



AUDIT REPORT ON THE ACCOUNTS OF THE

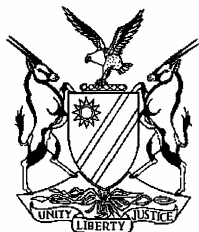
AGRICULTURAL BANK OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Agricultural Bank of Namibia for the financial year ended 31 March 2007, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, January 2008

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT of the AUDITOR-GENERAL on the
ACCOUNTS of the AGRICULTURAL BANK OF NAMIBIA
for the financial year ended 31 MARCH 2007**

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2007 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003).

The firm NC Tromp and Co of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Bank on his behalf and under his supervision.

Section 3 of the Act stipulates as follows:

"Agribank

The juristic person known as the Agricultural Bank of Namibia continues to exist under the name Agribank."

Section 4 of the Act defines the objects of the bank as follows:

"Object of the Agribank

The object of the Agribank is to promote agriculture or activities related to agriculture by lending money -

- a) to persons, which money is to be used in connection with agriculture or activities related to agriculture; and*
- b) to financial intermediaries, who or which in turn lend money to persons for the purposes contemplated in paragraph (a)"*

To finance loans advanced as stipulated in Section 6(2)(a) in respect of persons mentioned in Section 4(2) above, the Bank may in terms of the Act conclude contracts relating to:

- (i) security in respect of a loan;
- (ii) the manner of, and period for, the repayment of a loan;
- (iii) the interest payable in respect of a loan;
- (iv) records and returns to be submitted to the Agribank;
- (v) any other matters, which the Agribank considers necessary.

2. ANNUAL FINANCIAL STATEMENTS

In terms of Section 20(b) of the Act, the Chief Executive Officer shall:

"(b) as soon as possible, but not later than six months after the end of a financial year, cause a statement of the income and expenditure of the Agribank for that financial year, and a balance sheet of its assets and liabilities as at the end of that financial year, to be prepared."

The financial statements for the year under review were signed on 13 November 2007.

In addition to afore-mentioned financial statements the following documentation is also attached to this report:

- Audit observations with management comments
- Chairman's report
- Contents and approval of financial statements
- Balance sheet
- Income and expenditure statements
- Cash flow statement
- Notes to the financial statements

3. SCOPE OF THE AUDIT

The Accounting Officer of the Bank is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm, included:

- a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- b) assessment of the significant estimates and judgements made by the Chief Executive Officer of the Bank in the preparation of the financial statements and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed; and
- c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS

The observations made during the previous audit were dealt with either by management or by the internal audit department through regular reporting on the progress in this regard. The following points were emphasised in the previous audit report and need mentioning:

4.1 Adequacy and validity of provision for doubtful debts

The provision for bad debts in the financial statements seems to be adequate but the percentage arrear loans to total loans increased from 6% to 14%.

Due to the low profit margins of the Agribank the arrears need to be collected as soon as possible to ensure the profitability of the Agribank in the future.

4.2 Pension scheme

According to the policy in place, Agribank pays 16% of the basic salary to the Pension Fund and the members 7%. The actual payments do not relate to such a ratio at all as the contributions paid by the bank are 79.5% (2006: 79.5%) of the total contributions instead of 69.5%.

4.3 Going concern

The continuation of profitable operations by the Bank and its ability to continue as a going concern is mainly dependent on the following:

- a) The margin on borrowed funds applied on advances to prospected customers;
- b) The ability of the Bank to continue to obtain cheaper funds to fulfill its mission;
- c) Government's willingness to subsidise advances of a sub economic nature, and
- d) Increased efforts by the Bank to avoid unnecessary losses due to irrecoverable debts.

Section 26 of the Act stipulates that the Bank may not be liquidated, except by an Act of Parliament. Because of this and the fact that the Bank's assets are financed by approximately 50% of own funds, no going concern problem is foreseen.

5. RESPONSES FROM THE LAWYERS

Correspondence with the lawyers indicate no claims against the Agribank.

6. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Bank during the audit is appreciated.

7. AUDIT OPINION

The financial statements of the Bank for the financial year ended 31 March 2007 have been audited in accordance with the provisions of Section 25(1)(b) of the State Finance Act, 1991, read with the provision of Section 20(2) of the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003)

In my opinion the financial statements fairly present, in all material respects, the financial position of the Bank as at 31 March 2007 and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting practice and in the manner required by the State Finance Act, 1991 (Act 31 of 1991) and the Agricultural Bank Act, 2003 (Act 5 of 2003).

WINDHOEK, January 2008

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

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APPROVAL

The annual financial statements, set out on pages 7 to 31, have been compiled from the books of the Bank and to the best of our knowledge and believe are correct.

Mr J Tjituka
Senior Manager Finance

Ambassador LN Iipumbu
Chief Executive Officer

The annual financial statements, set out on pages 7 to 31, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf.

Mr Hans-Günther Stier
Chairman of the Board

Member of the Board

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2007

DIRECTORS:

The composition of the board of directors is as follows:

CHAIRMAN OF THE BOARD:

Mr Hans-Günther Stier Appointed 06 October 2004

NON-EXECUTIVE DIRECTORS

Mr Ipumbu W Shiimi (Vice-chairman)	Resigned 20 June 2006
Ms Wilburga G Katamelo	Appointed 06 October 2004
Desmond R Tshikesho	Appointed 06 October 2004
Mr Vehaka M Tjimune	Appointed 06 October 2004

EX-OFFICIO MEMBER

Ambassador Leonard N Iipumbu (Chief Executive Officer) Appointed 01 February 2005
The Chief Executive Officer attends board meetings as an Ex-officio member.

REGISTERED OFFICE

Agricultural Bank of Namibia
10 Post Street Mall
Private Bag 13208
WINDHOEK

AGRICULTURAL BANK OF NAMIBIA

VALUE ADDED STATEMENT

	2007	2006
	N\$ '000	N\$ '000
Value added:		
Value added is the wealth created by the Agricultural Bank of Namibia through the provision of services to clients.		
Interest income and non-interest income	106 204	131 619
Interest paid and other expenditure	34 340	195 303
	71 864	(63 684)
Distribution of wealth created by the Bank		
Employee compensation		
- Salaries, wages and other benefits	50% 36 230	31 672
Government		
- Taxation	10% 7 539	6 447
Retention for expansion of growth	39% 28 095	(101 803)
- Retained income	27 368	(103 848)
- Depreciation	727	2 045
	71 864	(63 684)

AGRICULTURAL BANK OF NAMIBIA
BALANCE SHEET AS AT 31 MARCH 2007

	Notes	2007	2006
		N\$ '000	N\$ '000
ASSETS			
Non-current assets		985 945	1 042 551
Long-term portion of advances	4	921 733	1 013 913
Property and equipment	6	47 885	28 039
Intangible assets	7	16 327	599
Current assets		186 198	151 008
Cash and bank balances	2	14	14
Placements with other banks	3	51 656	5 044
Short-term portion of advances	4	126 288	138 918
Other current assets	5	8 240	7 032
Total assets		1 172 143	1 193 559
CAPITAL RESERVES AND LIABILITIES			
Capital and reserves		766 116	582 057
Capital	18	319 256	169 256
Reserves	17	330 730	298 112
Funds and grants	16	116 130	114 689
Non-current liabilities		219 100	173 437
Debentures	10	-	1 547
Line of credit	11	199 625	163 077
Other borrowed funds	12	766	65
Long-term borrowings	13	9 961	-
Employee benefits	15.2	8 748	8 748

AGRICULTURAL BANK OF NAMIBIA
BALANCE SHEET AS AT 31 MARCH 2007 (continued)

	Notes	2007	2006
		N\$ '000	N\$ '000
Current liabilities		186 927	438 065
Overdrafts		-	36 487
Creditors and provisions	14	31 542	31 719
Current portion of line of credit	11	6 000	6 000
Current portion of long-term borrowings	13	3 550	-
Deposits	8	139 892	353 943
Bills	9	5 943	9 916
Total liabilities		406 027	611 502
Total capital, reserves and liabilities		1 172 143	1 193 559

AGRICULTURAL BANK OF NAMIBIA

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007	2006
		N\$ '000	N\$ '000
INCOME			
Interest income	19.1	105 113	131 144
Interest expense	19.2	(41 933)	(54 624)
Net interest income before provision for losses on advances		63 180	76 520
Provision for losses on advances	4	20 823	(128 155)
Net interest income		84 003	(51 635)
Other operating income	19.3	1 091	475
Total income		85 094	(51 160)
General administrative expenses	19.4	(56 970)	(51 912)
Other operating expenditure	19.5	(756)	(776)
		27 368	(103 848)

AGRICULTURAL BANK OF NAMIBIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007	2006
		N\$ '000	N\$ '000
Cash flow from operating activities			
Cash received from customers		106 121	131 613
Cash paid to customers		(40 514)	(54 624)
Cash paid to employees and suppliers		(58 418)	(46 498)
Cash movement in reserves, capital and operating liabilities/assets		(32 264)	(28 358)
Cash movement in advances	5	124 214	30 885
		99 139	33 018
Cash flow from investing activities			
Proceeds from the disposal of property and equipment		65	7
Sale of property in possession		-	-
Intangible assets capitalised		(15 804)	(517)
Acquisition of property and equipment		(301)	(83)
		(16 040)	(593)
Cash and short-term funds: (Utilised)/Generated		83 099	32 425
Beginning of the year		(31 429)	(63 854)
End of the year		51 670	(31 429)

AGRICULTURAL BANK OF NAMIBIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

(continued)

	Notes	2007	2006
		N\$ '000	N\$ '000
Notes to the cash flow statement:			
1. Reconciliation of surplus for the year to cash flow from operating activities			
Surplus/(Loss) for the year		27 368	(103 848)
Adjusted for non-cash items:			
Amortisation computer software		76	1 159
Depreciation		651	886
Provision for credit losses		(20 823)	128 155
Post retirement benefits		-	4 145
Net (surplus)/ deficit on disposal of property and equipment		(83)	(6)
Cash movement in reserves, capital and operating liabilities/assets	4	(32 264)	(28 358)
Cash movement in advances – Decrease	5	124 214	30 855
		99 139	32 988
2. Cash received from customers			
Interest received		105 113	131 144
Other income received		1 008	469
		106 121	131 613
3. Cash paid to customers			
Interest paid		(41 933)	(54 624)
4. Cash movement in reserves, capital and operating liabilities/assets			
Capital		150 000	-
Debtors – (Increase)/decrease		(1 208)	33 972
Creditors and provisions – (Decrease)/increase		(175)	12 771
Deposits – Decrease		(214 051)	(2 349)
Bills – Decrease		(3 973)	(70 447)
Debentures – Decrease		(1 547)	(39 268)
Line of credit – Increase		36 548	34 548
Borrowed funds – (Increase)/decrease		701	(246)
Increase in funds and grants		1 441	2 661
		(32 264)	(28 358)

AGRICULTURAL BANK OF NAMIBIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007
(continued)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		N\$ '000	N\$ '000
5. Cash movement in advances			
Movement in advances		103 391	159 040
Adjusted for non-cash items:			
Movement in provision for credit losses.		20 823	(128 155)
		<hr/>	<hr/>
		124 214	30 885
		<hr/> <hr/>	<hr/> <hr/>

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Basis of presentation

The annual financial statements are prepared on the historical cost basis as modified by the revaluation of certain trading assets and liabilities to fair value. The annual financial statements have been prepared in conformity with Generally Accepted Accounting Principles. The accounting policies adopted are, in all material respects, consistent with those of the prior year.

1.2 Property and equipment

Property and equipment are initially recorded at cost. Owner-occupied properties are carried at market value, determined by valuations carried out every five years by external independent professional valutors, less subsequent depreciation and provision for impairment.

Farms acquired are stated at the amount of debt outstanding at the date of repossession. Provision is made against amounts considered to be irrecoverable. All other property, plant and equipment is accounted for at cost.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves. Decreases that offset previous increases on the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately in the income statement to its recoverable amount.

All property and equipment, other than land, is depreciated on the straight-line basis over its expected economic life. The rates used to amortise assets are as follows:

Buildings	50 years	Furniture & fittings	5 years
Motor vehicles	5 years	Computer and office equipment	4 years

Depreciation is not provided for on land as it is deemed to have an indefinite life.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operational profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007 (continued)

1.3 Leased assets

Property and equipment acquired under finance leases are capitalised at the lower of fair value and present value of the minimum lease payments.

Capitalised leased assets are depreciated on a straight-line basis over the higher of the least term and five years.

Finance costs are accrued and expensed annually, based on the effective rate of interest applied consistently to the remaining balance of the liability and are included in the related liability. This liability is reduced as and when payments are made in terms of the agreements.

Operating leases, mainly for the rental of premises and certain office equipment, are not capitalised and rentals are expensed on a straight-line basis over the lease term.

1.4 Doubtful advances and provision for impairment

Advances are stated net of specific and general provisions. Specific provisions are made against identified doubtful advances based on regular evaluations that take cognisance of, inter alia, past experience, economic climate and the client's overall risk profile. Regulatory general provisions are maintained to cover potential losses which, although not specifically identified, may be present in any portfolio of advances. These provisions are calculated in accordance with guidelines published by the Bank of Namibia.

When a loan is deemed uncollectible, it is written off against the specific provision if a provision has been made, otherwise the amount is charged to the income statement. Subsequent recoveries are likewise adjusted to the provision.

1.5 Properties in possession

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

1.6 Intangible assets

Computer software development cost

Generally, costs associated with developing computer software are recognised as expenses when incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the entity and have a probable benefit exceeding the cost beyond one year, are recognised as an asset. Computer software development costs recognised as assets are, from the date the asset is brought into use, amortised in the income statement on a straight-line basis at rates appropriate to the expected useful lives of the asset, not exceeding five years.

Such assets are carried in the balance sheet at cost less any accumulated amortisation and impairment losses.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007 (continued)

1.7 Provisions

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

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.8 Pension scheme arrangements

The bank provides defined contribution pension fund plans for employees. Pension fund cost are expensed as incurred.

1.9 Post retirement benefits, other than pension

The bank provides post-retirement benefits by way of 100% contribution of medical aid. Benefits are available to all employees. Medical aid contributions are expensed as incurred.

1.10 Financial instruments

Financial instruments consist of investments, loans and other receivables, bank and cash balances, leases, borrowings and other payables, resulting from normal business operations. The particular recognition methods adopted are disclosed in the individual policy statements with each item.

1.11 Revenue recognition

Interest income is recognised at the effective rates of interest inherent in finance contracts and is brought into income in proportion to the balance outstanding on a time proportional method.

Revenue arising from the provision of services to clients is recognised on an accrual basis in the period in which the services are rendered.

1.12 Revenue and interest expense recognition

Interest income and expenses are recognised in the income statement on an accrual basis. Interest due/accrued on doubtful accounts is recognised as income but is provided for under the provision for credit losses.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007 (continued)

1.13 Reserve Fund

The net surplus, after certain special provisions have been made, is credited to the Reserve Fund and applied to make good any loss or deficit which may occur in any transaction of the Bank.

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

1.14 Contingencies and commitments

Transactions are classified as contingencies where the bank's obligations depend on uncertain future events.

Items are classified as commitments where the bank commits itself to future transactions or if the items will result in the acquisition of assets.

1.15 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. In particular the comparatives have been adjusted or extended to take into account the requirements of new or revised Accounting Standards.

	<u>2007</u>	<u>2006</u>
	N\$'000	N\$'000
2. CASH		
Cash on hand	<u>14</u>	<u>14</u>
3. PLACEMENTS WITH OTHER BANKS		
Current accounts with commercial banks	<u>51 656</u>	<u>5 044</u>

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)

	2007	2006
	N\$'000	N\$'000
4. ADVANCES		
TOTAL ADVANCES	1 210 594	1 317 270
PROVISION FOR CREDIT LOSSES ON ADVANCES		
Provision 31 March	164 439	33 000
Bad debts written off	(1 866)	(1 831)
Bad debts recovered	20 823	5 115
	183 396	36 284
Transfer to income statement	(20 823)	128 155
TOTAL PROVISION	162 573	164 439
Total advances after provision	1 048 021	1 152 831
LESS: SHORT-TERM PORTION OF ADVANCES	126 288	138 918
LONG-TERM PORTION OF ADVANCES	921 733	1 013 913
5. OTHER ASSETS		
Accounts receivable and prepayments	4 082	7 030
Salary advance	4 158	2
	8 240	7 032

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)

	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
6. PROPERTY & EQUIPMENT					
2007 Year					
Beginning of the year	661	26 630	6 959	1 987	36 237
Cost price	661	4 649	6 959	1 987	14 256
Revaluation	-	21 981	-	-	21 981
Accumulated depreciation	(622)	-	(5 677)	(1 899)	(8 198)
Carrying value: Beginning of year	39	26 630	1 282	88	28 039
During the year:	(15)	20 210	(305)	(44)	19 846
- Additions	-	-	302	-	302
- Disposals	-	-	(14)	-	(14)
- Revaluation	-	20 210	-	-	20 210
- Depreciation	(15)	-	(593)	(44)	(652)
Carrying value : End of year	24	46 840	977	44	47 885
Accumulated depreciation	(637)	-	(6 270)	(1 943)	(8 850)
	661	46 840	7 247	1 987	56 735
Cost price	661	4 649	7 247	1 987	14 544
Revaluation	-	42 191	-	-	42 191

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)

2006 Year	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Beginning of the year	661	26 630	6 888	1 987	36 166
Cost price	661	4 649	6 888	1 987	14 185
Revaluation	-	21 981	-	-	21 981
Accumulated depreciation	(579)	-	(5 026)	(1 707)	(7 312)
Carrying value: Beginning of year	82	26 630	1 862	280	28 854
During the year:	(43)	-	(580)	(192)	(815)
- Additions	-	-	83	-	83
- Disposals	-	-	(12)	-	(12)
- Revaluation	-	-	-	-	-
- Depreciation	(43)	-	(651)	(192)	(886)
Carrying value : End of year	39	26 630	1 282	88	28 039
Accumulated depreciation	(622)	-	(5 677)	(1 899)	(8 198)
	661	26 630	6 959	1 987	36 237
Cost price	661	4 649	6 959	1 987	14 256
Revaluation	-	21 981	-	-	21 981

Freehold land and buildings comprise of the following properties, which were independently valued during 2006 by independent valuers. The surplus of the revaluation has been credited to non-distributable reserves.

	2007	2006
	N\$'000	N\$'000
- Erf 5478, Windhoek	22 000	22 000
- Erf 995, Otjiwarongo	1 620	1 620
- Erf 870 and 871, Mariental	60	60
- Erf 1608 and 1609, Rundu	2 920	2 920
- Erf 1417, Oshakati	30	30
	26 630	26 630

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
7. INTANGIBLE ASSETS - SOFTWARE DEVELOPMENT COST		
Opening carrying amount	599	1 240
Further capitalised cost	15 804	518
Amortisation	(76)	(1 159)
Closing carrying amount	16 327	599

8. DEPOSITS

CATEGORY ANALYSES

Agricultural boards	1 389	772
Staff deposits	318	155
Other	138 123	352 917
Agricultural and farmers unions	62	99
	139 892	353 943

MATURITY ANALYSES

Duration	RATES		
On demand to one month	6.00% - 9.10%	127 517	174 696
One month to three months	6.75% - 8.30%	-	1 855
Three months to six months	8.35% - 8.45%	-	5 564
Six months to twelve months	8.25% - 9.00%	12 375	171 828
		139 892	353 943

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
9. BILLS		
Consideration amount	5 868	9 808
Accrued interest	75	108
	5 943	9 916

All bills will mature within 91 days. No bills in issue are listed and no bills carry a Government guarantee. Bills are recorded in the financial statements at nominal value. The average yield on these bills is 7.85%.

10. DEBENTURES

Unsecured

15% Coupon debentures at cost redeemable on 15 July 2006		-	1 547
9.38% Coupon debentures at cost redeemable on 30 September 2006	**	-	-
		-	1 547

Debentures are stated at cost. Discounts and premiums arising on the issue of debentures are amortised over the period of debt, using the yield-to-maturity method.

** Redeemed before due date.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
11. LINE OF CREDIT		
African Development Bank - First Line of Credit	42 000	48 000
African Development Bank - Second Line of Credit	71 250	75 000
African Development Bank - Third Line of Credit	88 704	40 000
	201 954	163 000
Plus: Accrued interest	3 671	6 077
	205 625	169 077
Less payable before 31 March 2007 included in current portion of line of credit	6 000	6 000
Total line of credit	199 625	163 077

First line of credit

Agribank entered into a line of credit agreement with the African Development Bank (ADB) during the 2001 financial year. A loan amounting to N\$ 60 million was obtained to assist Agribank in the financing or part financing of new loans granted to the farming community of Namibia. The line of credit together with interest is fully guaranteed by the Government of Namibia.

The principal amount of the line of credit is repayable in South African Rand (ZAR) over a period of ten years, following a four year grace period, starting 1 August 2004.

Interest on the line of credit at a floating rate (equal to the six month JIBAR plus a funding cost margin and one half of one per cent) is payable in ZAR semi-annually on 1 February and 1 August of each year.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
11. LINE OF CREDIT (continued)		
<p>An amount of N\$ 60 000 000 (100%) was disbursed at 31 March 2002. Loans were granted for the following purposes:</p>		
	Number of loans	
Land purchases	51	38 617
Livestock	169	13 831
Infrastructure	41	3 143
Agricultural equipment	24	2 660
Crop production	4	1 749
	289	60 000
Less : Payments made during the year		(6 000)
Less : Payments made during previous years		(6 000)
		(12 000)
		42 000
		48 000

Second line of credit

Agribank entered into a line of credit agreement with the African Development Bank (ADB) during the 2002 financial year. A loan amounting to N\$ 75 million was obtained to assist Agribank in the financing or part financing of new loans granted to the farming community of Namibia. The line of credit together with interest is fully guaranteed by the Government of Namibia.

The principal amount of the line of credit is repayable in South African Rand (ZAR) over a period of ten years, following a four year grace period, starting 1 May 2006.

Interest on the line of credit at a floating rate (equal to the six month JIBAR plus a funding cost margin and one half of one per cent) is payable in ZAR semi-annually on 1 May and 1 November of each year.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

11. LINE OF CREDIT (continued)

An amount of N\$ 75 000 000 (100%) was disbursed at 31 March 2004. Loans were granted for the following purposes:

		2007	2006
	Number of loans	N\$'000	N\$'000
Land purchases	61	54 205	54 205
Livestock	315	18 014	18 014
Infrastructure	81	2 872	2 872
Agricultural equipment	36	3 136	3 136
Crop production	267	1 343	1 343
	760	79 570	79 570
Less : Payments made during the year		(3 750)	-
Less : Payments received during previous years		-	-
Less : Portion financed by Agribank		(4 570)	(4 570)
		71 250	75 000

Third line of credit

Agribank entered into a line of credit agreement with the African Development Bank (ADB) during the 2004 financial year. A loan amounting to N\$ 125 million was obtained to assist Agribank in the financing or part financing of new loans granted to the farming community of Namibia. The line of credit together with interest is fully guaranteed by the Government of Namibia.

The principal amount of the line of credit is repayable in South African Rand (ZAR) over a period of ten years, following a four year grace period, starting 1 May 2007.

Interest on the line of credit at a floating rate (equal to the six month JIBAR plus a funding cost margin and one half of one per cent) is payable in ZAR semi-annually on 1 May and 1 November of each year.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

11. LINE OF CREDIT (continued)

An amount of N\$ 40 000 000 (32%) was disbursed at 31 March 2006. During the financial year ended 31 March 2007 additional loans were issued and disbursed to the value of N\$ 48 704 000. The loans were distributed as follow:

		2007	2006
		N\$'000	N\$'000
	Number of loans		
Land purchases	41	42 532	30 796
Livestock	525	20 619	6 121
Production	22	4 138	-
AA Loans	8	5 204	-
Other	-	2 885	-
Infrastructure	118	10 274	2 263
Agricultural equipment	50	4 371	2 106
Crop production	10	617	617
	774	90 640	41 903
Less : Portion financed by Agribank		(1 963)	(1 903)
		88 677	40 000

12. OTHER BORROWED FUNDS

Government scheme for drought relief 92 loans	-	65
Etunda Small farmers	766	-
	766	65

13. LONGTERM BORROWINGS

Lease agreement Standard Bank	13 511	-
Less: Current portion shown under current liabilities	(3 550)	-
	9 961	-

The loan is repayable in monthly installments of N\$ 390 006,50 and bears interest at prime linked rates, currently 12,25%.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
14. CREDITORS AND PROVISIONS		
PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)		
Bonuses	1 411	1 403
Leave	1 586	1 751
Retrenchments	10 000	-
Grants and bursaries	378	520
Total other provisions	13 375	3 674
Creditors	18 167	28 045
Total creditors and provisions	31 542	31 719

15. EMPLOYEE BENEFITS

15.1 Pension scheme

The majority of the employees are members of the Agricultural Bank of Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The Fund is governed by the Pension Funds Act of 1956, which requires an actuarial valuation every three years. The latest actuarial valuation was carried out in 2004 and in the actuary's opinion the Fund was in a sound financial position at that date. The valuation confirmed that the value of assets in the Fund exceeded the value of the actuarially determined future liabilities.

The Agricultural Bank of Namibia currently contributes 16% of basic salary to the Fund whilst the members contribute 7%.

Bank contribution	3 010	3 075
Employee contribution	778	795
	3 788	3 870

(See paragraph 4.2 of the report.)

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

15.2 Post-retirement medical aid benefits

The Bank contributes to the medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of members is valued annually.

The latest valuation was carried out on 31 March 2005. The valuation method used was the projected Unit Credit Method. The liability was estimated at N\$ 8.748 million. There are no planned assets held against the current valuation. The result was an additional charge of N\$ 4 145 000 against income. Although the method used remained unchanged, certain assumptions used changed significantly which caused a major increase in this provision.

	2007	2006
	N\$'000	N\$'000
Present value of obligation	8 748	8 748

The principle assumptions used were:

Discount rate	9%	9%
Health care cost inflation	7%	7%
Average retirement age	60	60

16. FUNDS AND GRANTS

European Fund Account	11 528	11 528
Government	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme	33 939	32 498
	116 130	114 689

Tractors and implements were transferred to Agribank from Government for sale and on-lending to communal farmers during the previous financial years. Agribank administered the scheme on behalf of Government and any proceeds out of the scheme will be repayable to Government. Tractor loans were disclosed under total advances while the contra was disclosed under other borrowed funds in the previous financial year. The balance of the Government Tractor Scheme of N\$ 33 939 653 (2006: N\$ 32 498 017) has been included under funds and grants, as this scheme is administered on behalf of the Ministry of Agriculture, Water and Forestry, and does not represent a liability of the bank.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
17. RESERVES		
Balance at the beginning of the year	298 112	401 960
Surplus /(Loss) for the year	27 368	(103 848)
Revaluation of assets	5 250	-
Balance at the end of the year	330 730	298 112

Included in the above balance is N\$ 22 673 774 relating to the revaluation of freehold land and building.

18. CAPITAL FUND

Account No. 1	*	54 284	54 284
Account No. 2	**	108 893	108 893
Account No. 3	***	6 079	6 079
Account No. 4	****	150 000	-
		319 256	169 256

* The amount consists of loans and grants made available to the Bank by the then Administration of SWA, through its South West Africa account and the then General Authority.

** The amount consists of loans granted by the former second tier agricultural departments of the then administration of SWA which were transferred to the Bank on 31 January 1992 in terms of Section 23 of the Agricultural Amendment Act, 1991.

*** The amount consists of loans granted by the Rehoboth Investments Development Corporation Limited which were transferred to the Bank on 16 December 1996 in terms of Section 5 of the Rehoboth Investment and Development Corporation Act, 1966 (Act 15 of 1996).

**** The amount consist of a N\$ 150 000 000 investment in the Bank by the Government converted to equity participation by Cabinet decision, Decision no 3rd/27.02.07/008.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)

	2007	2006
	N\$'000	N\$'000
19. INCOME AND EXPENDITURE		
19.1 Interest income		
Cash and short-term assets	1 761	369
Loans granted	103 352	130 775
	105 113	131 144
19.2 Interest expenses		
Overdraft facilities	1 101	11 139
Deposits	28 515	28 760
Bills	570	2 082
Debentures	65	1 615
Line of credit	11 671	11 028
Other borrowed funds	11	-
	41 933	54 624
19.3 Other operating income		
Commission earned	10	8
Rents received	682	286
Service fees	-	31
Promotional items	1	1
Other income	315	143
Surplus on disposal of assets	83	6
	1 091	475

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	2007	2006
	N\$'000	N\$'000
19.4 General administrative expenses		
Amortisation computer software	76	1 159
Auditors Remuneration	33	14
Audit fees	33	14
Other services	-	-
Depreciation	651	886
Furniture & fittings	592	651
Property	15	43
Vehicles	44	192
Directors Fees	141	340
Services as Director	121	329
Directors traveling	20	11
Insurance	-	474
Marketing	568	742
Maintenance property & equipment	435	402
Other professional fees	1 247	687
Rent paid	1 081	974
Equipment	362	372
Property	719	602
Vehicles	-	-
Staff cost	43 769	38 119
Salaries	26 670	20 885
Employers contribution to Retirement Fund	3 010	3 075
Fringe benefits	13 752	13 637
Training costs	337	522
Uniforms	-	-
Other expenses	8 969	8 115
	56 970	51 912

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007
(continued)**

	<u>2007</u>	<u>2006</u>
	N\$'000	N\$'000
19. INCOME AND EXPENDITURE (continued)		
19.5 Other operating expenses		
Loss on disposal of assets	44	-
Loss on revaluation of assets	10	-
Traveling & accommodation	702	776
	<u>756</u>	<u>776</u>
20. CONTINGENCIES AND COMMITMENTS		
Expected expenditure to be incurred:		
Purchase orders not paid	35	110
Restructuring expenses not provided for in annual financial statements	4 882	-
	<u>4 937</u>	<u>110</u>