




*The Development Bank of Namibia's Board of Directors (left) David Nuyoma, Chief Executive Officer; Asnake Getachew; Sara Elago; Brunhilde Barnard; Ben Zaaruka, Deputy Chairperson and Sven Thieme, Chairperson; pictured at the Bank's 29 April 2004 launch.*

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## Sustained effort, sustainable growth

While the period under review was very challenging, it was also immensely rewarding. Our efforts were centred on designing a formula and framework for this much-awaited and most significant national institution.

The main business of the Development Bank of Namibia is to provide capital and services to viable and sustainable public and private development projects of larger scale in the Namibian economy. Moulding the character of the Bank therefore involved instituting processes adaptable enough to accommodate future progression, while at the same time ensuring that a solid structure, able to support sustainable undertakings, is in place. It also involved close scrutiny of the character of the people that would constitute the pillars of the organisation.

In this regard, the formation of the Board of Directors in April 2003 played a determining role in setting the tone for the qualities that would be required of the Bank's establishment team. The appointment of the Chief Executive Officer in November 2003 underscored the resolution to employ the best human capital available; a feature that has become the norm at the Development Bank of Namibia.

## A world class institution

The Board's efforts were also centred on crafting the Development Bank of Namibia Charter, which comprises the institution's mission, vision and value statements and provides the overall framework for the Bank's strategic direction and priorities. The emphasis on the principle of partnership, as expressed in the mission statement, together with the core values, affirm the resolve to foster economic growth and widen the scope of development opportunities through collective endeavour.

Individually, we can simply not make a difference. The Bank's focus on syndicated financing arrangements, which is in line with the decision to complement, and not compete with traditional financing establishments, underscores this ethos.

## Development catalyst

The rationale for the establishment of the Development Bank is based on the premise that it will bridge the gap that exists between what the existing financial system provides and what is required to promote successful economic development.

In this regard, the Bank's mission directs that it should act as a catalyst, mobilising investment capital and facilitating cooperation in the planning and implementation of larger scale, sustainable projects. The linkages established so far are all in line with the objective to play a leading role towards unlocking Namibia's vast economic potential.

## Advancing integrity, transparency, professionalism

Among the priorities set for the next five years are the objectives to contribute optimally to development; establish a functional organisation; and achieve financial sustainability: a tall order for any new institution, but attainable, given the extensive deliberation on the elements that will ensure success and the resultant adoption of best industry practices in the Bank's undertakings.

Because of the increased pressure on companies to operate as good corporate citizens, the Board has taken the necessary steps to ensure that this new institution adheres to the highest governance standards. In this regard, we have made extensive use of the King II Report, as it advocates a proactive approach to governance that promotes focus on creating future value.

By its very nature, the Development Bank is set to add strength to the Namibian financial sector and add impetus to the development of the economy. It is our belief that the Bank will become an important player on the Namibian financial market and that it will successfully mobilise funds and know-how from international financial institutions.

## Prudence

It is of utmost importance that the Bank is properly and adequately capitalised as this will determine the extent to which it can carry out its mandate. It is therefore imperative

that it creates trust in its ability to assess and to finance projects effectively. Of equal importance is the need to create trust in its institutional independence and stability. The Bank must therefore act in a convincing and prudent way from the outset and throughout its existence.

### Foundation for future growth

The care that has gone into the establishment of the Development Bank of Namibia, much of which assumed form during the period under review, provides a firm foundation for the institution. Therefore it gives me great pleasure to present the first annual report of the Development Bank of Namibia. The Board of Directors, together with the establishment team, is committed to consolidating the foundation in place and so progress not only the institution, but also economic growth and social development in Namibia.



Sven Thieme



*Chairperson, Sven Thieme (left) and Chief Executive Officer, David Nuyoma.*

## Chief Executive Officer's report

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2003 represents the establishment phase of the Development Bank of Namibia and is, as such, characterised by actions related to the establishment of the policy and institutional framework of the Bank.

### Strategic focus

The enactment of the Development Bank of Namibia Act, No. 8 of 2002, followed after protracted debate on the need for a specialist, well-coordinated financial institution able to focus on larger development-oriented projects. Because of the particular emphasis placed on the principle of partnership in the Act, the immediate focus was on establishing relationships that would help the Bank facilitate participation in development schemes, export projects and other economic programmes of national importance.

To this end, valuable partnerships were formed with leading local, regional and international finance institutions. These endeavours culminated in the engagement of a short-term consultant from KfW towards the end of the year. This is expression both of the commitment to instituting linkages and the resolution to adopt international best practices in all of the Bank's endeavours.

Far from mere lip service, the principle of partnership and adoption of top performance standards are being entrenched as the norm at the Development Bank of Namibia. This involves conferring with peers on all aspects of the Bank's operations as such dialogue only serves to enrich the institution, thus enhancing its ability to implement its mandate.

The invitation to the Namibian public to participate in the Bank's formation through a logo design competition is another expression of the importance attached to the principle partnership. It also confirms the worth attached to this particular relationship. The adoption of a logo that symbolises Africa's tremendous wealth; with reference to the continent's vast human and natural resources in the application of black, gold and silver, together with the primary positioning of the name, form the basis of the Bank's image as a principal and sound participant in the sustained effort to advance economic growth.

# Chief Executive Officer's report

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## Operational focus

The Bank's Corporate Strategy was formulated in the year under review. It draws extensively on industry best practices and articulates the vision, mission, and core values. The Corporate Strategy also forms the foundation of the business plan that will guide operations over the next five years.

The focus in the business plan, which provides a forecast for the initial years from an establishment to growth perspective, is on optimising efficiency and reducing risk by fostering linkages with financial establishments and adhering to prudent business principles, that include:

- sound financial assessment and controls
- optimal resource allocation
- solid linkages through smart partnerships, and
- effective mobilisation of funds.

## Special Development Fund

The Development Bank of Namibia is unique, even when compared with other development banks, in that it is a champion of large infrastructure projects, but ready to support the Small and Medium Enterprise (SME) sector. This feature assumed form with the drafting of the Special Development Fund (SDF) Rules in the latter part of 2003. The Fund exclusively supports activities with socio-economic benefits and the Rules provide a framework through which such funding can be channelled.

## Human capital

Recruitment of the team that will drive the Bank's establishment and the identification of suitable premises were initiated in the period now review with the aim of having these key elements in place before the official launch scheduled for 29 April 2004. The goal was to have the team entrenched and ready to do business as soon as the Bank opens its doors to the public.



## Chief Executive Officer's report

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2003 also saw the initiation of policies that are in line with the endeavour to establish a world class institution by going about the work of the Bank through maintaining internationally recognised best practices of governance, management, and operations, in a dynamic, professional and financially sustainable organisation.

In this regard, frameworks for financing; human capital; investment; lending and procurement policies were deliberated upon with the objective to confirm these almost immediately after the appointment of senior managers. Good corporate governance practices at all levels were being institutionalised from the very beginning for this culture to permeate the establishment from its inception. This is imperative to the effort to secure and maintain the institution's integrity and, importantly, stakeholder and public trust.

### Good corporate governance offsetting risk

In order for the Bank's policies and practices to be clear to all, sound corporate governance mechanisms, which are based on openness, integrity and accountability, were adopted. The Bank can only move from a position of strength by formalising and institutionalising operations. Therefore the establishment of various Board and management committees was an important first step in mitigating corporate governance risk and ensuring the overall success of the institution.

### Regulation

The Banking Institutions Act of 1998 and the provisions of the Namibia Financial Institutions Supervisory Authority do not automatically apply to the Development Bank. The Bank will thus establish its own standards of prudential behaviour as a measure to minimise risk. This voluntary measure will further enhance institutional sustainability.

### Results

The Bank reported a net income amounting to N\$8,9 million during the nine months' period under review. This net income resulted from investing the seed capital of N\$125 million received from the Government of the Republic of Namibia. The capital was

## Chief Executive Officer's report

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invested in interest-bearing instruments in the local money market. At year-end the total equity base was N\$133,9 million.

### Partner-driver

The Development Bank's establishment at this point in Namibia's history, with a range of developmental options having been considered, presents it with an opportunity to complement existing frameworks in the market and so accelerate economic growth. The Bank is by far not the only institution working to advance economic development, but has an important role to play because of the directive that it acts as a catalyst in support of viable and sustainable economic projects. The groundwork laid and the associations formed in this first year of operation indeed bodes well for its future. It also enhances the institution's ability to focus on the task at hand; that of financing change.



David Nuyoma

# Annual financial statements

## 31 December 2003

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### Directors' responsibility for financial reporting

The Directors of the Board are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice. The Development Bank of Namibia Limited's independent external auditors has audited the financial statements and their report appears on page 12.

The Directors of the Board are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Development Bank of Namibia Limited will not remain a going concern for the foreseeable future.

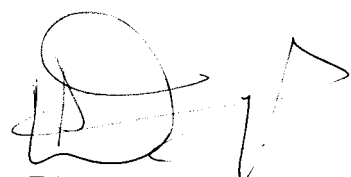
### Directors' approval of the annual financial statements

The annual financial statements set out on pages 14 to 20 were approved by the Board of Directors and are signed on their behalf by:



Director

16 June 2004



Director

16 June 2004

# Report of the independent auditors to the members of the Development Bank of Namibia Limited

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## Introduction

We have audited the annual financial statements of the Development Bank of Namibia Limited set out on pages 14 to 20 for the period ended 31 December 2003. These financial statements are the responsibility of the company's Directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

## Scope

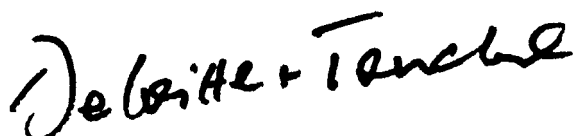
We conducted our audit in accordance with statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

## Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2003 and the results of its operations and cash flows for the period then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice, and in the manner required by the Development Bank of Namibia Act No 8 of 2002 and the Companies Act.



Deloitte & Touche  
Chartered Accountants (Namibia)

16 June 2004

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The Directors have pleasure in presenting their report on the activities of the company for the period ended 31 December 2003.

#### **Background and operations**

The company was constituted in terms of Act 8 of 2002. The Government of Namibia is currently the sole shareholder.

The objective of the Bank is to contribute to the economic growth and social development of Namibia and the welfare of the Namibian people.

#### **Results**

The results of the Company are fully set out in the attached annual financial statements.

#### **Board members and Secretary**

The members of the Board of the Development Bank of Namibia Limited during the period and at the date of this report were as follows:

Sven Thieme	(Chairperson)
Ben Zaaruka	(Deputy Chairperson)
David Nuyoma	(Chief Executive Officer – appointed 1 November 2003)
Brunhilde Barnard	
Sara Elago	
Asnake Getachew	
Vicky Richter	(resigned 1 September 2003)

Secretary – Junius Mungunda

#### **Business address**

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10 Dr Frans Indongo Street  
Windhoek  
Namibia

#### **Postal address**

P O Box 47  
Windhoek  
Namibia

#### **Subsequent events**

The Directors are not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which might influence an assessment of the company's state of affairs.

## Income statement for the period ended 31 December 2003

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	<u>Notes</u>	For the 9 months ended 31 December 2003 N\$
Revenue	2	11 153 517
Operating costs		<u>(2 228 542)</u>
Income before taxation	3	8 924 975
Taxation	4	<u>-</u>
Net income for the period		<u><u>8 924 975</u></u>



# Balance Sheet

## 31 December 2003

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	Notes	2003 N\$
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		130 882 831
Property, plant and equipment	5	29 460
Investments	6	130 853 371
<b>CURRENT ASSETS</b>		
Bank balances and cash		3 042 144
<b>TOTAL ASSETS</b>		<u>133 924 975</u>
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		133 924 975
Share capital	7	125 000 000
Retained income		8 924 975
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>133 924 975</u>

## Statement of changes in equity for the period ended 31 December 2003

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	Share <u>capital</u> N\$	Retained income <u>N\$</u>	Total N\$
Balance at beginning of year	-	-	-
Issue of share capital	125 000 000	-	125 000 000
Net income for the period	-	8 924 975	8 924 975
Balance at 31 December 2003	<u>125 000 000</u>	<u>8 924 975</u>	<u>133 924 975</u>





## Cash flow statement for the period ended 31 December 2003

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	Note	2003 N\$
<b>Cash flows from operating activities</b>		8 924 975
Cash receipts from customers		11 153 517
Cash paid to suppliers		(2 228 542)
Cash generated by operating activities		8 942 975
<b>Cash flow from investing activities</b>		(130 882 831)
Acquisition of property, plant and equipment		(29 460)
Increase in investments		(130 853 371)
<b>Cash flow from financing activities</b>		
Issue of share capital		125 000 000
Net increase in cash and cash equivalents		3 042 144
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>		3 042 144

**1. Principal accounting policies**

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which have been consistently applied in all material respects and comply in all material respects with Namibian Statements of Generally Accepted Accounting Practice.

**Revenue**

Revenue comprises interest received. Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

**Plant and equipment**

Plant and equipment are accounted for at historical cost less depreciation. Depreciation is calculated on a straight-line basis to write off assets over their estimated useful lives as follows:

- Office furniture and equipment      5 years (20%)
- Computer equipment                      3 years (33.3%)

**Financial instruments**

*Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

*Investments*

Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

*Cash and cash equivalents*

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

	2003
	N\$
<b>2. Revenue</b>	
Interest received	11 153 517
	<hr/>
<b>3. Income before taxation</b>	
Income before taxation is arrived at after taking the following into account:	
Directors' fees	426 801
Professional services	1 172 024
Staff costs	77 029
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# Notes to the annual financial statements

## 31 December 2003

### 4. Taxation

No provision for taxation has been made in the annual financial statements, as the Bank is exempt from taxation in terms of section 4 of the Development Bank of Namibia Limited Act, Act No 8 of 2002.

### 5. Property, Plant And Equipment

	Furniture & equipment N\$	<u>Total</u> N\$
Net book value at 1 April 2003	-	-
Additions	29 460	29 460
Net book value at 31 December 2003	<u>29 460</u>	<u>29 460</u>

	<u>2003</u> N\$
6. Investments	
Fixed deposits at fair value	130 853 371
Directors' valuation	<u>130 853 371</u>

7. Share capital	
Authorised	
1 500 Ordinary shares of N\$100 000 each	<u>150 000 000</u>
Issued	
1 250 Ordinary shares of N\$100 000 each	<u>125 000 000</u>

### 8. Commitments

Operating lease commitments

Buildings	620 000
	<u>620 000</u>
To be incurred as follows:	
2004	<u>620 000</u>
2005	-
2006	-
2007	-
2008	<u>-</u>
	<u>620 000</u>

**9. Comparative figures**

No comparative figures are presented as the Company was only incorporated during the current period.

**10. Financial instruments and risk management**

**Interest rate management**

As part of the process of managing the Company's interest rate risk, interest rate characteristics of new investments and the refinancing of existing investments are positioned according to expected movements in interest rates.

**Credit risk management**

The enterprise only deposits cash surpluses with major banks and investment houses of high quality credit standing.

At year-end the Company did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

**Liquidity risk management**

The Company has minimised its liquidity risk by ensuring adequate facilities and reserve borrowing capacity.

**Currency risk**

The Company does not incur currency risk as it does not have significant purchases in foreign currencies.

**Fair value**

The directors are of the opinion that the book value of financial instruments approximates fair value.