



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

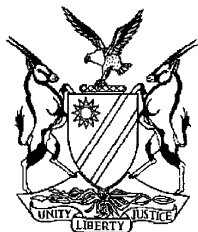
AGRICULTURAL BANK

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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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 2013, 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 2014

**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 2013**

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2013 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 MAC & Associates 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; and
- (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 statement of financial position 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 changes in equity
- Statement of comprehensive income
- Statement of cash flows
- Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

The Accounting Officer of the Board is responsible for the preparation and fair presentation of these 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 the opinion of the Auditor-General to the National Assembly. The audit was conducted in accordance with International Standards on Auditing. Those standards require the auditor to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS

The observations made during the previous audit were partially 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 Recovery of loans

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.

The Bank's arrear loan book has increased by 50 % from N\$ 224 million in 2012 to N\$ 335 million in 2013 whilst the Bank generally has adequate security in place for most of its loans. The impact of poor debt collection on its liquidity remains a cause of concern.

5. RESPONSES FROM THE LAWYERS

The Bank is separately a plaintiff and a defendant in a number of cases being handled by its legal advisors. Details of the cases are disclosed in note 20 of these Annual Financial Statements. 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 Agricultural Bank for the financial year ended 31 March 2013 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 2013 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 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2013

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APPROVAL

The annual financial statements, set out on pages 7 to 44, have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

Ambassador L N Iipumbu
Chief Executive Officer

Mr. I H Theodore
General Manager Finance

The annual financial statements, set out on pages 7 to 44, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf:

Mrs. T N T Uuyuni
Chairperson of the Board

Director

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS - 31 MARCH 2013

Statutory Information

DIRECTORS:

The composition of the board of directors is as follows:

CHAIRMAN OF THE BOARD:

Ms T.N.T. Uuyuni Appointed 16 May 2012

NON-EXECUTIVE DIRECTORS

Mr. I.P. Awene	Appointed 16 May 2012
Mr. G. M. Mayumbelo	Appointed 16 May 2012
Mrs. W. G. Katamelo	Resigned 15 May 2012
Mr. D. R. Tshikesho	Resigned 15 May 2012
Mr. H- G. Stier	Resigned 15 May 2012
Mr. V. M. Tjimune	Resigned 15 May 2012

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

		2013	2012	
		NS '000	NS '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		169 547	148 772	
Interest paid and other expenditure		(87 157)	(86 162)	
		82 390	62 610	
Distribution of wealth created by the Bank				
Employee compensation				
- Salaries, wages and other benefits	41%	33 716	28 982	46%
Government				
- Taxation	11%	8 654	7 748	12%
Retention for expansion of growth	48%	40 020	25 880	42%
- Retained income		30 660	17 135	
- Depreciation and amortisation		9 360	8 745	
		82 390	62 610	

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Notes	2013	2012
		N\$ '000	N\$ '000
ASSETS			
Non-current assets			
Long-term portion of advances	4	1 318 759	1 255 503
Property, plant & equipment	6	77 294	41 713
Investment properties	6.2	14 350	14 650
Intangible assets	7	3 570	10 600
		<u>1 413 973</u>	<u>1 322 466</u>
Current assets			
Inventory	9	171	156
Cash on hand	2	32	31
Bank balances	3	330 141	251 267
Short-term portion of advances	4	202 228	178 857
Other receivables	5	3 737	1 524
		<u>536 309</u>	<u>431 835</u>
Total assets		<u>1 950 282</u>	<u>1 754 301</u>
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Capital	17	890 826	770 826
Reserves	16	487 691	464 196
Funds and grants	15	115 672	116 226
		<u>1 494 189</u>	<u>1 351 248</u>
Non-current liabilities			
Deferred income	13	99 735	108 630
Loan Guarantee Fund	10	63 234	51 653
Long-term borrowings	11	154 023	85 021
Post-retirement employee benefits	14.2	15 499	12 558
		<u>332 491</u>	<u>257 862</u>
Current liabilities			
Creditors and provisions	12	7 781	29 862
Current portion of long-term borrowings	11	8 846	10 350
Special purpose funds	8	106 975	104 979
		<u>123 602</u>	<u>145 191</u>
Total liabilities		<u>456 093</u>	<u>403 053</u>
Total capital, reserves and liabilities		<u>1 950 282</u>	<u>1 754 301</u>

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Notes	<u>2013</u>	<u>2012</u>
		N\$ '000	N\$ '000
INCOME			
Interest income on advances	18.1	146 252	134 478
Interest expense	18.2	(10 254)	(10 774)
Net interest income before provision for impairment on advances		135 998	123 704
Provision for losses on advances	4	(43 414)	(24 042)
Net income from lending activities		92 584	99 662
Interest income on banks and fixed deposits	18.1	12 873	3 085
Other operating income	18.3	10 422	11 209
Total income		115 879	113 956
General administrative expenses	18.4	(85 219)	(96 821)
Surplus for the year		30 660	17 135

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Capital	Reserves	Funds and Grants	TOTAL
	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Balance at 1 April 2011	569 658	447 061	116 226	1 132 945
Surplus for the year	-	17 135	-	17 135
Contributions	201 168	-	-	201 168
Balance as at 31 March 2012	770 826	464 196	116 226	1 351 248
Surplus for the year	-	30 660	-	30 660
Revaluation loss	-	(7 165)	-	(7 165)
Disbursement	-	-	(554)	(554)
Contributions	120 000	-	-	120 000
Balance as at 31 March 2013	890 826	487 691	115 672	1 494 189

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 N\$ '000	2012 N\$ '000
Cash flow from operating activities	1	(67 976)	(48 667)
Cash received from customers	2	169 547	148 772
Cash paid to financiers	3	(10 254)	(10 774)
Cash paid to employees and suppliers		(159 952)	(86 061)
Cash movement in operating liabilities/assets	4	(24 294)	12 533
Cash movement in advances	5	(43 023)	(113 137)
Cash flow from investing activities		(44 775)	(6 373)
Proceeds from the disposal of property and equipment		-	119
Acquisition of property and equipment		(44 775)	(6 492)
Cash flow from financing activities		191 626	244 928
Movement in funds and capital-Government Grants received		119 446	201 168
Movement in Special Purpose Fund		1 996	18 994
Movement in Loan Guarantee Fund		11 581	28 554
Decrease in deferred income		(8 895)	(8 906)
Movement in long-term borrowings		67 498	5 118
Cash and short-term funds generated/ (utilized) for the year		78 875	189 888
Cash and short-term funds in the beginning of the year		251 298	61 410
Cash and short-term funds at the end of the year		330 173	251 298

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

(continued)

NOTES TO THE STATEMENT OF CASH FLOWS	2013	2012
	NS '000	NS '000
1. Reconciliation of surplus for the year to cash flow from operating activities		
Surplus for the year	30 660	17 135
Adjusted for non-cash items:		
Depreciation on property, plant and equipment	2 030	1 415
Depreciation on investment properties	300	300
Amortization of intangible assets	7 030	7 030
Post-retirement benefits	2 941	2 215
Profit on disposal of property and equipment	-	(44)
Movement in creditors	(22 081)	13 649
Movement in inventories	(15)	(156)
Movement in trade receivables	(2 213)	(1 116)
Movement in advances	(86 627)	(89 095)
Cash flow from operating activities	(67 975)	(48 667)
2. Cash received from customers		
Interest received on advances	146 252	134 478
Interest received on banks and fixed deposits	12 873	3 085
Other income received	10 422	11 209
	169 547	148 772
3. Cash paid to financiers/loan providers		
Interest paid	10 254	10 774
4. Cash movement in operating liabilities/assets		
Debtors	(2 213)	(1 116)
Creditors and provision	(22 081)	13 649
	(24 294)	12 533
5. Cash movement in advances		
Movement in advances	(86 627)	(89 095)
Movement in provision for credit losses	43 604	(24 042)
	(43 023)	(113 137)

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013

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 statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, 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 statement of financial position 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 statement of financial position 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 2013 (continued)

- Provisions

Provisions were raised and management determined estimates based on the information available. Additional disclosure of these estimates of provisions is included in note 12 – Creditors and Provisions.

The provisions for post-retirement medical- and severance benefits are 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 revaluation, determined by valuations carried out every five years by external independent professional valuers, less 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 statement of comprehensive income.

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

All property, plant and equipment, other than land and owner occupied properties, are 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 is 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 2013 (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 statement of comprehensive income. 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 acquisition 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 statement of comprehensive income 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 statement of financial position 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 2013 (continued)

1.8 Provisions

Provisions are recognized when the bank 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 statement of financial position 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. To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (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 of 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 statement of financial position 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 2013 (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 statement of comprehensive income 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 statement of comprehensive income.

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 2013

(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 statement of comprehensive income 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 statement of financial position 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 2013 (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.

1.17 Inventory

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the bank.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

	2013	2012
	NS'000	NS'000
2. CASH ON HAND		
Cash on hand	32	31
3. BANK BALANCES		
Bank balances	33 366	4 841
Notice deposits	296 775	246 426
	330 141	251 267
4. ADVANCES		
Total advances	1 824 797	1 694 566
Provision for credit losses on advances		
Opening balance	260 206	234 157
Current provision:		
- Interest suspended	1 691	2 007
- Provision for doubtful debts	43 414	24 042
- Amounts written off	(1 501)	-
TOTAL PROVISION	303 810	260 206
Total advances after provision	1 520 987	1 434 360
LESS: SHORT-TERM PORTION OF ADVANCES	(202 228)	(178 857)
LONG-TERM PORTION OF ADVANCES	1 318 759	1 255 503
5. OTHER RECEIVABLES		
Accounts receivable and prepayments	3 732	1 444
Staff related	5	80
	3 737	1 524

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)

6. PROPERTY, PLANT & EQUIPMENT

	Leasehold	Capital work in progress	Land and buildings	Furniture, computers and equipment	Motor vehicles	Total
	NS'000	NS'000	NS'000	NS'000	NS'000	NS'000
31 March 2013						
Carrying value: Beginning of the year	57	5 717	33 774	1 202	963	41 713
Cost/valuation	772	5 717	33 774	4 556	4 156	48 795
Accumulated depreciation	(715)	-	-	(3 354)	(3 193)	(7 262)
During the year:	(22)	39 152	(7 165)	4 400	(784)	35 581
- Additions	-	39 152	-	5 623	-	44 775
- Revaluation	-	-	(7 165)	-	-	(7 165)
- Depreciation	(22)	-	-	(1 223)	(784)	(2 029)
Carrying value : End of the year	35	44 869	26 609	5 602	179	77 294
Cost/valuation	772	44 869	26 609	10 179	4 156	86 585
Accumulated depreciation	(737)	-	-	(4 577)	(3 977)	(9 291)
31 March 2012						
Carrying value: Beginning of the year	89	-	33 642	1 799	1 181	36 711
Cost/valuation	772	-	33 642	7 846	3 969	46 240
Accumulated depreciation	(683)	-	-	(6 047)	(2 788)	(9 529)
During the year:	(22)	5 717	122	(198)	(615)	5 003
- Additions	-	5 717	122	468	186	6 492
- Disposal	-	-	-	(74)	-	(74)
- Depreciation	(22)	-	-	(592)	(801)	(1 415)
Carrying value : End of the year	57	5 717	33 774	1 202	962	41 713
Cost/valuation	772	5 717	33 774	4 556	4 156	48 795
Accumulated depreciation	(715)	-	-	(3 354)	(3 193)	(7 262)

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

6.1 PROPERTY, PLANT & EQUIPMENT (continued)

Freehold land and buildings comprise of the following properties, which were independently valued during 2013 by independent valuers. The surplus and loss on revaluation has been credited and debited respectively to reserves.

	2013	2012
	NS'000	NS'000
- Erf 5479, Windhoek	63 011	22 000
- Erf 995, Otjiwarongo	3 160	1 620
- Erf 870 and 871, Mariental	171	60
- Erf 1235, Rundu	3 323	2 920
- Erf 1591, Oshakati	1 814	30
	71 479	26 630

Erf 5479, Windhoek is registered in the name of Land and Land Bou Bank of South West Africa (predecessor of Agricultural Bank of Namibia). There is a mortgage bond registered against title, being Mortgage Bond No. B7436/2011 dated 28 November 2011 for N\$ 66 million.

6.2 INVESTMENT PROPERTIES

Opening carrying amount	14 650	14 950
Cost	15 000	15 000
Accumulated depreciation	(350)	(50)
Depreciation charge	(300)	(300)
Closing carrying amount	14 350	14 650
Cost	15 000	15 000
Accumulated depreciation	(650)	(350)

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.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

		<u>2013</u>	<u>2012</u>
		NS'000	NS'000
7.	INTANGIBLE ASSETS		
	Software Development Costs		
	Opening carrying amount	10 600	17 630
	Cost	28 124	28 124
	Accumulated amortisation	(17 524)	(10 494)
	Amortisation	(7 030)	(7 030)
	Closing carrying amount	3 570	10 600
	Cost	28 124	28 124
	Accumulated amortisation	(24 554)	(17 524)
8.	SPECIAL PURPOSE FUNDS		
	Ministry of Lands and Resettlement (Post-resettlement)	64 273	62 041
	Staff savings scheme	193	43
	Government Ministries & agricultural boards & unions	42 509	42 895
		106 975	104 979
	The bank acts as an agent for the management of these funds on behalf of the above third parties.		
9.	INVENTORY		
	Consumables	171	156

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

	2013	2012
	N\$'000	N\$'000
10. LOAN GUARANTEE FUND		
Government scheme for drought relief 92 loans	20 731	20 731
Etunda Small Farmers	-	2 922
Post settlement support to Resettled farmers	42 503	28 000
	63 234	51 653
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 2013	118 403	88 812
Loan - Bank Windhoek		
A loan for the renovation of the Agribank building from Bank Windhoek of N\$ 44 466 342 at a rate of 9.75% covered by mortgage bond of N\$ 66 million over ERF 5478 Windhoek property. The loan is repayable over 15 years.	44 466	6 559
Less: Current portion shown under current liabilities	(8 846)	(10 350)
	154 023	85 021
12. CREDITORS AND PROVISIONS		
PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)		
Leave	2 161	2 149
Grants and bursaries	110	110
Total other provisions	2 271	2 259
Creditors	5 510	6 903
Government loan instalment	-	20 700
Total creditors and provisions	7 781	29 862

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

13. DEFERRED INCOME	2013	2012
	NS'000	NS'000
Opening balance	108 630	117 536
Recognized during the year:		
- Ministry of Finance grant (Crop and agriculture production)	-	-
Amortized to the statement of comprehensive income	(8 895)	(8 906)
	99 735	108 630

The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank in 2009. The total amount settled was N\$ 218 139 076. The loan is interest-free and interest-free loans 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%.

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 2011 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%.

	2013	2012
	NS'000	NS'000
Bank contribution	3 050	4 111
Employee contribution	1 334	1 799
	4 384	5 910

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(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:

	2013	2012
	N\$'000	N\$'000
Present value of medical benefit obligation	21 243	17 473
Present value of severance benefit obligation	337	260
Unrecognised actuarial loss	(6 081)	(5 175)
	15 499	12 558

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 post-retirement medical benefit was carried out in July 2013. The valuation method used was the projected Unit Credit Method. The estimated liability as at 31 March 2013 was N\$ 21 243 000 (2012: N\$ 17 473 000).

	2013	2012
	N\$'000	N\$'000
Present value of unfunded obligation	21 243	17 473
<i>Reconciliation showing the movement of the present value of unfunded obligation:</i>		
Recognised obligation – at the beginning of the year	12 298	10 200
Actuarial loss not recognized	6 082	5 175
Net expense recognized in the statement of comprehensive income	2 863	2 098
	21 243	17 473
<i>Net expense recognized in the statement of comprehensive income:</i>		
Current service cost	1 401	1 189
Interest cost	1 462	909
	2 863	2 098
The principle assumptions used were:		
Discount rate	9.04%	8.4%
Health care cost inflation	8.04%	7.4%
Average retirement age	60	60

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

14.2.2 Severance benefit obligation (continued)

	2013	2012
	NS'000	NS'000
Present value of unfunded obligation	337	260
<i>Reconciliation showing the movement of liability reflected on the statement of financial position:</i>		
Opening balance	260	143
Net expense/(income) recognized in the statement of comprehensive income	77	117
	337	260
<i>Net expense recognized in the statement of comprehensive income:</i>		
Actuarial loss	20	88
Current service cost	37	18
Interest cost	20	11
	77	117

The latest actuarial valuation for the severance benefit obligation was carried out on July 31, 2013.

The principle assumptions used were:

Salary inflation rate	7.94%	7.9%
Investment return	7.80%	8.37%
Average retirement age	60	60

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

15. FUNDS AND GRANTS	2013	2012
	N\$'000	N\$'000
European Fund Account	11 528	11 528
Government	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme	33 481	34 035
	115 672	116 226

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\$ 33 480 741 (2012: N\$ 34 034 868) 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	464 196	447 061
Surplus for the year	30 660	17 135
Revaluation loss	(7 165)	-
Balance at the end of the year	487 691	464 196

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)

17. CAPITAL FUND		2013	2012
		NS'000	NS'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	****	721 570	601 570
		890 826	770 826

* 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 million 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 2011 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. During 2012, the Ministry of Finance transferred N\$ 201 million to the bank, N\$ 61 million for financing Aquaculture and Crop production as well as to provide training to the Affirmative Action Loan beneficiaries. N\$ 140 million was for financing of both commercial and communal farming projects. In the current year (2013) the government transferred a further N\$ 120 million.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

	2013	2013
	NS'000	NS'000
18. INCOME AND EXPENDITURE		
18.1 Interest income		
Cash and short-term assets	12 873	3 085
Advances granted	146 252	134 478
	159 125	137 563
18.2 Interest expenses		
Interest-free loan – Government	8 894	8 906
Deposits	1 360	1 868
	10 254	10 774
18.3 Other operating income		
Commission earned	7	25
Rents received	601	957
Government grant released (interest free loan)	8 894	8 906
Other income	920	1 288
Surplus on disposal of assets	-	33
	10 422	11 209

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013

(continued)

	2013	2012
	N\$'000	N\$'000
18.4 General administrative expenses		
Auditor's Remuneration	168	151
Auditor's remuneration	168	151
Depreciation and amortisation	9 360	8 746
Property, plant & equipment	2 030	1 416
Investment properties	300	300
Amortization - intangible assets	7 030	7 030
Directors fees	68	184
Insurance	457	435
Marketing	3 725	5 023
Maintenance property & equipment	159	1 935
Professional fees	4 443	6 384
Rent paid	3 814	2 995
Staff cost	44 271	42 537
Salaries	24 784	24 974
Fringe benefits	18 724	16 187
Training	763	1 376
Other expenses	18 754	28 431
Post resettlement contribution	-	10 000
Bank charges	299	319
Legal fees	614	251
Security cost	229	214
Printing & stationery	300	308
Computer expenses	4 943	3 571
VAT apportionment expenses	1 949	4 338
Municipal costs	1 099	1 133
Travel	1 824	3 052
Vehicle cost	477	433
Telephone	1 082	1 076
General expenses	5 938	3 736
	85 219	96 821

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

	<u>2013</u>	<u>2012</u>
	N\$'000	N\$'000
19. Commitments		
Authorized capital expenditure		
Contracted and authorized	<u>15 849</u>	<u>44 775</u>

This committed capital expenditure relates to property, plant and equipment. The renovations of the building will be funded by a bank loan while the acquisition of furniture & fittings and computer equipment will be financed by existing cash resources and funds generated internally.

20. Contingencies

20.1 Four former employees vs Agribank

Four former employees who were retrenched are suing the Bank challenging their retrenchment. The hearing on the matter was done in September 2013 but the outcome of the matter is yet to be determined. The amount of the award cannot be determined.

20.2 Former employee vs Agribank

The Bank is appealing an arbitration award which had directed a re-instatement of a dismissed employee and further ruled that the employee be paid his salary from the date of dismissal to the date of until the date of re-instatement. The appeal hearing was expected to be heard in October 2013 and the outcome of the matter could not be ascertained.

20.3 Agribank vs a third party

The Bank brought eviction proceedings against a third party from its Abattoir. The High Court ruled in favour of the Bank and ordered an eviction. The third party has appealed the High Court decision and the appeal would be heard in October 2013 in the Supreme Court. The third party is arguing that it had rights to buy the Abattoir for \$ 15 million instead of the N\$ 40 million required by the Bank. The outcome of the matter is uncertain.

20.4 Third party vs Agribank

A third party is suing the Bank for an amount of N\$ 14 million in connection with a contract entered into. The third party has not acted in a manner to indicate that it intends to finalise the matter.

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

21. 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.

21.1 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.

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

The facilities were as follows:

Borrowing and overdraft facilities	2013	2012
	N\$000	N\$000
Building Project	66 000	66 000
Normal operations	50 000	50 000
Utilised on building project	(44 466)	(6 559)
Available	71 534	109 441

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

21.1 Liquidity risk (continued)

The table below analyses the bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

2013

Financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years
	(NS' 000)	(NS' 000)	(NS' 000)
Other liabilities	117 648	66 375	164 554
Trade payables	7 781	-	-

2012

Financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years
	(NS' 000)	(NS' 000)	(NS' 000)
Other liabilities	166 982	41 400	166 389
Trade payables	27 603	-	-

21.2 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 fixed and floating interest rates.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

Financial instruments by classification

Assets as per statement of financial position

2013

Financial assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		NS' 000	NS' 000	NS' 000
Advances	Fixed	1 520 987	-	1 520 987
Cash and bank balances	Floating	330 141	-	330 141
Other current assets	Non-interest- bearing	3 737	-	3 737

2012

Financial assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		NS' 000	NS' 000	NS' 000
Advances	Fixed	1 423 269	-	1 423 269
Cash and bank balances	Floating	251 267	-	251 267
Other current assets	Non-interest- bearing	1 524	-	1 524

Liabilities as per statement of financial position

2013

Financial liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		(NS' 000)	(NS' 000)	(NS' 000)
Loan Guarantee Fund	Non-interest- bearing	63 234	-	63 234
Long-term borrowings	Floating/Non-interest bearing	162 869	-	162 869
Special purpose funds	Fixed and floating	106 975	-	106 975
Post retirement Benefits	Floating	15 499	-	15 499
Trade creditors	Non-interest- bearing	7 781	-	7 781

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

Liabilities as per statement of financial position (continued)

2012

Financial liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		(NS' 000)	(NS' 000)	(NS' 000)
Other borrowed funds	Non-interest-bearing	51 653	-	51 653
Long-term borrowings	Floating/Non-interest bearing	95 371	-	95 371
Special purpose funds	Fixed and floating	104 979	-	104 979
Trade creditors	Non-interest-bearing	27 603	-	27 603

The tables above summarize 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 2012.

As at 31 March 2013:

	100 basis points increase	100 basis points decrease
	(NS' 000)	(NS' 000)
Floating rate financial assets	330 141	3 301
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	330 141	3 301

As at 31 March 2012:

	100 basis points increase	100 basis points decrease
	(NS' 000)	(NS' 000)
Floating rate financial assets	251 267	2 513
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	251 267	2 513

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013 (continued)

21.3 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 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 2013 (continued)

Credit exposure

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

Credit exposure is calculated on the basis of selected items on and off the statement of financial position (guarantees and loan commitments excluded).

Asset classes with credit risk exposure:

	2013	2012
	N\$ 000	N\$ 000
Advances	1 520 987	1 434 360
Bank balances	330 142	251 267
Other receivables	3 737	1 524
	<u>1 854 866</u>	<u>1 687 151</u>

Asset classes with no credit risk exposure:

Property, plant and equipment	77 294	41 713
Intangible assets	3 570	10 600
Cash on hand	32	31
Investment property	14 350	14 650
Inventory	171	156
	<u>95 417</u>	<u>67 150</u>

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.

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

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 was not concentrated to a small number of individual accounts, but was spread across entire loan book account holders.

Loan advances past due not impaired

	2013	2012
	N\$ 000	N\$ 000
Less than one year	776 494	739 054
Between one and two years	100 706	95 851
Between two and three years	170 816	162 580
More than three years	152 714	145 350
	1 200 730	1 142 835

The above table represent the gross loan balance in respect of past due loans and not only the past due portion of such loans.

Loan advances neither past due nor impaired

	599 466	51 913
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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.

Consolidation of debt	29 255	189 420
Special arrangements	-	42 583
	29 255	232 003

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013

(continued)

22. 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 2013, 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
IFRS 1 First time adoption of International Financial Reporting Standards	Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs.	Annual periods beginning on or after 1 January 2013
	Annual improvements 2009-2011 Cycle amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements.	Annual periods beginning on or after 1 January 2013
	Annual improvements 2009-2011 Cycle amendments to borrowing costs.	Annual periods beginning on or after 1 January 2013
IFRS 7 Financial Instruments : Disclosures (amendment)	The amendments require entities to disclose gross amounts subject to set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors to understand the extent to which an entity has set off in its balance sheet and the effect of the rights of set-off on the entity's rights and obligations.	Annual periods beginning on or after 1 January 2013

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

22 Standards and interpretations not yet effective (continued)

IFRS 9 Financial Instruments	<p>This is a new standard that 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 Consolidated Financial Statements	<p>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> <p>Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other Entities, thus limiting the requirements to provide adjusted comparative information.</p> <p>IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments Recognition and Measurement.</p>	<p>Annual periods beginning on or after 1 January 2013</p> <p>Annual periods beginning on or after 1 January 2013</p> <p>Annual periods beginning on or after 1 January 2014</p>

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

22. Standards issued but not yet effective (continued)

IFRS 11 Joint Arrangements	<p>This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form.</p> <p>Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.</p>	<p>Annual periods beginning on or after 1 January 2013.</p> <p>Annual periods beginning on or after 1 January 2013</p>
IFRS 12 Disclosure of Interests in Other Entities	<p>This is a new and comprehensive standard on disclosure for all forms of interests in other entities, including joint arrangements, special purpose vehicles and other off balance sheet vehicles.</p> <p>Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities, thus limiting the requirement to provide adjusted comparative information.</p> <p>New disclosures required for investment Entities (as defined in IFRS 10)</p>	<p>Annual periods beginning on or after 1 January 2013</p> <p>Annual periods beginning on or after 1 January 2013</p> <p>Annual periods beginning on or after 1 January 2014</p>
IFRS 13 Fair Value Measurement	The standard provides new guidance on fair value measurement and disclosure requirements.	Annual periods beginning on or after 1 January 2013
IAS 1, Presentation of Financial Statements	Annual Improvements 2009-2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	Annual periods beginning on or after 1 January 2013
IAS 16 Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle: Amendments to the recognition and classification of servicing equipment.	Annual periods beginning on or after 1 January 2013

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

22. Standards and interpretations not yet effective (continued)

IAS 19 Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision for defined benefits plans.	Annual periods beginning on or after 1 January 2013
IAS 27 Consolidated and Separate Financial Statements	<p>Consequential amendments resulting from the issue of IFRS 10, 11 and 12.</p> <p>Requirement to account for interests in investment Entities at fair value under IFRS 9 Financial Instruments, or IAS 39 Financial Instruments : Recognition and Measurement in the separate financial statements of the parent.</p>	<p>Annual periods beginning on or after 1 January 2013</p> <p>Annual periods beginning on or after 1 January 2014</p>
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10, 11 and 12.	Annual periods beginning on or after 1 January 2013
IAS 32 Financial Instruments: Presentation	<p>Amendments require entities to disclose gross amounts subjects to rights of set-off, amounts set-off in accordance with accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which the entity has set-off its balance sheet and the effects of rights of set-off on the entity's rights and obligations.</p> <p>Annual improvements 2009-2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.</p>	Annual periods beginning on or after 1 January 2013

AGRICULTURAL BANK OF NAMIBIA

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2013
(continued)**

22 Standards and interpretations not yet effective (continued)

IAS 34 Interim Financial Reporting	Annual improvements 2009-2011 Cycle: Amendments to improve the disclosure for interim financial reporting and segment information for total assets and liabilities.	Annual periods beginning on or after 1 January 2013
IAS 36 Impairment of Assets	The amendment to IAS 36 clarifies the required disclosures of information about recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	Annual periods beginning on or after 1 January 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine		Annual periods beginning on or after 1 January 2013
IFRIC Interpretation 21 Levies		Annual periods beginning on or after 1 January 2014