



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
AGRICULTURAL BANK
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Published by authority

Price (Vat excluded) N\$ 45.22
Report no: 1040

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 2011, 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, February 2012

**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 2011**

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2011 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 following documentation is 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 the report to management:

4.1 Inadequate credit controls

Audit is concerned about the inadequacy of credit controls exercised by the Bank. These deficiencies results in low recovery rates on its scheduled loan installments due by customers. For the past two financial years the recovery rate (actual installments received as a percentage of scheduled installments) remained below 20% and this trend has continued for the period after the financial year-end.

Testimony to the deteriorating quality of its loan book, the Bank's arrear loan book has increased with N\$ 31 million for the year under review bringing it to N\$ 220 million (15% of the gross loan book) as at 31 March 2011. Whilst the Bank has adequate security in place for most of its loans, the impact of poor debt collection on its liquidity remains a cause of concern.

4.2 Late submission of annual financial statements

The Board 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.

5. RESPONSES FROM THE LAWYERS

Correspondence with the lawyers indicates no notarial claims against the Agribank.

The labour case of four employees against the bank, scheduled to take place in November 2011, was postponed with no court date set as yet.

The case of Hardap Ostriches (Pty) Ltd, instituted during August 2008, against the bank for alleged breach of contract, is still in its infancy stage and not much progress has been made during the 2011 calendar year. Hardap Ostriches (Pty) Ltd are claiming relief in the amount of N\$ 13 986 678.

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 2011 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 2011 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, February 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2011

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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 Leonard N Iipumbu
Chief Executive Officer

Mr. Ignatius 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

Director

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2011

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

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

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

		<u>2011</u>	<u>2010</u>	
		N\$ '000	N\$ '000	
Value added:				
Value added is the wealth created by the Agricultural Bank of Namibia through the provision of loans to clients.				
Interest income and non-interest income		141 245	135 464	
Interest paid and other expenditure		<u>(74 433)</u>	<u>(81 061)</u>	
		<u>66 812</u>	<u>54 403</u>	
Distribution of wealth created by the Bank				
Employee compensation				
- Salaries, wages and other benefits	46%	30 977	28 395	52%
Government				
- Taxation	10%	6 359	5 767	11%
Retention for expansion of growth	44%	29 476	20 241	37%
- Retained income		20 988	14 951	
- Depreciation and amortisation		8 488	5 290	
		<u>66 812</u>	<u>54 403</u>	

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	2011	2010	2009
		N\$ '000	N\$ '000	N\$ '000
ASSETS				
Non-current assets				
Long-term portion of advances	4	1 166 500	990 625	847 979
Property, plant & equipment	6.1	36 711	52 474	52 355
Investment properties	6.2	14 950	-	-
Intangible assets	7	17 630	24 628	20 833
		<u>1 235 791</u>	<u>1 067 727</u>	<u>929 767</u>
Current assets				
Cash on hand	2	26	25	14
Bank balances	3	61 384	97 581	156 394
Short-term portion of advances	4	178 765	225 046	232 864
Other receivables	5	408	799	12 017
		<u>240 583</u>	<u>323 451</u>	<u>401 289</u>
Total assets		<u>1 476 374</u>	<u>1 391 178</u>	<u>1 332 456</u>
CAPITAL RESERVES AND LIABILITIES				
Capital and reserves				
Capital	17	569 658	465 415	447 415
Reserves	16	447 061	426 073	417 118
Funds and grants	15	116 226	117 386	124 265
		<u>1 132 945</u>	<u>1 008 874</u>	<u>988 798</u>
Non-current liabilities				
Line of credit		-	-	207 090
Deferred income	13	117 536	141 104	-
Other borrowed funds	10	23 099	21 543	18 723
Long-term borrowings	11	79 903	79 685	2 961
Post-retirement employee benefits	14.2	10 343	8 806	7 404
		<u>230 881</u>	<u>251 138</u>	<u>236 178</u>
Current liabilities				
Creditors and provisions	12	16 213	37 047	9 542
Current portion of line of credit		-	-	19 750
Current portion of long-term borrowings	11	10 350	13 284	4 691
Special purpose funds	8	85 985	76 892	59 576
Bills	9	-	3 943	3 921
		<u>112 548</u>	<u>131 166</u>	<u>98 480</u>
Total liabilities		<u>343 429</u>	<u>382 304</u>	<u>333 658</u>
Total capital, reserves and liabilities		<u>1 476 374</u>	<u>1 391 178</u>	<u>1 332 456</u>

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011	2010
		N\$ '000	N\$ '000
INCOME			
Interest income on advances	19.1	124 024	120 736
Interest expense	19.2	<u>(13 059)</u>	<u>(16 579)</u>
Net interest income before provision for impairment on advances		110 965	104 157
Provision for losses on advances	4	<u>(26 782)</u>	<u>(35 741)</u>
Net income from lending activities		84 183	68 416
Interest income on banks and fixed deposits	19.1	4 192	7 906
Other operating income	19.3	<u>13 029</u>	<u>6 822</u>
Total income		101 404	83 144
General administrative expenses	19.4	<u>(80 416)</u>	<u>(68 193)</u>
Surplus for the year		<u><u>20 988</u></u>	<u><u>14 951</u></u>

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011	2010
		N\$ '000	N\$ '000
Cash flow from operating activities	1	(123 492)	(74 440)
Cash received from customers	2	141 245	135 464
Cash paid to financiers	3	(13 059)	(16 579)
Cash paid to employees and suppliers		(70 916)	(61 501)
Cash movement in operating liabilities/assets	4	(24 386)	38 745
Cash movement in advances	5	(156 376)	(170 569)
Cash flow from investing activities		(152)	(9 204)
Proceeds from the disposal of property and equipment		-	-
Intangible assets capitalized		(29)	(7 257)
Acquisition of property and equipment		(123)	(1 947)
Cash flow from financing activities		87 448	24 842
Payment of finance lease liability		(2 716)	(4 717)
Movement in funds and capital		103 083	11 121
Movement in Special Purpose Fund		9 093	11 320
Movement in other borrowed funds		1 556	2 820
(Decrease) / Increase in deferred income		(23 568)	141 104
Long-term borrowings raised		-	90 034
Line of credit repayments		-	(226 840)
Cash and short-term funds (utilized)/generated for the year		(36 196)	(58 802)
Cash and short-term funds in the beginning of the year		97 606	156 408
Cash and short-term funds at the end of the year		61 410	97 606

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

(continued)

NOTES TO THE CASH FLOW STATEMENT	2011	2010
	N\$ '000	N\$ '000
1. Reconciliation of surplus for the year to cash flow from operating activities		
Surplus for the year	20 988	14 951
Adjusted for non-cash items:		
Depreciation	886	1 828
Depreciation on investment properties	50	1 828
Amortization of intangible assets	7 027	3 462
Post-retirement benefits	1 537	1 402
Profit on disposal of property and equipment	-	-
Movement in creditors	(20 834)	27 505
Movement in bills	(3 943)	22
Movement in trade receivables	391	11 218
Movement in advances	(129 594)	(134 828)
Cash flow from operating activities	(123 492)	(74 440)
2. Cash received from customers		
Interest received on advances	124 024	120 736
Interest received on banks and fixed deposits	4 192	7 906
Other income received	13 029	6 822
	141 245	135 464
3. Cash paid to financiers/loan providers		
Interest paid	13 059	16 579
4. Cash movement in operating liabilities/assets		
Debtors	391	11 218
Creditors and provision	(20 834)	27 505
Bills	(3 943)	22
	(24 386)	38 745
5. Cash movement in advances		
Movement in advances	(129 594)	(134 828)
Adjusted for non-cash items:		
Movement in provision for credit losses	(26 782)	(35 741)
	(156 376)	(170 569)

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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 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 2011 (continued)

- 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 provisions for post-retirement medical- and severance 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, plant and equipment

Property, plant 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, plant and equipment, other than land, is depreciated on the straight-line basis over its expected economic lives. 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, plant 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 2011 (continued)

1.4 Leased assets

Property, plant 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 2011 (continued)

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 2011 (continued)

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 2011 (continued)

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 of 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 2011 (continued)

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 against 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, 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 Government grants

Government grants are recognized when there is reasonable assurance that:

- The Bank will comply with conditions attaching to them; and
- The grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

1.15 Government grants (continued)

Government grants related to income are presented as a credit in the profit or loss.

Where a loan is received from the Government at below market interest or at no interest rate, the difference between the fair value of the loan and the amount received is recognized as a Government grant.

1.16 Investment properties

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Investment is subsequently measured at cost reduced by annual depreciation charges.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

	2011	2010
	N\$'000	N\$'000
2. CASH ON HAND		
Cash on hand	<u>26</u>	<u>25</u>
3. BANK BALANCES		
Bank balances	19 333	59 927
Notice deposits	42 051	37 654
	<u>61 384</u>	<u>97 581</u>
4. ADVANCES		
Total advances	<u>1 579 422</u>	<u>1 417 254</u>
Provision for credit losses on advances		
Opening balance	201 583	225 993
Current provision:		
- Interest suspended	5 792	2 266
- Provision for doubtful debts	26 782	35 741
Interest in suspense reversed	-	(62 417)
Bad debts recovered	-	1 031
		<u>202 614</u>
Transfer to income statement	-	(1 031)
TOTAL PROVISION	<u>234 157</u>	<u>201 583</u>
Total advances after provision	1 345 265	1 215 671
LESS: SHORT-TERM PORTION OF ADVANCES	<u>(178 765)</u>	<u>(225 046)</u>
LONG-TERM PORTION OF ADVANCES	<u>1 166 500</u>	<u>990 625</u>
5. OTHER RECEIVABLES		
Accounts receivable and prepayments	568	797
Staff related	(160)	2
	<u>408</u>	<u>799</u>

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

6. PROPERTY, PLANT & EQUIPMENT

	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
31 March 2011	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Carrying value: Beginning of the year	105	48 642	1 752	1 975	52 474
Cost/valuation	766	48 653	7 729	3 969	61 117
Accumulated depreciation	(661)	(11)	(5 977)	(1 994)	(8 643)
During the year:	(16)	(15 000)	(47)	(794)	(15 763)
- Additions	6	-	117	-	123
- Reclassification	-	(15 000)	-	-	(15 000)
- Depreciation	(22)	-	(70)	(794)	(886)
Carrying value : End of the year	89	33 642	1 799	1 181	36 711
Cost/valuation	772	33 653	7 846	3 969	46 240
Accumulated depreciation	(683)	(11)	(6 047)	(2 788)	(9 529)
31 March 2010	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Carrying value: Beginning of the year	10	48 642	538	3 165	52 355
Cost/valuation	661	48 653	5 887	3 969	59 170
Accumulated depreciation	(651)	(11)	(5 349)	(804)	(6 815)
During the year:	95	-	1 214	(1 190)	119
- Additions	105	-	1 842	-	1 947
- Depreciation	(10)	-	(628)	(1 190)	(1 828)
Carrying value : End of the year	105	48 642	1 752	1 975	52 474
Cost/valuation	766	48 653	7 729	3 969	61 117
Accumulated depreciation	(661)	(11)	(5 977)	(1 994)	(8 643)

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

6.1 PROPERTY, PLANT & EQUIPMENT (continued)

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

	2011	2010
	N\$'000	N\$'000
- Erf 5478, Windhoek	22 000	22 000
- Erf 995, Otjiwarongo	1 620	1 620
- Erf 870 and 871, Mariental	60	60
- Erf 1608 and 1609, Rundu	2 920	2 920
- Erf 1417, Oshakati	30	30
	26 630	26 630

6.2 INVESTMENT PROPERTIES

Cost model

Opening carrying amount	-	-
Transfer from property, plant & equipment	15 000	-
Depreciation	(50)	-
Closing carrying amount	14 950	-

The investment properties consist of farmland with improvements measuring 11,9335 hectares, situated in the Omaheke Region. The fair value, as determined by an independent sworn appraiser on 23 July 2010 amounted to N\$ 40 500 000.

7. INTANGIBLE ASSETS – SOFTWARE DEVELOPMENT COST

Opening carrying amount	24 628	20 833
Further capitalized cost	29	7 257
Amortization	(7 027)	(3 462)
Closing carrying amount	17 630	24 628

8. SPECIAL PURPOSE FUNDS

Ministry of Lands and Resettlement (Post-resettlement)	40 560	19 896
Staff savings scheme	(29)	105
Government Ministries & agricultural boards & unions	45 454	56 297
	85 985	76 892

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

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

	2011	2010
	N\$'000	N\$'000
9. BILLS		
Consideration amount	-	3 932
Accrued interest	-	11
	-	3 943
All bills matured during the year under review.		
10. OTHER BORROWED FUNDS		
Government scheme for drought relief 92 loans	20 177	18 621
Etunda Small Farmers	2 922	2 922
	23 099	21 543
11. LONG-TERM BORROWINGS		
The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank. The total amount settled was N\$ 218 139 076. The loan is interest-free and repayable over 21 years as follows:		
- For the first 20 years – N\$ 10 350 000 annually		
- Last installment – N\$ 11 139 076		
The balance disclosed represents the fair value of the loan as at 31 March 2011		
	90 253	90 035
Finance Lease agreement Standard Bank	-	2 934
Less: Current portion shown under current liabilities	(10 350)	(13 284)
	79 903	79 685
12. CREDITORS AND PROVISIONS		
PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)		
Leave	1 497	1 360
Grants and bursaries	110	110
Total other provisions	1 607	1 470
Creditors	4 256	4 577
Government loan instalment	10 350	-
Income received in advance	-	31 000
Total creditors and provisions	16 213	37 047

During the previous financial year the Bank received an amount of N\$ 31 million from the Namibian Government. These funds were earmarked for the 2010/2011 year and were transferred to equity during the year under review.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

	2011	2010
	N\$'000	N\$'000
13. DEFERRED INCOME		
Opening balance	141 104	-
Recognized during the year:		
- Government interest-free loan	-	132 670
- Ministry of Finance grant (Crop and agriculture production)	(13 000)	13 000
Amortized to the income statement	(10 568)	(4 566)
	117 536	141 104

The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank during the previous financial year. The total amount settled was N\$ 218 139 076. The loan is interest-free and therefore are recognized as a form of government assistance. The benefit is the difference between the initial carrying amount of the loan, discounted at similar loan rates, and the actual proceeds received from the government. The interest rate used was the equivalent of the borrowing rate that the African Development Bank would have charged for a similar loan, currently 10.685%.

The Ministry of Finance granted an amount of N\$ 13 million in total for crop and aquaculture production. This amount was released to equity / capital when the loans were disbursed during the year under review.

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 performed as at 31 December 2008 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%.

	2011	2010
	N\$'000	N\$'000
Bank contribution	3 727	3 464
Employee contribution	1 631	1 516
	5 358	4 980

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)

14.2 Post-retirement employee benefits

The Bank made provision for their Post-retirement medical benefit obligation as well as their severance benefit obligation, payable in terms of the Namibian Labour Act. The balances of these two provisions made for the year are:

	2011	2010
	N\$'000	N\$'000
Medical benefit obligation	10 200	8 690
Severance benefit obligation	143	116
	10 343	8 806

14.2.1 Medical benefit obligation

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 every 2nd year.

The latest actuarial valuation for the severance benefit obligation was carried out on 31 March 2010.

The latest actuarial valuation for the post-retirement medical benefit was carried out on 31 March 2009. The valuation method used was the projected Unit Credit Method. The liability was estimated at N\$ 10.2 million as at 31 March 2011.

	2011	2010
	N\$'000	N\$'000
Present value of unfunded obligation	10 200	8 690
<i>Reconciliation showing the movement of liability reflected on the balance sheet:</i>		
Opening balance	8 690	7 404
Net expense recognized in the income statement	1 510	1 286
	10 200	8 690
<i>Net expense recognized in the income statement:</i>		
Current service cost	650	551
Interest cost	860	735
	1 510	1 286
The principle assumptions used were:		
Discount rate	9%	9%
Health care cost inflation	8,9%	8,9%
Average retirement age	60	60

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

Medical benefit obligation – (continued)

	2011	2010
	N\$'000	N\$'000
14.2.2 Severance benefit obligation		
Present value of unfunded obligation	143	116
<i>Reconciliation showing the movement of liability reflected on the balance sheet:</i>		
Opening balance	116	-
Net expense/(income) recognized in the income statement	27	116
	143	116
<i>Net expense recognized in the income statement:</i>		
Actuarial loss	-	89
Current service cost	17	17
Interest cost	10	10
	27	116

14.2.3 Post-retirement employee benefits

The principle assumptions used were:

Salary inflation rate	7.31%	7.31%
Investment return	8.81%	8.81%
Average retirement age	60	60

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

	2011	2010
	N\$'000	N\$'000
15. FUNDS AND GRANTS		
European Fund Account	11 528	11 528
Government	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme	34 035	35 195
	116 226	117 386

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\$ 34 034 868 (2010: N\$ 35 195 643) 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

Balance at the beginning of the year	426 073	417 118
Correction of error	-	(5 996)
Surplus for the year	20 988	14 951
Balance at the end of the year	447 061	426 073

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

17. CAPITAL FUND

		2011	2010
		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	****	400 402	296 159
		569 658	465 415

* 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 Central 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 was made in 2009. It was initially advanced as a loan by Government, but subsequently converted into equity. In the 2010 financial year, the Ministry of Finance made an advance of N\$ 18 million to strengthen the Bank's statement of financial position. During the current financial year the Government made another N\$ 91.243 million, of which N\$ 31 million was already transferred to the Bank during the 2010 financial year, towards strengthening the statement of financial position of the Bank. The amount also includes N\$ 13 million which was advanced to the Bank by Government to advance aquaculture and crop production loans.

18. CORRECTION OF PRIOR PERIOD ERROR

An error, pertaining to the balance on the Post Resettlement Fund in the prior financial year, was detected.

The effects of the retrospective correction of the errors on the financial statements are as follows:

	2011	2010
	N\$'000	N\$'000
Increase in special purpose funds	-	5 996

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

	2011	2010
	N\$'000	N\$'000
19. INCOME AND EXPENDITURE		
19.1 Interest income		
Cash and short-term assets	4 192	7 906
Advances granted	124 024	120 736
	128 216	128 642
19.2 Interest expenses		
Overdraft facilities	10	6
Interest-free loan – Government	10 568	4 566
Deposits	2 363	4 912
Bills	118	310
Line of credit	-	6 785
	13 059	16 579
19.3 Other operating income		
Commission earned	(328)	3
Rents received	920	958
Government grant released interest free loan	10 568	4 566
Other income	1 858	1 295
Surplus on disposal of assets	11	-
	13 029	6 822

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

	2011	2010
	N\$'000	N\$'000
19.4 General administrative expenses		
Auditors remuneration	430	113
Audit fees	430	113
Depreciation and amortisation	8 488	5 290
Property, plant & equipment	1 411	1 828
Investment properties	50	-
Amortization - intangible assets	7 027	3 462
Directors Fees	237	211
Insurance	470	461
Marketing	3 219	2 375
Maintenance property & equipment	860	420
Professional fees	4 585	2 128
Rent paid	995	1 506
Staff cost	37 337	34 183
Salaries	21 254	20 809
Fringe benefits	14 590	12 364
Training	1 493	1 010
Other expenses	23 795	21 506
Post resettlement contribution	10 000	10 000
Bank charges	429	361
Legal fees	270	345
Security cost	235	252
Printing & stationery	382	319
Computer expenses	4 750	3 539
VAT apportionment expenses	1 910	1 226
Municipal costs	1 159	1 180
Travel	2 031	1 451
Vehicle cost	290	263
Telephone	1 106	1 463
General expenses	1 233	1 107
	80 416	68 193

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

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 (2010: Nil).

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

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.

2011

	Less than 1 year	Between 1 and 5 years	More than 5 years
	(N\$ 000)	(N\$ 000)	(N\$ 000)
Other liabilities	119 434	41 400	166 389
Trade payables	14 606	-	-

2010

	Less than 1 year	Between 1 and 5 years	More than 5 years
	(N\$ 000)	(N\$ 000)	(N\$ 000)
Other liabilities	109 666	41 400	166 389
Trade payables	35 577	-	-

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

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

2011

	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		(N\$ 000)	(N\$ 000)	(N\$ 000)
Advances	Fixed	1 345 265	-	1 345 265
Cash and bank balances	Floating	61 384	-	61 384
Other current assets	Non-interest - bearing	408	-	408

2010

	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		(N\$ 000)	(N\$ 000)	(N\$ 000)
Advances	Fixed	1 215 671	-	1 215 671
Cash and bank balances	Floating	97 581	-	97 581
Other current assets	Non-interest - bearing	799	-	799

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

Liabilities as per balance sheet

2011

	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		(N\$ 000)	(N\$ 000)	(N\$ 000)
Other borrowed funds	Non-interest- bearing	23 099	-	23 099
Long-term borrowings	Floating/Non-interest bearing	90 253	-	90 253
Bills	Fixed	-	-	-
Special purpose funds	Fixed and floating	85 985	-	85 985
Trade creditors	Non-interest- bearing	14 606	-	14606

2010

	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		(N\$ 000)	(N\$ 000)	(N\$ 000)
Other borrowed funds	Non-interest- bearing	21 543	-	21 543
Long-term borrowings	Floating/Non-interest bearing	2 934	90 035	92 969
Bills	Fixed	3 943	-	3 943
Special purpose funds	Non-interest- bearing	70 896	-	70 896
Trade creditors	Non-interest- bearing	35 577	-	35 577

The tables above summarize the bank's exposure to interest rate risks.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

Liabilities as per balance sheet (continued)

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 2010.

As at 31 March 2011:

	100 basis points increase	100 basis points decrease (N\$ 000)
	(N\$ 000)	(N\$ 000)
Floating rate financial assets	61 384	614
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	61 384	614

As at 31 March 2010:

	100 basis points increase	100 basis points decrease
	(N\$ 000)	(N\$ 000)
Floating rate financial assets	976	(976)
Floating rate financial liabilities	(29)	29
Increase/(decrease) in profits	947	(947)

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 timeous 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.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

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.

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 excluded).

	2011	2010
	N\$ 000	N\$ 000
Asset classes with credit risk exposure:		
Advances	1 345 265	1 215 671
Bank balances	61 384	97 581
Other receivables	408	799
	1 407 057	1 314 051
Asset classes with no credit risk exposure:		
Property, plant and equipment	36 711	52 474
Intangible assets	17 630	24 628
Cash on hand	26	25
	54 367	77 127

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

Collateral

The main types of collateral the Bank normally obtain 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.

Bank balances

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.

	2011	2010
	N\$ 000	N\$ 000
Loan advances past due not impaired		
Less than one year	586 464	406 463
Between one and two years	90 343	97 213
Between two and three years	134 109	62 478
More than three years	162 457	198 214
	973 373	764 368
Loan advances neither past due nor impaired	372 373	458 880

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011 (continued)

Included in the loan book of the Bank are the following amounts in respect of loan customers whose credit terms were re-negotiated. The Board granted relief to others based on adverse industry conditions prevailing over a specified period of time.

	2011	2010
	N\$ 000	N\$ 000
Consolidation of debt	212 209	178 713
Special arrangements	194 486	162 887
	406 695	341 599

21. Standards and interpretations not yet effective

At the date of authorisation of the financial statements of the Agricultural Bank of Namibia for the year ended 31 March 2011, the following new or revised financial reporting standards, amendments and interpretations of those standards were in issue but not yet effective. On review of these amendments and interpretations, the impact (if any) has not yet been estimated, or is not expected to have a material impact on the Bank's financial statements.

Standard or interpretation	Title and details	Effective Date
IAS 1 (amendment)	Presentation of Financial Statements The amendment is part of the IASB annual improvements process for 2010 and clarifies certain issues relating to the Statement of Changes in Equity.	Annual periods beginning on or after 1 January 2011.
IAS 12 (amendment)	Income taxes The amendment introduces a rebuttable presumption that an investment property will be recovered in its entirety through sale.	Annual periods beginning on or after 1 January 2012.
IAS 24 (revised)	Related Party Disclosures The revised standard contains an amended definition of related parties and modifies certain related party disclosure requirements for Government-related entities.	Annual periods beginning on or after 1 January 2011.
S 27 (revised)	Consolidated and Separate Financial Statements The revised standard requires the effect of all transactions with non-controlling interests to be recorded in equity where there is no change in control and such transactions will no longer result in goodwill or gains and losses.	Annual periods beginning on or after 1 July 2011.
IAS 27 (amendment)	Consolidated and Separate Financial Statements These are consequential amendments resulting from the issue of IFRS 10, 11 and 12.	Annual periods beginning on or after 1 January 2013.

(continued)

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

Standards and interpretations not yet effective (continued)

Standard or interpretation	Title and details	Effective Date
IAS 28 (amendment)	Investments in associates These are consequential amendments resulting from the issue of IFRS 10, 11 and 12.	Annual periods beginning on or after 1 January 2013.
IAS 34 (amendment)	Interim Financial Reporting The amendment is part of the IASB annual improvements process for 2010 and provides guidance on the treatment of significant events and transactions in interim financial statements.	Annual periods beginning on or after 1 January 2011
IFRIC 13	Customer Loyalty Programmes The amendment provides clarification on the intended meaning of the term "fair value" in respect of award credits.	Annual periods beginning on or after 1 January 2011.
IFRS 1 (amendment)	First-time Adoption of International Financial Reporting Standards The amendments deal with accounting policy changes in the year of adoption, revaluation basis as deemed cost and use of deemed cost for operations subject to rate regulations. These amendments provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements for the first time. The standard was also amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day one gains on transactions that occurred before the date of adoption.	Annual periods beginning on or after 1 January 2011. Annual periods beginning on or after 1 July 2011.
IFRS 3	Business Combination The amendments are part of the IASB annual improvements process for 2010. These amendments deal with transitional requirements for contingent consideration in a business combination that occurred before the effective date of the revised IFRS 3 (revised 2008), measurement of non-controlling interests and unreplaced and voluntarily replaced share-based payment awards.	Annual periods beginning on or after 1 January 2011.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011
(continued)**

Standards and interpretations not yet effective (continued)

IFRS 7 (amendment)	<p>Financial Instruments: Disclosures The amendment is part of the IASB annual improvements process for 2010. it provides clarification of certain disclosure requirements of the standard.</p> <p>The amendments require additional disclosures on transfer transactions of financial assets and if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.</p>	<p>Annual periods beginning on or after 1 January 2011.</p> <p>Annual periods beginning on or after 1 July 2011.</p>
IFRS 9	<p>Financial Instruments This standard forms part of the IASB's project to replace the existing standard on the recognition and measurement of financial instruments. The standard defines two measurement categories for financial assets: amortised cost and fair value. A financial asset may only be measured at amortised cost if it has basic loan features and is managed on a contractual yield basis. the standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.</p>	Annual periods beginning on or after 1 January 2015.
IFRS 10	<p>Consolidated Financial Statements This standard replaces the consolidation requirements in SIC 12 and IAS 27. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance in the determination of control where this is difficult to assess.</p>	Annual periods beginning on or after 1 January 2013.
IFRS 11	<p>Joint Arrangements The standard deals with the accounting for joint arrangements and requires a single method for accounting for interests in jointly controlled entities.</p>	Annual periods beginning on or after 1 January 2013.
IFRS 12	<p>Disclosure of Interests in Other Entities New and comprehensive standard on disclosure requirements for all forms of interests in other entities.</p>	Annual periods beginning on or after 1 January 2013.
IFRS 13	<p>Fair Value Measurement This standard provides new guidance on fair value measurements and disclosure requirements.</p>	Annual periods beginning on or after 1 January 2013.