



**Development
Bank of Namibia**

A N N U A L R E P O R T 2 0 0 4

Mission

The Development Bank of Namibia mobilises investment capital and facilitates national and international co-operation among public and private entities as well as community organisations in the planning and implementation of larger scale projects capable of delivering sustainable economic growth as well as social development in the form of human capital development and empowerment to Namibia.

Vision

DBN strives to be recognised for the unquestionable impact it has on sustainable socio-economic development and transformation in Namibia. DBN strives to attain its vision through:

- being an effective mobiliser of capital for development projects with proven potential;
- bringing innovative development products and services to market;
- forging valuable development partnerships between business, government and the community;
- developing human capital in the economic sphere through supporting capacity building.

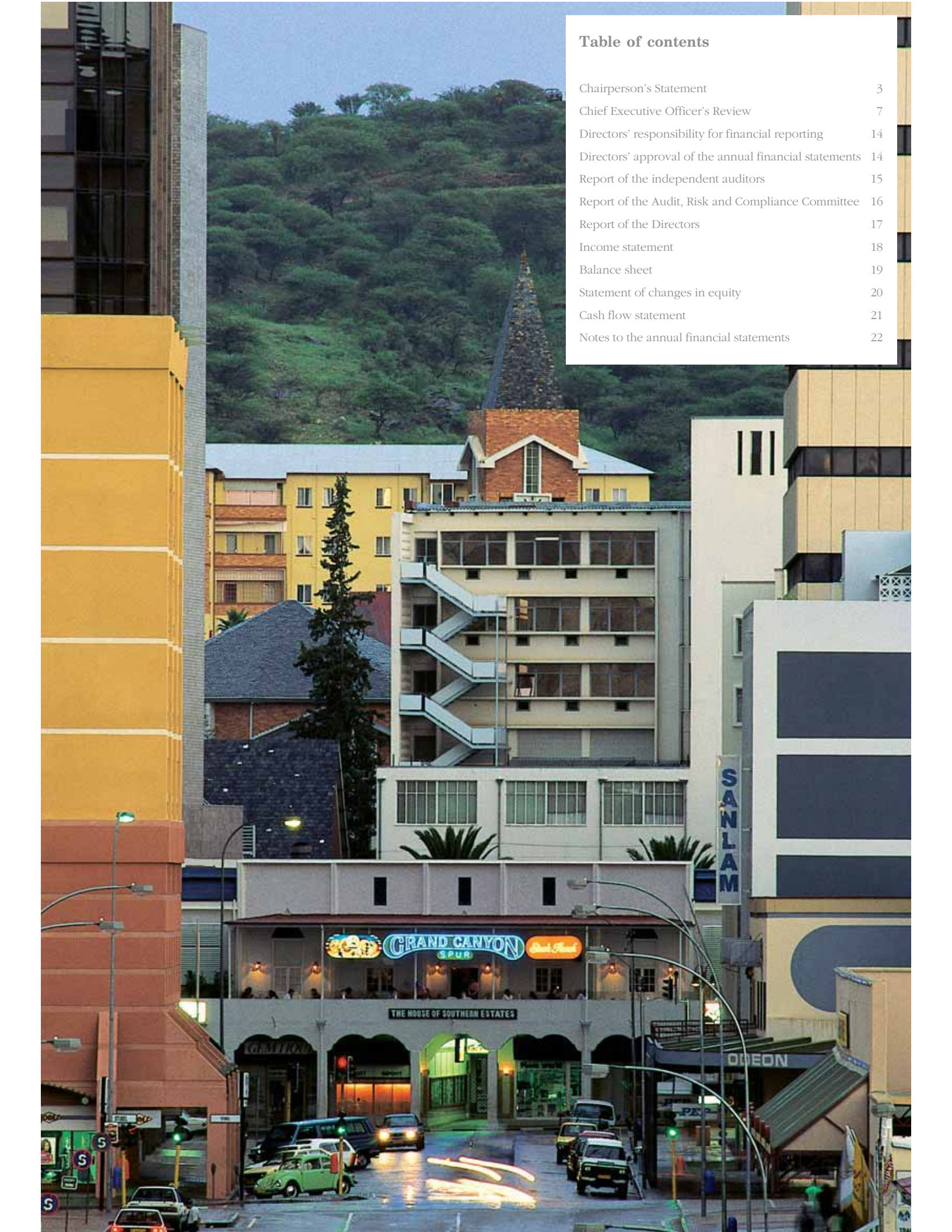


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The Development Bank of Namibia's Board of Directors (standing left), David Nuyoma, Chief Executive Officer; Sven Thieme, Chairperson of the Board; Asnake Getachew, Chairperson of the Credit & Investment Committee. (Sitting left), Saara Elago, Chairperson of the Human Capital & Remuneration Committee; Brunbilde Barnard, Chairperson of the Audit, Risk & Compliance Committee.

THE very successful launch of the Development Bank of Namibia on 29 April 2004 signaled the beginning of a remarkable year for the country's newest development finance institution.

The first year of operation saw the establishment of the Bank, which involved putting in place frameworks and structures that dictate the work of the Bank.

The foundations put in place include the structuring of the Bank's financing products, and development of policies that set the tone for DBN's engagement with clients and partners. The institution of a firm governance framework underscores our commitment to direct the operations of the Bank in a responsible manner.

The Board Rules form the cornerstone of the DBN's governance framework, and is strengthened by the various subcommittees of the Board. The governance framework includes the Audit, Risk and Compliance; Credit and Investment; Human Capital and Special Development Fund Committees that closely guard the young institution's integrity and provide steady guidance on effective ways of achieving the Bank's stated goals.

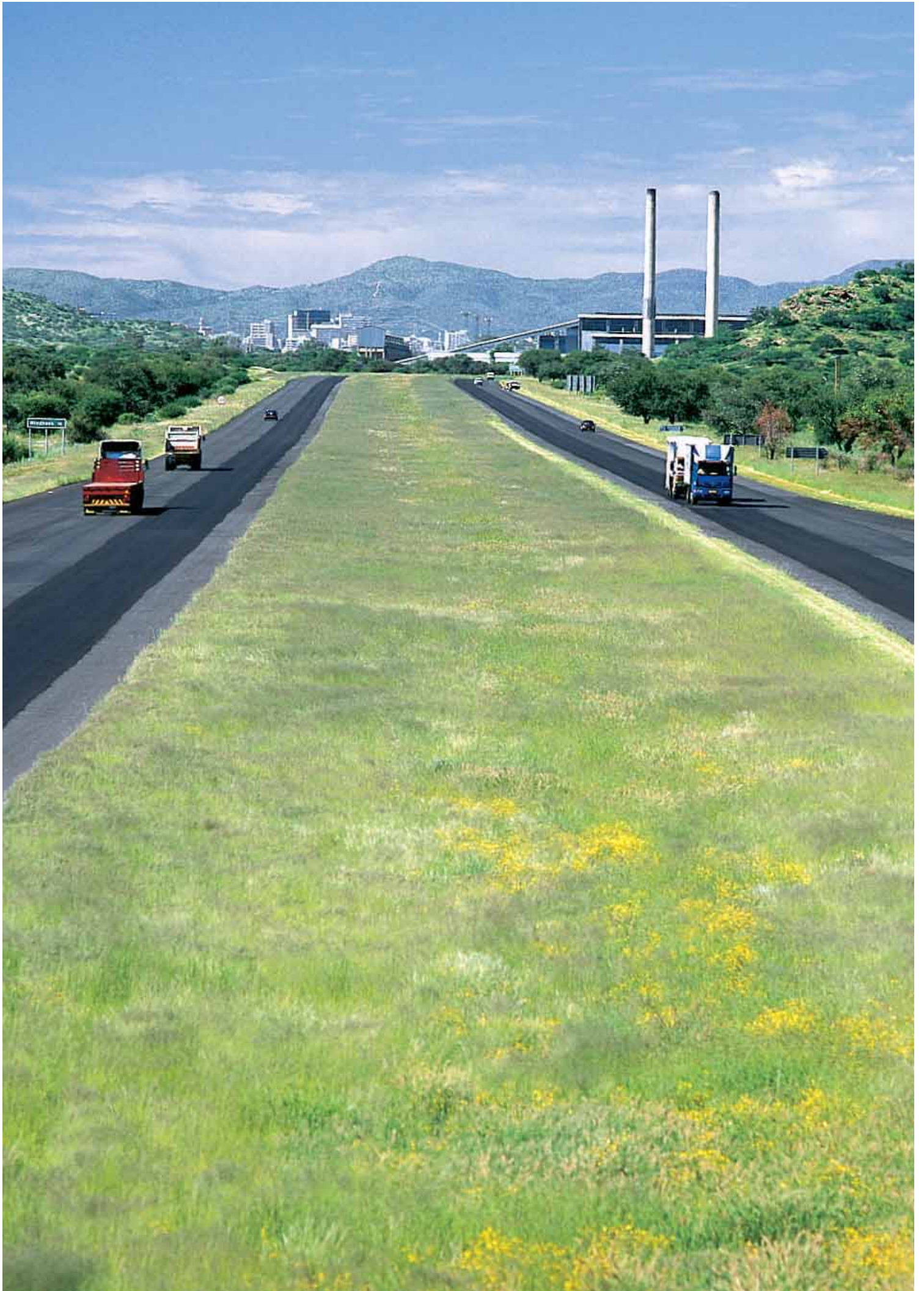


*Sven Thieme
Chairperson of the Board*

DBN's formative year also saw the establishment of its operational framework, with key policies, like the Lending Policy, Investment Policy, and Human Capital Policy and Regulations now in place.

It is pleasing to note that a net surplus has again been recorded building upon the previous year's positive performance. The surplus is largely reflective of investments made in the money market. Though modest, these results are a sign of the Bank's sound investment philosophy and the adherence to prudent business practices. The results are also indicative of the prevailing interest rates and DBN's current development phase.

Much of the expenditure in 2004 went towards putting in place the Bank's human capital. The current staff complement of 14 includes the six-person management team and professional and support staff, and is a reflection of the endeavour to have



a lean and efficient organisation that grows incrementally on market requirements.

As drivers of the all-important mandate, DBN staff are subject to stringent entry requirements and are encouraged to excel at their work through adoption of a performance management system. Emphasis is placed on empowering staff to realise the institutional mandate and to promote a culture of continuous improvement at the Bank.

DBN's critical first year of doing business confirms its readiness to assume its role of development catalyst and partner in an era where there is growing international consensus that the pervasive increase in poverty levels can only be addressed through considered and sustained effort.

The Bank is now geared towards implementing its mandate, which is to contribute to the socio-economic development and improved welfare of Namibians in a sustainable manner. My gratitude goes towards the Board of Directors, management and staff, for embracing the all-important mandate of the Bank, and for adhering to the core values in their daily work.

The tremendous strides made in the past year would also not have been possible without the steadfast

support of our shareholder, the Government of the Republic of Namibia; our corporate and development partners; and, indeed; the constant support rendered by the team's partners and spouses.

I am proud of our progress and successes in this first year of business and confident that the DBN will make a lasting contribution towards the transformation of the Namibian economy.

Sven Thieme
CHAIRPERSON OF THE BOARD



DBN staff (standing left), Joy Sasman, Manager: Marketing & Development Services; Erastus Hoveka, Chief Financial Officer; John Mbango, Business Analyst; Gottlieb Hinda, Portfolio Manager; Tladi Ramushu, Advisor to the CEO; David Nuyoma, Chief Executive Officer; Gabriel Mbapaba, Manager: Human Capital & Administration; Sion Uugwanga, Office Assistant / Messenger; Elton Job, Administrative Assistant; Edgar Dunaitski, Senior Accountant; Justine Shikulo, Receptionist / Typist. (Sitting left), Ruby Rees, Personal Assistant to the Chief Executive Officer; Penny Akwenye, General Manager: Special Development Fund; Michael Humavindu, Business Analyst; Valentina Schaneck, Management Secretary. Andrew Kanime DBN's first Manager: Human Capital & Administration, was not present at the picture session.

IN its broadest form, the work done over the past 12 months entailed constructing the DBN as a sustainable and viable development finance institution.

It also involved consideration of important detail, like the process embarked on to ensure that loan application forms are accessible and reliable; that the linkages instituted help DBN fulfil its historical mandate; and the care applied in establishing an institution with integrity.

The foremost consideration, however, was putting in place an institution able to support initiatives that will apply the country's resources on a sustainable basis, for the benefit of all Namibians - both present and future.

A key challenge during the period under review was assembling a team that can drive the vision of the Bank's founders. The management team is now in place, and key professional and support positions filled. Great care is, however, taken to ensure that the DBN has a lean and focused structure. Therefore, the team is continuously keeping its operations and workload in check to ensure that only those positions for which there is absolute need, are filled.



*David Nuyoma
Chief Executive Officer*

The Bank now also has fully functional divisions in place. The Operations, Finance, Human Capital and Administration, and Marketing and Development Services Divisions are staffed and working. A separate business unit, the Special Development Fund (SDF), came into being with the approval of the SDF Rules by Cabinet and subsequent endorsement by the Minister of Finance. The SDF focuses solely on the SME sector.

Steady project appraisal capacity

Emphasis in the first operational year was on beefing up the Operations Division's capacity to realise project leads and cement a thorough appraisal process. A major highlight is the evaluation of 46 applications through a process that involves a series of steps designed to ensure objectivity and overall credibility of the system. This includes an initial review by the Operation's Division; review by Management's New Business



Committee; consideration by the Board Credit and Investment Sub-Committee; and presentation to the full Board. The appraisal process is rigorously adhered to encourage public trust in the Bank's systems.

During the year under review, the DBN has appraised 46 loan applications. The total project cost of these amounts to N\$1.4 billion of which N\$605 million was requested from DBN. More than a third of the projects submitted are active and are undergoing due diligence assessment for a final investment decision. This working pipeline boosts DBN's ability to meet its business targets and provides a solid foundation on which to build. I am confident that the Bank will realise its project financing goals as a result.

The first year also provided valuable lessons on market characteristics. The Operations Division is therefore continuously working on improving DBN's product range to make the institution more relevant to the market and add value to the economy.

Special Development Fund

In 2004, the focus was on getting the Rules governing the Special Development Fund's operations, in place. The approval of the SDF Rules by the Minister of Finance on 1 November 2004 set the stage for the entity's operationalisation.

However, the unit's functioning was hampered by the delay in capitalisation. I remain confident that the capitalisation will be completed in the 2005 financial year and that the SDF will respond to emerging entrepreneurs' call for capital.

Administratively, the SDF is operational with a General Manager heading the unit. Its product launch is, however, dependent on having the necessary capitalisation confirmed.

Finance

The Finance Division's efforts were centred on firming up DBN's capitalisation. In addition to securing the main shareholder's contribution, efforts are underway to attract both local and international investors to participate in the capitalisation of the Bank.

The Bank reported a net income amounting to N\$4.0 million for the current financial year. This net income resulted from investing the surplus funds of N\$133.9 million. All surplus funds were invested in interest-bearing instruments in the local money market. At year-end, the total equity consisted of N\$125 million seed capital and N\$12.9 million of retained earnings.



Human Capital and Administration

Achievements in the Division relate to the formulation and institutionalisation of the Human Capital Policies and Regulations and the appointment of some of the best human capital available. At present, the full management team and key professional staff is in place, effectively operationalising the Bank.

The Division's immediate challenge was to conduct training needs assessments and identify appropriate training opportunities to ensure adherence to supreme professional standards. To this end, staff participated in various training programmes and conducted benchmark visits to key counterpart institutions in Namibia and beyond our borders. Capacity building and skills development remain a priority at the DBN.

The value attached to establishing a performance driven culture and to measuring actual contributions to organisational success, is captured in policies and processes that enable consistent and equitable management of employees' performance, and the linking of such performance, to reward. By instituting these procedures, DBN aligned itself with the remuneration practice that embeds a culture where staff is encouraged to rise above the standards of conduct and performance expected from them.

Marketing and Development Services

The Division's efforts were centred on building the DBN's identity and reputation as a respected development institution with a determining role in the improvement of the overall quality of life in Namibia. The challenge of engendering trust in the Bank's systems was addressed with the conception of a corporate brand that affirms the DBN as a leading development agency.

The development of the strap line, *enabling sustainable progress*, through a process in which all staff participated, underscores the philosophy that the brand influences virtually every activity in the organisation and helps manifest the brand promise at each point of contact.

The current direction is on pro-active and targeted business generation activities to ensure the Bank meets its business targets.

The strategy to engage potential clients through dedicated sessions is aimed at increasing awareness of the young institution's purpose and products, and to grow the partnerships symbolising the essence of the DBN.

Development partners

DBN's emphasis on the principle of partnership affirms its resolve to foster economic growth and

widen the scope of development opportunities through collective endeavour.

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

Besides collaborating with an extensive range of local and international partners, DBN concluded formal partnership arrangements with the Development Bank of Southern Africa and the Southern African Development Community (SADC) Development Finance Institutions' Network.

Both arrangements promote long-term co-operation to ensure the successful establishment and operation of the DBN to the benefit of development in Namibia and the SADC region.

The partnerships initiated also serve the objective of resource mobilisation, in its broadest form. In addition to the drive to involve future potential shareholders in the Bank, DBN's partnership objectives are also geared towards sourcing technical expertise to enhance the sustainability of the projects it supports.

The importance of engaging partners; be they equity holders, corporate or development partners; and proving DBN's credibility to them, has underscored the approach in cementing relationships that will help the Bank act in Namibia's best interest.

Beyond 2004

The Balanced Score Card in place projects clear developments and impacts for DBN in 2005. Key among these is the extension of the first loans under the current product range. DBN's targets are modest, but are focussed on steering the organisation towards realisation of its ultimate goal: to contribute optimally to development.

The gains made in the DBN's formative year bode well for its future. 2004 saw a fundamentally important national institution move from a noble idea into a fully operational entity with firm roots.

We will continue building on the foundation in place and endeavour to have an enduring and unquestionably positive impact on sustainable economic growth and transformation in Namibia.

David Nuyoma
CHIEF EXECUTIVE OFFICER



**Development
Bank of Namibia**

**ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2004**

Annual Financial Statements

31 December 2004

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of the Bank 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 have audited the financial statements and their report appears on page 16.

The directors of the Bank 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 Bank 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 17 to 27 were approved by the Board of directors and are signed on their behalf by:



CHAIRPERSON

22 March 2005



CHIEF EXECUTIVE OFFICER

22 March 2005

Report of the Independent Auditors to the Members of the Development Bank of Namibia Limited

INTRODUCTION

We have audited the annual financial statements of the Development Bank of Namibia Limited set out on pages 17 to 27 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

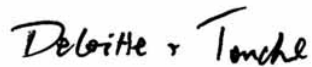
We conducted our audit in accordance with Statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- 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 2004 and the results of its operations and cash flows for the year 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

22 March 2005

Report of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is comprised of three members. The Committee is chaired by Ms Brunhilde Barnard, a non-executive director and Chartered Accountant (Namibia). The remaining members are the CEO, Mr David Nuyoma, and Mr Asnake Getachew, a non-executive director.

The primary role of the Committee is to ensure

- compliance with policies, plans, laws and regulations which have an impact on the organisation;
- that the necessary controls are in place to ensure the reliability and integrity of financial information;
- the safeguarding of assets; and
- it is charged with supervision over the risk management process.

The core function and responsibility of the Committee is the oversight over the internal and external audit functions, so as to ensure that these functions address the critical risk areas within the organisation in an effective manner. It reviews and considers audit reports to be brought to the attention of management and the Board and ensures implementation of corrective measures recommended in these reports. It furthermore reviews co-operation, co-ordination and independence between management and external audit and resolves differences of opinion between the auditing function and management.

Risk management and compliance also fall within the scope of the Committee's responsibility. Management mechanisms which have been instituted include the adoption of a comprehensive risk management framework to effectively manage and control risks at all levels of the organisation. The Bank instituted a Management Committee on Risk to implement and advise the Committee on DBN's plans, policies, procedures, practices and actions as these pertain to institutional risk in the operations of the respective divisions.

The Committee held four meetings during the year. Matters which served before the Committee during the period under review relate to the consideration, review and adoption of the Committee's Terms of Reference, the corporate budget, and the strategic framework on which the budget was based, for the year ended 31 December 2005, as well the review of the Annual Financial Statements and Auditors Report to Management for the year ended 31 December 2004, before recommending these for adoption by the full Board of Directors.

Further, the Committee also reviewed the Annual Financial Statements and the Auditors Report to Management for the year ended 31 December 2004, before recommending these for adoption by the full Board of Directors.



Brunhilde Barnard
CHAIRPERSON OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

The Directors have pleasure in presenting their report on the activities of the Company for the year ended 31 December 2004.

BACKGROUND AND OPERATIONS

The Bank was constituted in terms of Act No. 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 Bank are fully set out in the attached annual financial statements.

DIVIDENDS

No dividends were declared or paid in respect of the financial year under review (2003: Nil).

SHARE CAPITAL

The authorised and issued share capital of the bank remains unchanged at N\$150 million and N\$125 million respectively. The Government of the Republic of Namibia is currently the sole shareholder.

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:

S Thieme	Chairperson
B Zaaruka	Deputy Chairperson – resigned 14 October 2004
D Nuyoma	Chief Executive Officer
B Barnard	Chairperson: Audit, Risk and Compliance Committee
S Elago	Chairperson: Human Capital and Remuneration Committee
A Getachew	Chairperson: Capital and Investment Committee
J Sasman	Secretary

Business address

2nd Floor, Trustco House North
142 Robert Mugabe Avenue
Windhoek
NAMIBIA

Postal address

P O Box 235
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 year ended 31 December 2004

	Notes	2004 N\$	For the 9 months ended 31 December 2003 N\$
Interest income	2	11 471 788	11 153 517
Other income		207 316	-
Total income		11 679 104	11 153 517
Operating costs		(7 664 272)	(2 228 542)
Income before taxation	3	4 014 832	8 924 975
Taxation	4	-	-
Income for the year		4 014 832	8 924 975

Balance Sheet
for the year ended 31 December 2004

	Notes	2004 N\$	2003 N\$
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ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	618 474	29 460
CURRENT ASSETS		137 802 893	133 895 515
Investments	6	137 460 746	130 853 371
Accounts receivable	7	248 950	-
Bank balances and cash		93 197	3 042 144
		<hr/>	
TOTAL ASSETS		138 421 367	133 924 975
<hr/>			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		137 939 807	133 924 975
Share capital	8	125 000 000	125 000 000
Retained income		12 939 807	8 924 975
CURRENT LIABILITIES			
Accounts payable	9	481 560	-
		<hr/>	
TOTAL EQUITY AND LIABILITIES		138 421 367	133 924 975
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Statement of changes in equity

for the year ended 31 December 2004

	Share capital N\$	Retained income N\$	Total N\$
Issue of share capital	125 000 000	-	125 000 000
Income for the period		8 924 975	8 924 975
Balance at 31 December 2003	125 000 000	8 924 975	133 924 975
Income for the year		4 014 832	4 014 832
Balance at 31 December 2004	125 000 000	12 939 807	137 939 807

Cash flow statement
for the year ended 31 December 2004

	Note	2004 N\$	2003 N\$
CASH FLOWS FROM OPERATING ACTIVITIES		4 229 451	8 924 975
Cash receipts from customers		-	-
Cash paid to suppliers		(7 242 337)	(2 228 542)
Cash utilised by operations	A	(7 242 337)	(2 228 542)
Interest received		11 471 788	11 153 517
CASH FLOW FROM INVESTING ACTIVITIES		(7 178 398)	(130 882 831)
Acquisition of property, plant and equipment		(571 023)	(29 460)
Increase in investments		(6 607 375)	(130 853 371)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	125 000 000
Net change in cash and cash equivalents		(2 948 947)	3 042 144
Cash and cash equivalents at the beginning of the year		3 042 144	-
CASH AND CASH EQUIVALENTS at the end of the year		93 197	3 042 144

A. CASH GENERATED BY OPERATIONS

Income for the year	4 014 832	8 924 975
Adjusted for:		
Assets donation	(180 340)	-
Interest received	(11 471 788)	(11 153 517)
Depreciation	162 349	-
	(7 474 947)	(2 228 542)
Changes in working capital	232 610	-
Accounts receivable	(248 950)	-
Accounts payable	481 560	-
Cash utilised by operations	(7 242 337)	(2 228 542)

Notes to the annual financial statements

31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted. The financial statements 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.

Interest income

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

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.

Property, plant and equipment

All property and equipment are stated at cost and are depreciated on the straight-line basis at rates considered appropriate to their estimated useful lives.

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

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

The recoverable amount is the higher of its net realisable value and its value in use. Net realisable value is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use,

1. PRINCIPAL ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rates that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset whose cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Investments

Investments in marketable securities are stated at market value and include realised and unrealised capital appreciation, or depreciation, which is taken into account to reflect changes in market value. Realised capital appreciation and depreciation as well as unrealised capital appreciation and depreciation are recognised in the income statement.

Investments are adjusted to take account of discounts earned or premiums paid, over their remaining life, so that book value at maturity equals the redemption value.

Other investments are initially stated at cost and subsequently measured at fair value where applicable.

Interest from investments is accounted for on the accruals basis.

Pension fund

It is the policy of the bank to provide retirement benefits for employees. Contributions to the pension fund are charged against income in the year in which they become payable.

Impairment of assets

The carrying amount of the assets of the Bank is reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the annual financial statements (continued)

31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. Payments made on the operating leases are recognised in the income statement over the period of the lease.

Related parties

All related party transactions are at arm's length and in the ordinary course of business.

Foreign currencies

Assets and liabilities in foreign currencies are converted at rates of exchange ruling at the year-end. Foreign exchange trading positions, including spot and forward exchange contracts, are revalued at fair value, taking maturity profiles into account and resultant profits and losses are accounted for in the income statement.

	2004	2003
	N\$	N\$

2. INTEREST INCOME

Interest received - Banks	11 471 788	11 153 517
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3. INCOME BEFORE TAXATION

Income before taxation is arrived at after taking the following items into account:

Auditors' remuneration	- audit fees	21 275	-
	- accounting services	7 475	-
	- consulting services	499 289	1 172 024
Directors' fees	- for services as directors	240 000	426 801
	- for management services	967 029	77 029
Depreciation		162 349	-
Professional services		173 726	-
Remuneration other than to employees:			
Managerial services	- fees	288 750	-
	- expenses	41 221	-
Salaries and related personnel costs		3 198 349	-
Interest paid		159	-
Operating leases	- buildings	713 000	-
	- equipment	76 786	-
	- others	41 702	-
Number of employees		13	1

Notes to the annual financial statements (continued)

31 December 2004

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

	Computer Equipment	Furniture & Equipment	Total 2004	Total 2003
	N\$	N\$	N\$	N\$
2004				
Carrying amount – 1 January 2004	29 460	-	29 460	-
- At cost	29 460	-	29 460	-
- Accumulated depreciation	-	-	-	-
Additions	308 255	443 108	751 363	29 460
Depreciation	(74 180)	(88 169)	(162 349)	-
Carrying amount – 31 December 2004	263 535	354 939	618 474	29 460
- At cost	337 715	443 108	780 823	29 460
- Accumulated depreciation	(74 180)	(88 169)	(162 349)	-
	2004		2003	
	N\$		N\$	

6. INVESTMENTS

Fixed deposits at fair value	137 460 746	130 853 371
Directors' valuation	137 460 746	130 853 371

7. ACCOUNTS RECEIVABLE

Prepaid expenses	76 350	-
Deposits	172 600	-
	248 950	-

8. SHARE CAPITAL

Authorised		
1 500 Ordinary shares of N\$100 000 each	150 000 000	150 000 000
Issued		
1 250 Ordinary shares of N\$100 000 each	125 000 000	125 000 000

Notes to the annual financial statements (continued)

31 December 2004

	2004 N\$	2003 N\$
9. ACCOUNTS PAYABLE		
Trade payables	1 539	-
Salary related payables	480 021	-
	481 560	-

10. LEASE COMMITMENTS

Operating lease commitments		
Vehicles	145 596	-
Office equipment and leased lines	448 892	-
Buildings	980 620	620 000
	1 575 108	620 000
To be incurred as follows:		
2004	-	620 000
2005	1 189 907	-
2006	160 755	-
2007	112 223	-
2008	112 223	-
	1 575 108	620 000

11. 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

12. RETIREMENT FUND

Retirement benefits are provided for employees by a separate Fund, known as the Development Bank of Namibia Retirement Fund, to which the Bank contributes. The Fund is administered under the Namibian Pension Fund Act, No. 24 of 1956. An actuarial valuation is due to be performed every three years. All employees contribute to the Fund. Total Bank contributions for the year amounted to N\$480 006 (2003: Nil).

	2004 N\$	2003 N\$
13. CAPITAL COMMITMENTS		
Contracted	-	-
Not contracted	7 511 323	-
	<u>7 511 323</u>	<u>-</u>

These capital commitments will be funded from internal resources.

14. RELATED PARTY INFORMATION

During the year the Bank, in its ordinary course of business, entered into various transactions. These transactions were undertaken on commercial terms and conditions.

Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the bank.

Transactions with the Bank

The Bank received a donation of office furniture to the value of N\$180 340 from the DBN steering committee.



**Development
Bank of Namibia**

enabling sustainable progress