currency exposures in terms of approved limits.

Further details on managing of risks is set out in the Risk Management report on page 27.

Notes to the financial statements for the year ended 31 December 2005

Inflation Adjusted	EUR BWP '000	USD BWP '000	BWP BWP '000	ZAR BWP '000	ZWD BWP '000	Other BWP '000	Total BWP '000
33.1 CURRENCY RISK							
Assets							
Cash and cash equivalents	4,964	87,050	30,695	4,704	7,635	72,256	207,304
Financial assets held for trading	-	5,052	566,964	-	224,879	64,307	861,202
Investments	-	24,348	-	-	5,691	4,862	34,901
Investment in associates and joint venture	-	-	19,986	-	-	14,481	34,467
Loans and advances to customers	13,877	327,721	111,785	8,170	1,686	199,556	662,795
Customer liabilities for acceptances	-	-	-	-	2,983	-	2,983
Other assets	-	2,574	675	330	7,086	6,912	17,577
Deferred tax asset	-	97	-	1,318	318	6,708	8,441
Investment property	-	-	-	-	10,811	-	10,811
Property and equipment	-	-	3,163	1,231	17,402	19,079	40,875
Goodwill	-	34,467	-	-	-	-	34,467
Total Assets	18,841	481,309	733,268	15,753	278,491	388,161	1,915,823
Shareholders' equity and liabilities							
Total equity attributable to holders of parent	-	(44,945)	65,306	(4,240)	69,159	109,194	194,474
Minority interest	165	-	-	-	-	12,987	13,152
Liabilities							
Deposits	3,905	387,238	604,403	14,206	129,291	199,783	1,338,826
Other interest-bearing liabilities	25,173	52,830	-	701	-	24,246	102,950
Repurchase agreements	-	-	49,154	-	4,315	20,091	73,560
Liabilities for acceptance	-	-	-	-	2,983	-	2,983
Current tax liabilities	-	348	163	-	10,800	(1,124)	10,187
Deferred tax liabilities	-	3,022	-	-	16,635	648	20,305
Preference shares liability	-	115,056	-	-	-	-	115,056
Other liabilities	-	4,714	3,100	454	28,872	7,190	44,330
Total equity and liabilities	29,243	518,263	722,126	11,121	262,055	373,015	1,915,823
Net balance sheet position	(10,402)	(36,954)	11,142	4,632	16,436	15,146	-
Net balance sheet position at 31 Dec 2004	(4,201)	(3,443)	(6,405)	14,924	10,533	(11,408)	-

Notes to the financial statements for the year ended 31 December 2005

Historical Cost	EUR BWP '000	USD BWP '000	BWP BWP '000	ZAR BWP '000	ZWD BWP '000	Other BWP '000	Total BWP '000
33.1 CURRENCY RISK							
Assets							
Cash and cash equivalents	4,964	87,050	30,695	4,704	7,635	72,256	207,304
Financial assets held for trading	-	5,052	566,964	-	224,879	64,307	861,202
Investments	-	24,348	-	-	5,691	4,862	34,901
Investment in associates and joint venture	-	-	19,986	-	-	14,481	34,467
Loans and advances to customers	13,877	327,721	111,785	8,170	1,686	199,556	662,795
Customer liabilities for acceptances	-	-	-	-	2,983	-	2,983
Other assets	-	2,574	675	330	7,086	6,912	17,577
Deferred tax asset	-	97	-	1,318	318	6,708	8,441
Investment property	-	-	-	-	10,811	-	10,811
Property and equipment	-	-	3,163	1,231	3,723	19,079	27,196
Goodwill	-	34,467	-	-	-	-	34,467
Total Assets	18,841	481,309	733,268	15,753	264,812	388,161	1,902,144
Shareholders' equity and liabilities							
Total equity attributable to holders of parent	-	(44,945)	65,306	(4,240)	59,712	109,194	185,027
Minority interest	165	-	-	-	-	12,987	13,152
Liabilities							
Deposits	3,905	387,238	604,403	14,206	129,291	199,783	1,338,826
Other interest-bearing liabilities	25,173	52,830	-	701	-	24,246	102,950
Repurchase agreements	-	-	49,154	-	4,315	20,091	73,560
Liabilities for acceptance	-	-	-	-	2,983	-	2,983
Current tax liabilities	-	348	163	-	10,800	(1,124)	10,187
Deferred tax liabilities	-	3,022	-	-	12,403	648	16,073
Preference shares liability	-	115,056	-	-	-	-	115,056
Other liabilities	-	4,714	3,100	454	28,872	7,190	44,330
Total equity and liabilities	29,243	518,263	722,126	11,121	248,376	373,015	1,902,144
Net balance sheet position	(10,402)	(36,954)	11,142	4,632	16,436	15,146	-
Net balance sheet position at 31 Dec 2004	(4,201)	(3,443)	(6,405)	14,924	10,533	(11,408)	-

Notes to the financial statements for the year ended 31 December 2005

	Up to 1 month BWP '000	1-3 months BWP '000	3-12 months BWP '000	1-5 years BWP '000	Non-interest bearing BWP '000	TOTAL BWP '000
33.2 INTEREST RATE RISK						
Inflation Adjusted						
Assets	930,979	296,159	302,934	217,407	168,344	1,915,823
Total shareholders' equity	-	-	-	-	207,626	207,626
Liabilities	752,969	601,248	182,252	211,471	(39,743)	1,708,197
Repricing gap	178,010	(305,089)	120,682	5,936	461	-
Cumulative repricing gap at 31 December 2005	178,010	(127,079)	(6,397)	(461)	-	-
Cumulative repricing gap at 31 December 2004	136,923	131,214	(4,660)	44,622	-	-
Historical Cost						
Assets	930,979	296,159	302,934	217,407	154,665	1,902,144
Total shareholders' equity	-	-	-	-	198,179	198,179
Liabilities	752,969	601,248	182,252	211,471	(43,975)	1,703,965
Repricing gap	178,010	(305,089)	120,682	5,936	461	-
Cumulative repricing gap at 31 December 2005	178,010	(127,079)	(6,397)	(461)	-	-
Cumulative repricing gap at 31 December 2004	134,020	124,526	(4,767)	44,515	-	-

Notes to the financial statements for the year ended 31 December 2005

Inflation Adjusted	Up to 1 month BWP '000	1-3 months BWP '000	3-12 months BWP '000	Greater than 1 year BWP '000	TOTAL BWP '000
33.3 LIQUIDITY RISK					
Assets					
Cash and cash equivalents	203,761	3,543	-	-	207,304
Financial assets held for trading	706,882	23,989	115,775	14,556	861,202
Investments	3,453	-	-	31,448	34,901
Investment in associates and joint venture	-	-	-	34,467	34,467
Loans and advances to customers	131,114	219,787	181,895	129,999	662,795
Customer liabilities for acceptances	2,983	-	-	-	2,983
Other assets	8,481	1,909	1,887	5,300	17,577
Deferred tax asset	-	-	-	8,441	8,441
Investment property	-	-	-	10,811	10,811
Property and equipment	-	-	-	40,875	40,875
Goodwill	-	-	-	34,467	34,467
Total Assets	1,056,674	249,228	299,557	310,364	1,915,823
Shareholders' equity and liabilities					
Total equity attributable to holders of parent	-	-	-	194,474	194,474
Minority interest	-	-	-	13,152	13,152
Liabilities					
Deposits	696,949	473,166	166,249	2,462	1,338,826
Other interest-bearing liabilities	13,008	10,919	10,850	68,173	102,950
Repurchase agreements	65,889	6,254	1,417	-	73,560
Liabilities for acceptance	2,983	-	-	-	2,983
Current tax liabilities	2,962	4,271	2,954	-	10,187
Deferred tax liabilities	-	-	301	20,004	20,305
Preference shares liability	-	10,460	-	104,596	115,056
Other liabilities	29,301	5,714	3,878	5,437	44,330
Total equity and liabilities	811,092	510,784	185,649	408,298	1,915,823
Net balance sheet position	245,582	(261,556)	113,908	(97,934)	-
Net balance sheet position at 31 December 2004	105,799	86,546	(220,694)	28,349	-

Notes to the financial statements for the year ended 31 December 2005

Historical Cost	Up to 1 month BWP '000	1-3 months BWP '000	3-12 months BWP '000	Greater than 1 year BWP '000	TOTAL BWP '000
33.3 LIQUIDITY RISK					
Assets					
Cash and cash equivalents	203,761	3,543	-	-	207,304
Financial assets held for trading	706,882	23,989	115,775	14,556	861,202
Investments	3,453	-	-	31,448	34,901
Investment in associates and joint venture	-	-	-	34,467	34,467
Loans and advances to customers	131,114	219,787	181,895	129,999	662,795
Customer liabilities for acceptances	2,983	-	-	-	2,983
Other assets	8,481	1,909	1,887	5,300	17,577
Deferred tax asset	-	-	-	8,441	8,441
Investment property	-	-	-	10,811	10,811
Property and equipment	-	-	-	27,196	27,196
Goodwill	-	-	-	34,467	34,467
Total assets	1,056,674	249,228	299,557	296,685	1,902,144
Shareholders' equity and liabilities					
Total equity attributable to holders of parent	-	-	-	185,027	185,027
Minority interest	-	-	-	13,152	13,152
Liabilities					
Deposits	696,949	473,166	166,249	2,462	1,338,826
Other interest-bearing liabilities	13,008	10,919	10,850	68,173	102,950
Repurchase agreements	65,889	6,254	1,417	-	73,560
Liabilities for acceptance	2,983	-	-	-	2,983
Current tax liabilities	2,962	4,271	2,954	-	10,187
Deferred tax liabilities	-	-	301	15,772	16,073
Preference shares liability	-	10,460	-	104,596	115,056
Other liabilities	29,301	5,714	3,878	5,437	44,330
Total equity and liabilities	811,092	510,784	185,649	394,619	1,902,144
Net balance sheet position	245,582	(261,556)	113,908	(97,934)	-
Net balance sheet position at 31 December 2004	107,839	86,546	(222,734)	28,349	-

Nature of Business	Ownership of Ordinary Shares		Book Value on a Historical Cost Basis		
	2005 %	2004 %	2005 BWP '000s	2004 BWP '000s	
34. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES					
Botswana					
African Banking Corporation Botswana Limited	Registered bank	100	100	39,494	39,494
African Banking Corporation International Limited	Registered bank	100	100	10,779	10,779
Mozambique					
African Banking Corporation Mozambique Sarl	Registered bank	100	100	28,391	28,391
South Africa					
Fastpulse Trading 327 (Pty) Limited t/a ABC South Africa	Management services	100	100	-	-
Tanzania					
African Banking Corporation Tanzania Limited	Registered bank	74	74	45,977	45,977
Tanzania Development Finance Company Limited	Financial services	68	68	14,059	14,059
United Kingdom					
Iroko Securities	Financial services	63	63	-	-
Iroko Financial Products Limited	Financial services	63	63	11,816	11,816
Zambia					
African Banking Corporation Zambia Limited	Registered bank	100	100	17,426	17,426
Microfin Africa Zambia Limited	Microfinance	100	100	921	921
Zimbabwe					
African Banking Corporation of Zimbabwe Limited	Registered bank	100	100	106,115	106,115
Therlinen Investments Limited	Discount house, Stockbroking & Asset Management	100	100	13,565	13,565
African Banking Corporation Asset Finance Limited	Leasing	100	100	25,010	25,010
Luxembourg					
EDFUND S.A.	Management services	100	100	48,959	48,959
			362,512	362,512	
Investment in associate and joint venture					
CBAQ Limited (Registered in Mauritius)	Investment holding company	50	50	19,986	18,123
Capital Properties Limited (Registered in Tanzania)	Property holding company	40	40	11,120	8,484
Lion of Tanzania Insurance Company Limited	Insurance	38	38	2,762	1,621
Pyramid Plaza (Pty) Ltd (Registered in Zambia)	Property holding company	25	25	599	344
			34,467	28,572	

	Inflation Adjusted		Historical Cost	
	2005 BWP '000s	2004 BWP '000s	2005 BWP '000s	2004 BWP '000s
35. ASSETS CLASSIFIED AS HELD FOR SALE				
IROKO FINANCIAL PRODUCTS LIMITED				
Total assets	78,469	-	78,469	-
Total liabilities	(70,385)	-	(70,385)	-
Minority interests	(2,991)	-	(2,991)	-
Net asset value attributable to ABC Holdings Limited	5,093	-	5,093	-
Impairment loss	(5,093)	-	(5,093)	-
Net assets classified as held for sale	-	-	-	-

During the year ABC Holdings Limited entered into discussions to exit Iroko Financial Products Limited. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the net assets of the entity have been classified as assets held for sale. The carrying amount of the net assets has been impaired to the estimated net realisable value. An impairment loss of BWP5 093 thousand has been recognised in the income statement.

36 POST-BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the preference shareholders' agreement was terminated by mutual consent. In terms of the restructuring agreement, the preference shareholders will convert 30% of their redeemable preference shares to ordinary equity. The balance of 70% will be redeemed in two equal instalments with the final instalment being due and payable by September 2006. No adjustment has been made in the consolidated financial statements.

Shareholders' Information



Kuba mug/Cappuccino

Analysis of Shareholders

Ranges	Holders	% of holder	Shares	% of Shares
0 - 50,000	3,054	97.01%	3,974,048	3.50%
50,001 - 100,000	24	0.76%	1,655,678	1.46%
100,001 - 500,000	37	1.18%	8,002,438	7.05%
500,001 - 1,000,000	7	0.22%	4,908,631	4.33%
1,000,001 - 10,000,000	25	0.80%	83,273,169	73.40%
10,000,001	1	0.03%	11,635,760	10.26%
	3,148	100.00%	113,449,724	100.00%

ABC TOP 10 SHAREHOLDERS AS AT 31 DECEMBER 2005

Name	Number of Shares	Percentage Holding
Old Mutual Life Association of Zimbabwe Ltd	11,635,760	10.26%
HIB Holdings (Pvt) Ltd in respect of OM Chidawu & DT Munatsi	9,901,710	8.73%
Stanbic Nominees Botswana (Pty) Ltd in respect of Botswana Insurance Funds Management and Botswana Public Officers Pension Fund	9,056,051	7.98%
Barclays Botswana Nominees (Pty) Ltd in respect of Zephyr Fund Managers and TC Barry	8,498,942	7.49%
Broadway Investments (Pvt) Ltd in respect of OM Chidawu & DT Munatsi	5,194,868	4.58%
E.F.E Securities Nominees (Pvt) Ltd – Treasury Shares	5,053,716	4.45%
Swiss Confederation	4,446,000	3.92%
Dresdner Bank Luxembourg	4,184,714	3.69%
Kingdom Nominees (Pvt) Ltd	4,166,733	3.67%
Heritage Investment Bank Ltd in respect of OM Chidawu & DT Munatsi and others	3,096,776	2.73%
Total top 10 shareholders	65,235,270	57.50%
Other Shareholders	48,214,454	42.50%
Total Shares in Issue	113,449,724	100%

Notice to Shareholders

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of members of ABC Holdings Limited will be held in the Boardroom of ABC Holdings Limited, Tholo Park, Plot 50669, Fairground Office Park, Gaborone, Botswana on Tuesday 30 May 2006, at 08h00 for the following purpose:-

ORDINARY BUSINESS:

To consider and adopt the following Resolutions:

Resolution 1:

To receive and consider the annual financial statements for the year ended 31 December 2005 including Chairman's statement, Directors and Auditors report.

Resolution 2:

To approve the remuneration of Directors for the year ended 31 December 2005.

Resolution 3:

To elect Directors in place of those retiring in accordance with the provisions of S67 of the Company's Articles of Association. In this regard Messrs Buttery, Chidawu and Kudenga, Directors of the Company who retire by rotation in accordance with Article 67 of the Articles of Association of the Company and who being available and eligible, offer themselves for re-election.

Resolution 4:

To approve the remuneration of the Auditors for the year ended 31 December 2005.

Resolution 5:

To appoint Auditors for the ensuing year.

Resolution 6:

To ratify the appointment of Mr. Tshipa Samuel Mothibatsela as Director of the Company.

Resolution 7:

To consider and approve, with or without amendments, as deemed appropriate, the proposals contained in the Supplementary Circular in respect to the redemption of the preference shares pursuant to an agreement between the Preference Shareholders and the Company.

Registered Office:

ABC House, Tholo Park, Plot 50669
Fairgrounds Office Park, private Bag 00303
Gaborone, Botswana

By order of the Board

M de Klerk
Secretary to the Board
28 February 2006

Biographies of directors standing for re-election at the Annual General Meeting

H J Buttery

Howard Buttery was born in South Africa in 1956. In his position as Chairman of Bell Equipment Limited, a listed South African company, his current focus is on the strategic alliance between development of 3 international companies, namely John Deere (United States), Liebherr (Germany) as well as Hitachi (Japan). He also serves on a number of boards – firstly as a non-executive director of the Rogers & Company Limited (Mauritius) and secondly as a non-executive director of two international management funds (Swiss).

O M Chidawu

Oliver Chidawu was born in Zimbabwe in 1954. He is a first generation entrepreneur who founded and manages the Kuchi Group of companies that is active in building and electrical contracting. Mr. Chidawu is a major shareholder in Bitumen Construction Services and Heritage Insurance Company. He was a founding shareholder and director of Heritage Investment Bank that merged with First Merchant Bank in 1997.

N Kudenga

Ngoni Kudenga was born in Zimbabwe in 1952. He is a Chartered Accountant and holds a bachelor of Accountancy degree from the University of Zimbabwe and is a fellow of the Chartered Institute of Management Accountants of Zimbabwe. He is past president of the Institute of Chartered Accounts. Currently he is the Managing Partner of BDO Kudenga & Co., Chartered Accountants of Zimbabwe. He serves on the boards of Bindura Nickel Corporation, Anglo American Corporation Zimbabwe and several private companies.

Biography of director being confirmed at the Annual General Meeting

T S Mothibatsela

Tshipa Mothibatsela was born in South Africa in 1948. He holds a Bachelor of Engineering in Mining from the University of Zambia and a Masters in Engineering from Pennsylvania State University in the USA. Tshipa completed a Management Development Programme with Anglo American Corporation and went on to establish his own company, TTCS in Botswana. Tshipa is Chief Executive Officer and Director of Mothibatsela and Associates Consulting Engineers, a company he founded.

Any member wishing to nominate a person to be considered for election as directors of the Company, in place of those retiring, should submit a written nomination, proposed by that member and seconded by another member, containing the written consent of the nominee to be appointed a director, and the curriculum vitae of the Nominee, to the Registered Office of the Company at least 10 days prior to the date of the Annual General Meeting.



**AFRICAN BANKING
CORPORATION**

ABC HOLDINGS LIMITED

Incorporated in the Republic of Botswana on the 1st December 1999
Registration number: 99/4865

Form of Proxy

For use at the Seventh Annual General Meeting of Shareholders of ABC Holdings Limited to be held at 08h00 on Tuesday 30 May 2006 at the registered office of the Company ABC House, Tholo Park, Plot 50669, Fairground Office Park, Private Bag 00303, Gaborone, Botswana.

PLEASE READ THE NOTES HERETO BEFORE COMPLETING THIS FORM

I/We _____
(NAME (S) IN BLOCK LETTERS)

being the holder of _____ (Number of) ordinary shares in ABC Holdings Limited do hereby appoint (see Note 1):

1. _____ or failing him/her;
2. _____ or failing him/her;
3. the chairman of the Annual General Meeting

as my/our proxy to act for me/us at the Annual General Meeting, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions set out in the Notice convening the meeting to be proposed thereat and at each adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my /our name/s (in accordance with the following instructions:

	Number of ordinary shares		
	For	Against	Abstain
Ordinary Resolution 1			
Ordinary Resolution 2			
Ordinary Resolution 3			
Ordinary Resolution 4			
Ordinary Resolution 5			
Ordinary Resolution 6			
Ordinary Resolution 7			

SIGNED AT _____ ON _____ 2006

SIGNATURE _____

ASSISTED BY (if applicable) _____

Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that ordinary shareholder at the Annual General Meeting. A proxy need not be a member of the Company.

NOTES:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting", but such deletion must be initialed by the shareholder. The person who is present at the meeting and whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. If the shareholder completing the proxy does not indicate how the proxy is to vote on any resolution, the proxy shall be deemed authorised and be entitled to vote on such resolution as he/she deem fit.
3. The authority of a person signing proxy under a power of attorney or on behalf of a company must be attached to the proxy unless that authority has already been recorded by the Company Secretary or waived by the Chairman of the Annual General Meeting.
4. Forms of proxy must be lodged at or posted to be received at the registered office of the Company, ABC House, Tholo Park, Plot 50669, Fairground Office Park, Gaborone, Private Bag 00303, Gaborone not more than 48 hours and less than 24 hours before the time of the meeting.
5. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof should the shareholder wish to do so.
6. The Chairman of the Annual General Meeting may accept a proxy form which is completed and / or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. Any alteration or correction to this form must be initialed by the signatory/ signatories.