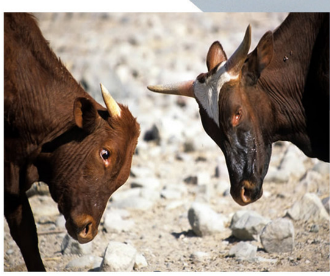
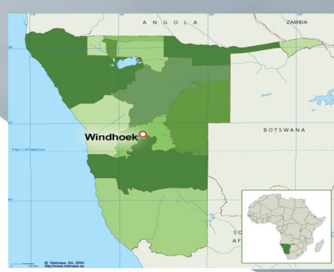
REPUBLIC OF NAMIBIA


REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

AGRICULTURAL BANK OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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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 2008, 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.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, September 2008

REPORT of the AUDITOR-GENERAL on the
ACCOUNTS of the AGRICULTURAL BANK OF NAMIBIA
for the financial year ended 31 MARCH 2008

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2008 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 Grand Namibia 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 01 July 2009.

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

- Audit observations
- Contents and approval of financial statements
- Value added statement
- Balance sheet
- Income statement
- 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. This responsibility includes: Designing, implementing and maintaining internal control relevant to the preparation and 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.

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 in accordance with International Standards on Auditing, included:

a) performing procedures, selected based on the auditor's judgements, to obtain evidence about the amounts and disclosures in the financial statements.

b) assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

c) in making those risk assessments, 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;

d) evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management; and

e) evaluating the overall presentation of 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 are items of a critical nature also contained in the report to management:

4.1 Calculation method of provision for doubtful debts

The Board, in January 2006, approved a policy on the provision for bad and doubtful debts. This policy contains formulas as to how the provision for doubtful debts should be calculated. During the year under review, management used a different method than the one prescribed in the policy, to do the calculation for bad debts.

Had the policy been used, the provision for doubtful debts would have amounted to N$ 269 808 000 instead of the N$ 201 351 000, as currently reflected.

4.2 Late submission of annual financial statements

The Board failed to comply with Section 21 of the Agribank Act, 2003 as amended, which requires that the audited financial statements be submitted to the Minister within 6 months of the financial year-end. This was mainly due to the fact that all staff was retrenched during 2007 and the new employees had to deal with the backlog of the recording of financial data and records.

5. RESPONSES FROM THE LAWYERS

Correspondence with the lawyers indicates 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 2008 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 2008 and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards 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, September 2009

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2008

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APPROVAL

The annual financial statements, set out on pages 7 to 41, have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

______________________________ ______________________________

Ambassador LN Iipumbu
Chief Executive Officer

Mr H Theodore
Senior Manager Finance

The annual financial statements, set out on pages 7 to 41, 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

Statutory Information

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

Ms Wilburga G Katamelo	Appointed 06 October 2004
Mr Vehaka M Tjimune	Appointed 06 October 2004
Mr Desmond R Tshikesho	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

		2008	2007
		N$	N$
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		132 284	106 204
Interest paid and other expenditure		47 033	34 340
		85 251	**71 864**
Distribution of wealth created by the Bank			
Employee compensation			
- Salaries, wages and other benefits	31%	26 347	36 230
Government			
- Taxation	12%	9 830	7 539
Retention for expansion of growth	58%	49 074	28 095
- Retained income		48 524	27 368
- Depreciation		550	727
		85 251	**71 864**

AGRICULTURAL BANK OF NAMIBIA
BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008	2007
		N$'000	N$'000
ASSETS			
Non-current assets		888 616	985 945
Long-term portion of advances	4	821 298	921 733
Property and equipment	6	49 231	47 885
Intangible assets	7	18 087	16 327
Current assets		366 590	186 198
Cash on hand	2	14	14
Bank balances	3	121 343	51 656
Short-term portion of advances	4	239 118	126 288
Other receivables	5	6 115	8 240
Total assets		**1 255 206**	**1 172 143**
CAPITAL RESERVES AND LIABILITIES			
Capital and reserves		819 225	766 116
Capital	17	319 256	319 256
Reserves	16	379 254	330 730
Funds and grants	15	120 715	116 130
Non-current liabilities		248 053	219 100
Line of credit	10	216 077	199 625
Other borrowed funds	11	18 483	766
Long-term borrowings	12	7 562	9 961
Post-retirement employee benefits	14.2	5 931	8 748

AGRICULTURAL BANK OF NAMIBIA
BALANCE SHEET AS AT 31 MARCH 2008 (continued)

	Notes	2008	2007
		N$'000	N$'000
Current liabilities		187 928	186 927
Creditors and provisions	13	6 046	31 542
Current portion of line of credit	10	13 500	6 000
Current portion of long-term borrowings	12	3 998	3 550
Special purpose funds	8	160 425	139 892
Bills	9	3 959	5 943
Total liabilities		435 981	406 027
Total capital, reserves and liabilities		**1 255 206**	**1 172 143**

AGRICULTURAL BANK OF NAMIBIA

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008	2007
		N$	N$
INCOME			
Interest income	18.1	125 874	105 113
Interest expense	18.2	(36 531)	(41 933)
Net interest income before provision for losses on advances		89 343	63 180
Provision for losses on advances	4	-	20 823
Net interest income		89 343	84 003
Other operating income	18.3	6 410	1 091
Total income		95 753	85 094
General administrative expenses	18.4	(46 872)	(56 970)
Other operating expenditure	18.5	(357)	(756)
Surplus for the year		**48 524**	**27 368**

AGRICULTURAL BANK OF NAMIBIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008	2007
		N$	N$
Cash flow from operating activities			
Cash received from customers	2	129 467	106 121
Cash paid to financiers	3	(36 531)	(40 514)
Cash paid to employees and suppliers		(46 679)	(58 418)
Cash movement in reserves, capital and operating liabilities/assets	4	39 481	(32 264)
Cash movement in advances	5	(12 395)	124 214
	1	73 343	99 139
Cash flow from investing activities			
Proceeds from the disposal of property and equipment		-	65
Intangible assets capitalized		(1 760)	(15 804)
Acquisition of property and equipment		(1 896)	(301)
		(3 656)	(16 040)
Cash and short-term funds generated		69 687	83 099
Cash and short-term funds in the beginning of the year		51 670	(31 429)
Cash and short-term funds at the end of the year		**121 357**	**51 670**

Notes to the cash flow statement

1. Reconciliation of surplus for the year to cash flow from operating activities

	Notes	2008	2007
Surplus for the year		48 524	27 368
Adjusted for non-cash items:			
Amortization computer software		-	76
Depreciation		550	651
Provision for credit losses		-	(20 823)
Post-retirement benefits (decrease)		(2 817)	-
Net surplus on disposal of property and equipment		-	(83)
Cash movement in reserves, capital and operating liabilities/assets – increase/(decrease)	4	39 481	(32 264)
Cash movement in advances	5	(12 395)	124 214
Cash flow from operating activities		**73 343**	**99 139**

AGRICULTURAL BANK OF NAMIBIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008 (continued)

	Notes	2008	2007
Notes to the cash flow statement (continued)		N$	N$
2. Cash received from customers			
Interest received		125 874	105 113
Other income received		3 593	1 008
		129 827	**106 121**
3. Cash paid to financiers/loan providers			
Interest paid		**36 531**	**41 933**
4. Cash movement in reserves, capital and operating liabilities/assets			
Capital		-	150 000
Debtors – (Increase)/decrease		2 125	(1 208)
Creditors and provisions – (Decrease)		(25 496)	(175)
Special Purpose Funds – Increase/(decrease)		20 533	(214 051)
Bills – (Decrease)		(1 984)	(3 973)
Debentures		-	(1 547)
Line of credit – Increase		23 952	36 548
Long-term borrowings – (Decrease)		(1 951)	-
Borrowed funds - Increase		17 717	701
Increase in funds and grants		4 585	1 441
		39 481	**(32 264)**
5. Cash movement in advances			
Movement in advances – (Increase)/decrease		(12 395)	103 391
Adjusted for non-cash items:		-	
Movement in provision for credit losses		-	20 823
		(12 395)	**124 214**

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements are prepared on the historical cost basis except for the measurement of certain financial assets and liabilities at fair value.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with the previous period.

1.2 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

- Advances, loans and receivables

The bank assesses its advances, loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

- Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The bank uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision for financial assets and liabilities with maturities of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the bank for similar financial instruments.

- Impairment testing

The bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

- Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 13 - Provisions.

The provision for post-retirement medical benefits is based on an actuarial valuation by independent actuaries. In determining the provision, assumptions are made regarding discount rates, mortality rates and health care inflation rates.

1.3 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 valuators, 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 are 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 live. The rates used to amortize assets are as follows:

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

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

The residual value and the useful life of each asset are reviewed at each financial year end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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.

1.4 Leased assets

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

Capitalized leased assets are depreciated on a straight-line basis over the higher of the lease 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 capitalized and rentals are expensed on a straight-line basis over the lease term.

1.5 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.

1.6 Properties in possession

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

1.7 Intangible assets

Computer software development cost

Generally, costs associated with developing computer software are recognized 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 recognized as an asset. Computer software development costs recognized as assets are, from the date the asset is brought into use, amortized 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 amortization and impairment losses.

1.8 Provisions

Provisions are recognized 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 recognized 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.

1.9 Employee benefits

1.9.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

1.9.2 Defined contribution plans

The bank provides defined contribution pension fund plans for employees. Payments to the pension fund are charged as an expense as incurred.

1.9.3 Defined benefit plans

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.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted with sufficient regularity by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains or losses are recognized in full during the period it arise.

1.10 Financial instruments

The bank classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, available for sale assets and held-to-maturity investments. Financial liabilities are classified as financial liabilities at fair value through profit and loss and financial liabilities at amortised cost. Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the bank becomes a party to the contractual provisions of the instruments.

The bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each balance sheet date the bank assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Impairment of financial assets (continued)

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value for profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan advances and loans to employees are classified as loans and receivables.

Loan advances are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Appropriate adjustments are made for securities held by the bank in respect of identified impaired debtors.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable and /or advance is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently at amortised cost.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the bank's accounting policy for borrowing costs.

1.11 Revenue recognition

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

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 recognized amounts and there is an intention to settle on a basis or realized the asset and settles 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.

1.16 New Standards and Interpretations

(a) Improved, Revised and Replaced International Financial Reporting Standards effective for the first time for the year ended 31 March 2008:

Standard	Title	Effective Date	Executive Summary	Impact
IFRS 7	Financial Instruments: Disclosures	01-Jan-07	IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the bank's financial instruments.	This standard esulted in more disclosures in the current financial statements than in the previous financial years.
IFRIC 8	Scope of IFRS 2	01-May-06	IFRIC 8 requires the application of IFRS 2 Share-based-payment even in the absence of specifically identifiable goods or services.	This interpretation had no impact on the financial statements of the bank.
IFRIC 9	Reassessment of Embeded Derivatives	01-Jun-06	IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.	This interpretation had no impact on the financial statements of the bank.
IFRIC 10	Interim Financial Reporting and Impairment	01-Nov-06	IFRIC 10 specifies that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.	This interpretation had no impact on the financial statements of the bank.
IAS 1	Presentation of Financial Statements: Capital Disclosures	01-Jan-07	The amendment introduces new disclosure requirements relating to capital management, in terms of providing information enabling users to evaluate the bank's objectives, policies and processes for managing capital.	This amendment had no impact on the financial statements of the bank.
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	01-Mar-07	IFRIC 11 addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group.	This interpretation had no impact on the financial statements of the bank.

1.16 New Standards and Interpretations (continued)

(b) Improved, Revised and Replaced International Financial Reporting Standards that are not yet effective and have not been early adopted:

IFRIC 12	Service Concession Arrangements	01-Jan-08	This interpretation addresses how service concession operators should apply existing IFRS's to account for the obligations they undertake and rights they receive in service concession arrangements.	This interpretation will not impact on the financial statements of the bank.
IFRIC 13	Customer Loyalty Programmes	01-Jul-08	IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.	This interpretation will not impact on the financial statements of the bank.
IFRIC 14	IAS 19- The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01-Jan-08	The interpretation addresses the limitation of a defined benefit asset in accordance with paragraph 58 of IAS 19 (AC 116) Employee Benefits. The interpretation provides guidance in the determination of the amount of economic benefits available in the form of refunds and reductions in future contributions, which will affect the maximum amount which may be measured as a defined benefit asset.	This interpretation will not impact on the financial statements of the bank.
IFRIC 15	Agreements for the Construction of Real Estate	01-Jan-09	This Interpretation addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11- Construction Contracts or IAS 18 - Revenue and when revenue from construction should be recognised.	This interpretation will not impact on the financial statements of the bank.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01-Oct-08	IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk. It also provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.	This interpretation will not impact on the financial statements of the bank.

1.16 New Standards and Interpretations (continued)

IAS 1	IAS 1 Presentation of Financial Statements - Revised	01-Jan-09	This amendments requires, the presentation of non-owner changes in equity, the presentation of a balance sheet at the beginning of the earliest comparative period whenever a retrospective adjustment is made, the disclosure of income tax and reclassification relating to each component of other comprehensive income, allow the dividend presentations to be made either in the statement of changes in equity or in the notes only. This amendment has also changed the titles, which is not mandatory, to some of the financial statement components.	The impact of these amendments will be assessed.
IAS 23	Borrowing Costs - Revised	01-Jan-09	The revision requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.	The impact of these amendments will be assessed.
IFRS 8	Operating Segments	01-Jan-09	IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.	This standard will not impact on the financial statements of the bank.
Amend-ments to IFRS 2	Share Based Payment: Vesting Conditions and Cancellations	01-Jan-09	The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition.	This standard will not impact on the financial statements of the bank.
Amendments to IAS 32 and IAS 1.	IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation	01-Jan-09	The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.	This standard will not impact on the financial statements of the bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (continued)

		2008	2007
2.	**CASH ON HAND**	N$	N$
	Cash on hand	14	14
3.	**BANK BALANCES**		
	Current accounts with Commercial Banks	121 343	51 656
4.	**ADVANCES**		
	TOTAL ADVANCES	1 261 767	1 210 594
	Provision for credit losses on Advances		
	Provision 31 March	162 573	164 439
	Current provision	38 778	-
	Bad debts written off	-	(1 866)
	Bad debts recovered	2 623	20 823
		203 974	183 396
	Transfer to income statement	(2 623)	(20 823)
	TOTAL PROVISION	**201 351**	**162 573**
	TOTAL ADVANCES AFTER PROVISION	1 060 416	1 048 021
	LESS: SHORT-TERM PORTION OF ADVANCES	**(239 118)**	**(126 288)**
	LONG-TERM PORTION OF ADVANCES	**821 298**	**921 733**
5.	**OTHER RECEIVABLES**		
	Accounts receivable and prepayments	4 034	4 082
	Salary advances	2 081	4 158
		6 115	**8 240**

6. PROPERTY & EQUIPMENT

2008 Year	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N$	N$	N$	N$	N$
Carrying value: Beginning of the year	**24**	**46 840**	**977**	**44**	**47 885**
Cost/valuation	661	46 840	6 572	1 987	56 060
Accumulated depreciation	(637)	-	(5 595)	(1 943)	(8 175)
During the year:	**(5)**	**1 802**	**(406)**	**(44)**	**1 347**
- Additions	-	1 813	83	-	1 896
- Depreciation	(5)	(11)	(489)	(44)	(594)
Carrying value : End of the year	**19**	**48 642**	**570**	-	**49 231**
Cost/valuation	661	48 653	6 653	1 987	57 954
Accumulated depreciation	(642)	(11)	(6 083)	(1 987)	(8 723)

6. PROPERTY & EQUIPMENT (continued)

2007 Year	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value: Beginning of the year	**39**	**26 630**	**1 282**	**88**	**28 039**
Cost /valuation	661	26 630	6 959	1 987	36 237
Accumulated depreciation	(622)	-	(5 677)	(1 899)	(8 198)
During the year:	**(15)**	**20 210**	**(305)**	**(44)**	**19 846**
- Additions	-	-	302	-	302
- Property, plant and equipment	-	15 000	-	-	15 000
- Disposals	-	-	(14)	-	(14)
- Decrease due to revaluation	-	(10)	-	-	(10)
- Cost	-	(30)	-	-	(30)
- Revaluation	-	5 250	-	-	5 250
- Depreciation	(15)	-	(593)	(44)	(652)
Carrying value : End of the year	**24**	**46 840**	**977**	**44**	**47 885**
Cost /valuation	661	46 840	6 572	1 987	56 060
Accumulated depreciation	(637)	-	(5 595)	(1 943)	(8 175)

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

	2008	**2007**
	N$	N$
- 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**

	2008	2007
7. INTANGIBLE ASSETS - SOFTWARE DEVELOPMENT COST	N$	N$
Opening carrying amount	16 327	599
Further capitalized cost	1 760	15 804
Amortization	-	(76)
Closing carrying amount	**18 087**	**16 327**

8. SPECIAL PURPOSE FUNDS

CATEGORY ANALYSES

	2008	2007
Agricultural boards	569	1 389
Staff savings scheme	66	318
Government Ministries	159 723	138 123
Agricultural and farmers unions	67	62
	160 425	**139 892**

The bank acts as an agent for the management of these funds on behalf of the above third parties.

MATURITY ANALYSES

Duration	**RATES**	2008	2007
On demand to one month	6.00% - 9.10%	48 050	127 517
One month to three months	6.75% - 8.30%	-	-
Three months to six months	8.35% - 8.45%	-	-
Six months to twelve months	8.25% - 9.00%	112 375	12 375
		160 425	**139 892**

9. BILLS

	2008	2007
Consideration amount	3 898	5 868
Accrued interest	61	75
	3 959	**5 943**

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. LINE OF CREDIT

	2008	2007
	N$	N$
African Development Bank - First Line of Credit	36 000	42 000
African Development Bank - Second Line of Credit	63 750	71 250
African Development Bank - Third Line of Credit	125 000	88 704
	224 750	201 954
Plus: Accrued interest	4 827	3 671
	229 577	205 625
Less payable before 31 March 2009 included in current portion of line of credit	13 500	6 000
Total line of credit	**216 077**	**199 625**

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.

An amount of N$ 60 000 000 (100%) was distributed at 31 March 2002. Loans were granted for the following purposes:

	Number of loans	2008 N$	2007 N$
Land purchases	51	38 617	38 617
Livestock	169	13 831	13 831
Infrastructure	41	3 143	3 143
Agricultural equipment	24	2 660	2 660
Crop production	4	1 749	1 749
	289	60 000	60 000
Less : Payments made during the year		(6 000)	(6 000)
Less : Payments made during previous years		(18 000)	(12 000)
		36 000	**42 000**

10. LINE OF CREDIT (continued)

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 November 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.

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

	Number of loans	2008 N$	2007 N$
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)	(3 750)
Less : Payments received during previous years		(8 320)	-
Less : Portion financed by Agribank		(3 750)	(4 570)
		63 750	**71 250**

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 October 2009.

10. LINE OF CREDIT (continued)

Third line of credit

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 April and 01 October of each year.

	Number of loans	2008 N$	2007 N$
Land purchases	41	42 532	42 532
Livestock	525	20 619	20 619
Production	22	4 138	4 138
AA Loans	8	5 204	5 204
Other	-	2 885	2 885
Infrastructure	118	10 274	10 274
Agricultural equipment	50	4 371	4 371
Crop production	10	617	617
	774	90 640	90 640
Add: New loans for the year		34 360	-
Less : Portion financed by Agribank		-	(1 936)
		125 000	**88 704**

11. OTHER BORROWED FUNDS

	2008 N$	2007 N$
Government scheme for drought relief 92 loans	16 718	-
Etunda small farmers	1 765	766
	18 483	**766**

12. LONG-TERM BORROWINGS

	2008 N$	2007 N$
Lease agreement Standard Bank Namibia Limited	11 560	13 511
Less: Current portion shown under current liabilities	(3 998)	(3 550)
	7 562	**9 961**

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

13. CREDITORS AND PROVISIONS

	2008	2007
	N$	N$
PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)		
Bonuses	44	1 411
Leave	421	1 586
Retrenchments	-	10 000
Grants and bursaries	258	378
Total other provisions	723	13 375
Creditors	5 323	18 167
Total creditors and provisions	**6 046**	**31 542**

14. EMPLOYEE BENEFITS

14.1 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%.

	2008	2007
	N$	N$
Bank contribution	1 863	3 010
Employee contribution	297	778
	2 160	**3 788**

14.2 Post-retirement employee 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 2008. The valuation method used was the projected Unit Credit Method. The liability was estimated at N$ 5.931 million. There are no planned assets held against the current valuation. This resulted in an actuarial gain of N$ 2 817 000, which was credited to profit and loss. Although the method used remained unchanged, certain assumptions used changed significantly which caused a major increase in this provision.

	2008	2007
	N$	N$
Present value of unfunded obligation	5 931	8 748
Reconciliation showing the movement of liability reflected on the balance sheet:		
Opening balance	8 748	8 748
Net (income)/expense recognized in the income statement	(2 817)	-
	5 931	8 748
Net (income)/expense recognized in the income statement:		
Current service cost	-	-
Interest cost	-	-
Actuarial (gain)/loss	(2 817)	-
	(2 817)	-
The principle assumptions used were:		
Discount rate	10.35%	9%
Health care cost inflation	9.35%	7%
Average retirement age	60	60

14.2 Post-retirement employee benefits (continued)

Valuation date	31-Mar-08	31-Mar-05

The effect of a 1% movement in the assumed health care cost inflation:	**Increase**	**Decrease**
	N$	N$
Effect on the current service and interest cost	1 206	784
Effect on the accumulated post-retirement medical obligation	7 060	5 076
The effect of members experiencing mortality 20% higher and lower than assumed:		
Effect on the current service and interest cost	898	1 037
Effect on the accumulated post-retirement medical obligation	5 561	6 397

15. FUNDS AND GRANTS

	2008	**2007**
	N$	N$
European Fund Account	11 528	11 528
Government	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme	38 524	33 939
	120 715	**116 130**

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. The balance of the Government Tractor Scheme of N$ 38 524 000 (2007: N$ 33 939 000) 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.

16. RESERVES

	2008	**2007**
	N$	N$
Balance at the beginning of the year	330 730	298 112
Surplus /(loss) for the year	48 524	27 368
Revaluation of assets	-	5 250
Balance at the end of the year	**379 254**	**330 730**

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

17. CAPITAL FUND

		2008	2007
		N$	N$
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	150 000
		319 256	**319 256**

* 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.

		2008	2007
		N$	N$
18.	**INCOME AND EXPENDITURE**		
18.1	**Interest income**		
	Cash and short-term assets	6 926	1 761
	Loans granted	118 948	103 352
		125 874	**105 113**
18.2	**Interest expenses**		
	Overdraft facilities	13	1 101
	Deposits	12 105	28 515
	Bills	545	570
	Debentures	-	65
	Line of credit	23 868	11 671
	Other borrowed funds	-	11
		36 531	**41 933**
18.3	**Other operating income**		
	Commission earned	7	10
	Rents received	958	682
	Actuarial gain	2 817	-
	Promotional items	1	1
	Other income	2 627	315
	Surplus on disposal of assets	-	83
		6 410	**1 091**

18.4 General administrative expenses

	2008 N$	2007 N$
Amortisation computer software	-	76
Auditors Remuneration	**80**	**33**
Audit fees	80	33
Other services	-	-
Depreciation	**550**	**651**
Furniture & fittings	490	592
Property	16	15
Vehicles	44	44
Directors Fees	**189**	141
Services as Director	141	121
Directors traveling	48	20
Insurance	426	380
Marketing	797	568
Maintenance property & equipment	444	435
Other professional fees	1 116	1 247
Rent paid	**1 358**	**1 081**
Equipment	499	362
Property	859	719
Vehicles	-	-
Staff cost	**36 177**	**43 389**
Salaries	25 164	26 236
Employers contribution to Retirement Fund	1 863	3 064
Fringe benefits	8 850	13 752
Training costs	300	337
Other expenses	5 735	8 969
	46 872	**56 970**

		2008	2007
		N$	N$
18.	**INCOME AND EXPENDITURE (continued)**		
18.5	**Other operating expenses**		
	Loss on disposal of assets	-	44
	Loss on revaluation of assets	-	10
	Traveling & accommodation	357	702
		357	**756**
19.	**CONTINGENCIES AND COMMITMENTS**		
	Expected expenditure to be incurred:		
	Purchase orders not paid	-	35
	Restructuring expenses not provided for in annual financial statements	-	4 882
		-	**4 917**

20. FINANCIAL RISK MANAGEMENT

The bank's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the bank's financial performance. Risk management is carried out under policies approved by the board. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, and investment of excess liquidity.

20.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the bank maintains flexibility in funding by maintaining availability under committed credit lines.

The bank manages liquidity risk through an ongoing review of future commitments and credit facilities. The bank did not have any overdraft facility at year-end (2007: Nil).

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

20.1 Liquidity risk (continued)

The table below analyses the bank's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2008

	Less than 1 year N$	Between 1 and 5 years N$	More than 5 years N$
Interest-bearing	194 271	148 483	81 250
Trade payables	43 845	-	-

2007

	Less than 1 year N$	Between 1 and 5 years N$	More than 5 years N$
Interest-bearing	159 196	128 579	78 102
Trade payables	18 167	-	-

20.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate risks. Fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates.

As the bank's significant interest-bearing assets, are fixed rate advances, its income and operating cash flows are substantially independent of changes in market interest rates.

The bank's interest rate risk arises mainly from its long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. This risk is managed by maintaining an appropriate mix between fix and floating interest rates.

Financial instruments by classification

Assets as per balance sheet

2008

	Interest rate	Loans and receivables N$	Fair value through profit & loss N$	TOTAL N$
Advances	Fixed	1 060 416	-	1 099 195
Cash and bank balances	Floating	121 394	-	121 394
Other current assets	Non-interest- bearing	6 115	-	6 115

2007

	Interest rate	Loans and receivables N$	Fair value through profit & loss N$	TOTAL N$
Advances	Fixed	1 048 021	-	1 048 021
Cash and bank balances	Floating	51 658	-	51 658
Other current assets	Non-interest- bearing	8 240	-	8 240

Liabilities as per balance sheet

2008

	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		N$	N$	N$
Line of credit	Floating	229 577	-	229 577
Other borrowed funds	Non-interest- bearing	18 483	-	18 483
Long-term borrowings	Floating	11 560	-	11 560
Bills	Fixed	3 959	-	3 959
Special purpose funds	Fixed and floating	160 425	-	160 425
Trade creditors	Non-interest- bearing	43 847	-	43 847

Liabilities as per balance sheet (continued)

2007

	Interest rate	**Other financial liabilities at amortised cost** N$	**Fair value through profit & loss** N$	**TOTAL** N$
Line of credit	Floating	205 625	-	205 625
Other borrowed funds	Non-interest- bearing	766	-	766
Long-term borrowings	Floating	13 511	-	13 511
Bills	Fixed	5 943	-	5 943
Special purpose funds	Fixed and floating	139 892	-	139 892
Trade creditors	Non-interest- bearing	18 167	-	18 167

As the bank's significant interest-bearing assets, are fixed rate advances, its income and operating cash flows are substantially independent of changes in market interest rates.

The bank's interest rate risk arises mainly form its long-term borrowings. Borrowings issued at variable rates expose the bank to cash flow interest rate risk.

The table above summarizes the bank's exposure to interest rate risks.

Cash flow sensitivity analysis for interest-bearing instruments:

A change of 200 basis points in interest rates at the reporting date would have increased/decreased profits by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis for 2007.

As at 31 March 2008:

	200 basis points increase N$	**200 basis points decrease** N$
Floating rate financial assets	2 428	(2 428)
Floating rate financial liabilities	(5 452)	5 452
Increase/(decrease) in profits	**(3 024)**	**3 024**

As at 31 March 2007:

	200 basis points increase N$	**200 basis points decrease** N$
Floating rate financial assets	1 033	(1 033)
Floating rate financial liabilities	(6 724)	6 724
Increase/(decrease) in profits	**(5 691)**	**5 691**

20.3 Credit risk

Credit risk is the risk that the counterparties will not repay obligations on time and in full as expected or contracted, resulting in a financial loss to the Agribank.

Policy and responsibility

The key components of the current general credit policy are the following:

- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The bank insists upon a thorough assessment of the client’s financial position during the loan decision process, so as to lead to better-quality credit decisions which result in timeouts loan repayments and reduce losses due to, for example, insolvency;
- For the vast majority of the products, credits are granted on the basis of insight into the customer’s circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer’s creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The bank may assume risks only within the limits of applicable legislation and other rules, including the rules on good practice for financial enterprises.

Approval process

When the bank processes a credit application from a customer, the following minimum information is needed:

- Comprehensive identity of the borrower;
- Evidence of the borrower’s legal ability to borrow;
- Ability to repay including the timing and source of repayment and evidence of verification thereof;
- Description of the terms of credit obligation;
- Assessment of major risks and key litigants;
- Credit checks;
- Overview of the facility and collateral; and
- Documentary evidence of review and approval process

Risk classification

The bank monitors the repayment record of its customers on an ongoing basis to ensure that any deterioration in repayment record is detected as early as possible. Accounts will be categorized as “normal” or “arrears”. The purpose of the classification is to provide a mechanism for the efficient and effective, reporting and evaluation of problem loans, and to allow them to be managed in such a way that the bank’s risk if minimized.

Credit exposure

The bank's maximum credit exposure at 31 March was as follows:

Credit exposure is calculated on the basis of selected items on and off the balance sheet (guarantees and loan commitments).

Asset classes with credit risk exposure:	**2008**	**2007**
	N$	N$
Advances	1 060 416	1 048 021
Bank balances	121 343	51 656
Other receivables	6 115	8 240
	1 187 874	1 107 917

Asset classes with no credit risk exposure:		
Property and equipment	49 231	47 885
Intangible assets	18 087	16 327
Cash on hand	14	14
	67 332	64 226

Collateral

The main type of collateral the Bank normally obtains include the following:

- Bonds over farmland, developed/undeveloped municipal plots
- Surety bonds
- Cession of fixed deposits
- Cession of surrendering value of policies
- Listed investments and unit trust investments
- Suretyships

Other Financial Assets

The other financial assets include cash at bank and other receivables. These assets are rated as good.

Cash at bank

The amounts are invested with reputable financial institutions.

Other receivables

Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflects the amounts received.

Concentration of credit risk

The concentration risk within the Agribank consists mainly of:

- Exposure per agricultural sector
- Exposure per individual account holder

At the reporting date credit risk exposure were not concentrated to a small number of individual accounts, but was spread across entire loan book account holders.

22. Post balance sheet events

Subsequent to the reporting date, the Ministry of Finance's investment of N$ 100 million made on 15 May 2007 with the Agribank, together with interest accrued up to 31 March 2008 was converted into a capital contribution for the Bank.