

Annual financial statements

Contents

Directors' responsibility for financial reporting.....	80
Report of the Audit Committee.....	81
Independent auditors' report to the Minister of Finance.....	82
Directors' report	83
Balance sheet	88
Income statement.....	89
Statement of cash flows	90
Statement of changes in equity	91
Notes to the financial statements.....	92



Directors' responsibility for financial reporting

The Directors are responsible for overseeing the preparation, integrity and objectivity of financial statements that fairly present the state of affairs of the Bank and of the profit or loss for the period presented in this report.

In preparing the financial statements:

- The Development Bank of Southern Africa Limited Act, No. 13 of 1997, has been adhered to.
- The Public Finance Management Act, No. 1 of 1999, has been adhered to.
- International Financial Reporting Standards have been adopted.

In order to fulfil this responsibility, and to enable the Directors to meet their financial reporting responsibilities:

- Management has designed and implemented standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain the accountability of the Bank's assets.
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been applied on a consistent and going-concern basis.
- The Audit Committee and internal and external auditors review the financial and internal control systems, accounting policies, reporting and disclosure.

The Audit Committee of the Board of Directors, chaired by an independent non-executive Director, meets periodically with the auditors and management to discuss internal accounting controls and auditing and financial reporting matters. The joint external auditors have unrestricted access to the Audit Committee.

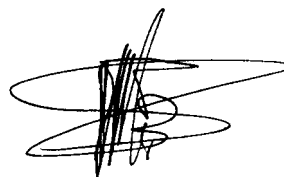
Based on the information received from management and internal and external auditors, nothing has come to the attention of the Directors to indicate a material breakdown in the systems of internal control during the year under review.

The Directors have a reasonable expectation that the Bank has adequate resources to operate in the foreseeable future and have adopted the going-concern basis in preparing the financial statements.

The financial statements that appear on pages 83 to 156 were approved by the Board of Directors on 19 June 2008 and signed on its behalf by:



Jayaseelan Naidoo
Chairman of the Board



Paul Cambo Baloyi
Managing Director



Deenadayalen Konar
Chairman of the Audit Committee

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2008.

The Audit Committee members and attendance are reflected on page 70 in the corporate governance statement.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations 27.1.7 and 21.1.10(b) and (c).

s51(1)(a)(ii) of the PFMA states the following:

- (a) The accounting authority must ensure that the public entity has and maintains:
- (i) effective, efficient and transparent systems of financial and risk management and internal control;
 - (ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77, and
 - (iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The Audit Committee is of the opinion, based on the information and explanations given by management and the internal auditors and discussions with the independent external auditors on the results of their audits and the status in addressing the matters raised, that the internal accounting controls are operating satisfactorily, to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The quality of in-year management and monthly and quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board of Directors and the Bank during the year under review.

Evaluation of financial statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the independent external auditors and the Accounting Authority
- Reviewed the independent external auditors' management letter and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed significant adjustments resulting from the audit

The Audit Committee concurs and accepts the independent external auditors' conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent external auditors.



Deenadayalen Konar

Chairman of the Audit Committee

Independent auditors' report to the Minister of Finance

Report on the financial statements

We have audited the financial statements of the Development Bank of Southern Africa, which comprise the balance sheet at 31 March 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 83 to 156, excluding the performance information on pages 83 to 85.

Accounting Authority's responsibility for the financial statements

The Accounting Authority is 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 Public Finance Management Act and the Companies Act of South Africa, sections 284 to 303 and schedule 4. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 judgement, including the assessment of the risks 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Development Bank of Southern Africa at 31 March 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act and by the Companies Act of South Africa, sections 284 to 303 and schedule 4, as specified in the Development Bank of Southern Africa Act.

Report on other legal and regulatory requirements

Reporting on performance information

We have completed our assurance engagement regarding the performance information as set out on pages 83 to 85.

Responsibilities of the Accounting Authority

The Accounting Authority has additional responsibilities as required by section 55(2) (a) of the Public Finance Management Act to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the performance against predetermined objectives that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

We conducted our assurance engagement in accordance with section 13 of the Public Audit Act, 2004 read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007 (the General Notice).

In terms of the foregoing, our engagement included performing procedures of an assurance nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. Our procedures performed included those contained in the General Notice and such other procedures as we considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our findings reported below.

Findings

Based on our work performed, we have not identified any material shortcomings in the processes, systems and procedures of the entity's reporting against predetermined performance objectives.

KPMG Inc.

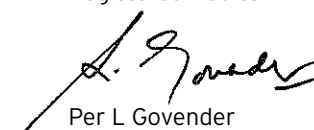
Registered Auditor



Per S van den Boogaard
Chartered Accountant (SA)
Registered Auditor
Director
5 August 2008
KPMG Forum
1226 Schoeman Street
Hatfield
Pretoria

Gobodo Inc.

Registered Auditor



Per L Govender
Chartered Accountant (SA)
Registered Auditor
Director
5 August 2008
1st Floor, Block B Empire Park
55 Empire Road
Parktown
Johannesburg

Directors' report

The Directors have pleasure in presenting this report as part of the annual financial statements of the DBSA for the year ended 31 March 2008.

Nature of business

The DBSA is a development finance institution wholly owned by the South African government. The Bank aims to deepen development impact in the southern African region by expanding access to development finance and effectively integrating and implementing sustainable development solutions.

Financial results and activities

The financial results of the Bank are fully disclosed on pages 83 to 156. The financial highlights for the year under review are:

- Net interest income increased by 16,4% (2006/07: 9,9%) and realised operating income of R2,23 billion (2006/07: R1,84 billion).
- The cost-to-income ratio increased slightly from 33,8% to 35,7%.
- The Bank earned a profit from operations of R1,27 billion in the year under review (2006/07: R1,28 billion).

Performance information

Balanced Scorecard perspective: Development impact

Strategic goal	Strategic objective	Key performance indicator	Target	Results
Co-deliver social and economic infrastructure; and promote broad-based economic growth, job creation, regional integration and prosperity	Provide assistance for our clients' social and economic infrastructure projects	Commitments: Total value of commitments	R5,1 billion	R8,9 billion
		Disbursements: Total value of disbursements	R3,9 billion	R6,2 billion
		% of commitments that were converted to disbursements in the financial year	70%	76%
		Municipal Infrastructure Grant Fund: Total value implemented into projects as a result of DBSA intervention	R2,0 billion	R2,57 billion
	Co-funding ratio (DBSA: Co-funding)	1:1,3	1:3,2	
	Provide assistance to previously disadvantaged groups to accelerate their participation in the mainstream economy	% of total value of loans, grants and equity approvals granted to identified target groups	21%	40%
	Originate, appraise and develop new projects in identified sectors	Number of new approved projects originated by the DBSA	12	15

- During the year under review, the Bank disbursed development loans amounting to R6,16 billion (2006/07: R3,70 billion).
- The quality of the loan book remains within acceptable parameters, with non-performing loans amounting to 5,2% of the total loan book (2006/07: 4,9%), while the provision for loan impairment is R589 million (2006/07: R440 million).
- The long-term debt-to-equity ratio increased to 107,6% (2006/07: 88,3%).

High-level performance overview

The strategy of the Bank emphasises the importance of achieving development impact while maintaining financial sustainability. The Bank uses the Balanced Scorecard (BSC) methodology to implement this strategy. In terms of this methodology, the corporate strategic objectives and targets are developed and approved by the Board of Directors, and progress against these objectives and targets is assessed on a regular basis. The table below reflects the high-level corporate strategic objectives for 2007/08, as well as performance against them.

The Bank achieved considerable success in the year under review, largely meeting its strategic objectives. This reflects its commitment to delivering on its vision of a region progressively free of poverty and dependence.

Directors' report (continued)

Build human and institutional capacity	Provide development grants; project management and project implementation expertise; planning, financial management and asset management expertise; training, mentoring, coaching and skills transfer to enhance our clients' institutional capacity	Number of external learners trained	2 000	2 676
		Number of project managers appointed, trained in the Development Fund and deployed in municipalities with acute needs	100 over 3 years	154
		External clients' satisfaction with the Bank's delivery on its major capacity building initiatives	Satisfaction level of 3,5	4,4

Balanced Scorecard perspective: Development sustainability

Strategic goal	Strategic objective	Key performance indicator	Target	Results
Serve as a centre of excellence for effective development finance, knowledge and governance	Be a leading model in the African development finance scene, in the areas of development expertise, effectiveness and sustainability; effective corporate governance; and financial sustainability	Market perception of the Bank's image in the development finance scene	Rating of 3,6	4,2
		Quality of the implemented research agenda	Rating of 3,7	4,2
		Number of innovative projects, interventions and/or products piloted	6	6
		Number of lessons learnt: case studies submitted to and approved by the Knowledge Committee	17	17

Balanced Scorecard perspective: Financial sustainability

Strategic goal	Strategic objective	Key performance indicator	Target	Results
Engender internal financial sustainability	Secure financial sustainability by managing income and the direct cost thereof	Net interest income as a % of total interest income	Minimum of 55%	53%
		Number of new financial products/instruments developed	2	2
	Apply integrated risk management to mitigate business risks	Non-performing loan arrears as a % of total book debt	Maximum of 4%	2,1%
		Non-performing book debt as a % of total book debt	Maximum of 5,7%	5,2%
	Apply policies and systems of financial management, administration, planning and governance that collectively ensure ongoing financial sustainability	Cost-to-income ratio	37%	35,7%

Balanced Scorecard perspective: Business processes

Strategic goal	Strategic objective	Key performance indicator	Target	Results
Engender internal financial sustainability	Deliver high levels of client service	Client and partner satisfaction with the value, quality and relevance of expertise offered by the DBSA	Rating of 3,5	4,2

Balanced Scorecard perspective: Learning and growth

Strategic goal	Strategic objective	Key performance indicator	Target	Results
Engender internal financial sustainability	Maintain appropriate levels of competent, motivated and empowered staff to achieve strategic objectives	Staff competency levels	90% of staff trained in line with their Division/ Cluster training programme	81,6%
	Optimise and leverage our knowledge and intellectual capital to add value to our clients, partners and stakeholders	Staff satisfaction with internal knowledge management	Satisfaction level of 3,2	3,9
	Develop an ICT capability that enables streamlined efficiencies and easy access	Staff satisfaction with all aspects of the Bank's ICT to information	Satisfaction level of 3,2	3,3

Dividend

A Rnil dividend (2006/07: Rnil) has been declared for the current financial year.

Share capital

There were no changes to the authorised and issued share capital of the Bank.

Going concern

The Directors have no reason to believe that the Bank will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Borrowing powers

The borrowing powers of the Bank are limited to 2,5 times permanent capital and accumulated reserves.

Directorate and Secretariat


The names of the members of the Board of Directors and the Secretariat appear on pages 6 to 11.

Non-executive Directors are subject to retirement by rotation. They hold office for a period of three years, but are eligible for reappointment. A Chief Executive Officer may be appointed for a period not exceeding five years.

Directors' report (continued)

Details of the Directors' service contracts are as follows:

Name	Position	Period	
		From	To
Mr J Naidoo	Chairperson	24 August 2000	31 July 2008
Mr P Baloyi	Chief Executive Officer and Managing Director	1 July 2006	31 July 2011
Mr A Boraine	Non-executive Director	1 August 2005	31 July 2008
Mrs T Dinga	Non-executive Director	1 August 2007	31 July 2010
Prof B Figaji	Non-executive Director	1 August 1997	31 July 2009
Mr T Fowler	Non-executive Director	1 August 2004	31 July 2010
Mr L Fuzile	Non-executive Director	1 July 2006	31 July 2009
Ms N Gasa	Non-executive Director	1 August 2003	31 July 2009
Dr L Gwagwa	Non-executive Director	1 August 2004	31 July 2010
Dr D Konar	Non-executive Director	1 August 2001	31 July 2009
Prof O Latiff	Non-executive Director	1 August 2007	31 July 2010
Mrs W Lucas-Bull	Non-executive Director	1 August 2005	31 July 2008
Dr C Manning	Non-executive Director	1 August 2005	31 July 2008
Mr I Mzimela	Non-executive Director	1 August 2007	31 July 2010
Ms T Ramano	Non-executive Director	1 August 2007	31 July 2010
Prof E Webster	Non-executive Director	1 August 2007	31 July 2010
Dr I Abedian	Non-executive Director	1 August 2001	31 July 2007
Ms T Chikane	Non-executive Director	1 August 2004	31 July 2007
Ms L Msengana-Ndlela	Non-executive Director	1 August 2004	31 July 2007
Mr S Nondwangu	Non-executive Director	1 August 2004	31 July 2007



The details of the Directors' interests in related party transactions and Directors' emoluments are set out respectively in notes 32 and 38 of the financial statements.

Business and registered address

Details of the Bank's business and registered address appear on page 157.

Events subsequent to balance sheet date

The Directors are not aware of any matters or circumstances arising since the end of the financial year, not dealt with in the annual financial statements, that will have a significant effect on the operations of the Bank, the results of the operations or the financial position of the Bank.

Information presented in terms of section 55(2)(b) of the PFMA

- i. Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year: there were no instances in which the Bank sustained material losses.
- ii. Particulars of any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure: there were no instances in which the Bank sustained material losses.
- iii. Particulars of any losses recovered or written off: no losses were recovered or written off other than in the ordinary course of business; none of these was material.
- iv. Particulars of any financial assistance received from the state and commitments made by the state on behalf of the DBSA: no such financial assistance was received.

Balance sheet

at 31 March 2008

in thousands of rands	Notes	2008	2007
Assets			
Cash and cash equivalents	15	2 313 803	890 357
Other receivables	16	114 930	168 839
Investment securities	17	2 902 469	3 704 714
Investments under resale agreements	18	1 089 008	640 374
Derivative assets held for risk management	19.1	1 086 651	872 007
Post-retirement medical benefits investment	20	72 002	74 175
Home ownership scheme loans	21	19 208	21 203
Equity investments	22	2 041 427	1 025 485
Development loans	23	23 288 329	20 197 036
Property and equipment	24	316 424	279 996
Intangible assets	25	2 046	3 716
Total assets		33 246 297	27 877 902
Liabilities			
Other creditors	26	486 629	497 459
Liability for funeral benefits	27.1	3 509	3 371
Liability for post-retirement medical benefits	27.2	195 769	172 204
Medium- to long-term funding debt securities	28.1	9 199 167	7 281 303
Medium- to long-term funding lines of credit	28.2	5 499 019	4 223 367
Funding under repurchase agreements	29	1 862 054	1 137 685
Derivative liabilities held for risk management	19.2	220 277	24 282
Total liabilities		17 466 424	13 339 671
Equity			
Share capital	30.1	200 000	200 000
Retained earnings		10 904 976	9 746 769
Permanent government funding	30.2	3 792 344	3 792 344
Revaluation reserve on land and buildings	30.3	196 558	191 079
Hedging reserve	30.4	9 914	13 251
Reserve for general loan risks	30.5	721 102	613 420
Fair value reserve	30.6	(45 021)	(18 632)
Total equity		15 779 873	14 538 231
Total liabilities and equity		33 246 297	27 877 902

Income statement

for the year ended 31 March 2008

in thousands of rands	Notes	2008	2007
Interest income	7.1	2 853 603	2 545 947
Interest expense	7.2	(1 338 115)	(1 243 424)
Net interest income		1 515 488	1 302 523
Net fee income	8	54 096	46 807
Net foreign exchange gain	9	37 515	159 291
Net gain from financial assets and liabilities	10	545 997	185 699
Other operating income	11	79 108	142 303
		716 716	534 100
Operating income		2 232 204	1 836 623
Grants		(46 295)	(32 102)
Net impairment loss on financial assets	12	(331 192)	(17 925)
Personnel expenses	13	(398 363)	(346 798)
Other expenses	14	(184 688)	(151 378)
Depreciation and amortisation	14.1	(5 777)	(5 648)
Profit for the year		1 265 889	1 282 772

Statement of cash flows

for the year ended 31 March 2008

in thousands of rands

	2008	2007
Cash flows from operating activities		
Profit for the period	1 265 889	1 282 772
Adjustments for:		
Depreciation and amortisation	5 777	5 648
Grants paid	46 295	32 102
Dividends received	(61 431)	(86 227)
Realised capital gain	(13 967)	(49 783)
Profit on sale of non-current assets	–	(2 726)
Net foreign exchange gain	(33 798)	(159 291)
Net gain from financial assets and liabilities	(519 676)	(180 166)
Impairment on financial assets	331 192	19 129
Net interest income	(1 515 488)	(1 302 523)
	(495 207)	(441 065)
Change in other receivables	34 917	(68 788)
Change in other assets	1 995	(4 037)
Change in other creditors	(46 829)	(111 553)
Change in provisions	23 703	41 184
	(481 421)	(584 259)
Interest and dividends received	3 218 473	2 292 015
Interest paid	(1 302 119)	(1 233 131)
Net cash from operating activities	1 434 933	474 625
Cash flows from development activities		
Development loan disbursements	(5 375 403)	(3 557 786)
Development loan principal repayments	2 014 262	1 325 819
Increase in equity investments	(367 653)	(51 335)
Grants paid	(46 295)	(32 102)
Net cash used in development activities	(3 775 089)	(2 315 404)
Cash flows from investing activities		
Purchase of property and equipment	(30 750)	(2 695)
Proceeds from the sale of property and equipment/non-current assets	–	5 913
Movement in financial market assets	146 303	232 556
Net cash from investing activities	115 553	235 774
Cash flows from financing activities		
Financial market liabilities repaid	(243 476)	(66 452)
Financial market liabilities raised	3 754 617	1 047 416
Net cash from financing activities	3 511 141	980 964
Net increase/(decrease) in cash and cash equivalents	1 286 538	(624 041)
Effect of exchange rate fluctuations on cash held	136 908	60 401
Movement in cash and cash equivalents after exchange rate effect	1 423 446	(563 640)
Cash and cash equivalents at the beginning of the year	890 357	1 453 997
Cash and cash equivalents at the end of the year	2 313 803	890 357

Statement of changes in equity

for the year ended 31 March 2008

in thousands of rands	Share capital	Retained earnings	Permanent government funding	Revaluation reserve on land and buildings	Hedging reserve	Reserve for general loan risks	Fair value reserve	Total capital and reserves at the end of the period
Balance at 1 April 2006	200 000	8 545 642	3 792 344	115 109	19 511	531 775	14 275	13 218 656
Fair value movements of cash flow hedges	–	–	–	–	(6 260)	–	–	(6 260)
Fair value adjustment of available-for-sale financial market instruments	–	–	–	–	–	–	(32 907)	(32 907)
Profit for the year	–	1 282 772	–	–	–	–	–	1 282 772
Transfer to revaluation reserve on land and buildings	–	–	–	75 970	–	–	–	75 970
Transfer to reserve for general loan risks	–	(81 645)	–	–	–	81 645	–	–
Balance at 31 March 2007	200 000	9 746 769	3 792 344	191 079	13 251	613 420	(18 632)	14 538 231
Fair value movements of cash flow hedges	–	–	–	–	(3 337)	–	–	(3 337)
Fair value adjustment of available-for-sale financial market instruments	–	–	–	–	–	–	(26 389)	(26 389)
Profit for the year	–	1 265 889	–	–	–	–	–	1 265 889
Transfer to revaluation reserve on land and buildings	–	–	–	5 479	–	–	–	5 479
Transfer to reserve for general loan risks	–	(107 682)	–	–	–	107 682	–	–
Balance at 31 March 2008	200 000	10 904 976	3 792 344	196 558	9 914	721 102	(45 021)	15 779 873

Notes to the financial statements

for the year ended 31 March 2008

1. Reporting entity

The Development Bank of Southern Africa Limited ("the Bank") is a development finance institution domiciled in South Africa.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 19 June 2008.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Land and buildings are measured at fair value.
- Post-retirement medical benefit and funeral benefit obligations are measured at actuarial values.
- Equity investments are measured at fair value.

The methods used to measure fair values are discussed further in note 3.8.

2.3 Functional and presentation currency

These financial statements are presented in South African rands, which is the Bank's functional currency. All financial information presented in rands has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is given in the following notes:

- Note 3.1.6 - valuation of financial instruments
- Note 3.2.3 - depreciation and the useful lives of property and equipment
- Notes 17, 18, 19, 28 and 29 - valuation of financial instruments
- Note 22 - valuation of equity investments
- Note 23 - measurement of the recoverable amounts of development loans
- Note 24.2 - valuation of land and buildings
- Note 27 - measurement of funeral benefit obligations and post-retirement medical benefit

The Bank's risk management policies and procedures are disclosed in the risk management section starting on page 74 of the Annual Report.

3. Significant accounting policies

3.1 Financial instruments

3.1.1 Financial assets

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this classification at every reporting date.

All financial assets are initially recognised at fair value plus transaction costs except those carried at fair value through profit or loss. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

All financial assets are initially recognised on the trade date at which the Bank commits to buy or sell the instruments, except for loans, advances and the regular way purchases and sales transactions that require delivery within the timeframe established by market convention, which are recorded at settlement date.

Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, the fair values of financial assets are based on quoted bid prices, excluding transaction costs (refer to policy note 3.8.4).

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivatives are also classified as held for trading, unless they are designated as hedges at inception. Due to the non-speculative nature of business of the Bank there are no assets classified as held for trading.

A financial asset is designated as fair value through profit or loss because either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset or recognising the gains or losses on it on different bases; or a portfolio of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel. By these criteria, the main classes of financial assets designated by the Bank are investment and debt securities.

Subsequent to initial recognition, these assets are measured at fair value. All related realised and unrealised gains and losses arising from changes in fair value are recognised under net gains from financial assets in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include purchased loans. This category does not include those loans and receivables that the Bank intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Origination transaction costs and origination fees are capitalised to the value of the loan and amortised through interest income. The Bank does not believe that there is a comparable market for its loans.

This category comprises development loans, cash and cash equivalents and collateralised advances.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment as per policy note 3.1.8 and 3.1.9.

Short-term trade receivables are carried at original invoice amount less an estimate made for impairment based on a review of all outstanding amounts at year-end.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

3.1.1 Financial assets (continued)

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables. Were the Bank to sell more than an insignificant amount of held-to-maturity financial assets in a period, the entire category would be tainted and reclassified as available for sale and the difference between amortised cost and fair value would be accounted for in equity.

The only class of financial asset classified as held to maturity is investments in municipal and government bonds.

Subsequent to initial recognition, held to maturity financial assets are carried at amortised cost using the effective interest method, less any provision for impairment.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and may be sold in response to liquidity needs or changes in interest rate, exchange rates or equity prices. Financial assets that are either designated in this category or not classified in any of the other categories are classified as available-for-sale financial assets. The main classes of financial assets classified as available for sale are money market placements and certain debt and equity investments, as well as government and corporate bonds.

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from the change in fair value are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest and dividend income received on available-for-sale financial assets are recognised in the income statement.

3.1.2 Financial liabilities

The Bank classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss; and financial liabilities at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of financial liabilities at initial recognition and re-evaluates this classification at every reporting date.

Financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds, net of transaction costs incurred.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if the linked financial asset associated with this liability is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivative liabilities are also classified as held for trading, unless they are designated as hedges at inception. Due to the non-speculative nature of business of the Bank there are no liabilities classified as held for trading.

A financial liability is designated as fair value through profit or loss because either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the liability or recognising the gains or losses on it on different bases, or a portfolio of financial liabilities is linked to a portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel. By these criteria, the main class of financial liabilities designated by the Bank is debt securities.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in the income statement.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments and fixed maturities.

Financial liabilities classified as financial liabilities at amortised cost comprise debt securities, lines of credit, funding under repurchase agreements and trade and other payables.

Loans that are payable within twelve months are classified as short-term and are included under other creditors.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost and any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest rate method.

3.1.3 Derivative financial instruments

The Bank uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policies, the Bank does not hold or issue derivative financial instruments for trading purposes. All derivatives are recognised initially at fair value. Subsequent to initial recognition, they are remeasured at fair value. The treatment of changes in their fair value depends on their classification into the following categories:

Qualifying derivatives

Derivatives qualifying for hedge accounting are accounted for in terms of hedge accounting (see accounting policy on hedge accounting).

Non-qualifying derivatives

Derivatives that do not qualify for hedge accounting are accounted for as a component of financial instruments held at fair value through profit or loss with all changes in fair values recognised in profit and loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

3.1.4 Measurement of financial instruments

All loans and receivables, held-to-maturity investments and all financial liabilities except for those held at fair value through profit or loss and those that form part of an effective fair value hedge, are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Subsequent to initial recognition all assets and liabilities held at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

3.1.5 Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

3.1.6 Hedge accounting

On the date that a derivative contract is designated as a hedging instrument, the Bank designates the derivative as either:

- A hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- A hedge of a highly probable future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge)

A hedging relationship exists where:

- At the inception of the hedge there is formal documentation of the hedge
- The hedge is expected to be highly effective
- The effectiveness of the hedge can be reliably measured
- The hedge is highly effective throughout the reporting period
- For hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss

Hedge accounting requires that the hedging instrument be measured at fair value.

The fair value of derivative hedging instruments is calculated in the same way as the fair value of instruments held at fair value through profit or loss (refer to accounting note 3.8 below).

The treatment of any resultant gains and losses is set out below.

The Bank utilises various derivative instruments like cross-currency swaps, interest rate swaps and credit default swaps as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, as well as exposures to variability in cash flows attributable to a particular risk associated with a recognised asset or liability.

The Bank applies either fair value or cash flow hedge accounting to transactions that comply with the hedge accounting criteria and are classified as hedging instruments. The hedging instruments are carried at fair value on the balance sheet and are reported as either positive or negative fair values.

Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses relating to the hedged risk on remeasurement of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge no longer meets the criteria for fair value hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until disposal of the equity security.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge to variability in the cash flows of recognised assets or liabilities, or a highly probable forecast transaction, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

3.1.7 Repurchase and resale agreements

Where the Bank sells investments from its portfolio and agrees to repurchase these at future dates with the risk of ownership remaining with the Bank, the consideration received is treated as a loan secured by the underlying instrument and included in funding under repurchase agreements.

Conversely, excluded from investments are market instruments purchased under an agreement to resell at future dates with the risk of ownership remaining with the counterparty. The consideration paid is treated as an advance secured by the underlying instrument and included in investments under resale agreements.

3.1.8 Offsetting of financial instruments

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.1.9 Impairment of financial instruments

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Available-for-sale financial instruments

Where an available-for-sale financial asset remeasured to fair value directly through equity is impaired, and a write-down of the asset was previously recognised directly in equity, the write-down is transferred to the income statement and recognised as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent that the asset is impaired. Any additional impairment loss is recognised in the income statement.

Loans and advances and held-to-maturity investments

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the held-to-maturity investments and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Receivables with a short duration are not discounted, as the effect of discounting is not significant.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss as far as the impairment was previously recognised in profit or loss.

Impairment of development loans

Non-performing loans are impaired for losses identified during periodic evaluations of loan advances. The classification of a loan as non-performing is the loss event that triggers impairment testing on an individual loan basis. The impairment to non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between the loss estimates and actual loss experience. Development loans are considered non-performing when two consecutive repayments have not been honoured by the borrower, or when there are other indicators that the loan may be impaired.

The non-performing book is split into two classes, namely municipalities and other. This is done as the characteristics of these categories differ. For municipalities the recovery rate is based on the historical success rate of rescheduled loans. For the other loans each non-performing borrower is individually assessed to determine its recovery rate.

The performing book is impaired in order to provide for latent losses in the portfolio that have not yet been individually identified as impaired. An impairment for incurred but not reported losses is calculated based on historic loss patterns, estimated emergence periods and the Bank's internal credit risk rating system.

3.1.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value-in-use. Value-in-use is the present value of projected cash flows covering the remaining useful life of the asset.

3.1.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, callable on demand and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

3. Significant accounting policies (continued)

3.2 Property and equipment

3.2.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are stated at fair value less accumulated depreciation and impairment losses, in terms of the revaluation model. Land and buildings are revalued on an annual basis.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss. When revalued property and equipment are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.2.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss when incurred.

3.2.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 40 years
- Fixtures and fittings 10 years
- Office equipment 5-10 years
- Motor vehicles 4 years
- Computer equipment 3 years

The residual values and useful lives of assets are reviewed at each balance sheet date and adjusted if appropriate. If the carrying amount of the asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount.

3.3 Intangible assets

3.3.1 Recognition and measurement

Intangible assets that are acquired by the Bank, and which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over the lesser of the useful life of the asset or three years.

3.3.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.3 Intangible assets (continued)

3.3.3 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 3 years

3.4 Share capital and reserves

3.4.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

3.4.2 Permanent government funding

This represents capital provided by the South African government and remains part of the permanent capital of the Bank.

3.4.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments where the hedged transaction has not occurred.

3.4.4 Fair value reserve

The fair value reserve comprises all fair value adjustments for available-for-sale financial market instruments.

3.4.5 Reserve for general loan risks

The general loan risk reserve is maintained based on the latest internal risk rating of borrowers. A risk review process for all clients is conducted twice per annum. The reserve for each risk category is calculated as follows:

- Low risk 3%
- Medium risk 5%
- High risk 7%

Any adjustment to the reserve is recognised as a movement directly between retained earnings and the reserve for general loan risks.

3.4.6 Revaluation reserve on land and buildings

This reserve represents the valuation adjustment recognised on the revaluation of land and buildings.

3.5 Revenue

Revenues described below represent the most appropriate equivalent of turnover. Revenue is derived substantially from the business of development activities and comprises interest income and interest expense.

3.5.1 Interest income and interest expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

3. Significant accounting policies (continued)

3.5 Revenue (continued)

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis
- Interest on available-for-sale investment securities on an effective interest basis
- The effective portion of qualifying hedge derivatives designated in a cash flow hedge if the hedged item is recorded in interest income/expense

Interest excludes the effect of interest rate hedges, which is included under the revaluation of financial instruments line.

Where non-performing financial assets have been impaired, interest income continues to be recognised to the extent that the asset is not impaired on the original effective interest rate.

3.5.2 Fees and commission

Fees and other income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, is recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.6 Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Bank, financial statements are presented in South African rand, which is the Bank's functional currency.

Foreign exchange gains and losses arising in entity accounts

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary items, such as financial assets held at fair value through profit or loss, are reported as part of the fair value gain or loss on such instruments. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3.7 Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to non-qualifying derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.8 Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.8 Determination of fair values (continued)

3.8.1 Property and equipment

The fair value of land and buildings is based on an annual valuation performed by an independent quantity surveyor using the income capitalisation approach.

3.8.2 Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Equity investment valuations are based on the underlying value of the net assets within the investment vehicles concerned. These valuations are calculated based on the financial statements provided by the directors of the investee companies.

3.8.3 Post-retirement medical benefits investment

The fair value of the post-retirement medical benefits investment is based on the listed market price.

3.8.4 Fair value determination

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments, as reflected in the table under note 6.

Capital market securities

In the case of instruments for which actively quoted market prices are available the fair value of financial instruments is based on the quoted market price at balance sheet date, without any deduction for transaction costs. Where actively quoted market prices are not available, the fair value is determined through discounted cash flow techniques, using market interest rates taking into account the credit quality and duration of the instrument.

Derivatives

The fair value of forward exchange contracts is determined through discounting the contractual future cash flows at the relevant market curves and netting off at the ZAR spot exchange rate as at balance sheet date.

The fair value of interest rate and cross-currency swaps is the estimated amount that the Bank would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and foreign exchange rates and the creditworthiness of the respective swap counterparties. The fair value of derivatives that are not exchange-traded is estimated using discounted cash flow valuation methods with inputs limited, to the extent possible, to market observable data.

Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows and the discount rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions.

Interest-bearing loans and borrowings

The fair value of interest-bearing loans is determined through discounted cash flow analyses using market-derived discount rates as at balance sheet date.

Interest rates used for determining fair value

The Bank uses market-derived discount curves as at balance sheet date. Future cash flows are based on contractual cash flows, and where market observable inputs are not available, management makes use of best estimates to determine the appropriate credit spread to apply.

3.9 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation, as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provision is made for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

3. Significant accounting policies (continued)

3.10 Financial guarantees

Financial guarantees are contracts that require the Bank 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 terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

3.11 Employee benefits

3.11.1 Defined contribution plans

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in profit or loss when they are due.

3.11.2 Defined benefit plan

The Bank contributes to a defined benefit plan for post-retirement medical benefits for a closed group of eligible employees and pensioners. The Bank currently holds an investment that is used to fund the liability for the post-retirement medical benefit. This investment does not meet the definition of a "Plan Asset" and is not offset against the post-retirement obligation.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Bank recognises all actuarial gains and losses arising from defined benefit plans directly in profit and loss immediately.

3.11.3 Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.11.4 Short-term benefits

Short-term employee benefit obligations including annual leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.11.5 Home ownership scheme

The Bank operates a home ownership scheme. In terms of this scheme, mortgage bonds are provided to Bank employees at reduced interest rates. The Bank and Nedcor Bank Ltd have entered into an agreement whereby Nedcor Bank Ltd administers the loan scheme on behalf of the Bank. The loans are held at amortised cost less impairment losses.

Notes to the financial statements (continued)

for the year ended 31 March 2008

3. Significant accounting policies (continued)

3.12 Contingent liabilities and commitments

Transactions are classified as contingencies when the Bank's obligations depend on uncertain future events not within the Bank's control. Items are classified as commitments when the Bank commits itself to future transactions with external parties.

3.13 Other operating income

Fees that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee income (appraisal, commitment, guarantee and penalty fees) is recognised as the related services are performed.

Dividends are recognised when the Bank's right to receive payment is established (which is when the dividend is declared). They are incorporated in other income, which is separately disclosed in the notes to the income statement.

3.14 DBSA Development Fund

The DBSA Development Fund is a section 21 company that was incorporated on 21 December 2001. This fund is not consolidated as the definition of control is not met and no benefit is derived.

A full set of financial statements has been prepared in a separate Annual Report for the Development Fund.

3.15 Events after balance sheet date

All adjusting events, both favourable and unfavourable, that occur between balance sheet date and the date when the financial statements are issued have been reported and adjusted in the financial statements.

Those events that are indicative of conditions that came into existence after balance sheet date are not adjusted for.

3.16 Funds administered on behalf of third parties

The Bank has entered into agreements with a number of development entities to administer funds on their behalf. The activities of these entities relate to development and include development research, policy formulation, grants and loans.

These funds are not included in the balance sheet of the Bank.

3.17 Related parties

The Bank operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Bank. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Bank.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Bank.

3. Significant accounting policies (continued)

3.17 Related parties (continued)

Other related party transactions are also disclosed in terms of the requirements of the standard. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2008, and have not been applied in preparing these financial statements:

- IAS 1 (AC 101) amendment - Presentation of financial statements
- IAS 23 (AC 114) - Borrowing costs
- IAS 32 (AC 125) - Financial instruments: Presentation
- IAS 1 (AC 101) amendment - Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation
- IFRS 2 (AC 139) amendment - Share-based payment: Vesting conditions and cancellations
- IFRS 8 (AC 145) - Operating segments
- IFRIC 12 (AC 445) - Service concession arrangements
- IFRIC 13 (AC 446) - Customer loyalty programmes
- IFRIC 14 (AC 447) - IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The effect of implementing these standards has not yet been determined.

4. Use of estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates (see 2.4).

These disclosures supplement the commentary on financial risk management (see note 39).

5. Segment reporting

A segment is a distinguishable component of the Bank that is either providing related products or services (business segment) or is providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on geographical segments. It represents the classification of the Bank's development loans in different geographical markets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Enabling services (unallocated items) comprise mainly treasury activities, corporate assets and expenses.

Geographical segments

The Bank's development loan portfolio is managed in South Africa, but the clients and projects are located in different countries. Thus, the Bank's geographical segment is classified into South Africa and SADC countries other than South Africa.

Business segments

The Bank's secondary segment is business and has been determined according to the type of client as follows:

- Private sector clients
- Public sector clients

Notes to the financial statements (continued)

for the year ended 31 March 2008

	South Africa		SADC (excluding South Africa)		*Corporate services		Total	
in thousands of rands	2008	2007	2008	2007	2008	2007	2008	2007
5. Segment reporting (continued)								
Primary segments								
Income	1 824 992	1 533 491	1 272 645	935 881	472 682	610 675	3 570 319	3 080 047
Interest income on development loans	1 725 447	1 514 629	586 402	467 112	–	–	2 311 849	1 981 741
Interest income on investments	5 611	–	293	–	535 850	564 206	541 754	564 206
Non-interest income	45 607	122 256	81 193	60 023	6 404	6 831	133 204	189 110
Other income	48 327	(103 394)	604 757	408 746	(69 572)	39 638	583 512	344 990
Net foreign exchange gain/(loss)	–	(205 356)	95 821	304 246	(58 306)	60 401	37 515	159 291
Net gain/(loss) from financial assets and liabilities	48 327	101 962	508 936	104 500	(11 266)	(20 763)	545 997	185 699
Grants	(43 585)	(16 544)	(45)	(5 185)	(2 665)	(10 373)	(46 295)	(32 102)
Expenses	(1 400 384)	(945 639)	(409 657)	(411 494)	(448 094)	(408 040)	(2 258 135)	(1 765 173)
Interest expense	(1 088 533)	(853 320)	(249 582)	(390 104)	–	–	(1 338 115)	(1 243 424)
Operating expenses	(115 843)	(77 877)	(25 363)	(16 703)	(441 845)	(403 596)	(583 051)	(498 176)
Depreciation and amortisation	–	–	–	–	(5 777)	(5 648)	(5 777)	(5 648)
Net impairment on financial assets	(196 008)	(14 442)	(134 712)	(4 687)	(472)	1 204	(331 192)	(17 925)
Profit for the year	381 023	571 308	862 943	519 202	21 923	192 262	1 265 889	1 282 772
Total assets	17 566 069	15 902 298	7 763 687	5 320 223	7 916 541	6 655 381	33 246 297	27 877 902
Total liabilities	13 650 649	8 725 710	3 129 868	3 989 045	685 907	624 916	17 466 424	13 339 671
Key ratios by segment								
Operating cost to income (%)	17	10	6	12	83	72	36	34
Leverage (%)	78	55	40	75	9	10	53	48
Net interest to income (%)	37	44	57	16	100	100	53	51
Return on assets (%)	2	4	11	10	0,3	3	4	5

* Corporate services include Treasury, Human Capital and Technology, Finance, Capacity Deployment, Research and Information, Office of CEO, Strategic Operations, and Strategic Governance and Communication.

in thousands of rands	Private sector		Public sector		*Corporate services		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
5. Segment reporting (continued)								
Secondary segments								
Income	1 275 068	676 764	1 822 569	1 792 608	472 682	610 675	3 570 319	3 080 047
Interest income on development loans	530 102	446 533	1 781 747	1 535 208	–	–	2 311 849	1 981 741
Interest income on investments	5 904	–	–	–	535 850	564 206	541 754	564 206
Non-interest income	98 715	148 431	28 085	33 848	6 404	6 831	133 204	189 110
Other income	640 347	81 800	12 737	223 552	(69 572)	39 638	583 512	344 990
Grants	–	(7 860)	(43 630)	(13 869)	(2 665)	(10 373)	(46 295)	(32 102)
Expenses	(690 799)	(375 018)	(1 119 242)	(982 115)	(448 094)	(408 040)	(2 258 135)	(1 765 173)
Profit for the year	584 269	293 886	659 697	796 624	21 923	192 262	1 265 889	1 282 772
Total assets	6 962 920	5 780 169	18 366 836	15 442 352	7 916 541	6 655 381	33 246 297	27 877 902
Total liabilities	4 801 361	3 467 877	11 979 156	9 246 878	685 907	624 916	17 466 424	13 339 671
Key ratios by segment								
Operating cost to income (%)	10	12	14	10	83	71	36	34
Leverage (%)	69	60	65	60	9	10	53	48
Net interest to income (%)	29	25	46	41	100	100	53	51
Return on assets (%)	8	5	4	5	0,3	3	4	5

* Corporate services include Treasury, Human Capital and Technology, Finance, Capacity Deployment, Research and Information, Office of CEO, Strategic Operations, and Strategic Governance and Communication.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands	Note	Designated at fair value through profit or loss*	Held-to- maturity	Available- for-sale	Loans and receivables	Total carrying amount	Fair value
6. Financial assets and liabilities							
Accounting classification and fair values							
The table below sets out the Bank's classification of financial assets and liabilities, and their fair values.							
31 March 2008							
Cash and cash equivalents	15	–	–	–	2 313 803	2 313 803	2 313 803
Other receivables	16	–	–	–	114 930	114 930	114 930
Investment securities	17	1 707 890	515 030	679 549	–	2 902 469	2 917 205
Investments under resale agreements	18	–	–	–	1 089 008	1 089 008	1 089 008
Derivative assets held for risk management	19.1	1 086 651	–	–	–	1 086 651	1 086 651
Home ownership scheme loans	21	–	–	–	19 208	19 208	19 208
Equity investments	22	1 567 352	474 075	–	–	2 041 427	2 041 427
Development loans	23	–	–	–	23 288 329	23 288 329	22 875 437
		4 361 893	989 105	679 549	26 825 278	32 855 825	32 457 669
Other creditors	26	–	–	–	486 629	486 629	486 629
Medium- to long-term funding debt securities	28.1	3 510 356	–	–	5 688 811	9 199 167	10 495 994
Medium- to long-term funding lines of credit	28.2	307 774	–	–	5 191 245	5 499 019	5 373 079
Funding under repurchase agreements	29	–	–	–	1 862 054	1 862 054	1 862 054
Derivative liabilities held for risk management	19.2	220 277	–	–	–	220 277	220 277
		4 038 407	–	–	13 228 739	17 267 146	18 438 033

* The Bank does not speculate, hence the held-for-trading classification is not used. All derivative instruments concluded by the Bank are for risk management purposes and therefore disclosed as designated at fair value through profit or loss.

in thousands of rands	Note	Designated at fair value through profit or loss*	Held-to- maturity	Available- for-sale	Loans and receivables	Total carrying amount	Fair value
6. Financial assets and liabilities (continued)							
31 March 2007							
Cash and cash equivalents	15	–	–	–	890 357	890 357	890 357
Other receivables	16	–	–	–	168 839	168 839	168 839
Investment securities	17	2 149 440	782 291	772 983	–	3 704 714	3 751 447
Investments under resale agreements	18	–	–	–	640 374	640 374	640 374
Derivative assets held for risk management	19.1	872 007	–	–	–	872 007	872 007
Home ownership scheme loans	21	–	–	–	21 203	21 203	21 203
Equity investments	22	736 747	288 738	–	–	1 025 485	1 025 485
Development loans	23	–	–	–	20 197 036	20 197 036	21 255 035
		3 758 194	1 071 029	772 983	21 917 809	27 520 015	28 624 747
Other creditors	26	–	–	–	497 459	497 459	497 459
Medium- to long-term funding debt securities	28.1	2 875 826	–	–	4 405 477	7 281 303	9 683 978
Medium- to long-term funding lines of credit	28.2	328 672	–	–	3 894 695	4 223 367	4 031 352
Funding under repurchase agreements	29	–	–	–	1 137 685	1 137 685	1 137 685
Derivative liabilities held for risk management	19.2	24 282	–	–	–	24 282	24 282
		3 228 780	–	–	9 935 316	13 164 096	15 374 756

* The Bank does not speculate, hence the held-for-trading classification is not used. All derivative instruments concluded by the Bank are for risk management purposes and therefore disclosed as designated at fair value through profit or loss.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
7. Net interest income		
7.1 Interest income		
Cash and cash equivalents	164 303	121 679
Investment securities	300 401	359 124
Repurchase agreements	68 544	73 690
Development loans	2 311 849	1 981 741
Performing	2 242 117	1 927 017
Non-performing	69 732	54 724
Equity investments	5 902	5 134
Home ownership scheme	2 590	2 014
Other interest received	14	2 565
Total interest income	2 853 603	2 545 947
7.1.1 Client classification for development loans		
Development finance institutions	29 260	21 031
Educational institutions	42 490	34 398
Local government	1 085 538	957 157
National and provincial government	42 901	45 398
Private sector	530 102	429 699
Public utilities	581 558	494 058
	2 311 849	1 981 741
7.2 Interest expense		
Medium- to long-term funding debt securities	927 822	905 391
Medium- to long-term funding lines of credit	243 890	220 933
Resale agreements	166 403	110 477
Other interest expense	–	6 623
Total interest expense	1 338 115	1 243 424
Net interest income	1 515 488	1 302 523

7. Net interest income (continued)

7.2 Interest expense (continued)

The only component of interest income and expense reported above that relates to financial assets or liabilities carried at fair value through profit or loss is the interest income and expenses on designated items, which include investment securities, medium- to long-term debt securities and medium- to long-term lines of credit.

Included within interest income on investment securities for the year ended 31 March 2008 is R69 million (2007: R96 million) relating to investment securities held to maturity.

Included within interest income on investment securities for the year ended 31 March 2008 is R199 million (2007: R209 million) relating to investment securities designated held at fair value through profit or loss.

Included within interest expense on medium- to long-term funding debt securities for the year ended 31 March 2008 is R214 million (2007: R200 million) relating to debt securities designated held at fair value through profit or loss.

Included within interest expense on medium- to long-term funding debt securities for the year ended 31 March 2008 is R179 million (2007: R179 million) relating to debt securities qualifying as effective hedge relationships.

Included within interest expense on medium- to long-term funding lines of credit for the year ended 31 March 2008 is R30 million (2007: R69 million) relating to other funding that qualifies as effective hedge relationships.

in thousands of rands		2008	2007
8. Net fee income			
8.1 Fee income			
Guarantee fees	8 542	9 571	
Management fees	11 180	12 058	
Commitment fees on funding	8 466	12 265	
Upfront fees	18 313	15 625	
Appraisal fees	50	1 292	
Other	20 237	3 504	
Total fee and commission income	66 788	54 315	
8.2 Fee expense			
Brokerage fee	293	300	
Commitment fees on funding	1 367	1 814	
Guarantee fees	7 161	3 278	
Appraisal fees	3 871	1 232	
Other	–	884	
Total fee and commission expense	12 692	7 508	
Net fee income	54 096	46 807	

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
9. Net foreign exchange gain		
Unrealised	31 131	86 055
Foreign exchange gain: Development loans and sundry	331 040	277 671
Foreign exchange (loss)/gain: Hedging derivatives - development loans (FEC)	(182 396)	917
Foreign exchange gain: Cash and cash equivalents (CFCs)	136 908	60 401
Foreign exchange gain: Equity investments	95 773	53 262
Foreign exchange loss: Funding	(859 106)	(570 521)
Foreign exchange gain: Hedging derivatives - funding	508 912	264 325
Realised	6 384	73 236
Foreign exchange gain: Development loans	2 667	67 193
Foreign exchange gain: Funding and hedging	3 717	6 043
	37 515	159 291
10. Net gain from financial assets and liabilities		
Net income on derivatives held for risk management:		
Interest rate		
Unrealised	(231 902)	(50 760)
Realised	(307 582)	(192 981)
Foreign exchange	75 680	142 221
Unrealised	(46 149)	(79 912)
Realised	(6 558)	(62 253)
Investment securities designated at fair value through profit or loss:		
Government bonds	(39 591)	(17 659)
Unrealised	(108 165)	(55 669)
Realised	(111 352)	(55 669)
	3 187	-

in thousands of rands

10. Net gain from financial assets and liabilities (continued)

	2008	2007
Available-for-sale investments realised		
Government bonds - realised	(5 274)	–
Corporate bonds - realised	(5 508)	6 662
Money market instruments - realised	–	(2 227)
Debt securities issued designated at fair value through profit or loss - unrealised	181 271	49 229
Equity investments designated at fair value through profit or loss - unrealised	559 437	161 901
Medipref designated at fair value through profit or loss - unrealised	(2 173)	5 532
Qualifying hedged funding held at fair value through profit or loss - unrealised	204 460	150 943
	545 997	185 699

The DBSA DV23 bond spread relative to the swap curve changed from -18 basis points in April 2007 to zero basis points in March 2008. However, a thorough analysis of the spread has revealed that this movement in spread was not due to deterioration in DBSA credit quality, but due to the strong correlation in the movements in spreads of AAA rated entities. Therefore, the DV23 spread movement was not specific to the DBSA but systemic in nature.

It should also be noted that the credit ratings of the DBSA bonds remained unchanged during the financial year ending 31 March 2008. Thus there is no change in fair value that is attributable to changes in credit risk of financial liabilities designated at fair value through profit or loss.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
11. Other operating income		
Non-interest income:		
- Dividend income	61 431	86 227
Less recovered expenses - travel and subsistence	-	(110)
	61 431	86 117
Profit on sale of non-current asset held for sale	-	2 726
Sundry income	17 677	53 460
	79 108	142 303
12. Net impairment loss on financial assets		
Other receivables	479	(1 204)
Impairment on development loans	323 792	19 129
Impairment on equity investments: held to maturity	6 921	-
	331 192	17 925
13. Personnel expenses		
Post-retirement medical benefits liability movement (refer to note 27.2)	27 688	44 606
Other personnel expenses	370 675	302 192
	398 363	346 798
Included in other personnel expenses are Directors' emoluments and Executive management remuneration as detailed below:		
Directors' emoluments	5 500	7 847
Executive management remuneration	18 129	14 039
	23 629	21 886

Full details are provided in the Schedule of Directors' emoluments, note 38.

in thousands of rands

	2008	2007
14. Other expenses		
Auditors' remuneration	5 587	5 482
- audit fee	5 489	5 390
- expenses	98	92
Technical services	23 732	17 340
Communication costs	7 064	5 424
Information technology	38 179	34 415
Regional Service Council levies	-	1 369
Subsistence and travel	28 166	23 709
Assets acquired below R1 000 expensed	1 215	263
Other	80 745	63 376
	184 688	151 378
14.1 Depreciation and amortisation		
Buildings	148	-
Computer equipment	1 812	2 365
Furniture and fittings	643	505
Motor vehicles	177	135
Office equipment	421	383
Intangible assets	2 576	2 260
	5 777	5 648
15. Cash and cash equivalents		
Fixed deposits	47 000	-
Call deposits	1 289 990	532 090
Cash at bank	976 813	358 267
	2 313 803	890 357

The average annual interest rate earned on cash and cash equivalents detailed above was 8,64% (2007: 8,41%).

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
16. Other receivables		
Other trade receivables	32 757	103 157
Accrued interest income	48 016	66 528
Staff loans	453	787
Prepayments	38 079	2 263
Impairment (note 16.1)	(4 375)	(3 896)
	114 930	168 839
16.1 Impairment reconciliation		
Balance at the beginning of the year	(3 896)	(5 100)
(Increase)/decrease in provision	(479)	1 204
Balance at the end of the year	(4 375)	(3 896)
17. Investment securities		
Investment securities at fair value through profit or loss	1 707 890	2 149 440
Held-to-maturity investment securities	515 030	782 291
Available-for-sale investment securities	679 549	772 983
	2 902 469	3 704 714
17.1 Investment securities at fair value through profit or loss		
Government bonds	1 707 890	2 149 440
Investment securities have upon initial recognition been designated at fair value through profit or loss when they form part of a group of financial assets managed and evaluated on a fair value basis in accordance with a documented investment strategy. These investments are held as part of a strategic liquidity portfolio and can thus be redeemed at any time depending on the Bank's liquidity requirements.		
17.2 Held-to-maturity investment securities		
Government bonds	265 059	532 318
Municipal bonds	249 971	249 973
	515 030	782 291
17.3 Available-for-sale investment securities		
Government bonds	263 299	369 827
Corporate bonds	212 358	301 621
Money market instruments	203 892	101 535
	679 549	772 983

in thousands of rands

	2008	2007
18. Investments under resale agreements	1 089 008	640 374
<p>In the ordinary course of business, the Bank places additional funds or raises short-term funding through the repurchase market. This entails the transfer of financial assets in such a way that all or part of the assets do not qualify for derecognition. The essence of such transaction is either to place additional cash or raise short-term funding through the repo market.</p> <p>The assets thus received as collateral include government and corporate bonds. The Bank does not retain risks and rewards associated with the transferred assets, hence such assets are not recognised, whereas corresponding financial asset considerations are recognised in investments under resale agreements.</p> <p>At 31 March 2008, the fair value of assets received as collateral was R1,1 billion (2007: R417 million).</p>		
19. Derivative assets and liabilities held for risk management		
19.1 Derivative assets held for risk management		
Instrument type:		
Interest	326 959	558 919
Foreign currency	759 692	313 088
	1 086 651	872 007
19.2 Derivative liabilities held for risk management		
Instrument type:		
Interest	71 565	5 554
Foreign currency	148 712	18 728
	220 277	24 282
19.3 Net derivatives held for risk management		
Fair value hedges of interest rate risk	255 394	553 365
Cash flow hedges of foreign exchange risk	407 016	156 942
Economic hedges	203 964	137 418
	866 374	847 725

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
19. Derivative assets and liabilities held for risk management (continued)		
19.3 Net derivatives held for risk management (continued)		
<i>Fair value hedges of interest rate risk</i>		
The Bank uses interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate ZAR funding and investments. Interest rate swaps are matched to specific issuance of fixed rate notes or loans.		
<i>Cash flow hedges of foreign currency debt securities issued</i>		
The Bank uses cross-currency interest rate swaps to hedge both the foreign currency and interest rate risks arising from the Euro and USD funding raised to finance operational activities.		
<i>Economic hedges</i>		
This category consists of forward foreign exchange contracts, interest rate swaps and cross-currency swaps that are designated as derivative components of the held at fair value through profit or loss classification. Such derivatives are used for managing the exposures to foreign currency and interest rate risks.		
Fair values of all the derivatives are shown in the table above.		
20. Post-retirement medical benefits investment	72 002	74 175
This asset represents the market value of the Bank's contribution to Medipref Management Ltd to fund the post-retirement medical benefits for eligible employees and pensioners.		
Details of the post-retirement medical benefit liability are contained in note 27.2. This investment does not meet the definition of a "Plan Asset" and is therefore not offset against the liability.		
21. Home ownership scheme loans	19 208	21 203
The Bank operates a home ownership scheme. In terms of this scheme, mortgage bonds are provided to Bank employees at reduced interest rates. The Bank and Nedcor Bank Ltd have entered into an agreement whereby Nedcor Bank Ltd administers the loan scheme on behalf of the Bank.		
All loans are secured by fixed property. Loans are provided to a maximum of 108% of the market value of the fixed property, to allow for transfer fees to be capitalised.		
At 31 March 2008, the effective interest rate was 14,5% per year (2007: 11,0%).		

in thousands of rands

	2008	2007
22. Equity investments		
Equity investments at fair value through profit and loss	1 567 352	736 747
Held-to-maturity equity investments	474 075	288 738
	2 041 427	1 025 485
<p>Equity investments represent strategic investments by the Bank and are long-term in nature. As the Bank has more than five investments, a register is maintained in terms of paragraph 27 of Schedule 4 of the South African Companies Act. The register is available for inspection at the registered office of the Development Bank of Southern Africa Limited.</p>		
22.1 Equity investments at fair value through profit and loss		
Cost		
Balance at 01 April	503 709	442 275
Acquisitions	411 317	117 887
Disposals	(137 877)	(56 453)
Balance at 31 March	777 149	503 709
Fair value adjustments and impairment losses		
Balance at 01 April	186 395	24 494
Current year fair value adjustment	568 622	161 901
Disposals	(65 981)	–
Balance at 31 March	689 036	186 395
Forex adjustments		
Balance at 01 April	46 643	(6 709)
Current year fair value adjustment	94 077	53 352
Disposals	(39 553)	–
Balance at 31 March	101 167	46 643
Fair value at the end of the year	1 567 352	736 747

Notes to the financial statements (continued)

for the year ended 31 March 2008

22. Equity investments (continued)

22.1 Equity investments at fair value through profit and loss (continued)

Equity investment valuations are based on the underlying value of the net assets within the investment vehicles concerned. These valuations are calculated based on the financial statements provided by the directors of the investee companies.

The discounted cash flow technique has been used on direct equity investments. The discount rates used range from 16% to 23% and were determined using the Capital Asset Pricing Model. Fundamental and growth rates were used depending on the life cycle of the investment and its dividends and free cash flow profile. The risk free rate used in establishing the discount rate is the long-term interest rate adjusted for the financial risk profile of the underlying investment. The growth rates were assumed to be for a period of five years and adjusted lower to the GDP growth rates after five years. A marketability discount of between 20% and 40% was deducted in arriving at the fair value of each equity instrument. Marketability discount was determined from the perspective of market participants after taking a number of factors into account, including but not limited to:

- The proximity and certainty of the realisation of the underlying investment.
- The extent of management's influence over the realisation of the investment.

All direct equity investments are not listed, and therefore the discounted cash flow valuation technique was used.

Fair values on third Party Private Equity Funds (PEFs) are obtainable from independent fund managers on a quarterly basis.

in thousands of rands	2008	2007
22.2 Held-to-maturity equity investments		
Amortised cost		
Balance at the beginning of the year	288 738	252 062
Acquisition	387 300	39 684
Amortised interest on effective interest method	5 325	(2 918)
Cumulative forex adjustment	1 695	(90)
Less repayments	(202 062)	–
Less impairment	(25 000)	–
Reversal of impairment loss recognised in income	18 079	
Balance at the end of the year	474 075	288 738

These equity investments have fixed or determinable payments and fixed maturity, and the Bank has the positive intent to hold them to maturity. The Bank has not, during the current financial year or two preceding financial years, sold or reclassified before maturity, more than an insignificant amount of investments in relation to the total amount of held-to-maturity investments.

An impairment loss on cumulative redeemable preference shares in Motrade (Pty) Ltd resulted from the liquidation of the company. The recoverable amount of preference shares in Motrade (Pty) Ltd is its liquidation value of R1 based on the lawyers' assessment.

In the 2005 financial year, a convertible debenture in Durban Marine Theme Park was impaired to its recoverable amount of R35,113 million resulting from adverse financial results of the company. Subsequent to this impairment, the financial position of Durban Marine Theme Park consistently improved. A significant loan made by the DBSA to Durban Marine Theme Park was fully paid, which confirmed the financial strength of the company. It is expected that this trend will continue. The recoverable amount based on value in use, using the effective interest method, was estimated on 31 March 2008 at R70,485 million.

in thousands of rands

	2008	2007
23. Development loans		
23.1 Analysis of development loans		
Balance at the beginning of the year	20 636 571	17 696 161
Movements during the year:	3 240 500	2 940 410
- Loans disbursed	5 375 403	3 557 786
- Interest accrued	2 356 084	2 019 373
Interest per income statement	2 311 849	1 981 741
Impairment of current year interest	44 235	37 632
- Development loans written off	(218 820)	(14 212)
- Foreign exchange adjustment	338 872	344 864
- Gross repayments	(4 611 039)	(2 967 401)
Gross development loans	23 877 071	20 636 571
Impairment against development loans (per note 23.9)	(588 742)	(439 535)
Net development loans	23 288 329	20 197 036
23.2 Maturity analysis of development loans		
2008	-	3 043 439
2009	2 864 366	1 624 893
2010	1 966 844	1 722 713
2011	2 082 752	1 692 208
2012	1 618 037	1 258 742
2013-2017	9 361 114	7 135 358
2018-2022	4 523 621	3 558 539
2023 and thereafter	1 460 337	600 679
	23 877 071	20 636 571

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
23. Development loans (continued)		
23.3 Sectoral analysis		
Commercial infrastructure	2 903 944	2 768 789
Communication and transport infrastructure	1 485 195	1 002 912
Energy	5 056 439	3 765 364
Human resources development	727 669	468 448
Institutional infrastructure	20 612	21 157
Residential facilities	2 538 557	1 355 553
Roads and drainage	2 506 531	2 489 734
Sanitation	1 053 891	974 792
Social infrastructure	2 542 761	2 248 715
Water	5 041 472	5 541 107
	23 877 071	20 636 571
23.4 Geographical analysis		
Eastern Cape	981 899	985 770
Free State	648 038	668 655
Gauteng	4 001 731	3 950 536
KwaZulu-Natal	6 206 533	5 141 756
Limpopo	579 382	505 901
Mpumalanga	1 200 395	1 114 556
North West	563 553	654 630
Northern Cape	323 038	262 238
Western Cape	2 458 878	2 057 503
Multi-regional - South Africa	186 773	226 804
SADC (excluding South Africa) and multinationals*	6 726 851	5 068 222
Angola	254 056	143 209
Botswana	270 705	228 770
Lesotho	378 091	475 457
Malawi	259 557	277 627
Mauritius	206 915	170 047
Mozambique	1 423 999	1 452 632
Namibia	552 055	591 667
Swaziland	238 517	265 483
Tanzania	362 480	222 935
Uganda	-	57 624
Zambia	1 063 279	1 062 590
Multinationals	1 717 197	120 181
	23 877 071	20 636 571
	388 010	353 025

* Amount in US\$ included in the above SADC loans

in thousands of rands

	2008	2007
23. Development loans (continued)		
23.5 Client classification		
Development finance institutions	564 253	399 606
Educational institutions	585 211	342 800
Local government	10 883 639	9 716 130
National and provincial government	294 003	309 659
Private sector	5 424 837	4 733 871
Public utilities	6 125 128	5 134 505
	23 877 071	20 636 571
23.6 Fixed and variable interest rate loans		
Fixed interest rate loans	15 315 536	13 954 029
Variable interest rate loans	8 561 535	6 682 542
	23 877 071	20 636 571
23.7 Non-performing loans (included in total development loans)		
23.7.1 Sectoral analysis		
Commercial infrastructure	749 021	532 833
Communication and transport infrastructure	53 434	166 343
Energy	156 057	45 916
Human resources development	8 064	6 438
Institutional infrastructure	742	96
Residential facilities	18 028	–
Roads and drainage	22 709	28 251
Sanitation	91 515	92 103
Social infrastructure	56 588	63 011
Water	80 294	66 691
	1 236 452	1 001 682

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
23. Development loans (continued)		
23.7 Non-performing loans (included in total development loans) (continued)		
23.7.2 Geographical analysis		
Eastern Cape	134 858	75 622
Free State	90 152	81 558
Gauteng	156 682	205 973
KwaZulu-Natal	1 897	4 639
Limpopo	98 309	34 442
Mpumalanga	68 880	23 704
North West	255 998	280 696
Northern Cape	35 544	32 251
Western Cape	74 650	16 517
Multi-regional - South Africa	–	36 686
SADC (excluding South Africa)	319 482	209 594
Lesotho	1 890	1 819
Malawi	109 024	79 753
Mauritius	149 148	–
Mozambique	28 716	6 922
Swaziland	30 704	121 100
	1 236 452	1 001 682
23.7.3 Client classification		
Development finance institutions	–	65 850
Educational institutions	6 970	5 468
Local government	262 555	273 474
Private sector	705 379	361 959
Public utilities	261 548	294 931
	1 236 452	1 001 682
23.8 Client concentration		
One client as percentage of total loan portfolio (%)	15,6	13,5
Seven clients as percentage of total loan portfolio (%)	40,5	39,1

in thousands of rands

23. Development loans (continued)

23.9 Impairment against development loans

	2008	2007
Balance at the beginning of the year	439 535	396 986
Impairment of current year interest	44 235	37 632
Loans written off during the year	(218 820)	(14 212)
Charge through income statement	323 792	19 129
- in respect of non-performing book	262 635	599
- in respect of performing book	61 157	18 530
Balance at the end of the year	588 742	439 535

in thousands of rands

24. Property and equipment

24.1 Reconciliation of property and equipment

At 31 March 2008

Cost or revaluation

	Revalued land	Revalued buildings	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
At the beginning of the year	20 000	256 574	10 415	4 751	721	4 601	297 062
Revaluation	6 000	(521)	-	-	-	-	5 479
Additions and improvements	-	20 947	1 418	5 946	1 080	4 684	34 075
Assets written off	-	-	(227)	(1 179)	(301)	(2 517)	(4 224)
At the end of the year	26 000	277 000	11 606	9 518	1 500	6 768	332 392

Accumulated depreciation

At the beginning of the year	-	1 574	8 170	3 221	586	3 515	17 066
Depreciation	-	148	1 812	643	177	421	3 201
Assets written off or sold	-	-	(301)	(1 184)	(301)	(2 513)	(4 299)
At the end of the year	-	1 722	9 681	2 680	462	1 423	15 968

Net carrying value

	26 000	275 278	1 925	6 838	1 038	5 345	316 424
--	--------	---------	-------	-------	-------	-------	---------

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands	Revalued land	Revalued buildings	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
24. Property and equipment (continued)							
24.1 Reconciliation of property and equipment (continued)							
<i>At 31 March 2007</i>							
<i>Cost or revaluation</i>							
At the beginning of the year	18 800	181 120	9 812	4 200	1 022	4 442	219 396
Revaluation	1 200	74 770	–	–	–	–	75 970
Additions and improvements	–	684	801	565	–	159	2 209
Assets written off	–	–	(198)	(14)	(301)	–	(513)
At the end of the year	20 000	256 574	10 415	4 751	721	4 601	297 062
<i>Accumulated depreciation</i>							
At the beginning of the year	–	1 574	6 003	2 730	752	3 132	14 191
Depreciation	–	–	2 365	505	135	383	3 388
Assets written off	–	–	(198)	(14)	(301)	–	(513)
At the end of the year	–	1 574	8 170	3 221	586	3 515	17 066
Net carrying value	20 000	255 000	2 245	1 530	135	1 086	279 996

24.2 Valuation

24.2.1 Land

The land constitutes Portion 465 (of Portion 442) of the farm Randjesfontein 405 measuring 25,066 hectares, donated by the South African government in 1985.

The land was valued at a fair value of R26,0 million by Davis Langdon Farrow Laing, an independent quantity surveyor, on 31 March 2008, using the income capitalisation approach (March 2007: R20,0 million). The land is raised at the revalued amount, as the cost was nil.

24.2.2 Buildings

The existing buildings were erected in 1987 at a cost of R35,2 million. Improvements to the value of R20,9 million were effected during the 2008 financial year (2007: R0,68 million).

The buildings were valued at a fair value of R277,0 million by Davis Langdon Farrow Laing, an independent quantity surveyor, on 31 March 2008, using the income capitalisation approach (March 2007: R256,6 million).

The historical book value of the existing buildings is R104,8 million (2007: R84,2 million).

in thousands of rands

	2008	2007
25. Intangible assets		
Computer software		
Cost		
At the beginning of the year	6 898	6 412
Additions	906	486
At the end of the year	7 804	6 898
Accumulated amortisation		
At the beginning of the year	3 182	922
Amortisation	2 576	2 260
At the end of the year	5 758	3 182
Net carrying value	2 046	3 716
26. Other creditors		
Sundry payables	179 824	58 306
DBSA Development Fund	95 947	214 449
Sundry accruals	14 117	63 959
Accrued interest	196 741	160 745
	486 629	497 459
27. Employee benefits		
27.1 Liability for funeral benefits	3 509	3 371
<p>This benefit is in respect of all current and retired employees of the Bank.</p> <p>In respect of these employees, an amount of R33 000 is paid out to the family upon the death of the employee or retired employee.</p> <p>The obligation was actuarially valued on 31 March 2008.</p> <p>The principal assumptions in determining the funeral benefits obligation are as follows:</p>		
Discount rate (before taxation) (%)	7,75	7,75
Inflation rate (%)	4,75	6,75
<p>The projected unit credit method has been used to determine the actuarial valuation.</p>		

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
27. Employee benefits (continued)		
27.1 Liability for funeral benefits (continued)		
Movement in liability for funeral benefits recognised in the balance sheet		
Balance at the beginning of the year	3 371	3 253
Increase in the liability	250	118
Company contributions	(112)	–
Balance at the end of the year	3 509	3 371
27.2 Liability for post-retirement medical benefits		
The Bank operates an unfunded defined benefit plan for qualifying employees. Under the plan, the Bank pays 100% of the medical aid contributions of retired employees who qualify.		
Pensioners include retired employees and their widow(er)s. The liability is in respect of pensioners who continue to belong to the medical aid after retirement.		
The investment in Medipref, as specified in note 20, has been set aside to fund this obligation.		
The amount recognised in the balance sheet in respect of the Bank's post-retirement medical benefit is detailed below:		
Present value of unfunded obligation at the beginning of the year	172 204	130 902
Interest cost	13 147	9 570
Current service cost (includes interest to year-end)	5 972	5 497
Expected employer benefit payments	(4 123)	(3 304)
Past service cost	10 439	–
Actuarial (gain)/loss for the year	(1 870)	29 539
Present value of unfunded obligation at the end of the year	195 769	172 204
The amount recognised in the profit or loss in respect of the defined benefit plan is as follows:		
Interest cost	13 147	9 570
Current service cost	5 972	5 497
Past service cost	10 439	–
Actuarial (gain)/loss for the year	(1 870)	29 539
Total charge for the year (included in staff costs in the income statement)	27 688	44 606

in thousands of rands

	2008	2007
27. Employee benefits (continued)		
27.2 Liability for post-retirement medical benefits (continued)		
Market value of Medipref at the beginning of the year	74 175	68 643
(Decrease)/increase in market value for the year	(2 173)	5 532
Market value of Medipref at the end of the year	72 002	74 175
The principal assumptions in determining the post-retirement medical benefits obligation are as follows:		
Discount rate (before taxation) (%)	8,75	7,75
Medical aid inflation rate (%)	7,50	6,75

The projected unit credit method has been used to determine the actuarial valuation.

Sensitivity analysis

The valuation results set out above are based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

The liability was recalculated to show the effect of a one percentage point decrease or increase in the rate of medical aid inflation.

	Central assumption	Health care cost inflation % point decrease	% point increase
Medical aid inflation rate (%)	7,50%	-1%	+1%
Accrued liability 31 March 2008 (R 000)	195 769	165 359	234 524
% change	-	-15,5%	+19,8%
Current service cost + interest cost 2008/09 (R 000)	26 178	21 512	32 284
% change	-	-17,8%	+23,3%
Sensitivity results from previous valuation: Medical aid inflation rate 2007 (%)	6,75%	-1%	+1%
Current service + interest cost 2007/08 (R 000)	19 119	12 695	18 035
% change	-	-15,7%	+19,7%
The obligation for the three years prior to March 2007 is as follows:	R 000		
March 2006	130 902		
March 2005	96 452		
March 2004	105 086		

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
28. Debt securities		
28.1 Medium- to long-term funding debt securities		
Debt securities held at fair value through profit or loss	3 510 356	2 875 826
Debt securities held at amortised cost	5 688 811	4 405 477
	9 199 167	7 281 303
Debt securities designated at fair value through profit or loss consists of those securities that form part of an effective hedging relationship as well as those designated to eliminate or significantly reduce an accounting mismatch that would otherwise arise. At March 2008, the total amount designated at fair value through profit or loss was R1,9 billion (2007: R1,2 billion).		
Debt securities carried at amortised cost consists of Eurorand, bridging bonds and the DBSA's debt securities.		
Other debt securities issued are held at amortised cost.		
28.2 Medium- to long-term funding lines of credit		
Other funding held at fair value through profit or loss	307 774	328 672
Other funding held at amortised cost	5 191 245	3 894 695
	5 499 019	4 223 367
Other funding held at fair value through profit or loss represents the hedged funding that forms part of effective qualifying hedge relationships.		
29. Funding under repurchase agreements		
Refer to note 18.		
In the ordinary course of business, the Bank places additional funds or raises short-term funding through the repurchase market. This entails the transfer of financial assets in such a way that all or part of the assets do not qualify for derecognition. The essence of such transaction is either to place additional cash or raise short-term funding through the repo market.		
The stock thus transferred includes government bonds and the DBSA's own stock, DV07. The Bank retains substantially all of the credit risks and rewards associated with the transferred assets, and continues to recognise this stock within investment and debt securities, whilst the corresponding financial liability considerations are recognised in funding under repurchase agreements.		
At 31 March 2008, the fair value of this stock was R1,9 billion (2007: R941 million).		
	1 862 054	1 137 685

in thousands of rands

	2008	2007
30. Capital and reserves		
30.1 Share capital		
Authorised		
500 000 ordinary shares (2007: 500 000) at a par value of R10 000 each	5 000 000	5 000 000
Issued capital		
20 000 ordinary shares (2007: 20 000) at a par value of R10 000 each	200 000	200 000
All issued capital is fully paid.		
Callable capital		
480 000 ordinary shares (2007: 480 000) at a par value of R10 000 each	4 800 000	4 800 000
The Development Bank of Southern Africa Limited Act, No. 13 of 1997, section 18, allows Directors to issue shares from time to time and to call upon the shareholders in respect of any moneys to be paid to the Bank.		
The Board may, with the approval of the shareholder previously given at a shareholder's meeting, increase the share capital of the Bank.		
30.2 Permanent government funding		
This represents capital provided by the South African government and remains part of the permanent capital of the Bank. No funds have been received since March 1994.		
There are no repayment terms and this funding is interest-free. To date no cash repayments have been made and the full amount initially received is equal to the residual amount and is thus allocated to equity.		
Received to date	3 792 344	3 792 344
30.3 Revaluation reserve on land and buildings		
This reserve represents the valuation surplus recognised on the revaluation of the land and buildings.	196 558	191 079
30.4 Hedging reserve		
Opening balance	13 251	19 511
Fair value adjustments of cash flow hedges	(3 337)	(6 260)
	9 914	13 251

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments where the hedge transaction has not yet occurred.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands

	2008	2007
30. Capital and reserves (continued)		
30.5 Reserve for general loan risks	721 102	613 420
The reserve is maintained based on the risk grading of the borrowers as detailed in accounting policy note 3.4.5 and movements are recognised directly between reserve for general loan risk and retained earnings.		
30.6 Fair value reserve		
Opening balance	(18 632)	14 275
Fair value adjustments of available-for-sale financial instruments	(26 389)	(32 907)
	(45 021)	(18 632)
The reserve comprises all fair value adjustments for available-for-sale financial market instruments.		
31. Contingencies		
31.1 Employee loans		
The Bank has entered into agreements with financial institutions whereby it stands surety for housing and micro loans of its employees.		
Loan balances secured	266	340
31.2 Guarantees		
31.2.1 The Bank has approved and issued guarantees on behalf of borrowers amounting to	501 450	492 973
It is the opinion of management that these borrowers are unlikely to default, and therefore these guarantees were not recognised in the balance sheet as a liability.		
The total book debt to the credit provider is	481 450	472 973
31.2.2 The Bank has undertaken to underwrite the commitments of the Development Fund in respect of the Siyenza Manje initiative and the continued grant operations to the extent of its agreed contribution to the Fund's funding requirements as determined from time to time.		
31.3 Litigation		
Litigation is in process against the Bank in terms of a so-called guarantee that was issued by the DBSA on behalf of borrowers. The matter has been set down for hearing on 21 August 2008.		
It is the opinion of management that it is unlikely this litigation against the DBSA will be successful, and therefore this litigation was not recognised in the balance sheet as a liability.		
In the unlikely event that the Bank is unsuccessful, the amount payable is estimated at R7 000 000.		

32. Related parties

The DBSA is one of 19 schedule 2 major public entities in terms of the Public Finance Management Act and therefore falls within the national sphere of government. As a consequence, the Bank has a significant number of related parties that fall within the national sphere of government.

In addition, the Bank has a related party relationship with the Development Fund, Directors and Executive Management. Unless specifically disclosed, these transactions are concluded on an arm's length basis and the Bank is able to transact with any entity.

The South African government, through the Ministry of Finance, is the parent of the Bank and exercises ultimate control.

32.1 Transactions with related parties

The following is a summary of transactions with related parties during the year and balances due at year-end:

32.2 Major public entities

32.2.1 National public entities

The total book debt for loans extended to national public entities amounts to R2 082 328 149. None of these loans are non-performing.

32.2.2 Development Fund

In order for the Fund to carry out its functions, it utilises the offices, staff, services and facilities of the Bank, for which it pays a management fee. This fee is charged at a market rate of 4% of operating costs of the Fund. At year-end, the net balance owed to the DBSA Development Fund was R92 million (2007: R214 million).

The transaction costs for management fee income were R5,8 million (2007: R2,4 million).

Notes to the financial statements (continued)

for the year ended 31 March 2008

32. Related parties (continued)

32.2 Major public entities (continued)

32.2.3 Related party transactions with key management personnel funded by DBSA 2007/08 financial year

Name of Director	Name of project	Borrower	Amount	Declared at meeting	Interest rate	Nature of interest
Dr Lulu Gwagwa	Facility for Inner City Student Accommodation - Project No. 103027	Lereko Metier Capital Growth Fund	R169,5 million	Corporate Credit Committee - 28/02/2008 & Board Investment Committee - 25/03/2008	Fixed - to be determined 2 days before each disbursement, based on the amortising swap rate for a 10-year maturity, plus a spread of 220 bp	Chief Operating Officer and 8% shareholder of Lereko Investments
Dr Lulu Gwagwa	Independent Power Producers (IPP) Equity Loan Facilities - Project No. 102473	AES Khanya Consortium: Kurisani LoveLife Trust Investments 4 (Pty) Ltd, Mbane Peaking Power (Pty) Ltd, Tiso Energy (Pty) Ltd	R835 million	Corporate Credit Committee - 14/03/2008 & Board Investment Committee - 25/03/2008	3 month JIBAR plus 295 bp	Shareholder - 10%
Mr Jay Naidoo	Independent Power Producers (IPP) Equity Loan Facilities - Project No. 102473	AES Khanya Consortium: Kurisani LoveLife Trust Investments 4 (Pty) Ltd, Mbane Peaking Power (Pty) Ltd, Tiso Energy (Pty) Ltd	R835 million	Corporate Credit Committee - 14/03/2008 & Board Investment Committee - 25/03/2008	3 month JIBAR plus 295 bp	Trustee of LoveLife Trust
DBSA Nominee Directors						
Mr Emile du Toit	Savannah Resources (Pty) Ltd - Project No. 101391	Savannah Resources (Pty) Ltd - Project No. 101391	R200 million preference shares	Corporate Credit Committee - 05/10/2007 & Board Investment Committee - 11/10/2007	3 month JIBAR plus 185 bp (nacq) (12,39%)	DBSA Nominee Director
Mr Admassu Tadesse	Proparco Equity Investment - Project No. 102995	Proparco	€25 million	Corporate Credit Committee - 30/01/2008 & Board Investment Committee - 07/02/2008	n/a	DBSA Nominee Director

Note: All transactions were approved at arm's length and the normal DBSA terms and conditions applied.

32. Related parties (continued)

32.2 Major public entities (continued)

32.2.3 Related party transactions with key management personnel funded by the DBSA for the 2006/07 financial year

Name of Director	Name of project	Borrower	Amount	Declared at meeting	Interest rate	Nature of interest
Mr Jay Naidoo	Gautrain Infrastructure Project	Bombela (Pty) Ltd and Strategic Partners Group	Senior loan - R150 million Standby senior loan - R50 million Additional empowerment equity - R35 million	29 June 2006	6 month JIBAR plus 2,05% 6 month JIBAR plus 2,05% 6 month JIBAR plus 3,0%	Chairperson and shareholder of the J&J Group with interests in Murray & Roberts, which is a member of the consortium
Dr Iraj Abedian	Pan African Infrastructure Development Fund (PAIDF)	PAIDF	Equity - US\$100 million	22 February 2007	n/a	Chief Executive of Pan-African Advisory Services, which provided consultancy services for the conceptualisation of the PAIDF
Dr Claudia Manning	PAIDF	PAIDF	Equity - US\$100 million	22 February 2007	n/a	Director of Sangena Investments, which has been approached by the fund managers to provide consulting services
	Department of Foreign Affairs Building	SPV of Imbumba-Aganang Consortium	Senior loan - R150 million BEE equity finance - R79,8 million Performance guarantees - R70 million	29 March 2007	Indicative terms not yet finalised	Director of Sangena Investments, which is a transaction advisor on behalf of the Department of Foreign Affairs
Dr Lulu Gwagwa	Neotel Bridging & Nexus Empowerment Equity Finance	Neotel and Nexus Empowerment	Bridging facility - R466,7 million Equity loan - R151,5 million Preference shares - R100,5 million	18 October 2006	3 month JIBAR plus 2,5% 3 month JIBAR plus 2,5% 75% of prime rate	Involvement of close family member in Nexus

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousands of rands		2008	2007
33. Commitments	At the date of the balance sheet, the Bank had the following commitments:		
33.1 Loan commitments	Loans signed but not disbursed	4 658 454	5 317 004
	As the disbursement pattern for loans committed but not disbursed is a primary function of individual borrowers' implementation and administrative capacities, this pattern is not quantifiable.		
33.2 Grants	Grants signed but not disbursed	72 359	44 082
	The above loan and grant commitments are to be financed from funds generated from operations and funds raised from local financial markets and foreign sources.		
33.3 Capital commitments	Capital expenditure in respect of property and equipment authorised but not contracted for	91 387	27 703
	These commitments will be financed from available cash resources, funds generated from operations and available borrowing capacity. These commitments are expected to be settled in the following financial year.		
34. Funds administered on behalf of third parties	Balance at the beginning of the year	244 942	162 021
	Funds received	620 227	484 708
	Funds disbursed	(483 772)	(401 787)
	Funds at the end of the year	381 397	244 942
35. Taxation	The Bank is exempt from normal taxation in terms of section 10(1)(t)(x) of the Income Tax Act, No. 58 of 1962, as amended and consequently no provision for normal taxation has been made.		
36. Retirement benefits			
36.1 Defined contribution plan	The Development Bank of Southern Africa Provident Fund was established on 1 June 1994. As a condition of employment, all eligible employees are required to join as members.		
	The fund, which is governed by the Pension Funds Act, No. 24 of 1956, is a defined contribution plan for employees on the permanent staff of the Bank.		
	The number of employees covered by the plan: 632 (2007: 530).		
	Total amount expensed during the year (including group life assurance and income continuity benefits)	36 208	30 821

37. Restatements

Consequent to the adoption of IFRS 7, the following reclassifications have been performed on results previously disclosed: Financial market assets and liabilities have been reclassified into investment securities, repurchase agreements, derivative assets and liabilities held for risk management, medium- to long-term funding debt securities and medium- to long-term funding lines of credit.

37.1 Balance sheet reclassifications and restatements at 31 March 2007

	As previously reported	IFRS 7	Restated
Assets			
Cash and cash equivalents	890 357	–	890 357
Other receivables	168 839	–	168 839
Financial market assets	5 265 217	(5 265 217)	–
Investment securities	–	3 704 714	3 704 714
Investments under resale agreements	–	640 374	640 374
Derivative assets held for risk management	–	872 007	872 007
Post-retirement medical benefits investment	74 175	–	74 175
Home ownership scheme loans	21 203	–	21 203
Equity investments	1 025 485	–	1 025 485
Development loans	20 197 036	–	20 197 036
Property and equipment	279 996	–	279 996
Intangible assets	3 716	–	3 716
Total assets	27 926 024	(48 122)	27 877 902
Liabilities			
Other creditors	497 463	(4)	497 459
Liability for funeral benefits	3 371	–	3 371
Liability for post-retirement medical benefits	172 204	–	172 204
Financial market liabilities	12 714 755	(12 714 755)	–
Medium- to long-term funding debt securities	–	7 281 303	7 281 303
Medium- to long-term funding lines of credit	–	4 223 367	4 223 367
Funding under repurchase agreements	–	1 137 685	1 137 685
Derivative liabilities held for risk management	–	24 282	24 282
Total liabilities	13 387 793	(48 122)	13 339 671
Equity			
Share capital	200 000	–	200 000
Retained earnings	9 746 769	–	9 746 769
Permanent government funding	3 792 344	–	3 792 344
Revaluation reserve on land and buildings	191 079	–	191 079
Hedging reserve	13 251	–	13 251
Reserve for general loan risks	613 420	–	613 420
Fair value reserve	(18 632)	–	(18 632)
Total equity	14 538 231	–	14 538 231
Total liabilities and equity	27 926 024	(48 122)	27 877 902

Notes to the financial statements (continued)

for the year ended 31 March 2008

37. Restatements (continued)

37.2 Income statement reclassifications and restatements at 31 March 2007

Consequent to the adoption of IFRS 7, fee and commission expenses relating to financial assets or liabilities that are not at fair value through profit or loss have been included in a separate line item in the income statement.

	As previously reported	IFRS 7	Restated
Interest income	2 540 813	5 134	2 545 947
Interest expense	(1 243 424)	–	(1 243 424)
Net interest income	1 297 389	5 134	1 302 523
Net fee income	–	46 807	46 807
Net foreign exchange gain	159 291	–	159 291
Net gain from financial assets and liabilities	190 833	(5 134)	185 699
Other operating income	189 110	(46 807)	142 303
	539 234	(5 134)	534 100
Operating income	1 836 623	–	1 836 623
Grants	(32 102)	–	(32 102)
Net impairment loss on financial assets	(17 925)	–	(17 925)
Personnel expenses	(346 798)	–	(346 798)
Other expenses	(151 378)	–	(151 378)
Depreciation and amortisation	(5 648)	–	(5 648)
Profit for the year	1 282 772	–	1 282 772

38. Schedule of Directors' emoluments

38.1 Remuneration of non-executive Directors and co-opted members of the Board

	Fees for services as Directors R	Subsistence and travel R	Total 2008 R	Total 2007 R
Dr I Abedian	135 000	360	135 360	249 480
Prof. B Figaji	90 000	–	90 000	79 424
Dr D Konar	345 000	720	345 720	434 940
Mr JB Magwaza	22 500	–	22 500	25 535
Mr J Naidoo	330 000	360	330 360	360 540
Ms N Gasa	37 500	420	37 920	53 133
Mr N Payne	–	–	–	38 580
Mr S Nondwangu	7 500	–	7 500	15 225
Ms T Chikane	15 000	–	15 000	90 720
Dr L Gwagwa	180 000	504	180 504	38 004
Dr C Manning	112 500	1 260	113 760	53 400
Mrs W Lucas-Bull	240 000	1 080	241 080	195 900
Mr A Boraine	67 500	41 002	108 502	52 608
Mr M Silinga	30 000	–	30 000	19 345
Mrs T Dingaam	90 000	684	90 684	52 932
Dr R Kfir	22 500	–	22 500	3 500
Mr O Mlaba	7 500	–	7 500	–
Mr JR Modise	22 500	180	22 680	53 400
Mr I Mzimela	105 000	2 920	107 920	–
Prof. O Latiff	75 000	–	75 000	–
Ms T Ramano	67 500	540	68 040	–
Prof. E Webster	45 000	360	45 360	–
	2 047 500	50 390	2 097 890	1 816 666

Notes to the financial statements (continued)

for the year ended 31 March 2008

38. Schedule of Directors' emoluments (continued)

38.2 Executive members' remuneration

	Basic salaries/fees R	Medical aid, group life and provident fund contributions R	Other allowances and benefits R	Total 2008 R	Total 2007 R
Chief Executive Officer and Managing Director					
P Baloyi	1 650 210	151 552	100 813	1 902 575	1 337 517
MSV Gantsho ¹	–	–	–	–	1 048 779
Executive managers					
	9 082 020	1 271 525	870 948	11 224 493	8 498 099
S Asamoah ²	538 920	–	1 074	539 994	–
JH de V Botha ³	–	–	–	–	302 660
P de la Rey ⁴	639 214	105 453	102 240	846 907	–
E Dietrich	836 403	207 748	73 200	1 117 351	1 050 270
SJ Khoza	1 077 513	240 155	203 013	1 520 681	1 441 459
G Mantashe ⁵	727 733	177 195	95 818	1 000 746	712 500
L Mashaba	978 633	199 117	227 033	1 404 783	1 274 724
LM Musasike	–	–	–	–	1 321 176
L Ndlovu	963 393	168 161	87 444	1 218 998	420 068
J Nhlapo ⁶	48 755	13 020	9 004	70 779	75 797
A Tadesse ⁷	1 137 502	–	8 930	1 146 432	823 196
L van Lelyveld	926 979	160 676	61 249	1 148 904	1 076 249
H Weilert ⁸	1 206 975	–	1 943	1 208 918	–
Total	10 732 230	1 423 077	971 761	13 127 068	10 884 395

Note:

1. Contract ended 30 June 2006.
2. Amount paid to third party from 1 October 2007 to 15 December 2007 (pound based).
3. Contract ended 30 June 2006.
4. Appointed 1 August 2007.
5. Resigned 31 January 2008.
6. Resigned 31 July 2007.
7. Amount paid to third party from 1 September 2006 (pound based).
8. Amount paid to third party from 1 October 2007.

in thousands of rands

38. Schedule of Directors' emoluments (continued)

38.2 Executive members' remuneration (continued)

Performance incentives

Chief Executive Officer and Managing Director

P Baloyi

Executive managers

S Asamoah¹

P de la Rey²

E Dietrich

SJ Khoza

G Mantashe³

L Mashaba

L Ndlovu

J Nhlapo⁴

A Tadesse⁵

L van Lelyveld

H Weilert⁶

Total

Severance payments

Chief Executive Officer and Managing Director

MSV Gantsho⁷

Executive managers

JH de V Botha⁸

Total

	2008	2007
P Baloyi	1 500 000	1 300 000
Executive managers	6 905 000	5 410 000
S Asamoah ¹	–	–
P de la Rey ²	800 000	–
E Dietrich	930 000	735 000
SJ Khoza	900 000	720 000
G Mantashe ³	–	680 000
L Mashaba	1 000 000	830 000
L Ndlovu	850 000	780 000
J Nhlapo ⁴	–	75 000
A Tadesse ⁵	900 000	780 000
L van Lelyveld	1 000 000	810 000
H Weilert ⁶	525 000	–
Total	8 405 000	6 710 000
MSV Gantsho ⁷	–	2 343 975
JH de V Botha ⁸	–	130 778
Total	–	2 474 753

Note:

1. Amount paid to third party from 1 October 2007 to 15 December 2007 (pound based).

2. Appointed 1 August 2007.

3. Resigned 31 January 2008.

4. Resigned 31 July 2007.

5. Amount paid to third party from 1 September 2006 (pound based).

6. Amount paid to third party from 1 October 2007.

7. Contract ended 30 June 2006.

8. Contract ended 30 June 2006.

Notes to the financial statements (continued)

for the year ended 31 March 2008

39. Financial risk management

39.1 Market risk

Market risk is the risk that the Bank's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Bank is to protect the Bank's net earnings against adverse market movements by containing the innate interest rate and foreign currency risks within acceptable parameters.

Market risk management in the Bank is centralised in the Treasury Division and is governed by the asset and liability management (ALM) policy, incorporating interest rate, currency and liquidity risk parameters. As with all risk management policies of the Bank, the ALM policy resides under the authority of the Board of Directors. Whilst the ultimate responsibility for prudent and effective asset-liability management rests with the Board, the authority for policy formulation, revision, strategic management and administration is assigned to the Asset and Liability Management Committee (ALCO). ALCO, under the oversight of the Finance Committee of the Board, is responsible for assessing and monitoring the Bank's market risk exposures and is supported in these functions by the Group Risk Assurance Division.

39.1.1 Interest rate risk

Interest rate risk refers to the susceptibility of the Bank's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the Bank through their effect on interest rate sensitive assets and liabilities. At the same time, movements in interest rates impact on the Bank's capital through their effect on the market value of assets and liabilities. Interest rate risk in the Bank arises as a result of its funding and lending operations, and occurs primarily in the form of repricing risk caused by mismatches in the amount of assets and liabilities repricing at any one time and, to a lesser extent, basis risk, the risk of spread compression between assets and liabilities priced off different reference rates.

The Treasury Division, under oversight of the ALCO, is charged with managing and containing the Bank's interest rate risk exposures within acceptable boundaries. To this end, the Bank makes use of derivative instruments to achieve its desired interest rate risk profile.

The Bank's primary interest rate risk management objective is to protect its net interest income (NII) from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the Bank to measure and manage its interest rate risk exposure over both the short and the long term, in order to protect the Bank's earnings stream and ensure its continued financial sustainability. Limits are set both with respect to short-term NII sensitivity using the 12-month cumulative repricing gap-to-total earning assets ratio and, in the longer term, with respect to the duration of the Bank's net assets. As at 31 March 2008, the 12-month cumulative gap amounted to 9,4% of total earning assets, well within the approved limit of 22,5%.

The management of interest rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Bank's net interest income and market value of equity to extreme interest rate movements. At a minimum, scenarios include hypothetical interest rate shocks, both up and down, of at least 200 basis points.

The repricing profile as at financial year-end is encapsulated in the table below. As reflected in the 12-month cumulative repricing gap, the Bank is asset sensitive, with an immediate 100 basis points parallel upward (downward) shift in the yield curve expected to result in an increase (decrease) in net interest income over the projected 12-month period of approximately R11 million (2007: R17 million).

39.1.1.1 Hedging of interest rate risk exposure

Desired changes to the Bank's interest rate risk profile are achieved primarily through the use of derivative instruments, particularly interest rate swaps, in line with the Bank's hedging guidelines.

At 31 March 2008, the Bank had interest rate swaps with a total notional contract amount of R3,9 billion (2007: R2,6 billion). The Bank classifies interest rate swaps as fair value hedges and states them at fair value. The net fair value of swaps as at 31 March 2008 was R255 million (2007: R553 million), comprising assets of R327 million (2007: R559 million) and liabilities of R72 million (2007: R6 million). These amounts are recognised as derivative assets and liabilities (refer to note 19 for details).

39. Financial risk management (continued)

39.1 Market risk (continued)

39.1.1.2 Interest rate sensitivity analysis

The table below reflects the repricing periods in respect of interest-bearing financial assets and liabilities.

in millions of rand	Currency	<1 month	1–3 months	3–12 months	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Cash and cash equivalents	ZAR	1 289,59	–	–	–	–	–	–	–	1 289,59
	EUR	1,37	–	–	–	–	–	–	–	1,37
	USD	544,13	–	–	–	–	–	–	–	544,13
Money market instruments	ZAR	172,00	–	–	–	–	–	–	–	172,00
Repurchase assets	ZAR	1 089,01	–	–	–	–	–	–	–	1 089,01
Investment: Government bonds	ZAR	–	–	288,43	–	658,40	–	–	1 042,70	1 989,53
Investment: Municipal bonds	ZAR	–	–	–	–	50,00	–	–	200,00	250,00
Investment: Corporate bonds	ZAR	–	80,00	80,00	10,00	40,00	–	30,00	60,00	300,00
Development loans	EUR	–	–	1,54	1,54	2,31	2,70	1,55	11,22	20,86
	USD	39,99	61,43	2 820,83	24,66	25,28	25,95	26,74	37,87	3 062,75
	ZAR	273,19	2 719,24	3 382,68	1 012,67	1 024,24	876,12	1 098,18	9 494,97	19 881,29
	ZMK	–	40,46	–	–	–	–	–	–	40,46
Cross-currency swaps: Development loans	USD	(290,77)	36,13	(124,39)	(151,78)	(212,56)	(43,60)	(41,73)	(82,59)	(911,29)
	ZAR	260,45	–	117,65	149,07	223,56	45,65	44,84	94,68	935,90
	ZMK	–	(40,46)	–	–	–	–	–	–	(40,46)
Financial market assets		3 378,96	2 896,80	6 566,74	1 046,16	1 811,23	906,82	1 159,58	10 858,85	28 625,14
Cross-currency swaps: Lines of credit	EUR	41,97	36,51	98,93	169,98	178,01	182,70	155,24	1 321,01	2 184,35
	USD	–	–	5,94	5,79	5,63	5,48	5,33	5,17	33,34
	ZAR	(99,71)	(626,03)	(27,91)	(50,58)	(54,85)	(54,69)	(54,53)	(387,52)	(1 355,82)
Funding: Bonds	ZAR	–	–	–	–	(1 895,25)	–	–	(5 912,77)	(7 808,02)
Funding: Lines of credit	EUR	(41,97)	(36,50)	(98,92)	(169,95)	(177,99)	(182,67)	(155,22)	(1 321,13)	(2 184,35)
	USD	–	(927,83)	(1 074,12)	(5,02)	(5,02)	(5,02)	(5,02)	(5,02)	(2 027,05)
	ZAR	–	–	(351,40)	(100,00)	(200,00)	–	–	–	(651,40)
Interest rate swaps: Funding bonds	ZAR	(215,00)	(2 000,00)	(1 000,00)	–	–	–	–	3 215,00	–
Interest rate swaps: Lines of credit	ZAR	–	(300,00)	100,00	100,00	100,00	–	–	–	–
Funding: Money market debt	USD	–	(569,10)	–	–	–	–	–	–	(569,10)
	ZAR	(334,00)	(830,00)	(30,00)	–	–	–	–	–	(1 194,00)
Repurchase liability	ZAR	(1 862,05)	–	–	–	–	–	–	–	(1 862,05)
Financial market liabilities total		(2 510,76)	(5 252,95)	(2 377,48)	(49,78)	(2 049,47)	(54,20)	(54,20)	(3 085,26)	(15 434,10)
Repricing gap		868,20	(2 356,15)	4 189,26	996,38	(238,24)	852,62	1 105,38	7 773,59	13 191,04
Cumulative repricing gap		–	(1 487,95)	2 701,31	3 697,69	3 459,45	4 312,07	5 417,45	13 191,04	–

These are principal amounts only, and therefore exclude interest

Spot exchange rate used: EUR/USD: 1,581
USD/ZAR: 8,13
USD/ZMK: 3,660

Notes to the financial statements (continued)

for the year ended 31 March 2008

39. Financial risk management (continued)

39.1 Market risk (continued)

39.1.2 Foreign currency risk

Foreign currency risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Currency risk in the DBSA arises primarily as a result of foreign currency denominated borrowings, foreign currency lending, and foreign currency denominated equity investments within the SADC region.

The Bank's primary currency risk management objective is to protect its net earnings against the impact of adverse exchange rate movements. Hedging of currency exposures is effected either naturally through offsetting assets and liabilities of substantially similar size, maturities, currency, and repricing bases, or in the absence thereof, through the use of approved derivative instruments transacted with approved financial institutions.

As at 31 March 2008, the net open foreign currency position on the Bank's interest-bearing assets and liabilities amounted to assets of USD11 million (2007: USD28 million) and EUR1,7 million (2007: EUR1,9 million). In addition, foreign currency equity investments amounted to a net asset position of USD29 million (2007: USD48 million) and EUR778 839 (2007: EUR974 000).

39.1.2.1 Hedge of foreign currency risk exposure

The Bank uses cross-currency swaps to hedge its foreign currency risk. The principal terms of these swaps are substantially similar to those of the hedged items with regard to maturity dates, interest reset dates, nominal values and amortisation profile. As at 31 March 2008, the Bank had cross-currency swaps with a notional amount of R2,7 billion (2007: R1,6 billion).

The notional principal amounts indicate the volume of currency hedged liabilities outstanding at the balance sheet date and do not represent the amount at risk. The fair value of derivative financial instruments represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out in an orderly market at balance sheet date.

39.1.2.2 Foreign currency sensitivity analysis

in thousands	Currency	
	EUR	USD
Cash: Customer foreign currency	107	66 929
Development loans	1 623	376 723
Equity investments	779	68 595
Derivatives: funding	169 942	4 101
Derivatives: Development loans	–	(112 091)
Derivatives: Equity investments	–	(40 000)
Euro funding	(169 942)	
USD funding	–	(324 330)
Net open positions	2 509	39 927

39. Financial risk management (continued)

39.1 Market risk (continued)

39.1.2.2 Foreign currency exchange rate sensitivity analysis (continued)

in thousands	ZAR	EUR potential impact	EUR/ZAR	USD potential impact	USD/ZAR
		12,85353		8,13000	
FX sensitivity impact combined	Exchange rate shock				
(R89 212)	(25,00%)	(8 060)	9,64015	(81 152)	6,09750
(R53 527)	(15,00%)	(4 836)	10,92550	(48 691)	6,91050
(R35 685)	(10,00%)	(3 224)	11,56818	(32 461)	7,31700
R0	0,00%	–	12,85353	–	8,13000
R35 685	10,00%	3 224	14,13888	32 461	8,94300
R53 527	15,00%	4 836	14,78156	48 691	9,34950
R89 212	25,00%	8 060	16,06691	81 152	10,16250
Spot exchange rate used:	EUR/USD: 1,581				
	USD/ZAR: 8,13				
	USD/ZMK: 3,660				

Potential impact of exchange rate shock on profit/(loss) based on current net open position/currency exposures.

39.1.3 Liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the currency due without incurring above normal costs. In the case of the DBSA, this risk specifically arises from the inability to honour obligations with respect to commitments to borrowers, lenders and investors, and operational expenditure. In order to shield the Bank against the risk of a liquidity shortfall, the Bank's liquidity risk management objective is to maintain a level of liquid assets sufficient to meet the Bank's cash requirements for a period of at least 12 months. To this effect, the Bank's policy requires the maintenance of prudential liquidity levels based on 12-month projected net cash requirements.

In order to balance the prudential requirement for sufficient levels of liquidity against the potentially adverse impact of negative carry cost from time to time, the liquidity portfolio consists of two pools, viz, the Operational Liquidity Pool, which is aimed at ensuring sufficient cash to meet the Bank's near term requirements, and the Strategic Liquidity Pool, which, in a normal yield curve environment, is aimed at reducing the cost of liquidity through investment in longer duration, liquid assets.

Liquidity is held primarily in the form of money market instruments such as call deposits, negotiable certificates of deposits, banker's acceptances as well as liquid debt issues from government, parastatals and other approved issuers. It also includes bonds designated as "held to maturity" if the remaining maturity is less than three months. Investments are guided by instrument, tenor and duration limits aimed at ensuring sufficient liquidity, consistent with the Bank's liquidity requirements from time to time.

Total liquidity gross of funds raised on the bond repo market averaged R4,4 billion (2007: R4,3 billion), with a year-end figure of R4,7 billion (2007: 4,8 billion). This includes cash and cash equivalents of R2,5 billion, corporate bonds of R212 million, and government bonds amounting to R1,97 billion.

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (tradable market securities) as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions, money and capital securities issuance under the Bank's domestic medium-term note programme, and capital market repurchase transactions.

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report, which is reviewed and analysed by the ALCO on a periodic basis. Calculated on a nominal maturity basis, the 12-month cumulative liquidity gap as at 31 March 2008 was approximately R1,4 billion.

Notes to the financial statements (continued)

for the year ended 31 March 2008

39. Financial risk management (continued)

39.1 Market risk (continued)

39.1.3.1 Liquidity sensitivity analysis

in millions of rand	Currency	<1 month	1–3 months	3–12 months	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Cash and cash equivalents	ZAR	1 289,59	–	–	–	–	–	–	–	1 289,59
	EUR	1,37	–	–	–	–	–	–	–	1,37
	USD	544,13	–	–	–	–	–	–	–	544,13
Money market instruments	ZAR	47,00	125,00	–	–	–	–	–	–	172,00
Repurchase assets	ZAR	1 089,01	–	–	–	–	–	–	–	1 089,01
Investment: Government bonds	ZAR	–	–	288,43	–	658,40	–	–	1 042,70	1 989,53
Investment: Municipal bonds	ZAR	–	–	–	–	50,00	–	–	200,00	250,00
Investment: Corporate bonds	ZAR	–	80,00	80,00	10,00	40,00	–	30,00	60,00	300,00
Development loans	EUR	–	–	1,54	1,54	2,31	2,70	1,55	11,22	20,86
	USD	39,99	14,19	273,22	393,66	454,11	350,94	445,38	1 091,26	3 062,75
	ZAR	6,31	285,42	1 337,71	1 562,70	1 617,43	1 253,55	1 572,19	12 245,97	19 881,28
	ZMK	–	5,06	5,06	10,11	10,11	10,11	0,00	0,00	40,45
Cross-currency swaps: Development loans	USD	(48,49)	4,52	(140,00)	(182,99)	(249,58)	(86,43)	(73,47)	(134,86)	(911,30)
	ZAR	45,11	–	135,93	185,64	265,06	92,09	72,99	139,07	935,89
	ZMK	–	(5,06)	(5,06)	(10,11)	(10,11)	(10,11)	–	–	(40,45)
Financial market assets total		3 014,02	509,13	1 976,83	1 970,55	2 837,73	1 612,85	2 048,64	14 655,36	28 625,11
Cross-currency swaps: Lines of credit	EUR	41,97	36,51	98,93	169,98	178,01	182,70	155,24	1 321,01	2 184,35
	USD	–	–	5,94	5,79	5,63	5,48	5,33	5,17	33,34
	ZAR	(19,80)	(25,58)	(61,57)	(107,04)	(112,71)	(115,49)	(97,26)	(816,36)	(1 355,81)
Funding: Bonds	ZAR	–	–	–	–	(1 895,25)	–	–	(5 912,77)	(7 808,02)
Funding: Lines of credit	EUR	(41,97)	(36,50)	(98,92)	(169,95)	(177,99)	(182,67)	(155,22)	(1 321,13)	(2 184,35)
	USD	–	(9,56)	(269,26)	(278,83)	(278,83)	(274,04)	(236,02)	(680,51)	(2 027,05)
	ZAR	–	–	(141,90)	(141,90)	(241,90)	(41,90)	(41,90)	(41,90)	(651,40)
Interest rate swaps: Funding bonds	ZAR	–	–	–	–	–	–	–	–	–
Interest rate swaps: Lines of credit	ZAR	–	–	–	–	–	–	–	–	–
Funding: Money market debt	USD	–	(569,10)	–	–	–	–	–	–	(569,10)
	ZAR	(334,00)	(830,00)	(30,00)	–	–	–	–	–	(1 194,00)
Repurchase liability	ZAR	(1 862,05)	–	–	–	–	–	–	–	(1 862,05)
Financial market liabilities total		(2 215,85)	(1 434,23)	(496,78)	(521,95)	(2 523,04)	(425,92)	(369,83)	(7 446,49)	(15 434,09)
Liquidity gap		798,17	(925,10)	1 480,05	1 448,60	314,69	1 186,93	1 678,81	7 208,87	13 191,02
Cumulative liquidity gap			(126,93)	1 353,12	2 801,72	3 116,41	4 303,34	5 982,15	13 191,02	

These are principal amounts only,
and therefore exclude interest

Spot exchange rate used:
EUR/USD: 1,581
USD/ZAR: 8,13
USD/ZMK: 3,660

39. Financial risk management (continued)

39.2 Credit risk

Credit risk is the risk of financial loss arising from the failure of a borrower or other financial counterparty to meet its contractual obligations to the Bank. Credit risk arises primarily from the Bank's lending activities in South Africa and other SADC countries, and from its Treasury operations.

Credit risk is inherent to the DBSA's development finance operations and constitutes the single largest component of the Bank's overall risk. In recognition of its importance in ensuring continued financial sustainability, credit risk is proactively managed through a suite of stringent risk policies and limit structures approved by the Board of Directors from time to time.

39.2.1 Credit risk management

Credit risk is managed by means of a governance structure with clearly defined mandates and delegated authorities. The Board of Directors has delegated responsibility for the management of credit risk to its Board Investment Committee. An authorisation structure has been established for the approval and renewal of credit facilities within the limits of the delegated authority. Tiered authorisation limits are allocated to business unit managers, divisional executives, the CEO, and the Corporate Credit Committee. Credit authorisations falling outside of the mandates of the CEO and Corporate Credit Committee require approval by the Board Investment Committee.

The Credit Risk Unit, reporting to the Chief Risk Officer, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, determining collateral requirements, credit assessment, measurement, quantification and reporting;
- Limiting concentrations of exposure to counterparties, countries and sectors
- Reviewing compliance of business units with approved exposure limits, including those for selected sectors and country risk. Reporting regularly to the Risk and Compliance Committee and the Audit Committee of the Board on the credit quality of the loan book, and making recommendations on appropriate corrective action where deemed prudent
- Undertaking pre-signature risk analyses and post-signature asset monitoring (asset management) and portfolio analyses

At a transactional level, all credit decisions, irrespective of nominal size, are based on a comprehensive and documented appraisal process. In evaluating and monitoring credit risk, the Bank employs internally developed methodologies, specifically calibrated to allow differentiation between different client categories (e.g. municipalities, parastatals, utilities and tertiary education institutions) to ensure a thorough and all-embracing risk assessment of each client. The model relies on Moody's KMV Probability of Defaults (PDs), which are released annually. Each borrower is assigned an internal credit rating, which is in turn mapped to Moody's PDs. The Bank therefore categorises its current exposures according to the Moody's KMV 16-grade rating scale default probabilities, which correspond to a statistical probability of customers in each rating class defaulting within a 12-month period. The results of the internal rating process are periodically validated by reputable credit rating agencies to test the model's accuracy, stability and continued relevance.

The internal credit ratings of all clients are reassessed on a semi-annual basis, as part of the ongoing risk monitoring process. At the client or transactional level, these assessments serve as one of the Bank's primary mechanisms through which client credit quality is monitored. At the portfolio level, results of the semi-annual rating reviews are aggregated on the basis of consistent criteria, viz. default probabilities, industry and geographical sector, and the portfolio assessed to measure and monitor changes in its credit quality and diversification.

The semi-annual risk classification process is documented in a credit risk migration report, which forms the basis for determining the Bank's provision for impaired assets. Credit decisions are further subject to both single obligor limits and the appraised debt service capacity of the borrowers. As part of the credit risk decision process, the Bank also requires collateral in the form of eligible assets or third-party guarantees when deemed prudent.

All lending decisions are further subject to an independent risk review performed by the Credit Risk Unit. This review aims to ensure that all significant risks have been identified and, where deemed prudent, appropriately mitigated.

Notes to the financial statements (continued)

for the year ended 31 March 2008

39. Financial risk management (continued)

39.2 Credit risk (continued)

39.2.2 Country risk

Country risk is the risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties in that country to meet their financial obligations. It arises from the Bank's lending operations in other SADC countries. Country risk is managed through an all-inclusive risk assessment process, which takes cognisance of political, economic and legal factors that determine the risk profile of individual countries. The risk profiles of the respective countries form the basis for the Bank's country exposure limit structure, aimed at managing concentration risk at the country level. Country ratings are reviewed annually and the limits adjusted accordingly for each financial year. In addition, aggregate investment in other SADC countries is limited to one-third of the Bank's maximum total investment portfolio.

39.2.3 Financial counterparty credit risk

Credit risk also arises in the form of financial counterparty risk from Treasury operations, primarily from the Bank's cash and liquidity management activities, from in-the-money derivatives positions established to hedge undesired market and credit risk exposures, and from transactions in the bond carry and repo markets. Financial counterparty credit risk comprises two components, namely:

- Pre-settlement risk, which is defined as the risk of loss from the failure of a counterparty to honour its obligations during the life, up to maturity or sale, of an asset
- Settlement risk, which relates to the risk of loss resulting from the failure of a counterparty to a trade to meet its obligations in full on the agreed value date

Credit risk exposure on investment and derivative transactions is measured in terms of current exposure, representing the loss to the Bank in the event of counterparty default. The credit exposure to a particular counterparty is defined as the aggregate sum of all individual transaction and instrument exposures to that counterparty, net of acceptable collateral posted, and in cases where appropriate set-off agreements are in place, net of eligible obligations to such party.

The Bank maintains stringent rating eligibility criteria for counterparties and adheres to a framework of exposure limits based on the counterparty's external credit rating, subject to a maximum of 10% of the Bank's capital. All transactions are governed by approved counterparty and settlement limits. Exposure to pre-settlement risk is reduced through the execution of master netting agreements, such as the International Swaps and Derivatives Association (ISDA) agreements between the Bank and its derivative counterparties. Settlement risk is further mitigated through simultaneous settlement of transactions.

Counterparty limits are complemented by instrument limits and portfolio concentration limits. Compliance to credit limits and policy is overseen by an independent risk analyst. Counterparties are monitored continuously, and downward adjustments in limits are effected when deemed prudent. Limits are otherwise reviewed semi-annually, subject to an exhaustive analysis of each approved counterparty.

As at 31 March 2008, the Bank's financial counterparty credit portfolio, excluding the government bond portfolio, amounted to R3,0 billion (2007: R2,1 billion). The table below presents a summary of the maximum exposure to financial counterparty credit risk by financial instrument type, gross of acceptable collateral and set-off agreements.

39. Financial risk management (continued)

39.2 Credit risk (continued)

39.2.4 Credit risk exposure

Tables 1.1, 1.2 and 1.3 below depict the Bank's credit risk exposures as at 31 March 2008 under the categories loan book (including guarantees and undisbursed loan commitments), other receivables, and financial counterparty exposures, respectively.

in thousand of rands		Gross amount	2008 Allowance for impairment	Carrying amount
1.1 Maximum exposure				
1.1.1 Development loans:				
Non-performing book				
	Municipalities	262 555	72 702	189 853
	Other	973 897	389 097	584 800
		1 236 452	461 799	774 653
Performing book				
Low risk	Municipal	9 277 078	4 932	9 272 146
	Other	5 562 972	40 010	5 522 962
Medium risk	Municipal	1 238 882	3 204	1 235 678
	Other	6 023 582	50 503	5 973 079
High risk	Municipal	105 124	8	105 116
	Other	432 981	28 286	404 695
		22 640 619	126 943	22 513 676
	Included re-negotiated loans	144 528	329	144 199
	Total book debt	23 877 071	588 742	23 288 329

The following collaterals are held in respect of the above loans: guarantees, cession of debtors, cession of income streams, mortgages, investments, notarial bonds, sinking fund investments, promissory notes, insurance policies and treaty obligations.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousand of rands

39. Financial risk management (continued)

39.2 Credit risk (continued)

39.2.4 Credit risk exposure (continued)

1.1.2 Commitments:

(Loans signed, but not yet fully disbursed)

Low risk Municipal

Other

Medium risk Municipal

Other

High risk Municipal

Other

Total fixed commitments

1.1.3 Guarantees

	Gross amount	2008 Allowance for impairment	Carrying amount
	2 639 872		
	577 855		
	58 566		
	1 275 794		
	1 825		
	104 542		
	4 658 454		
	501 450		

in thousands of rands	Total	3 months	3–6 months	2008 6–12 months	>12 months
39. Financial risk management (continued)					
39.2 Credit risk (continued)					
39.2.4 Credit risk exposure (continued)					
1.2 <i>Loans that are past due or individually impaired</i>					
1.2.1 <i>Loans past due but not individually impaired:</i>					
Overdue amounts	105 651	97 322	4 468	3 384	477
Not yet due	2 859 513				
Total	2 965 164				

The fair value of collateral held in respect of the above amounted to R670 million. For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments and insurance policies.

1.2.2 Individually impaired loans (non-performing book):

Expected recovery rate for individually impaired loans

0% to 10%
11% to 40%
41% to 60%
61% to 99%

Gross amount	Allowance for impairment	Carrying amount
91 666	91 666	–
130 787	92 997	37 790
290 099	144 263	145 836
723 900	132 873	591 027
1 236 452	461 799	774 653

The fair value of collateral held in respect of the above amounted to R434 million. For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments, insurance policies and promissory notes.

Notes to the financial statements (continued)

for the year ended 31 March 2008

in thousand of rands		Gross amount	2007 Allowance for impairment	Carrying amount
39. Financial risk management (continued)				
39.2 Credit risk (continued)				
39.2.4 Credit risk exposure (continued)				
<i>1.1 Maximum exposure</i>				
<i>1.1.1 Development loans:</i>				
Non-performing book				
	Municipalities	273 474	58 556	214 918
	Other	728 208	315 194	413 014
		1 001 682	373 750	627 932
Performing book				
Low risk	Municipal	8 280 822	2 594	8 278 228
	Other	7 518 346	32 572	7 485 774
Medium risk	Municipal	1 013 352	2 211	1 011 141
	Other	2 297 155	15 637	2 281 518
High risk	Municipal	148 488	1 432	147 056
	Other	376 726	11 339	365 387
		19 634 889	65 785	19 569 104
Included re-negotiated loans		149 566	764	148 802
Total book debt		20 636 571	439 535	20 197 036
<i>1.1.2 Commitments:</i>				
(Loans signed, but not yet fully disbursed)				
Low risk	Municipal	1 433 297		
	Other	1 512 928		
Medium risk	Municipal	181 162		
	Other	1 429 106		
High risk	Municipal	74 878		
	Other	685 631		
Total fixed commitments		5 317 002		
<i>1.1.3 Guarantees</i>		492 937		

in thousand of rands	Total	3 months	3 to 6 months	2007 6 to 12 months	More than 12 months
39. Financial risk management (continued)					
39.2 Credit risk (continued)					
39.2.4 Credit risk exposure (continued)					
<i>1.2 Loans that are past due or individually impaired</i>					
<i>1.2.1 Loans past due but not individually impaired:</i>					
Overdue amounts	13 771	6 161	4 913	1 903	794
Not yet due	4 938 659				
Total	<u>4 952 430</u>				

The fair value of collateral held in respect of the above amounted to R523 million. For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments and insurance policies.

1.2.2 Individually impaired loans (non-performing book):

Expected recovery rate for individually impaired loans

	Gross amount	2007 Allowance for impairment	Carrying amount
0% to 10%	136 545	136 545	–
11% to 40%	124 773	88 407	36 366
41% to 60%	142 949	67 617	75 332
61% to 99%	597 415	81 181	516 234
	<u>1 001 682</u>	<u>373 750</u>	<u>627 932</u>

The fair value of collateral held in respect of the above amounted to R293 million. For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments, insurance policies and promissory notes.

in thousand of rands

		Gross amount	2007 Allowance for provision	Carrying amount
39. Financial risk management (continued)				
39.2 Credit risk (continued)				
39.2.4 Credit risk exposure (continued)				
<i>1.2 Maximum exposure</i>				
<i>1.2.1 Other receivables</i>				
Debtors 90 days and over	Fees and sales invoiced	1 004	1 004	–
	Special programmes/projects/miscellaneous	(1 088)	2 469	(3 557)
		(84)	3 473	(3 557)
Debtors current to 90 days				
Low risk	Fees and sales invoiced	11 111	–	11 111
Current - 30 days	Travel advances	71	–	71
	Special programmes/projects/miscellaneous	2 633	–	2 633
Medium risk	Fees and sales invoiced	3 549	–	3 549
30 days - 60 days	Special programmes/projects/miscellaneous	(6 420)	–	(6 420)
High risk	Fees and sales invoiced	2 916	–	2 916
60 days - 90 days	Special programmes/projects/miscellaneous	112	–	112
		13 972	–	13 972
Staff and study loans		787	423	364
Municipal deposits		111	–	111
Prepaid expenses		2 262	–	2 262
		3 160	423	2 737
Total book debt		17 048	3 896	13 152

Notes to the financial statements (continued)

for the year ended 31 March 2008

39. Financial risk management (continued)

39.2 Credit risk (continued)

39.2.4 Credit risk exposure (continued)

1.3 Financial counterparty exposure

Bonds
Derivatives
Cash and money market instruments
Repurchase agreements

Grand total

2008 Exposure R 000	2007 Exposure R 000
480 955	598 434
951 429	860 249
2 527 918	991 892
36 294	21 098
3 996 596	2 471 673

39.3 Capital management

During the period under review, the Bank complied with its regulatory leverage ratio requirement, as set out in the regulations made under section 17 of the Development Bank of Southern Africa Act (No. 13 of 1997).

The Bank's objectives in managing its capital are:

- To safeguard the Bank's ability to continue as a going concern, through ensuring a sufficient cushion against unexpected losses, and to provide for an acceptable growth rate in the Bank's development finance activities
- To maintain an adequate credit rating to ensure the Bank continued access to funds at optimal rates, in support of its mission to provide affordable development finance solutions

The Bank monitors and manages its capital adequacy within the regulatory leverage constraint and in line with the capital adequacy framework approved by the Board. Whereas the Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, the overarching regulatory capital requirement applicable to the institution is derived from the debt-equity maximum of 250%. Implicit in this is a minimum unweighted capital requirement of 28,6%.

The leverage ratio is calculated as total debt divided by shareholders' capital, where total debt comprises all financial market liabilities (as shown on the balance sheet). Capital comprises share capital, permanent government funding, retained earnings, reserve for general loan risks, and fair value reserve. As at 31 March 2008, the debt to equity ratio stood at 107,8% (2007: 88,3%), with the capital ratio at 46,8% (2007: 51,6%).

Development Bank of Southern Africa Limited

Registration number	1600157FN
Registered office	Headway Hill 1258 Lever Road Midrand South Africa
Postal address	PO Box 1234 Halfway House 1685 South Africa
Telephone	+27 11 313 3911
Fax	+27 11 313 3086
Home page	www.dbsa.org



Annual report team

Project sponsor	Pieter de la Rey
Core team	Donovan Govender; Lyn Sumners; Janine Thorne; Stefan Bölling; Johan Conradie; Dave Evans; Theo Jansen van Vuuren; Thomas Manny; Neo Motsisi; Zak Nanabhay; Sandile Nene; Janet Perch; Rina Roothman; Leo Sibanda; René Smith
Assisted by	Saleh Coovadia; Thami Dlalisa; Lynn Dube; Rewai Gandidzanwa; Mansoor Gaffar; Keneiloe Kgoroadira; Ntokozo Langa; Mabana Makhakhe; Lucky Madikiza; Dumisani Magadlela; Stephen Mamabolo; Portia Matamela; Rita McClarys; Bernard Mhango; Lanushar Moodley; Nelly Rampete; Fikile Rouget; Booye Rousseau; Preetha Sooful; Khathutshelo Tshipala; Dries van Niekerk; Susan Visser; Anthoula Walton
Language editor	Ivan Vladislavić
Photography	Simron Tigerls (DBSA) and Guy Stubbs

Layout and reproduction Motiv

Printing Ince (Pty) Ltd

This annual report is printed with vegetable oil-based inks on SAPPi's Triple Green paper. The primary source of pulp for this locally made paper is waste sugar-cane fibre. The wood fibre is obtained from sustainable forests. The bleaching process is free from elemental chlorine.