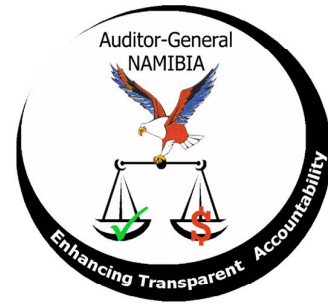




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **AGRICULTURAL BANK**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009**

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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 2009, 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, September 2010**

**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 2009**

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**1. INTRODUCTION**

The accounts of the Bank for the year ended 31 March 2009 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(a) 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 must:

*"(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."*

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
- Statement of financial position
- Statement of comprehensive income
- Statement of cash flows
- 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 our 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 the provision for doubtful debts.

It should however be noted that application of this board-approved policy for the calculation of the bad debt provision would, in the auditors opinion, not result in fair presentation of the annual financial statements. Accordingly, the deviation from the policy did not impact on the audit opinion. It is recommended that the Board revise this policy.

##### **4.2 Late submission of annual financial statements**

For the second consecutive year, the Accounting Officer of the Bank failed to comply with Section 21 of the Agribank Act, 2003 as amended, which required 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 LEGAL DEPARTMENT**

Correspondence with the Bank's legal department indicates a labour matter brought against the Bank by four former employees. This matter was postponed to 2010. During the year under review, legal action was instituted against the Bank for alleged breach of contract entered into between the Bank and Hardap Ostriches (Pty) Ltd., which are claiming relief in the amount of N\$ 13 986 678. As the case is still in its infancy not trial date has been set.

Since significant uncertainties regarding the ultimate outcome of these cases prevail, no provision for any liability has been made in the financial statements.

#### **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 2009 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 2009 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, August 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**AGRICULTURAL BANK OF NAMIBIA**

**ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2009**

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**APPROVAL**

The annual financial statements, set out on pages 7 to 38, have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

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**Ambassador Leonard N Iipumbu**  
**Chief Executive Officer**

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**Mr Ignatius H Theodore**  
**Senior Manager Finance**

The annual financial statements, set out on pages 7 to 38, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf:

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**Mr Hans-Günther Stier**  
**Chairperson of the Board**

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**Director**

**AGRICULTURAL BANK OF NAMIBIA**

**ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2009**

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**Statutory Information**

**DIRECTORS:**

The composition of the board of directors is as follows:

**CHAIRPERSON OF THE  
BOARD:**

Mr Hans-Günther Stier Appointed 06 October 2004

**NON-EXECUTIVE DIRECTORS**

Mrs Wilburga G Katamelo Appointed 06 October 2004

Mr Desmond R Tshikesho Appointed 06 October 2004

Mr Vehaka M Tjimune Appointed 06 October 2004

**EX-OFFICIO MEMBER**

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

		<b>2009</b>	<b>2008</b>	
		N\$ '000	N\$ '000	
<b>Value added:</b>				
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		140 863	138 514	
Interest paid and other expenditure		72 169	47 033	
		<b>68 694</b>	<b>91 481</b>	
 <b>Distribution of wealth created by the Bank</b>				
Employee compensation				
- Salaries, wages and other benefits	36%	24 770	26 347	29%
Government				
- Taxation	9%	5 904	9 830	11%
Retention for expansion of growth	55%	38 020	55 304	60%
- Retained income		36 834	54 754	
- Depreciation		1 186	550	
		<b>68 694</b>	<b>91 481</b>	



**AGRICULTURAL BANK OF NAMIBIA**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2009**

	Notes	2009	2008	2007
		N\$ '000	N\$ '000	N\$ '000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Long-term portion of advances	4	879 476	853 826	948 031
Property and equipment	6	52 355	49 231	47 885
Intangible assets	7	20 833	18 087	16 327
		952 664	921 144	1 012 243
<b>Current assets</b>				
Cash on hand	2	14	14	14
Bank balances	3	156 394	121 343	51 656
Short-term portion of advances	4	232 864	239 118	126 288
Other receivables	5	12 017	6 115	8 240
		401 289	366 590	186 198
<b>Total assets</b>		1 353 953	1 287 734	1 198 441
<b>CAPITAL, RESERVES AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Capital	17	447 415	319 256	319 256
Reserves	16	448 615	411 782	357 028
Funds and grants	15	124 265	120 715	116 130
		1 020 295	851 753	792 414
<b>Non-current liabilities</b>				
Line of credit	10	207 090	216 077	199 625
Other borrowed funds	11	18 723	18 483	766
Long-term borrowings	12	2 961	7 562	9 961
Post-retirement employee benefits	14.2	7 404	5 931	8 748
		236 178	248 053	219 100
<b>Current liabilities</b>				
Creditors and provisions	13	9 542	6 046	31 542
Current portion of line of credit	10	19 750	13 500	6 000
Current portion of long-term borrowings	12	4 691	3 998	3 550
Special purpose funds	8	59 576	160 425	139 892
Bills	9	3 921	3 959	5 943
		97 480	187 928	186 927
<b>Total liabilities</b>		333 658	435 981	406 027
<b>Total capital, reserves and liabilities</b>		1 353 953	1 287 734	1 198 441

**AGRICULTURAL BANK OF NAMIBIA**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH**

	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		N\$ '000	N\$ '000
<b>INCOME</b>			
Interest income	18.1	136 427	138 104
Interest expense	18.2	(38 320)	(36 531)
<b>Net interest income before provision for impairment on advances</b>		98 107	95 573
Provision for losses on advances	4	(19 535)	-
<b>Net income from lending activities</b>		78 572	95 573
Other operating income	18.3	4 436	6 410
<b>Total income</b>		83 008	101 983
General administrative expenses	18.4	(45 010)	(46 872)
Other operating expenditure	18.5	(1 164)	(357)
<b>Surplus for the year</b>		<b>36 834</b>	<b>54 754</b>

**AGRICULTURAL BANK OF NAMIBIA**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH**

	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		N\$ '000	N\$ '000
<b>Cash flow from operating activities</b>	<b>1</b>	<b>17 149</b>	<b>8 507</b>
Cash received from customers	2	140 360	135 697
Cash paid to financiers	3	(38 320)	(36 531)
Cash paid to employees and suppliers		(43 515)	(46 679)
Cash movement in operating liabilities/assets	4	(2 445)	(25 355)
Cash movement in advances	5	(38 931)	(18 625)
<b>Cash flow from investing activities</b>		<b>(6 553)</b>	<b>(3 656)</b>
Proceeds from the disposal of property and equipment		503	-
Intangible assets capitalized		(2 746)	(1 760)
Acquisition of property and equipment		(4 310)	(1 896)
<b>Cash flow from financing activities</b>		<b>24 455</b>	<b>64 836</b>
Payment of finance lease liability		(3 908)	(1 951)
Movement in funds		131 709	4 585
Movement in Special Purpose Fund		(100 848)	20 533
Movement in other borrowed funds		240	17 717
Line of credit repayments		(2 738)	23 952
<b>Cash and short-term funds generated</b>		<b>35 051</b>	<b>69 687</b>
Cash and short-term funds in the beginning of the year		121 357	51 670
<b>Cash and short-term funds at the end of the year</b>		<b>156 408</b>	<b>121 357</b>

**AGRICULTURAL BANK OF NAMIBIA**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH**

(continued)

NOTES TO THE STATEMENT OF CASH FLOWS	Notes	2009	2008
		N\$ '000	N\$ '000
<b>1. Reconciliation of surplus for the year to cash flow from operating activities</b>			
Surplus for the year		36 834	54 754
Adjusted for non-cash items:			
Depreciation		1 186	550
Post-retirement benefits		1 473	(2 817)
Profit on disposal of property and equipment		(503)	-
Movement in creditors		3 496	(25 496)
Movement in bills		(38)	(1 984)
Movement in trade receivables		(5 903)	2 125
Movement in advances	5	(19 396)	(18 625)
Cash flow from operating activities		<b>17 149</b>	<b>8 507</b>
<b>2. Cash received from customers</b>			
Interest received		136 427	132 104
Other income received		3 933	3 593
		<b>140 360</b>	<b>135 697</b>
<b>3. Cash paid to financiers/loan providers</b>			
Interest paid		<b>38 320</b>	<b>36 531</b>
<b>4. Cash movement in operating liabilities/assets</b>			
Debtors		(5 903)	2 125
Creditors and provision		3 496	(25 496)
Bills		(38)	(1 984)
		<b>(2 445)</b>	<b>(25 355)</b>
<b>5. Cash movement in advances</b>			
Movement in advances		(19 396)	(18 625)
Adjusted for non-cash items:			
Movement in provision for credit losses		(19 535)	-
		<b>(38 931)</b>	<b>(18 625)</b>

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

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#### 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 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 as well as certain items of property, plant and equipment 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, unless stated otherwise.

##### 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 and 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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### - 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 valuers, 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 life. 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 period-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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### 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.

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

Unsold 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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### 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.



## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### 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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

(continued)

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#### **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 through 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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### **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.

Interest suspended is credited directly to the provision for credit losses.

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 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.

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### 1.16 New Standards and Interpretations

a) **Improved, revised and replaced International Reporting Standards effective for the first time for the year ended 31 March 2009:**

- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008);
- IFRIC 14, IAS 19, IAS 19 - The Limitation on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. (effective from 1 January 2008)

Management assessed the relevance of these amendments and interpretations with respect to the operations of the Bank and concluded that they are not relevant.

b) **Improved, revised and replaced International Reporting Standards that are not yet effective and have not been early adopted:**

Standards, amendments and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after 1 April 2009 or later periods. None of these standards, amendments or interpretations has been early adopted, except for IAS 1 (revised) Presentation of Financial Statements (effective from 01 January 2009). The Bank will assess the relevance thereof with respect to its operations.

- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008);
- IAS 1 (Revised), Presentation of Financial Statements (effective from 01 January 2009)
- IAS 23 (Revised), Borrowing Costs. (effective from 01 January 2009)
- IFRS 8 Operating Segments (effective from 01 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estates. (effective from 01 January 2009)
- IFRS 2 Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations. (effective from 01 January 2009)
- IAS 32 and IAS 1 Financial Instruments: Presentation and Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation. (effective from 01 January 2009)
- IFRS 1 and IAS 27 IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption (effective from 01 January 2009)
- IAS 18 Revenue: Consequential amendments (effective from 01 January 2009)
- IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential amendments (effective from 01 January 2009)
- IAS 36 Impairment of Assets: Consequential amendments (effective from 01 January 2009)
- IFRS 3 (Revised) Business Combinations. (effective from 01 July 2009)
- IAS 27 (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)

**AGRICULTURAL BANK OF NAMIBIA**

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

**1.16 New Standards and Interpretations (continued)**

- IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 12, IAS 27 (Amended) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements. (effective from 01 July 2009)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items. (effective from 01 July 2009)
- IAS 39 and IFRS 7 Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets (effective from 01 July 2009)

	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
<b>2. CASH ON HAND</b>		
Cash on hand	14	14
<b>3. BANK BALANCES</b>		
Current accounts with Commercial Banks	156 394	121 343
<b>4. ADVANCES</b>		
Total advances	1 338 333	1 261 767
<b>Provision for credit losses on advances</b>		
Provision 31 March	168 823	136 275
Current provision:		
- Interest suspended	37 635	32 548
- Provision for doubtful debts	19 535	-
Bad debts recovered	2 561	2 623
	228 554	171 446
Transfer to income statement	(2 561)	(2 623)
<b>TOTAL PROVISION</b>	<b>225 993</b>	<b>168 823</b>
Total advances after provision	1 112 340	1 092 944
<b>LESS: SHORT-TERM PORTION OF ADVANCES</b>	<b>(232 864)</b>	<b>(239 118)</b>
<b>LONG-TERM PORTION OF ADVANCES</b>	<b>879 476</b>	<b>853 826</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

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<b>5. OTHER RECEIVABLES</b>	2009	2008
	N\$'000	N\$'000
Accounts receivable and prepayments	8 445	4 034
Salary advances	3 572	2 081
	<b>12 017</b>	<b>6 115</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

**6. PROPERTY & EQUIPMENT**

<b>2009 Year</b>	<b>Leasehold</b>	<b>Land and buildings</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
<b>Carrying value: Beginning of the year</b>	<b>19</b>	<b>48 642</b>	<b>570</b>	<b>-</b>	<b>49 231</b>
Cost/valuation	661	48 653	6 653	1 987	57 953
Accumulated depreciation	(642)	(11)	(6 083)	(1 987)	(8 722)
<b>During the year:</b>	<b>(9)</b>	<b>-</b>	<b>(32)</b>	<b>3 165</b>	<b>3 124</b>
- Additions	-	-	341	3 969	4 310
- Disposals	-	-	(1 106)	(1 987)	(3 093)
- Reversal depreciation	-	-	1 106	1 987	3 093
- Depreciation	(9)	-	(373)	(804)	(1 186)
<b>Carrying value : End of the year</b>	<b>10</b>	<b>48 642</b>	<b>538</b>	<b>3 165</b>	<b>52 355</b>
Cost/valuation	661	48 653	5 887	3 969	59 170
Accumulated depreciation	(651)	(11)	(5 349)	(804)	(6 815)
<b>2008 Year</b>					
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
<b>Carrying value: Beginning of the year</b>	<b>24</b>	<b>46 840</b>	<b>977</b>	<b>44</b>	<b>47 885</b>
Cost price	661	46 840	6 572	1 987	56 060
Accumulated depreciation	(637)	-	(5 595)	(1 943)	(8 175)
<b>During the year:</b>	<b>(5)</b>	<b>1 802</b>	<b>(406)</b>	<b>(44)</b>	<b>1 347</b>
- Additions	-	1 813	83	-	1 896
- Depreciation	(5)	(11)	(489)	(44)	(549)
<b>Carrying value : End of the year</b>	<b>19</b>	<b>48 642</b>	<b>570</b>	<b>-</b>	<b>49 231</b>
Cost price	661	48 653	6 653	1 987	57 954
Accumulated depreciation	(642)	(11)	(6 083)	(1 987)	(8 723)

**AGRICULTURAL BANK OF NAMIBIA**

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

**6. PROPERTY & EQUIPMENT (continued)**

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.

	<b>2009</b>	<b>2008</b>
	<b>N\$'000</b>	<b>N\$'000</b>
- Erf 5478, Windhoek	22 000	22 000
- Erf 995, Otjiwarongo	1 620	1 620
- Erven 870 and 871, Mariental	60	60
- Erven 1608 and 1609, Rundu	2 920	2 920
- Erf 1417, Oshakati	30	30
	<b>26 630</b>	<b>26 630</b>

**7. INTANGIBLE ASSETS – SOFTWARE DEVELOPMENT COST**

Opening carrying amount	18 087	16 327
Further capitalized cost	2 746	1 760
Closing carrying amount	<b>20 833</b>	<b>18 087</b>

**8. SPECIAL PURPOSE FUNDS**

**CATEGORY ANALYSES**

Agricultural boards	206	569
Staff savings scheme	92	66
Government Ministries	59 206	159 723
Agricultural and farmers unions	72	67
	<b>59 576</b>	<b>160 425</b>

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

**MATURITY ANALYSES**

<b>Duration</b>	<b>RATES</b>		
On demand to one month	6.00% - 9.10%	368	48 050
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%	59 190	112 375
		<b>59 558</b>	<b>160 425</b>



**AGRICULTURAL BANK OF NAMIBIA**

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

<b>9. BILLS</b>	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
Consideration amount	3 906	3 898
Accrued interest	15	61
	<b>3 921</b>	<b>3 959</b>

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**

African Development Bank - First Line of Credit	30 000	36 000
African Development Bank - Second Line of Credit	56 250	63 750
African Development Bank - Third Line of Credit	125 000	125 000
	211 250	224 750
Plus: Accrued interest	15 590	4 827
	226 840	229 577
Less payable before 31 March 2010 included in current portion of line of credit	(19 750)	(13 500)
Total line of credit	<b>207 090</b>	<b>216 077</b>

**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  
(continued)**

**10. LINE OF CREDIT (continued)**

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

	<u>Number of loans</u>	<b>2009</b>	<b>2008</b>
		N\$'000	N\$'000
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	<u>4</u>	1 749	1 749
	<u>289</u>	60 000	60 000
Less : Payments made during the year		(6 000)	(6 000)
Less : Payments made during previous years		(24 000)	(18 000)
		<b>30 000</b>	<b>36 000</b>

**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:

	<b>Number of loans</b>	<b>2009</b>	<b>2008</b>
		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	<u>267</u>	1 343	1 343
	<u>760</u>	79 570	79 570
Less : Payments made during the year		(7 500)	(3 750)
Less : Payments received during previous years		(12 070)	(8 320)
Less : Portion financed by Agribank		(3 750)	(3 750)
		<b>56 250</b>	<b>63 750</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

**10. LINE OF CREDIT (continued)**

**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.

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 1 October of each year.

		<u>2009</u>	<u>2008</u>
		N\$'000	N\$'000
	<b>Number of loans</b>		
Land purchases	45	46 935	42 532
Livestock	575	30 603	20 619
Production	22	4 138	4 138
AA Loans	11	9 975	5 204
Consolidation of debts	9	4 500	-
Debushing	2	1 797	-
Electricity	2	119	-
Farm vehicle	2	371	-
Farm implements	3	394	-
Improvements	9	1 368	-
Labourers housing	3	965	-
Meatco	7	2 101	-
Crop production	6	1 015	-
Tractor	2	307	-
Other	-	2 885	2 885
Infrastructure	125	12 539	10 274
Agricultural equipment	50	4 371	4 371
Crop production	<u>10</u>	<u>617</u>	<u>617</u>
	<u>883</u>	<u>125 000</u>	<u>90 640</u>
Add: New loans for the year		-	34 360
		<u><b>125 000</b></u>	<u><b>125 000</b></u>

**AGRICULTURAL BANK OF NAMIBIA**

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

	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
<b>11. OTHER BORROWED FUNDS</b>		
Government scheme for drought relief 92 loans	17 188	16 718
Etunda Small Farmers	1 535	1 765
	<b>18 723</b>	<b>18 483</b>
<b>12. LONG-TERM BORROWINGS</b>		
Lease agreement Standard Bank Namibia Limited	7 652	11 560
Less: Current portion shown under current liabilities	(4 691)	(3 998)
	<b>2 961</b>	<b>7 562</b>
<p>The loan is repayable in monthly installments of N\$ 443 359 and bears interest at prime linked rates.</p>		
<b>13. CREDITORS AND PROVISIONS</b>		
<b>PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)</b>		
Bonuses	44	44
Leave	924	421
Grants and bursaries	178	258
Total other provisions	1 146	723
Creditors	8 396	5 323
Total creditors and provisions	<b>9 542</b>	<b>6 046</b>
<b>14. EMPLOYEE BENEFITS</b>		
<b>14.1 Pension scheme</b>		
<p>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 2007 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.</p> <p>The Agricultural Bank of Namibia currently contributes 16% of basic salary to the Fund whilst the members contribute 7%.</p>		
	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
Bank contribution	2 784	1 863
Employee contribution	1 218	815
	<b>4 002</b>	<b>2 678</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

**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 2009. The valuation method used was the projected Unit Credit Method. The liability was estimated at N\$ 7.404 million.

	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
Present value of unfunded obligation	7 404	5 931
<i>Reconciliation showing the movement of liability reflected on the balance sheet:</i>		
Opening balance	5 931	8 748
Net expense/(income) recognized in the income statement	1 473	(2 817)
	7 404	5 931
<i>Net (income)/expense recognized in the income statement:</i>		
Actuarial loss / (gain)	513	(2 817)
Current service cost	346	-
Interest cost	614	-
	1 473	(2 817)
The principle assumptions used were:		
Discount rate	9%	9%
Health care cost inflation	8,9%	7%
Average retirement age	60	60

**AGRICULTURAL BANK OF NAMIBIA**

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

**14.2 Post-retirement employee benefits (continued)**

Valuation date	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
<i>The effect of a 1% movement in the assumed health care cost inflation:</i>	<b>Increase</b>	<b>Decrease</b>
Effect on the current service and interest cost	1 641	1 033
Effect on the accumulated post-retirement medical obligation	8 917	6 274
<i>The effect of members experiencing mortality 20% higher and lower than assumed:</i>		
Effect on the current service and interest cost	1 202	1 391
Effect on the accumulated post-retirement medical obligation	6 930	8 001

**15. FUNDS AND GRANTS**

European Fund Account	11 528	11 528
Government of the Republic of Namibia	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme	42 074	38 524
	<b>124 265</b>	<b>120 715</b>

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\$ 42 074 000 (2008: N\$ 38 524 000) 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.

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$'000	N\$'000	N\$'000
<b>16. RESERVES</b>			
Balance at the beginning of the year	411 781	357 028	298 112
Surplus restated for the year	36 834	54 754	53 666
Surplus previously stated	-	48 525	27 368
Correction of error (Note 19)	-	6 229	26 298
Revaluation of assets	-	-	5 250
Balance at the end of the year	<b>448 615</b>	<b>411 782</b>	<b>357 028</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

<b>17. CAPITAL FUND</b>		<b>2009</b>	<b>2008</b>
		N\$'000	N\$'000
Account No. 1	*	54 284	54 284
Account No. 2	**	108 893	108 893
Account No. 3	***	6 079	6 079
Account No. 4	****	278 159	150 000
		<b>447 415</b>	<b>319 256</b>

\* 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. An additional transfer of N\$ 128 159 000 was made. It was initially advanced as a loan by Government, but subsequently converted into equity.

**AGRICULTURAL BANK OF NAMIBIA**

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

	<b>2009</b>	<b>2008</b>
	N\$'000	N\$'000
<b>18. INCOME AND EXPENDITURE</b>		
<b>18.1 Interest income</b>		
Cash and short-term assets	12 160	6 926
Loans granted	124 267	125 178
	<b>136 427</b>	<b>132 104</b>
<b>18.2 Interest expenses</b>		
Overdraft facilities	4	13
Deposits	6 961	12 105
Bills	262	545
Line of credit	31 093	23 868
	<b>38 320</b>	<b>36 531</b>
<b>18.3 Other operating income</b>		
Commission earned	2	7
Rents received	1 323	958
Actuarial gain	-	2 817
Promotional items	-	1
Other income	2 608	2 627
Surplus on disposal of assets	503	-
	<b>4 436</b>	<b>6 410</b>



**AGRICULTURAL BANK OF NAMIBIA**

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

	2009	2008
	N\$'000	N\$'000
<b>18.4 General administrative expenses</b>		
Auditors Remuneration	76	80
<b>Depreciation</b>	<b>1 186</b>	<b>549</b>
Furniture & fittings	373	489
Property	9	16
Vehicles	804	44
<b>Directors Fees</b>	<b>100</b>	189
Services as Director	71	141
Directors traveling	29	48
Insurance	362	426
Marketing	1 625	797
Maintenance property & equipment	439	444
Other professional fees	847	1 116
<b>Rent paid</b>	<b>1 370</b>	<b>1 358</b>
Equipment	571	499
Property	799	859
<b>Staff cost</b>	<b>30 674</b>	<b>36 177</b>
Salaries	20 071	25 164
Fringe benefits	10 316	10 713
Training costs	287	300
Other expenses	8 331	5 736
	<b>45 010</b>	<b>46 872</b>

**AGRICULTURAL BANK OF NAMIBIA**

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

	2009	2008
	N\$'000	N\$'000
<b>18. INCOME AND EXPENDITURE (continued)</b>		
<b>18.5 Other operating expenses</b>		
Traveling & accommodation	1 164	357
<b>19. CORRECTION OF PRIOR PERIOD ERROR</b>		
An error occurred with respect to the calculation of the interest in suspense account. The total interest suspended in 2007 and 2008 was overstated and retrospective adjustments needed to be made. The effect of the restatement on the financial statements are as follows:		
Increase in interest received	(6 229)	(26 298)
Increase in loan advances	6 229	26 298

**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 (2008: Nil).

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

**AGRICULTURAL BANK OF NAMIBIA**

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

**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.

**2009**

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
	N\$'000	N\$'000	N\$'000
Interest-bearing	103 528	145 685	67 500
Trade payables	8 396	-	-

**2008**

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
	N\$'000	N\$'000	N\$'000
Interest-bearing	194 271	148 483	81 250
Trade payables	43 845	-	-

**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.

**AGRICULTURAL BANK OF NAMIBIA**

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

**Financial instruments by classification**

**Assets as per balance sheet**

**2009**

	<b>Interest rate</b>	<b>Loans and receivables</b>	<b>Fair value through profit &amp; loss</b>	<b>TOTAL</b>
		N\$'000	N\$'000	N\$'000
Advances	Fixed	1 112 340	-	1 112 340
Cash and bank balances	Floating	156 394	-	156 394
Other current assets	Non-interest- bearing	12 017	-	12 017

**2008**

	<b>Interest rate</b>	<b>Loans and receivables</b>	<b>Fair value through profit &amp; loss</b>	<b>TOTAL</b>
		N\$'000	N\$'000	N\$'000
Advances	Fixed	1 092 944	-	1 092 944
Cash and bank balances	Floating	121 343	-	121 343
Other current assets	Non-interest- bearing	6 115	-	6 115

**Liabilities as per balance sheet**

**2009**

	<b>Interest rate</b>	<b>Other financial liabilities at amortised cost</b>	<b>Fair value through profit &amp; loss</b>	<b>TOTAL</b>
		N\$'000	N\$'000	N\$'000
Line of credit	Floating	226 840	-	226 840
Other borrowed funds	Non-interest- bearing	18 723	-	18 723
Long-term borrowings	Floating	7 652	-	7 652
Bills	Fixed	3 921	-	3 921
Special purpose funds	Fixed and floating	59 576	-	59 576
Trade creditors	Non-interest- bearing	8 396	-	8 396

**AGRICULTURAL BANK OF NAMIBIA**

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

**Liabilities as per balance sheet (continued)**

**2008**

	<b>Interest rate</b>	<b>Other financial liabilities at amortised cost</b>	<b>Fair value through profit &amp; loss</b>	<b>TOTAL</b>
		N\$'000	N\$'000	N\$'000
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

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 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 100 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 2008.

**As at 31 March 2009:**

	<b>100 basis points increase</b>	<b>100 basis points decrease</b>
	N\$'000	N\$'000
Floating rate financial assets	1 564	(1 564)
Floating rate financial liabilities	(2 345)	2 345
<b>Increase/(decrease) in profits</b>	<b>(781)</b>	<b>781</b>

**As at 31 March 2008:**

	<b>100 basis points increase</b>	<b>100 basis points decrease</b>
	N\$'000	N\$'000
Floating rate financial assets	1 213	(1 213)
Floating rate financial liabilities	(2 411)	2 411
<b>Increase/(decrease) in profits</b>	<b>(1 198)</b>	<b>1 198</b>

## AGRICULTURAL BANK OF NAMIBIA

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009 (continued)

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#### **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 is minimized.

## AGRICULTURAL BANK OF NAMIBIA

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

#### 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:

	<u>2009</u> <u>N\$ 000</u>	<u>2008</u> <u>N\$ 000</u>
Advances	1 112 340	1 092 944
Bank balances	156 394	121 343
Other receivables	12 017	6 115
	<u>1 280 751</u>	<u>1 220 402</u>

Asset classes with no credit risk exposure:

Property and equipment	52 355	49 231
Intangible assets	20 833	18 087
Cash on hand	14	14
	<u>73 202</u>	<u>67 332</u>

#### 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.

**AGRICULTURAL BANK OF NAMIBIA**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009**  
**(continued)**

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**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.