Development
Bank of Namibia

ANNUAL REPORT
2007

TABLE OF CONTENTS

COMPANY PROFILE

GROWTH AND ENTERPRISE

The Development Bank of Namibia (DBN) avails financial resources to productive sectors of the economy to propel industrial progress. The Bank was established through an Act of Parliament in 2002 and launched in 2004. Initially capitalised by the Government of Namibia, the Bank is open to equity participation by recognised financial and development institutions.

NATURE OF FINANCE

DBN provides finance for:

- Private sector start-ups and expansions
- Equity deals
- Bridging finance
- Enterprise development finance
- Black economic empowerment enterprises
- Franchise facilities
- Small and medium enterprises

BUSINESS APPROACH

The hallmarks of DBN's approach are:

- Business logic first
- Acceptance of innovation
- Risk mitigation
- Custom financing
- Financial principles
- Robust governance

BOARD AND GOVERNANCE

The Bank is governed by a board of seven directors composed of business leaders from the private sector, including representatives of the financial sector.

Its policies and practices are exercised in a transparent manner. Activities are conducted with due consideration for the requirements of public accountability, while taking projects' sensitive aspects into account.

For more on the DBN, visit **www.dbn.com.na**

BOARD OF DIRECTORS

STANDING FROM LEFT TO RIGHT

David Nuyoma
Chief Executive Officer

Elize Angula

Sven Thieme
Chairperson

Sara Elago

SITTING FROM LEFT TO RIGHT

Estelle Tjipuka

Asnake Getachew

Jennifer Comalie

Sven Thieme
Chairperson

CHAIRPERSON'S REPORT

THE YEAR AHEAD BRINGS A NUMBER OF CHALLENGES. INCREASED RECOGNITION OF GLOBAL WARMING AND ADOPTION OF ENERGY-SAVING MEASURES HAS LED TO LAND PREVIOUSLY USED FOR CROP PRODUCTION NOW BEING USED TO GROW WHEAT FOR BIO-FUELS.

This puts food production under pressure. The demand for commodities to drive growth in China and India has had a dramatic impact on prices in other economies and oil price increases continue to fuel inflation.

The SADC (Southern African Development Community) is very vulnerable to these changes. Oil prices have an immediate impact on inflation and there is a squeeze in monetary policy, which hikes interest rates and impacts significantly on consumer spending.

These global and regional developments will have an impact on Namibia but also present opportunities for the country. It is therefore important for the Development Bank to adapt its strategies to these changing economic factors to foster opportunities for sustained economic growth.

This means that the Bank has to identify areas of focus. We need to focus on sectors that make a difference, such as small and medium enterprises (SMEs), the industrial sector, on building a credible institution and investing in infrastructure development.

The Bank's exceptional performance since its inception, but particularly in 2007, instills a large measure of confidence in our ability to grow into these challenges, not just in terms of increasing the reach of our activities, but also in taking on larger infrastructural projects and, on the basis of our growing skills set, to take on more complex roles, particularly in the field of our newly developed equity offering.

We require a base capitalisation of N$ 1 billion to begin to fully achieve our potential. In the course of 2007, the Bank achieved a net income of N$ 57,9 million, an increase of 38,8 per cent on the previous year. We received a further injection of N$ 64 million from our shareholder and our assets now stand at N$ 657 million. The board is confident that the Bank will achieve capitalisation of N$ 1 billion in the very near future.

At the close of 2007, Regulation 28 of the Pension Funds Act was enacted. The amendment requires pension fund administrators to invest two per cent of pension funds assets in unlisted companies in 2008, growing to 3,5 per cent in 2009 and five per cent in 2010. At the same time, the Regulation also requires a decrease in dual listed investments, falling from 35 per cent to 30 per cent in 2008 and further reductions in five per cent increments until 2012 when the limit of ten per cent is reached. In addition, the amendment further restructures other categories of allowable investments.

In effect, Regulation 28 is a fundamental restructuring of Namibia's investment environment that will induce new capital flows which will have to be directed into private sector and infrastructural initiatives. This is a challenge, but it is also an exceptional opportunity.

It is against this background that the DBN, in partnership with relevant institutions, will introduce a private equity facility that will structure and direct these anticipated resources into businesses' growth, from 2008 onwards.

Following the establishment and development phase that culminated in 2006, the Development Bank used 2007 to begin expansion of its operations. However, relatively limited capital resources required the Bank to use its capabilities to best effect, with a clear focus on where it could make a significant impact while safeguarding its own viability.

Job creation and poverty alleviation remain priorities and are focal points of our SME initiative piloted with Bank Windhoek, which, I am pleased to report, yielded excellent results. DBN and its partners have achieved a level of viability of SMEs that bodes well for the future, through the mechanisms of risk mitigation and mentoring.

I take this opportunity to thank our partners for their vision, dedication and cooperation.

For larger projects, the Bank has been able to balance rigorous assessment with unlocking the potential of projects. This goes beyond considering credit risk, a key difference between DBN and other banks. We don't simply decline projects on the basis of saying they wouldn't work. Instead, we try to find ways, in cooperation with applicants, to make things work. This philosophy of enabling innovation where conventional approaches to credit risk might restrict sources of finance has brought about concrete positive change to people's lives and Namibia's business environment.

The Development Bank maintained its policy of robust and stringent governance, an underpinning of the confidence shown in the Bank by its peers and *the* key success factor for DBN so far. Training is ongoing, and the Bank continues to align itself to the

Nomad Aviation


Oshikango Plastics

Bima Electro Enterprises

Roama Gate Manufacturers

standards set by the King Report in addition to compliance with International Financial Reporting Standards.

In *The Corporate Citizen,* Mervyn King notes that, once compliance is attained, the hallmark of good governance is the ability to interact with stakeholders and achieve acceptance of the organisation's mandate. I am pleased that the Bank has earned widespread acceptance from its peers and project promoters. However, the board is aware that strategy must be fluid, and that the Development Bank should be flexible and open to change.

During 2007, the Development Bank financed projects in a wide range of sectors. The board is aware of the fledgling nature of Namibia's entrepreneurial spirit, however is pleased to note that the multi-sectoral scope of projects is beginning to grow, as entrepreneurs and project promoters become accustomed to the institution and its services.

In the course of 2007, we set in place a strategy concentrating on resource mobilisation, product optimisation and further enhancement of organisational capacity. Our activities are driven by three-year strategic periods governing activities and products that reach an expanded range of target groups. This strategic intent, together with our commitment to best practice and world-class orientation, should sustain our growing momentum.

The Bank's ability to plan ahead is a good indication that it is reaching operational and strategic maturity. The target-based approach will better enable the Bank to manage projects of a far more complex scope, and I am very pleased to say that far more complex projects are in the pipeline, another indication of the trust we have earned from the market.

The Development Bank's primary asset is the intellectual and operational capacity of its human capital. We remain one of only a handful parastatals that have a performance management system in place. While it may have been painful at first, there is acceptance for it now. This is our culture; this is the way we are.

I would like to thank the board for the commitment they have shown to the Bank, their exceptional attendance record and the tasks they have shouldered, over and above their own professional lives and duties, in executing the functions of the board. Credit must also be given to the management and staff of the Bank. The course of 2007 saw the implementation of far more demanding goals, new ways of thinking and steep learning curves. To their credit, they managed to navigate and incorporate the changes while still producing exceptional results. This is a clear testimony to their abilities and excellence.

The shareholder, the Government of the Republic of Namibia, has again demonstrated its commitment to grow the Bank through additional capitalisation, and has also entrusted the board with the necessary autonomy to fulfill the mandate of the Bank. The success of the Bank to date can also be attributed to this conducive environment.

The Development Bank uses clear measurements to assess its effect: jobs created and retained, reach into regions, diversification measures and infrastructure development. The Bank performed well on all these measures in the course of 2007, and it is expected that this trend will continue during 2008.

Sven Thieme

DBN MANAGEMENT

STANDING FROM LEFT TO RIGHT

Gottlieb Hinda
Acting Chief Operations Officer

Renier van Rooyen
Chief Financial Officer

Martin Inkumbi
Portfolio Manager

SITTING FROM LEFT TO RIGHT

David Nuyoma
Chief Executive Officer

Joy Sasman
Manager: Corporate Communications

Lindsay Crawford
Head: Credit & Risk Management

David Nuyoma
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

2007 WAS A YEAR OF EXCELLENT RESULTS, MADE EVEN MORE NOTABLE FOR THE FACT THAT THE YEAR FOLLOWED INTENSE CAPACITY BUILDING AND ORGANISATIONAL DEVELOPMENT WHICH CULMINATED IN 2006.

More importantly though, the Bank continued to produce strong results in terms of its mandate to provide finance for projects with a clear development impact.

Key results, like the 38.8 per cent increase from the previous year in net income and improvement in the cost to income ratio from 24.1 to 21.9 per cent are principally due to a streamlined operation, our emphasis on realising value from the limited resources at hand, and our philosophy of networking.

The balance sheet grew from N$ 535 million to N$ 657 million in the same period, an increase of 22.8 per cent. The main drivers of growth were a 90.6 per cent increase in the loan book due to the increased approval of loans from N$ 84.7 million to N$ 285.75 million and growth of property, plant and equipment from N$ 1.7 million in 2006 to N$ 11.6 million in 2007 as a result of the acquisition of the Bank's new head office.

The ratios speak for themselves. The Bank has achieved positive growth in terms of our return on equity, in terms of loan book growth, our liquidity ratio, and on the cost of employment related to net income.

As a financial institution, it is important to grow a balance sheet that will enable us to deepen our reach and extent in terms of support; and I am therefore very pleased with the result.

One of the main considerations is diversifying sources of finance other than returns on lending and financial investments. The Bank must find sources that fit the profile of a development finance institution (DFI), and made its first foray into the field with a credit line of € 2.5 million from the Kreditanstalt für Wiederaufbau (KfW) of Germany. The Bank also obtained an additional injection of N$ 64 million to its equity from its shareholder.

The Bank approved funding of N$ 314.95 million to support business growth and infrastructure development. Of this amount, N$ 285.75 million was covered by the Bank itself, and N$ 29.2 million through its partnership with Bank Windhoek to small and medium enterprises.

Staff during the *Journey to Excellence* workshop

In terms of employment, these loans created 625 new jobs, assisted in retention of 1 891 existing jobs and generated 1 688 temporary or part time jobs.

The Bank has been mindful of the need to spread development across the geographic regions of the country, and this year provided finance in 11 of the country's 13 regions, though most of the activities supported have a national impact.

As part of its mandate the DBN plays a catalytic role by channeling resources from the market, through co-financing, towards development. It is pleasing to note that a multiplier effect of N$ 6.8 to every N$ 1 released by the Development Bank was achieved in 2007. These co-financing arrangements underscore the Bank's approach of partnership with relevant stakeholders.

The combination of financial measurements and development impacts is proof that development finance can equate to good business. It tells us that if we maintain our discipline, we will bring credibility to the field, nationally and also in terms of the wider context because there is a general and historical perception that the development finance industry has not performed well.

Within the context of the Bank's targets, we are right in range and the pace at which we are operating is in line with our business plan. Within the context of the region, our results compare favourably with those of premier DFIs in the SADC region.

During 2007, we introduced several new products which include a franchise facility and a BEE (Black Economic Empowerment) financing framework. The introduction of a preference share facility makes it possible for us to add value to projects that otherwise would have found themselves burdened by the obligations of loan repayments.

A number of initiatives from the past year stand out as exemplary of the Bank's operational approach and philosophy.

With regard to SME support, I would like to single out the effectiveness of the bridging finance facility in terms of which we support small contractors who won tenders to fulfill contractual obligations.

The factors which we now need to face are management of levels of risk associated with yet higher levels of activity, as well as nurturing levels of business innovation which lead to the ventures that generate employment.

Ongwediva Radiology

Namibia Dairies

Namport

The immediate benefit is generation of over 1,000 mostly temporary jobs, as well as development of Namibia's road infrastructure. This also increases capacity and skills levels of emerging businesses.

I commend institutions, such as the Road Fund Administration, that have taken steps to make tenders available to support SMEs, building involvement of Namibians in the economic development of their country.

The momentum created in 2006 with the Bank Windhoek SME facility remained almost constant. Of further note, in this instance, is that the repayment rate through this facility has been commendable in the context of SME support. I ascribe this to the proper evaluation of projects and the support measures offered through our dedicated mentorship programme.

The successes of 2007 owe much to the operational autonomy and flexibility granted to the Bank by its shareholder. Additionally, it is also important to note the constitution of the board, management and staff, which is based on merit, and has contributed to the good standing of the Bank today.

Building upon the enterprise-wide risk management framework introduced in 2006, the Bank has strengthened its internal auditing processes by reviewing operations in the areas of lending, investments, human resources, credit control and governance, which further adds value and confidence to the control measures. As reflected in the financial report, the various committees of the board were active in fulfilling their oversight role and in securing stakeholder and shareholder value.

It is also important to highlight that the Bank's loan book to date is not marred by any bad debts, a major attainment for any financial institution, whether a DFI or otherwise.

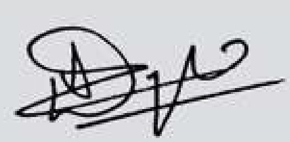
The regional context has been very constructive. Our relationship with the other DFIs is strong. The smart partnership arrangements that the Bank established, particularly in 2007, such as the secondment of a senior manager from South Africa's Industrial Development Corporation (IDC), is illustrative of this.

As a further indicator of the commitment to excellence, the Bank joined the *Journey to Excellence* programme. It builds the understanding, among all members of the Bank, that excellence is not a far-fetched dream; that it can be attained with commitment.

I believe that in a developing economy the opportunities are tremendous in terms of infrastructure as well as provision of goods and services locally and externally. It is through these opportunities that we are growing.

The factors which we now need to face are management of levels of risk associated with yet higher levels of activity, as well as nurturing levels of business innovation which lead to the ventures that generate employment.

I believe that we can sustain the significant levels of growth attained so far. Our systematic approach in building up our governance and policy frameworks, our product offering and diligence exercise is a formula for enabling sustainable development.



David Nuyoma

DEVELOPMENT IMPACT

DEVELOPMENT IMPACT

The 21 projects approved in 2007 - to the tune of N$ 285.75 million - are expected to create 625 new jobs and retain 1891 existing ones. 1688 temporary jobs are being created. The projects are located in 11 of the country's 13 regions, represent 16 key economic sectors, and create new skills transfer opportunities as 48 per cent of the approvals by value went into creating new industries. 25 per cent of the projects approved have significant BEE ownership.

DBN's premium on partnership is underscored by it having leveraged N$ 6.8 through co-financing from other investors for every N$ 1 it committed.


I-S Freight Services


Seafresh Investments

FACILITIES APPROVED IN 2007

Duiker One Hundred & Thirty Four

The project involves the establishment of advanced radiological facilities at Ongwediva, reducing the need for medical travel to other towns. DBN extended a facility to Duiker Investments for the purchase of radiography equipment to set up a medical imaging practice in the north, which until its establishment, had rudimentary services.

Indigenous Construction

Indigenous Construction was awarded a contract by the Roads Authority for the construction of a gravel road in the Caprivi region: from Kongola to the Zambian border, with a shorter leg from Kongola to the Quarantine Camp. The business required funding to purchase machinery and equipment to carry out the contract. 30 people were employed during the contract period.

I-S Air Freight Services

Windhoek-based courier company, I-S Air Freight Services, specialises in over-night, two-day and three to four day economy road transport to and from Johannesburg, Cape Town, and Windhoek; as well as overnight road freight between Wind-hoek, Walvis Bay and Swakopmund. The company has outgrown its business premises in Prosperita and bought a new plot - and a truck, to grow its operations. The company employs 45 full time staff.

Kamuku Enterprises

Kamuku Enterprises secured a six-month contract to build a river crossing structure over the Omaruru River at Okombahe in the Erongo Region, using labour-based construction methods. The loan is for machinery and equipment to carry out the contractual work. The business employed about 50 task workers over the contract period.

Karukongo Building Contractors

The SME secured a contract for the construction of concrete works and a culvert on the road from Kongola to the Zambian border and the road to the Quarantine Camp in the Caprivi region, using labour-based construction methods. The business employed three experts and ten task workers.

Roama Gates Manufacturers

Roama Gates Manufacturers makes and distributes farm, residential and security gates, as well as steel posts, and refuse bins. These goods were manufactured manually by 15 employees, but the company set out to mechanise the process to improve the quality of products and to increase production. DBN's loan went towards financing this expansion through which an additional 15 jobs were created.

M. Shikongo Investments

M. Shikongo Investments secured a contract with the Roads Authority to put up and replace road signs in the Rundu and Katima Mulilo districts. The business required a loan for two

trucks to carry out the work. Eight full time and 12 temporary workers gained employment during the contract period.

NamClay Bricks & Pavers

NamClay Bricks started operating in Uis in 2006. The town has been badly affected by the closure of the tin mine more than 15 years ago and the project brought much-needed life to the area.

A clay brick and paver manufacturer, NamClay Bricks provided an initial 68 jobs; extracts clay from old mine slime dams and uses the proceeds to rehabilitate the mine; produces a brick ideal to weather conditions at the Namibian coast; and, with a maximum pressure strength of 40 Mega Pascal (MPa), produces a brick of such strength that quite tall buildings can be erected without requiring re-enforced concrete structures.

DBN extended a loan to the project to acquire equipment including kilns, to improve the company's efficiency, as well as for working capital.

Kavango River Bridge (Road Fund Administration)

The Road Fund Administration (RFA) works to secure and allocate sufficient funding for the achievement of a safe and economically efficient road sector.

As part of its mandate, the RFA applied for a loan to upgrade the Kavango River Bridge on the TransCaprivi Highway. The upgrade will increase cargo handling and, as a result, facilitate increased trade between Namibia and its neighbours, earning foreign exchange for the country.

The TransCaprivi Corridor is particularly important to Namibia as it links the port of Walvis Bay with Zambia, the DRC, Zimbabwe and other countries in the Great Lakes region. The limited carrying capacity of the Kavango River Bridge was an infrastructure bottleneck for industrial and mining development in the region. 17 permanent and 50 temporary jobs were created through the project.

Omkumo Construction and Bojashwi Construction

These women-owned SMEs secured contracts with the Roads Authority for the construction of a gravel road between Muyako and Ngoma in the Caprivi Region, using labour-based construction methods. The project work, which covers a distance of 12 km for each of the SMEs, is limited to de-bushing and excavation, in preparation for the main contractor to complete the

The projects are located in 11 of the country's 13 regions, represent 16 key economic sectors, and create new skills transfer opportunities as 48 per cent of the approvals by value went into creating new industries.

I-S Freight Services

Ongwediva MediPark

Bima Electro Enterprises

road. DBN provided facilities to each to acquire tools and equipment. Each SME is required to employ up to 150 task workers during their 18-month contract periods.

The increase in support to SMEs in road construction is a consequence of DBN's undertaking to facilitate these businesses' entry and growth in a field to which most are new.

Ongwediva MediPark

In April 2007, DBN introduced a Preference Share facility to assist businesses in cases where debt funding might not be the appropriate financing mechanism, and which improves the structure of the business. This arrangement lessens the burden of debt on the business and makes it possible for good projects that may have had gearing problems, to become viable.

The facility to the Ongwediva MediPark went towards the establishment of advanced medical facilities in the town, which caters for the regions in the north.

Oshikango Plastics

Oshikango Plastics (Pty) Ltd is a new company owned by previously disadvantaged Namibians and established for the purpose of acquiring a 30 per cent shareholding in Fatima Plastics. Fatima Plastics is an existing business manufacturing household plastic goods at Oshikango. DBN's assistance took the form of preference share investments in Oshikango Plastics, which, in turn, used the proceeds to purchase 30 per cent ordinary shares in Fatima Plastics.

The funds obtained by Fatima's shareholders were reinvested in the business and was used for raw materials and additional equipment. Fatima currently employs 78 people who work on two production shifts in 24 hours. An additional 10 people were employed through the expansion.

Nomad Aviation

Nomad Aviation provides charter and scheduled flight services, flying passengers and freight in Namibia and to neighbouring states. It is the only company in Namibia other than Air Namibia that has a licence to fly freight to Europe. Nomad recognised the growing need for convenient transport to Johannesburg and Cape Town out of Eros and Hosea Kutako for business and tourist travellers. DBN's N$ 3 million loan to the company was used to cover operational lease expenses for a passenger aircraft for this purpose.

PowerCom

DBN was the first financial institution to provide financing to newcomer to Namibia's telecommunications sector, PowerCom, in 2006.

In 2007, the Bank provided further facilities including a N$ 20 million Guarantee, N$ 9 million Bridging Finance and N$ 60 million stand-by fascility to the company. These helped PowerCom secure entry into the market and enhanced competitiveness. Based in the Khomas region, the company has national reach.

L. Goliath Construction & Civil Works

The business was contracted by the Roads Authority to construct a river crossing over the Hoanib River in the Kunene region. The project involves construction of a concrete structure at the bottom of the river, using labour-based methods. The business required funding for working capital, tools and material to carry out the contract. Up to 120 casual workers from surrounding communities were employed through the project.

Seafresh Investments

DBN extended a loan to Seafresh Investments to establish an oyster farm in Walvis Bay. Namibia was the 25th major oyster producer in the world in 2004 on the basis of worldwide oyster production figures available to the United Nations' Food and Agriculture Organisation (FAO). It is projected that Namibia will move to 16th position by 2008.

By supporting this project, DBN supports oyster cultivation, increased exports, and employment creation in this growing industry.

Nampower

DBN's loan to energy utility, Nampower, for the Caprivi Link Inter-connector, helps secure electricity supply by diversifying energy imports. The Caprivi Link facilitates electricity imports and exports between Namibia and Zambia.

Namport

DBN financed Namport's acquisition of nine terminal tractors valued at N$ 7 million. Namport had been managing the Walvis Bay and Lüderitz ports since 1994. The company recently embarked on a programme that emphasises cost efficiency, productivity and performance management. This includes the Walvis Bay port expansion exercise, acquisition of new equipment and skills development.

Evi Mining

This facility effected local groups' participation in a gold mine being established in Namibia, at a time that the gold price reached in excess of US$ 1000 per ounce. Mining activities in Namibia are dominated by global conglomerates because of the capital required. The project is located in the Otjikoto region.

Namibia Dairies

This project, located in the Hardap region, involves establishment of a super farm by dairy producer, Namibia Dairies that enhances local dairy production, reduces production costs of raw milk and improves security of supply of this important commodity for Namibia. The project will retain 90 jobs.

SMES INVOLVED IN ROAD CONSTRUCTION

All these SMEs were contracted by the Roads Authority to do labour-based gravel road construction work in the Oshana and Oshikoto regions: Kamwiitulwa Electric and Building Construction; Otjomuise Construction; Thomas Hinyeguile; Bima Electro Enterprises; and Water Technical.

SMES FINANCED THROUGH LINE OF CREDIT EXTENDED TO BANK WINDHOEK

In the field of SME development, the DBN Act directs that the Bank leverages resources for enterprise development, while cooperation in the form of Public Private Partnerships is encouraged at a national level.

The partnership with Bank Windhoek, which allocates and manages finances for SMEs, is rooted in the spirit of these aspirations.

Between January and December 2007, N$ 29,2 million had been extended to 43 SMEs, creating 317 jobs.

The projects are located in the Erongo, Hardap, Karas, Khomas, Omusati, Oshana, Oshikoto and Otjozondupa regions and are in the agriculture, construction, education, specialised services, manufacturing, tourism, health and transport sectors.

Oshikango Plastics

Raoma Gate Manufacturers

Namclay Bricks & Pavers

Namport

Namibia Dairies

Seafresh Investments

DBN TOTAL ADVANCES

Between 14 July 2005, when DBN's first loans were announced, and 31 December 2007, loans to the value of N$ 481.14 million were approved.

The yearly approvals are:

N$ 110.7 million in 2005, N$ 85 million in 2006 and N$ 285.75 million in 2007. All loans are regularly monitored as part of DBN's promise to involve itself in risk mitigation measures and ongoing discussion with clients to ensure that projects' success become more assured.

SME TOTAL ADVANCES: DBN, BANK WINDHOEK

The partnership between DBN and Bank Windhoek to expand SME financing was launched on 23 August 2005. Up until 31 December 2007, N$ 63 million had been extended to 78 SMEs, creating 658 jobs.

Despite SMEs' substantial contribution to growth in emerging and established economies, the sector continues to struggle to access financing. The partnership between DBN and Bank Windhoek confronts this trend by pooling resources to benefit more businesses than we would have been able to on our own. Leveraging Bank Windhoek's infrastructural base saves DBN from setting up its own, and avoids duplication and potential waste of resources on a national level.

CORPORATE SOCIAL INVESTMENT

As DBN's primary goal is to contribute to economic growth and development, certain aspects of its activities are inherently of a CSI nature, and include aspects like employment creation, black economic participation and economic diversification. Its CSI initiative sets out to make a meaningful contribution to business knowledge, experience and governance by helping spread learning and knowledge at various levels. In the past year, DBN offered support to:

- Christina Opperman Aids Trust
- Joint Consultative Committee: Namibian Business Women Summit
- Mangetti Farmer's Association
- Namibia Chamber of Commerce & Industry
- National Youth Council: Youth Expo
- Okakarara Trade Fair
- Polytechnic: Business Innovation Centre
- SMEs Compete: Business Angel Fund
- UNAM Economic Society.

FINANCIAL HIGHLIGHTS

- Bottom line increase of 38,8 %
- Balance Sheet grew by N$ 122 million
- Loan book grew 91 per cent
- Low debt & high liquidity
- Proper governance and risk framework
- Inviting equity partners

FINANCIAL SUMMARY

- 55.9 % increase in interest income
- 15.9 % decrease in non-interest income
- 31.0 % increase in total income before impairment of advances
- 34.0 % increase in total income after impairment of advances
- 19.1 % increase in operating expenditure
- 38.8 % increase in profit
- 11.7 % increase in investments and cash
- 197.0 % increase in trade debtors
- 14.3 % increase in share capital
- 70.6 % increase in retained income
- 8.9 % decrease in accounts payable

ANNUAL FINANCIAL STATEMENTS

DEVELOPMENT BANK OF NAMIBIA LIMITED

(Registration number: 2003/189)

ANNUAL FINANCIAL STATEMENTS
31 December 2007

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 International Financial Reporting Standards. The Bank's independent external auditors have audited the financial statements and their report appears on page 19.

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 year under review.

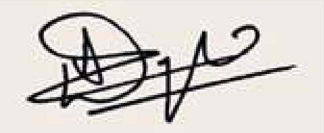
The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for the foreseeable future.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 20 to 44 were approved by the board of directors and are signed on their behalf by:

Sven Thieme
Chairman

25 March 2008



David Nuyoma
Chief Executive Officer

25 March 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF THE DEVELOPMENT BANK OF NAMIBIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of the Development Bank of Namibia Limited, which comprise of the directors' report, the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 40.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act. This responsibility includes; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act.

Deloitte & Touche

Deloitte & Touché
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: VJ Mungunda
Partner

Windhoek
30 April 2008

The DBN was established through an Act of Parliament (Act No 8 of 2002) in October 2002. It operates on the basis of the DBN Act and the Companies Act (1973) as a public company.

DBN strictly adheres to the requirements of the various legislations. It adheres to the Accounting Principles as set forth in the International Financial Reporting Standards (IFRS) and voluntarily subscribes to the Banking Institutions' Act in terms of its credit control framework.

GOVERNANCE STRUCTURES WITHIN DBN

Board of directors

The DBN Board, which is constituted according to the provisions of the DBN Act, consists of seven directors, all of whom are currently appointed by the Minister of Finance, the Government of the Republic of Namibia being the current sole shareholder in the Bank. In the event, however, of other stakeholders taking equity in the Bank, as per the Act, the Minister will appoint directors proportionate to its shareholding.

DBN's governance structure is modelled on the principles put forth in the King Reports on Corporate Governance. By adhering to the code, the directors recognise the need for conducting the affairs of the Bank with integrity and in accordance with generally accepted corporate practices.

The cornerstone of the Bank's governance framework is its Board Rules. The Audit, Risk and Compliance; the Credit and Investment; Human Capital and Remuneration; and Special Development Fund Committees are in place and are functioning.

The Board, however, believes that adhering to good governance practice involves more than compliance. Directors recognise the value of consistently employing the principles of good faith, care and skill and diligence in all their duties and that DBN's efforts will be sustainable only if they, unfailingly, do what is in the best interest of the Bank.

The directors are responsible for the annual financial statements, which are prepared in accordance with and comply with IFRS, the Development Bank of Namibia Act and the Namibian Companies Act. The accounting policies used are consistently applied, appropriate and supported by reasonable and prudent judgements and estimates.

For the Board to discharge its responsibilities to ensure the accuracy and integrity of the financial statements, management has developed and continues to maintain adequate accounting records and effective systems of internal control. The Board has ultimate responsibility for the systems of internal control and reviews their operation primarily through the Audit Committee and various other risk monitoring committees.

During the year under review, internal controls within the Bank have operated effectively, and where internal controls did not, or could not, operate effectively, compensating controls have ensured that, in all significant respects, the Bank's assets have been safeguarded, proper accounting records have been maintained, and resources have been utilised efficiently.

Audit, Risk and Compliance Committee (AU)

In 2007, the AU was constituted of the following non-executive directors: Chartered Accountant, Jennifer Comalie, Development Economist, Asnake Getachew, and Attorney, Elize Angula. The Committee Chairperson, Estelle Tjipuka, is a Certified Fraud Examiner. Development Bank CEO, David Nuyoma, also serves on the Committee.

The AU is primarily tasked with oversight of the following:

- risk management;
- financial control, accounting systems and financial reporting;
- internal audit and internal control;
- compliance with policies, laws and regulations which have an impact on the DBN;
- external audit process; and
- ethics of the Bank on behalf of the Board of Directors.

In addition, the Committee assists the Board in providing strategic direction on the Bank's asset and liability management activities within the defined risk appetite, in order to strengthen DBN's financial position in pursuance of its development mandate.

PriceWaterhouseCoopers (PWC) was appointed to execute the internal audit function and to assist the CEO and the AU in the effective discharge of their responsibilities by performing independent appraisal activities of the Bank's management controls.

Credit and Investment Committee (CI)

The Committee is chaired by Jennifer Comalie and constituted of non-executive directors Asnake Getachew and Estelle Tjipuka and CEO David Nuyoma. The key function of the CI committee is the extension of credit and exercising investment decisions in order to maximise returns on available investment options.

Human Capital and Remuneration Committee (HC)

The HC Committee determines and develops the Bank's remuneration strategy and related Conditions of Service competitive enough to attract, retain and motivate human capital of the quality required by the Bank. The HC is chaired by businesswoman Sara Elago. The other members are Board chairperson Sven Thieme, Elize Angula, and David Nuyoma.

Special Development Fund Committee (SDF)

The SDF is established and administered by the DBN in terms of the Bank's establishment legislation. It supports selected key sustainable projects and programmes determined to have developmental importance, where the risk may be high in relation to the expected return. The Committee is responsible for supervising the Fund's activities. It is chaired by Asnake Getachew. Jennifer Comalie and David Nuyoma are the other members.

REPORT OF THE DIRECTORS

31 December 2007

The directors have pleasure in presenting their report on the activities of the Bank for the year ended 31 December 2007.

BACKGROUND AND OPERATIONS

The Bank was constituted in terms of the Development Bank of Namibia Act, 2002 (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 (2006: N$ 0).

SHARE CAPITAL

The authorised share capital of the bank remains unchanged at N$ 150 million whilst the issued share capital was increased from the N$ 132.5 million in the prior year to N$ 134 million in the current year by the issue of additional 15 ordinary shares for N$ 100 000 each at a premium of N$ 4 196 667 each. The Government of the Republic of Namibia is currently the sole shareholder of the company.

BOARD MEMBERS AND SECRETARY

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

S Thieme	Chairman
D Nuyoma	Chief Executive Officer
E Angula	
J Comalie	
S Elago	
A Getachew	
E Tjipuka	
J Sasman	Secretary

Business address:	Postal address:
2nd Floor, Trustco House North	P O Box 235
142 Robert Mugabe Avenue	Windhoek
Windhoek	**NAMIBIA**
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 may require adjustment to the annual financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 December 2007

	Notes	2007	2006
		N$	N$
Interest income	2	55,901,360	35,859,572
Non-interest income	3	16,069,780	19,098,441
Total income before impairment of advances		71,971,140	54,958,013
Impairment of advances	10	1,672,820	(6,292)
Total income after impairment of advances		73,643,960	54,951,721
Operating expenditure	4	(15,789,831)	(13,257,607)
Profit before taxation		57,854,129	41,694,114
Taxation	5	-	-
Profit for the year		57,854,129	41,694,114
Attributable to ordinary shareholders of the company		57,854,129	41,694,114

BALANCE SHEET

at 31 December 2007

	Notes	2007	2006
		N$	N$
ASSETS			
NON-CURRENT ASSETS		119,908,584	51,397,448
Property, plant and equipment	6	11,633,614	1,738,072
Intangible assets	7	262,004	264,448
Investment property	8	7,010,480	7,010,480
Loans and advances	9	101,002,486	42,384,448
CURRENT ASSETS		537,186,366	483,667,263
Investments	11	514,850,875	462,070,944
Accounts receivable	12	549,723	185,106
Short-term portion of loans and advances	9	19,780,245	20,963,679
Bank balances and cash		2,005,523	447,534
TOTAL ASSETS		657,094,950	535,064,711
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		654,304,133	532,000,004
Share capital	13	134,000,000	132,500,000
Share premium	13	380,525,938	317,575,938
Retained income		139,778,195	81,924,066
CURRENT LIABILITIES			
Accounts payable	14	2,790,817	3,064,707
TOTAL EQUITY AND LIABILITIES		657,094,950	535,064,711

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2007

	Share capital	Share premium	Retained income	Total
	N$	N$	N$	N$
Balance at 31 December 2005	130,000,000	211,825,938	40,229,952	382,055,890
New shares issued	2,500,000	105,750,000	-	108,250,000
Profit for the year	-	-	41,694,114	41,694,114
Balance at 31 December 2006	132,500,000	317,575,938	81,924,066	532,000,004
New shares issued	1,500,000	62,950,000	-	64,450,000
Profit for the year	-	-	57,854,129	57,854,129
Balance at 31 December 2007	134,000,000	380,525,938	139,778,195	654,304,133

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 December 2007

	Notes	2007 N$	2006 N$
CASH FLOWS FROM OPERATING ACTIVITIES		57,549,887	42,931,421
Interest received from loans and advances		10,373,019	4,955,713
Grant – Bank of Namibia		10,000,000	15,000,000
Cash paid to suppliers and employees		(7,839,970)	(7,411,536)
Cash generated by operations	A	12,533,049	12,544,177
Interest received from investments		45,016,839	30,387,244
CASH FLOW FROM INVESTING ACTIVITIES		(120,441,898)	(163 856 328)
Acquisition of property, plant and equipment		(10,121,527)	(1,457,129)
Acquisition of intangible assets		(105,837)	(271,926)
Proceeds from sale of property, plant and equipment		-	158,658
Loan disbursements		(105,741,471)	(36,421,350)
Loan principal repayments		48,306,868	33,307,260
Increase in investments		(52,779,931)	(159,171,841)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		64,450,000	108,250,000
Net increase/(decrease) in cash and cash equivalents		1,557,989	(12,674,907)
Cash and cash equivalents at the beginning of the year		447,534	13,122,441
CASH AND CASH EQUIVALENTS at the end of the year		2,005,523	447,534
A. CASH GENERATED BY OPERATIONS			
Income for the year		57,854,129	41,694,114
Adjusted for:			
Loss on disposal of assets		-	13,675
Investment property revaluation		-	(208,789)
Interest received from investments		(45,016,839)	(30,387,244)
Depreciation expense		334,266	211,864
		13,171,557	11,323,620
Changes in working capital		(638,507)	1,220,557
(Increase)/decrease in accounts receivable		(364,617)	64,693
(Decrease)/increase in accounts payable		(273,890)	1,155,864
Cash generated by operations		12,533,049	12,544,177

GENERAL INFORMATION

Development Bank of Namibia (the Bank) is a limited company incorporated in the Republic of Namibia. The addresses of its registered office and principal place of business are disclosed in the report of the directors. The principal activities of the Bank are described in the introduction to the annual report.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation
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 principal accounting policies set out below.

ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period
In the current year, the DBN has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 on *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Bank's financial instruments and management of capital (see note 16).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29*, *Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the Bank's accounting policies.

Standards and Interpretations in issue not yet adopted
At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

EFFECTIVE DATES OF RECENT INTERPRETATIONS		
IFRIC Interpretation		**Effective Date**
IFRIC 12	Service Concession Arrangements	Annual periods beginning on or after 1 January 2008
IFRIC 13	Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revised International Accounting Standards		Revised	Effective Date
IAS 1	Presentation of Financial Statements	2007	Annual periods beginning on or after 1 January 2009
IAS 23	Borrowing Costs	2007	Annual periods beginning on or after 1 January 2009
IAS 27	Consolidated and Separate Financial Statements	2008	Annual periods on and after 1 July 2009
IAS 28	Investments in Associates	2008	Annual periods on and after 1 July 2009
IAS 31	Interest in Joint Ventures	2008	Annual periods on and after 1 July 2009
IAS 32	Financial Instruments Presentation	2008	Annual periods on and after 1 January 2009

New International Financial Reporting Standards		Issued	Effective Date
IFRS 8	Operating segments	2006	Annual periods beginning on or after 1 January 2009

The directors anticipate that the adoption of those Interpretations in future periods will have no material impact on the financial statements of the Bank.

REVENUE RECOGNITION

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. The bank suspends the accrual of contractual interest on non-recoverable advances. Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances. Dividends received on these instruments are included in interest income.

Fees and commission
Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Rental income
Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Grants
Grants received from donors are recorded as income when the grant has been received. Where applicable, costs relating to these grants are charged to expenses.

Dividend income
Dividend income from investments is recognised when the right to receive payment has been established.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Initial recognition and measurement
Financial instruments are initially recognised when the Bank becomes party to the contractual terms of the instruments and are measured at cost, which include transaction costs. Subsequent to initial recognition, these instruments are measured at either fair value or amortised cost depending on the classification.

De-recognition
Financial instruments (or a portion thereof) are de-recognised when the Bank realises the rights to the benefits specified in the contract, the rights expire or the Bank surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortized costs, and the amount paid for it are included in the income statement.

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, using the effective interest rate method, less any impairment.

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.

Interest from investments is accounted for on the accruals basis.

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

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Loans and accounts receivable
Loans and accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. Contingent liabilities are not recognised in the balance sheet, but disclosed in note 18.

Commitments
Items are classified as commitments where the group has committed itself to future transactions. Commitments are not recognised in the balance sheet, but disclosed in notes 18 and 19.

Accounts payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Leasing

The Bank as lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

The Bank as lessee
Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

Contingent rentals are recognised in profit or loss as they accrue.

Property, plant and equipment
All plant 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%)
Motor vehicles	4 years (25%)

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 estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis.

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, the expected future cash flows from the asset are discounted to their present value using 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.

Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets
Intangible assets acquired separately are reported at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. On acquisition the software is capitalised at purchase price. The useful life has been set at three years and the asset is depreciated on a straight line basis with zero residual value.

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.

Properties in possession
Unsold properties in possession are stated at the lower of the net outstanding amount at date of purchase and net realisable value.

Foreign currencies
Foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction. At balance sheet date, monetary assets and liabilities denominated in foreign currency are reported using the closing exchange rate.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, unrealised foreign exchange differences on unsettled foreign monetary assets and liabilities, are recognised in the income statement.

Non-current asset held for sale
Non-current assets held for sale are recognised at the lower of carrying value and fair value less costs to sell. Impairment losses or profits on initial classification as held for sale are included in profit or loss.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Bank performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of the future cash flows when performing the liability adequacy test. The Bank discounts all expected contractual cash flows and compares this amount to the carrying value of the liability; where a shortfall is identified, an additional provision is made.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgements and estimates in applying accounting policies
The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial years are discussed below:

Impairment losses on loans and advances

(a) Performing loans
The Bank assesses its credit portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

(b) Non performing loans
Loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this period that the customer is unlikely to repay its obligations in full.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(c) Useful lives and residual values
The estimated useful lives and residual values for assets are reviewed regularly taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments and the specific industries where the assets are used.

Key sources of estimation uncertainty
There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

		2007	2006
		N$	N$
2. INTEREST INCOME			
Investments		45,016,839	30,387,244
Loans and advances		10,373,019	4,955,713
Unwinding of fair value adjustment		511,502	516,615
		55,901,360	35,859,572
3. NON-INTEREST INCOME			
Grant received	- Bank of Namibia **(*)**	10,000,000	15,000,000
Transactional fee income		1,095,740	361,875
Rent received		528,273	585,097
Revaluation of investment property		-	208,789
Sundry income		4,445,767	2,942,680
		16,069,780	19,098,441

* Unconditional grant to aid the Bank with establishment

4. OPERATING EXPENDITURE

		2007	2006
Auditors' remuneration	- audit fees	169,879	91,441
	- other services	18,466	35,708
Directors' fees	- for services as directors	502,126	342,010
	- for management services	1,244,141	1,173,718
Depreciation and amortisation		334,266	211,864
Loss on disposals of assets		-	13,675
Professional services		708,375	315,397
Remuneration other than to employees:			
Managerial services	- fees	-	275,625
	- expenses	-	235,985
Salaries and related personnel costs		7,717,317	7,171,522
Interest paid		2,857	896
Operating leases	- buildings	1,120,572	1,019,091
	- equipment	333,647	127,314
	- motor vehicle	42,596	42,712
Other expenditure		3,595,589	2,200,649
Total operating expenditure		15,789,831	13,257,607
Number of employees		**17**	**20**

	2007	2006
	N$	N$

PROFIT BEFORE TAXATION (CONTINUED)

4.1 DIRECTORS EMOLUMENTS

Emoluments paid to directors of the company for the year ended 31 December 2007 are set out below:

4.1.1 Chief Executive Officer - D Nuyoma

	2007 N$	2006 N$
Fees as director	-	-
Pensionable salary	775,227	733,452
Bonus	287,110	270,858
Company contributions to pension and medical aid schemes	181,804	169,408
	1,244,141	1,173,718

4.1.2 Non-executive directors

	2007 N$	2006 N$
S Thieme (Chairman)	80,808	47,900
A Getachew	93,422	72,800
B Barnard	-	13,110
S Elago	58,336	52,800
E Angula	70,208	44,000
J Comalie	106,142	59,000
E Tjipuka	93,210	52,400
	502,126	342,010

4.1.3 Record of attendance

	Board	AU	CI	HC	SDF
No. of meetings	**5**	**4**	**11**	**4**	**4**
S Thieme	(Chair) 5	n/a	n/a	3	n/a
D Nuyoma	5	4	11	4	4
S Elago	4	n/a	n/a	(Chair) 2	n/a
A Getachew	4	2	9	1	(Chair) 4
E Angula	4	4	n/a	3	n/a
J Comalie	5	4	(Chair) 11	1	4
E Tjipuka	5	(Chair) 4	8	1	n/a

AU - Audit, Risk and Compliance Committee
CI - Credit & Investment Committee
HC - Human Capital & Remuneration Committee
SDF - Special Development Fund Committee

5. 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 Act, 2002 (Act No. 8 of 2002).

6. PROPERTY, PLANT AND EQUIPMENT

	Work in Progress	Furniture & Equipment	Motor Vehicles	Total
	N$	N$	N$	N$
Cost or valuation				
Balance at 1 January 2006	-	878,469	153,000	1,031,469
Additions	1,159,350	297,779	-	1,457,129
Disposals	-	(38,470)	(153,000)	(191,470)
Balance at 31 December 2006	1,159,350	1,137,778	-	2,297,128
Additions	10,009,562	111,964	-	10,121,526
Disposals	-	-	-	-
Balance at 31 December 2007	11,168,912	1,249,742	-	12,418,654
Accumulated depreciation and impairment				
Balance at 1 January 2006	-	(357,870)	(15,938)	(373,808)
Eliminated on disposals of assets	-	3,200	15,938	19,138
Depreciation expense	-	(204,386)	-	(204,386)
Balance at 31 December 2006	-	(559,056)	-	(559,056)
Eliminated on disposals of assets	-	-	-	-
Depreciation expense	-	(225,984)	-	(225,984)
Balance at 31 December 2007	-	(785,040)	-	(785,040)
Carrying amount				
As at 31 December 2006	1 159 350	578 722	-	1 738 072
As at 31 December 2007	11,168,912	464,702	-	11,633,614

Work-in-Progress represents land and buildings situated on Erf number 5444, Windhoek. The property is currently being renovated as the new head quarters of the bank and is expected to be completed by June 2008. The carrying amount represents the original valuation of the property plus actual costs of renovations to date. No depreciation has been provided.

During the period, the Bank carried out a review of the useful lives of furniture and equipment, having regard to replacing the majority of these assets when moving to the new head quarters. The review has not led to any change in estimates of the useful lives of any class of assets.

No assets of the bank are encumbered.

7. INTANGIBLE ASSETS

	Software Licences	Total
	N$	N$
Cost		
Balance at 31 December 2006	271,926	271,926
Additions	105,837	105,837
Balance at 31 December 2007	377,763	377,763
Accumulated depreciation and impairment		
Balance at 31 December 2006	(7,478)	(7,478)
Depreciation expense	(108,281)	(108,281)
Balance at 31 December 2007	(115,759)	(115,759)
Carrying amount		
As at 31 December 2006	264,448	264,448
As at 31 December 2007	262,004	262,004

8. INVESTMENT PROPERTY

	2007	2006
	N$	N$
Market value at beginning of the year	7,010,480	6,801,691
Additions	-	-
Net gain from fair value adjustments	-	208,789
Balance at end of year	7,010,480	7,010,480
Investment property consists of office buildings only. Erf number 7640, Windhoek with the floor space of 763 square meters (Sectional titles)		
Rental income received on investment property (included in note 3 "Non-interest income")	528,273	585,097
Operating expenses that generated rental income (included in the income statement)	(211,259)	(183,367)
	317,014	401,730

The criteria used to distinguish between owner occupied and investment property was based on the physical space occupied by the company in relation to total available space.

The property was valued by an external, qualified valuator, Mr Benjamin Joseph (Sworn Appraiser) on a replacement value basis on 10 January 2008. There are no restrictions on realisation of the investment property. There are no material contractual obligations on the property.

9. LOANS AND ADVANCES

	2007 N$	2006 N$
9.1 Category analysis		
Instalment sales	9,781,004	411,588
Preference share advance	25,455,639	-
Term loans	90,743,578	75,631,194
Notional value of advances	125,980,221	76,042,782
Contractual interest suspended	(205,350)	(1,031,766)
Gross advances	125,774,871	75,011,016
Impairment of advances (Note 10)	(4,992,140)	(11,662,889)
Net advances	120,782,731	63,348,127
Short-term portion	(19,780,245)	(20,963,679)
	101,002,486	42,384,448
9.2 Sectoral analysis		
Agriculture including fishing	10,544,128	-
Building and property development	5,672,622	3,732,286
Government and public authorities	46,487,246	-
Individuals	82,177	95,574
Manufacturing and commerce	17,055,940	72,214,922
Mining	15,452,577	-
Transport and communication	3,277,174	-
Medical services	12,368,329	-
Hotel and tourism	15,040,028	-
Notional value of advances	125,980,221	76,042,782
Contractual interest suspended	(205,350)	(1,031,766)
Gross advances	125,774,871	75,011,016
Impairment of advances (Note 10)	(4,992,140)	(11,662,889)
Net advances	120,782,731	63,348,127
Short-term portion	(19,780,245)	(20,963,679)
	101,002,486	42,384,448
9.3 Maturity structure		
Repayable on demand	-	-
One year or less but not repayable on demand	5,051,514	4,554,775
Five years or less but over one year	74,064,224	20,883,665
Over five years	41,666,992	37,909,687
Net advances	120,782,730	63,348,127
Short-term portion	(19,780,245)	(20,963,679)
	101,002,485	42,384,448
9.4 Geographical analysis		
Namibia – net advances	120,782,731	63,348,127
Short-term portion	(19,780,245)	(20,963,679)
	101,002,486	42,384,448

10. IMPAIRMENT OF ADVANCES

2007

	Total Impairment N$	Specific Impairment N$	Portfolio Impairment N$	Income Statement N$
Opening balance	11,662,889	11,662,889	-	-
Amounts written off	(4,486,427)	(4,486,427)	-	-
Unwinding of discounted present value on non-performing and off-market loans	(511,502)	(511,502)	-	-
Provisions	(1,672,820)	(1,672,820)	-	(1,672,820)
Provisions created	-	-	-	-
Provisions released	(1,672,820)	(1,672,820)	-	(1,672,820)
Recoveries of bad debts	-	-	-	-
Closing balance	4,992,140	4,992,140	-	(1,672,820)

The fair value adjustment of N$511,502 (2006: N$516,615) arose from the unwinding of the fair value adjustment on off-market loans. No new provisions were created (2006: N$ 64,000).

2006

	Total Impairment N$	Specific Impairment N$	Portfolio Impairment N$	Income Statement N$
Opening balance	16,000,777	16,000,777	-	-
Amounts written off	(3,827,565)	(3,827,565)	-	-
Unwinding of discounted present value on non-performing and off-market loans	(516,615)	(516,615)	-	-
New provisions created	6,292	6,292	-	6,292
Provisions created	64,000	64,000	-	64,000
Provisions released	(57,708)	(57,708)	-	(57,708)
Recoveries of bad debts	-	-	-	-
Closing balance	11,662,889	11,662,889	-	6,292

10. IMPAIRMENT OF ADVANCES (CONTINUED)

Non-Performing loans by Sector	Credit Risk	Security Held	Contractual Interest Suspended	Specific Impairments
	N$	N$	N$	N$
Manufacturing and commerce	877,825	207,000	182,340	511,150
Other	82,177	-	23,010	64,720
2007 Total non-performing loans	960,002	207,000	205,350	575,870
2006 Total non-performing loans	15,217,408	7,420,000	1,031,767	6,735,117
Non-Performing loans by Category				
Instalment sales	-	-	-	-
Term Loans	960,002	207,000	205,350	575,870
2007 Total non-performing loans	960,002	207,000	205,350	575,870
2006 Total non-performing loans	15,217,408	7,420,000	1,031,767	6,735,117

The impaired portfolio represents advances inherited from the Development Fund of Namibia (“DFN”).

	2007	2006
11. INVESTMENTS	N$	N$
Held to maturity investments carried at amortised cost		
Fixed and call deposits	514,850,875	452,911,321
Treasury bills	-	9,159,623
	514,850,875	462,070,944
Directors’ valuation	514,850,875	462,070,944
12. ACCOUNTS RECEIVABLE		
Prepaid expenses	104,712	95,419
Other receivables	376,361	13,337
Deposits	68,650	76,350
	549,723	185,106
13. SHARE CAPITAL		
Authorised		
1 500 Ordinary shares of N$100 000 each	150,000,000	150,000,000
Issued		
Share capital: 1 340 Ordinary shares of N$100 000 each	134,000,000	132,500,000
Share premium: 50 Ordinary shares of N$4 236 518.76 each	211,825,938	211,825,938
Share premium: 25 Ordinary shares of N$4 230 000.00 each	105,750,000	105,750,000
Share premium: 15 Ordinary shares of N$4 196 666.67 each	62,950,000	-
	380,525,938	317,575,938

The company has one class of ordinary shares which carry no right to fixed income. Authorised shares not yet issued, are under the control of the board of directors in consultation with the Minister of Finance.

	2007 N$	2006 N$

14. ACCOUNTS PAYABLE

	2007 N$	2006 N$
Trade payables	731,663	1,164,348
Receiver of revenue	1,984	-
Salary related payables	2,057,170	1,900,359
	2,790,817	3,064,707

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates their fair value.

15. LEASE COMMITMENTS

Operating lease commitments:

	2007 N$	2006 N$
• Vehicles	45,612	199,044
• Office equipment and leased lines	501,304	129,643
• Buildings (expiring on 31 May 2008)	376,318	1,270,448
	923,234	1,599,135
To be incurred as follows:		
• Up to 1 year	856,999	1,385,025
• 2 – 5 years	66,234	214,110
	923,233	1,599,135

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.1 Market risk
Market risk represents the potential loss due to fluctuations in interest, foreign currency rates and equity, bond and commodity prices.

16.2 Money market transactions
The risk in this category is perceived to be low due to the following factors:

- the primary objective of the money market is to invest temporary cash holdings in such a way as to limit any possible investment losses and to ensure the timely availability of funds;
- funds are only invested with approved financial and public sector institutions according to pre-determined limits approved annually by the board of directors;
- dealing in money market derivative instruments is not allowed unless prior approval is obtained from the board or from executive management for subsequent reporting to the board.

16.3 Interest rate risk management
Changes in money market interest rates are monitored on a daily basis. Systems have also been developed to monitor the spread between the cost of borrowing and the return on investing and the loan book. The investment and treasury policy is currently under review to reduce the pressure on the interest rate spread.

As part of the process of managing the Bank'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.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

2007		Term to Repricing				
ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Banking operations						
Cash and bank balances	2,005,523	2,005,523	-	-	-	-
Investments	514,850,875	8,580,269	506,270,606	-	-	-
Advances	120,782,731	-	117,774,567	3,008,164		
Accounts receivable	549,723	-	-	-	-	549,723
Property and equipment	11,633,614	-	-	-	-	11,633,614
Intangible assets	262,004	-	-	-	-	262,004
Investment property	7,010,480	-	-	-	-	7,010,480
Total assets	657,094,950	10,585,792	624,045,173	3,008,164	-	19,455,821
Liabilities and shareholders' equity						
Creditors and accruals	(2,790,817)	-	-	-	-	(2,790,817)
Shareholders' equity	(654,304,133)	-	-	-	-	(654,304,133)
Total liabilities and shareholders' equity	(657,094,950)	-	-	-	-	(657,094,950)
Net interest sensitivity gap	-	10,585,792	624,045,173	3,008,164	-	(637,639,129)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Term to Repricing

2006

ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Banking operations						
Cash and bank balances	447,534	447,534	-	-	-	-
Investments	462,070,944	13,249,585	448,821,359	-	-	-
Advances	63,348,127	-	59,770,238	-	3,577,889	-
Accounts receivable	185,106	-	-	-	-	185,106
Property and equipment	1,738,072	-	-	-	-	1,738,072
Intangible assets	264,448	-	-	-	-	264,448
Investment property	7,010,480	-	-	-	-	7,010,480
Total assets	535,064,711	13,697,119	508,591,597	-	3,577,889	9,198,106
Liabilities and shareholders' equity						
Creditors and accruals	(3,064,707)	-	-	-	-	(3,064,707)
Shareholders' equity	(532,000,004)	-	-	-	-	(532,000,004)
Total liabilities and shareholders' equity	(535,064,711)	-	-	-	-	(535,064,711)
Net interest sensitivity gap	-	13,697,119	508,591,597	-	3,577,889	(525,866,605)

16.4 Credit risk management

Credit risk comprises the potential loss on financing due to counter party default. All applications are thoroughly investigated covering financial, technical, marketing and management risks, which are reported on as part of the submission for approval to the relevant delegated authorities. In assessing project finance, detailed feasibility studies are undertaken.

As a development finance institution, the Bank has a different risk profile compared to a commercial bank. In the course of its development finance activities the bank may incur bad debts, which are controlled through a stringent bad debt policy and contained within acceptable limits.

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

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

16.5 Credit Control

The loan book is reviewed on a monthly basis, by an asset and liability committee, which monitors and manages the quality and arrears on a proactive basis. Clients are classified according to their risk profiles based on most recent available financial results. Clients with high risk profiles are given special attention and ailing companies are transferred to the workout and restructuring department to manage the exposure in order to minimise potential losses. The asset and liability committee meets regularly to decide on appropriate action to be taken against non-performing clients. Impairments are calculated in accordance with IAS 39.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

16.6 Currency risk
The Bank does not incur currency risk as it does not have significant transactions in foreign currencies.

16.7 Capital risk management
The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the returnon equity at lowest possible risk. The bank's overall strategy of capitalisation and resource mobilisation remains unchanged from 2006.

The capital structure of the bank consists of only equity, thus reflecting no financial gearing at present.

16.8 Financial risk management objectives
The risk management and investment management committees monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Both the risk and investment management committees report to the asset and liability committee on a monthly basis.

The Bank is governed by policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The asset and liability committee reports quarterly to the audit committee, a board represented body that monitors risks and policies implemented to mitigate risk exposures.

16.9 Sensitivity analysis for interest rates
The interest rate sensitivity analysis have been determined based on the exposure to interest rates at the balance sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the bank's profit for the year ended 31 December 2007 would decrease/increase by N$ 1,926,002 (2006: decrease/increase by N$ 1,285,198). This is mainly attributable to the bank's exposure to interest rates on its variable rate investments and loan advances.

The bank's sensitivity to interest rates has not changed during the current period.

16.10 Liquidity risk management
The Bank has minimised its liquidity risk by ensuring adequate facilities. Regular cash flow forecasts are prepared to ensure that sufficient cash is available to meet all financial commitments.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

The table below sets out the net liquidity gap based on the remaining period from year-end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Term to Maturity

2007

ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Banking operations					
Cash and bank balances	2,005,523	2,005,523	-	-	-
Investments	514,850,875	8,580,269	506,270,606	-	-
Advances	120,782,731	-	5,051,514	74,064,224	41,666,993
Accounts receivable	549,723	104,712	445,011	-	-
Property and equipment	11,633,614	-	-	464,702	11,168,912
Intangible assets	262,004	-	-	262,004	-
Investment property	7,010,480	-	-	-	7,010,480
Total assets	657,094,950	10,690,504	511,767,131	74,790,930	59,846,385
Liabilities and shareholders' equity					
Creditors and accruals	(2,790,817)	(733,647)	(2,057,170)	-	-
Shareholders' equity	(654,304,133)	-	-	-	(654,304,133)
Total liabilities and shareholders' equity	(657,094,950)	(733,647)	(2,057,170)	-	(654,304,133)
Net liquidity gap	-	9,956,857	509,709,961	74,790,930	(594,457,748)

2006

Term to Maturity

ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Banking operations					
Cash and bank balances	447,534	447,534	-	-	-
Investments	462,070,944	13,249,585	448,821,359	-	-
Advances	63,348,127	-	4,554,775	20,883,665	37,909,687
Accounts receivable	185,106	95,419	89,687	-	-
Property and equipment	1,738,072	-	-	578,722	1,159,350
Intangible assets	264,448	-	-	264,448	-
Investment property	7,010,480	-	-	-	7,010,480
Total assets	535,064,711	13,792,538	453,465,821	21,726,835	46,079,517
Liabilities and shareholders' equity					
Creditors and accruals	(3,064,707)	(1,164,348)	(1,900,359)	-	-
Shareholders' equity	(532,000,004)	-	-	-	(532,000,004)
Total liabilities and shareholders' equity	(535,064,711)	(1,164,348)	(1,900,359)	-	(532,000,004)
Net liquidity gap	-	12 628 190	451 565 462	21 726 835	(485 920 487)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

16.11 Fair value

The carrying and actual amounts of the following financial instruments, net of impairment losses, approximate their fair values:

- Loans and advances – subject to agreed terms with counterparties.
- Cash and negotiable securities – earn interest at market related rates.
- Other receivables – subject to terms as set with counter parties; and
- Other payables – subject to terms as set with counter parties.

Listed and unlisted investments are stated at fair value.

In terms of the bank's developmental mandate, certain loans were provided at lower than market related interest rates. These loans, net of impairment losses, approximate their fair values as they are considered to be recoverable at carrying value, due to the value of the underlying assets that are funded.

17. 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. The Fund is exempted form actuarial valuations. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$ 898 982 (2006: N$857 871).

18. LOAN COMMITMENTS	2007 N$	2006 N$
Commitments in respect of loan agreements concluded but not fully disbursed:	102,603,195	37,812,875
Commitments in respect of loans approved but not yet signed by borrower:	100,000,000	16,000,000
18.1 CONTINGENT LIABILITIES		
Guarantees issued	8,753,935	35,800,000
19. CAPITAL COMMITMENTS		
Capital expenditure authorised:		
• not contracted for	4,910,433	126,870
• contracted for	9,647,168	13,290,000
	14,557,601	13,416,870

20. 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.

20.1 Compensation to key management personnel
The remuneration of directors and other members of key management during the year were as follows:

	2007	2006
	N$	N$
Compensation	2,898,755	3,400,335
Short-term benefits	818,080	801,399
	3,716,835	4,201,734

The remuneration of directors is determined by the Shareholder while that of key executives is determined by the Human Capital and Remuneration Committee, having regard to the performance of individuals and market trends. During the period under review, some key executive positions were temporarily vacant.

20.2 Shareholder
The Government of the Republic of Namibia holds 100% of the issued share capital of the Bank. Equity injection from the Government of the Republic of Namibia was increased from the N$ 132.5 million in the prior year to N$ 134 million in the current year by the issue of an additional 15 ordinary shares of N$ 100 000 each at a premium of N$ 4 196 667 per share.

20.3 Related-party transactions
In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of directors' and manager's interests in other business entities containing the nature of such interests, as well as the nature and the extent of the beneficial shares held in the business entity, is submitted and circulated at each meeting of the board of directors for reviewing and updating where necessary.

Where a director has an interest in any matter before the board for consideration, the director concerned recuses himself / herself from the meeting and thus has no influence on the decision on the particular matter. In addition, all applications for finance in which directors have an interest, irrespective of the amount involved, are submitted to the board for consideration after being reviewed by a committee of non-interested directors.

All directors and officers of the bank have, other than described below, confirmed that they had no interest in any contract of significance with the bank which could have resulted in a conflict of interest during the year. During the year under review, contracts were concluded with:

- Namibia Dairies (Pty) Ltd, a subsidiary company of Ohlthaver and List of which S Thieme is the Executive Chairman, with a loan approved for N$ 40 million for the establishment of a new dairy farm.

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