



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

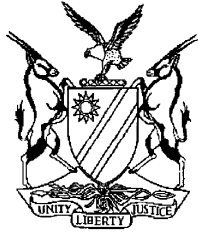
AGRICULTURAL BANK

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

Published by authority

Price (Vat excluded) N\$ 59.41
Report no: 111/2014

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, December 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 2014**

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2014 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.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

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 object 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 bank 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether 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 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'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 by the Board.

The following are items of a critical nature also contained in the report to management:

4.1 Recovery of loans

Audit is concerned about the bank's low rate of loan recovery on its scheduled loan installments due by customers resulting in the persistent growth of the arrear loan book. The bank's arrear loan book has increased by 16 % from N\$ 335 million in 2013 to N\$ 387 million in 2014. The increase occurred despite the implementation of some drought relief measures introduced by the bank during the year which resulted in reclassifying some amounts from the arrears, otherwise the arrears would have been higher.

Whilst the bank generally has adequate security in place for most of its loans, the impact of the low rate of debt collection on its liquidity remains a cause of concern.

5. LITIGATION MATTERS

The bank is involved in a number of legal cases that are 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 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 of Namibia for the financial year ended 31 March 2014 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 2014 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, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

AGRICULTURAL BANK OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

CONTENTS:	PAGE NO.
Approval of annual financial statements	4
Statutory information	5
Value Added Statement	6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10-11
Notes to the annual financial statements	12-48

APPROVAL

The annual financial statements, set out on pages 7 to 48, 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 48, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf:

Ms T.N.T. Uuyuni
Chairperson of the Board

Director

AGRICULTURAL BANK OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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

Mr O.H. Mahina

Appointed 29 August 2012

Ms S. Shiweda

Appointed 29 August 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
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	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	183 794	169 547
Interest paid and other expenditure	(43 515)	(87 982)
	140 279	81 565

Distribution of wealth created by the Bank

	<u>Proportion</u>			<u>Proportion</u>
Employee compensation				
- Salaries, wages and other benefits	26%	36 422	33 797	41%
Government				
- Taxation	7%	9 349	8 654	11%
Retention for expansion of growth	67%	94 508	39 114	48%
- Retained income		88 569	29 754	
- Depreciation and amortisation		5 939	9 360	
		140 279	81 565	
	100%			100%

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	2014	2013	2012
		N\$'000	N\$'000	N\$'000
ASSETS				
Non-current assets				
Long-term portion of advances	4	1 381 423	1 318 759	1 255 503
Property, plant & equipment	6	94 077	77 294	41 713
Investment properties	6.2	14 050	14 350	14 650
Intangible assets	7	3	3 570	10 600
		<u>1 489 553</u>	<u>1 413 973</u>	<u>1 322 466</u>
Current assets				
Inventory	9	209	171	156
Cash and cash equivalents	3	423 253	330 173	251 298
Short-term portion of advances	4	307 900	202 228	178 857
Other receivables	5	2 183	3 737	1 524
		<u>733 545</u>	<u>536 309</u>	<u>431 835</u>
Total assets		<u>2 223 098</u>	<u>1 950 282</u>	<u>1 754 301</u>
CAPITAL, RESERVES AND LIABILITIES				
Capital and reserves				
Capital	17	1 071 263	890 826	770 826
Reserves	16	569 332	481 609	459 021
Funds and grants	15	115 672	115 672	116 226
		<u>1 756 267</u>	<u>1 488 107</u>	<u>1 346 073</u>
Non-current liabilities				
Deferred income	13	90 314	99 735	108 630
Loan Guarantee Fund	10	63 234	63 234	51 653
Long-term portion of borrowings	11	168 193	154 023	85 021
Post-retirement employee benefits	14.2	22 438	21 581	17 733
		<u>344 179</u>	<u>338 573</u>	<u>263 037</u>
Current liabilities				
Creditors and provisions	12	10 105	7 781	29 862
Current portion of long-term borrowings	11	4 596	8 846	10 350
Special purpose funds	8	107 951	106 975	104 979
		<u>122 652</u>	<u>123 602</u>	<u>145 191</u>
Total liabilities		<u>466 831</u>	<u>462 175</u>	<u>408 228</u>
Total capital, reserves and liabilities		<u>2 223 098</u>	<u>1 950 282</u>	<u>1 754 301</u>

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

INCOME	Notes	2014	2013
		N\$'000	N\$'000
Interest income on advances	18.1	153 068	146 252
Interest expense	18.2	(18 002)	(10 254)
Net interest income before provision for impairment on advances		135 066	135 998
Movement in provision for losses on advances	4	4 876	(43 414)
Net income from lending activities		139 942	92 584
Interest income on banks and fixed deposits	18.1	15 434	12 873
Other operating income	18.3	15 292	10 422
Total income		170 668	115 879
General administrative expenses	18.4	(84 889)	(85 300)
Surplus for the year		85 779	30 579
Other comprehensive income			
Actuarial gain/(loss)		2 790	(826)
Surplus for the year		88 569	29 753

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Capital	Reserves	Funds and Grants	TOTAL
	N\$'000	N\$'000	N\$'000	N\$'000
Balance as at 31 March 2012 (as previously reported)	770 826	464 196	116 226	1 351 248
Effect of adoption of IAS 19 (as revised in 2011)	-	(5 175)	-	(5 175)
Balance as at 1 April 2012 (restated)	770 826	459 021	116 226	1 346 073
Surplus for the year	-	30 579	-	30 579
Revaluation loss	-	(7 165)	-	(7 165)
Disbursement	-	-	(554)	(554)
Government contribution	120 000	-	-	120 000
Other comprehensive income	-	(826)	-	(826)
Balance as at 31 March 2013 (restated)	890 826	481 609	115 672	1 488 107
Surplus for the year	-	85 779	-	85 779
Revaluation loss	-	(846)	-	(846)
Government contribution	180 437	-	-	180 437
Other comprehensive income	-	2 790	-	2 790
Balance as at 31 March 2014	1 071 263	569 332	115 672	1 756 267

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 N\$'000	2013 N\$'000
Cash flow from operating activities	1	(69 132)	(67 976)
Cash received from customers	2	183 794	169 547
Cash paid to financiers	3	(18 002)	(10 254)
Cash paid to employees and suppliers		(70 466)	(159 952)
Cash movement in operating liabilities/assets	4	3 878	(24 294)
Cash movement in advances	5	(168 336)	(43 023)
Cash flow from investing activities		(19 700)	(44 775)
Acquisition of property and equipment		(19 700)	(44 775)
Cash flow from financing activities		181 912	191 626
Movement in funds and capital-Government Grants received		180 437	119 446
Movement in Special Purpose Fund		976	1 996
Movement in Loan Guarantee Fund		-	11 581
Decrease in deferred income		(9 421)	(8 895)
Movement in long-term borrowings		9 920	67 498
Net increase in cash and cash equivalents		93 080	78 875
Cash and cash equivalents at the beginning of the year		330 173	251 298
Cash and cash equivalents at the end of the year		423 253	330 173

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

NOTES TO THE STATEMENT OF CASH FLOWS	2014	2013
	N\$'000	N\$'000
1. Reconciliation of surplus for the year to cash flow from operating activities		
Surplus for the year	88 569	29 753
Adjusted for non-cash items:		
Depreciation on property, plant and equipment	2 071	2 030
Depreciation on investment properties	300	300
Amortisation of intangible assets	3 567	7 030
Post-retirement benefits	857	3 848
Movement in creditors	2 324	(22 081)
Movement in inventories	(38)	(16)
Movement in trade receivables	1 554	(2 213)
Movement in advances	(168 336)	(86 627)
Cash flow from operating activities	(69 132)	(67 976)
2. Cash received from customers		
Interest received on advances	153 068	146 252
Interest received on banks and fixed deposits	15 434	12 873
Other income received	15 292	10 422
	183 794	169 547
3. Cash paid to financiers/loan providers		
Interest paid	18 002	10 254
4. Cash movement in operating liabilities/assets		
Debtors	1 554	(2 213)
Creditors and provision	2 324	(22 081)
	3 878	(24 294)
5. Cash movement in advances		
Movement in advances	(164 761)	(86 627)
Movement in provision for credit losses	(3 575)	43 604
	(168 336)	(43 023)

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 as well as revaluation of land and buildings.

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, 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 2014 (continued)

1.2 Significant judgements (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 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 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 depreciate assets are as follows:

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 2014 (continued)

1.4 Leased assets

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

Capitalised leased assets are depreciated on a straight-line basis over the lower of the lease term or the useful life of the leased asset.

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

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

1.5 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 realisable value.

1.7 Intangible assets

Computer software development cost

Generally, costs associated with developing computer software are recognised as expenses when incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the entity and have a probable benefit exceeding the cost beyond one year, are recognised as an asset. Computer software development costs recognised as assets are, from the date the asset is brought into use, amortised in the statement of comprehensive income on a straight-line basis at rates appropriate to the expected useful lives of the asset.

Such assets are carried in the statement of financial position at cost less any accumulated amortisation and impairment losses.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1.8 Provisions

Provisions are recognised 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 recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the 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 recognised 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 medical benefits by way of 100% contribution of medical aid. Benefits are available to all employees. Payments to the post-retirement medical benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

The bank's net obligation in respect of post-retirement medical benefits obligation is determined using the projected unit credit method with actuarial valuation being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and return on plan assets (excluding interest), is reflected immediately on the statement of changes in financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit and loss. Past service costs are recognised in the profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs recognised are as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income;
- Remeasurements

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1.9.3 Defined benefit plans (continued)

The post-retirement medical benefit obligation recognised in the statement of financial position represents the deficit on the bank's defined benefit plans. Any surplus resulting from the calculation is limited to the present value of the economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

A liability for termination benefits is recognised at the earlier of when the bank no longer offer the termination benefit and when the bank recognises the restructuring costs.

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 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.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1.10 Financial instruments

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.

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 reorganisation, 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.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1.10 Financial instruments

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.

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

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

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

1.12 Interest expenses recognition

Interest expenses are recognised in the statement of comprehensive income on an accrual basis. Interest due/accrued on doubtful accounts is recognised 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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 recognised when there is reasonable assurance that:

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

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

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 recognised 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 and impairment.

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 and other costs incurred in bringing the inventories to their present location and condition.

2. Application of new of new and revised International Financial Reporting Standard (IFRS)

2.1 New and revised IFRS affecting amounts reported and/or disclosures in the financial statements

IAS 19 Employees benefits (as revised in 2011)

In the current year, the bank applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2. Application of new and revised International Financial Reporting Standard (IFRS) (continued)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant changes relates to the accounting for changes in defined benefits obligations and plan assets. The amendment requires the changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the corridor approach permitted under the previous version of IAS 19 and accelerates the recognition of past service cost.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the retirement benefit assets or obligation recognised in the statement of financial position to reflect the full value of the plan surplus or deficit. Furthermore, the interest cost and the expected return on plan assets used in the previous version of the IAS 19 are replaced with the net interest amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined liability or asset. These changes have had an impact on the amounts recognised in the profit or loss account and other comprehensive income in prior year. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first time applications of IAS 19 (as revised in 2011). The bank has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

	2014	2013
	N\$'000	N\$'000
Impact on total comprehensive income for the year of the application of IAS 19 (as revised in 2011)		
Decrease in profit or loss (surplus)	72	80
Impact on other comprehensive income for the year	2 790	(826)
Impact on liabilities and equity as at 1 April 2012 of the application of the IAS 19 (as revised in 2011)		
	As at 01/04/12 As previously reported	As at 01/04/12 restated
	N\$'000	N\$'000
Impact on liabilities		
Post-retirement medical benefits obligation	(12 298)	(5 175)
Impact on equity		
Retained earnings	(464 196)	5 175
		(459 021)

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2. Application of new and revised International Financial Reporting Standard (IFRS) (continued)

IAS 19 Employees benefits (as revised in 2011) (continued)

**Impact on liabilities and equity as at 31 March 2013
of the application of the IAS 19 (as revised in 2011)**

	As at 31/03/13 As previously reported	IFRS 19 Adjustment	As at 31/03/13 restated
	N\$'000	N\$'000	N\$'000
Impact on liabilities			
Post-retirement medical benefits obligation	(15 161)	(6 082)	(21 243)
Impact on equity			
Retained earnings	(487 691)	6 082	(481 609)

	2014	2013
	N\$'000	N\$'000

3. CASH AND CASH EQUIVALENTS

Cash on hand	32	32
Bank balances	18 400	33 366
Notice deposits	404 821	296 775
	423 253	330 173

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

	2014	2013
	N\$'000	N\$'000
4. ADVANCES		
Total advances	1 989 558	1 824 797
Provision for credit losses on advances		
Opening balance	303 810	260 206
Current provision:		
- Interest suspended	1 481	1 691
- Provision for doubtful debts	(4 876)	43 414
- Amounts written off	(180)	(1 501)
TOTAL PROVISION	300 235	303 810
Total advances after provision	1 689 323	1 520 987
LESS: SHORT-TERM PORTION OF ADVANCES	(307 900)	(202 228)
LONG-TERM PORTION OF ADVANCES	1 381 423	1 318 759
5. OTHER RECEIVABLES		
Accounts receivable and prepayments	2 183	3 732
Staff related	-	5
	2 183	3 737

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

6. PROPERTY, PLANT & EQUIPMENT

31 March 2014	Leasehold N\$'000	Work-in Progress N\$'000	Land and buildings N\$'000	Furniture and Fittings			Computers N\$'000	Equipment N\$'000	Other vehicles N\$'000	Motor vehicles N\$'000	Total N\$'000
				Furniture	and	Fittings					
Carrying value:											
Beginning of the year	35	44 869	26 609	4 329	1 059	214	179	179	179	77 294	
Cost/valuation	772	44 869	26 609	5 827	3 655	697	4 156	4 156	4 156	86 585	
Accumulated depreciation	(737)	-	-	(1 498)	(2 596)	(483)	(3 977)	(3 977)	(3 977)	(9 291)	
Movement during the year:	(22)	(44 869)	60 718	587	(195)	636	(72)	(72)	(72)	16 783	
Additions	-	15 485	1 210	1 867	283	855	-	-	-	19 700	
Revaluation loss	-	-	(846)	-	-	-	-	-	-	(846)	
Transfer	-	(60 354)	60 354	-	-	-	-	-	-	-	
Depreciation	(22)	-	-	(1 280)	(478)	(219)	(72)	(72)	(72)	(2 071)	
End of the year	13	-	87 327	4 916	864	850	107	107	107	94 077	
Cost/valuation	772	-	87 327	7 694	3 938	1 552	4 156	4 156	4 156	105 439	
Accumulated depreciation	(759)	-	-	(2 778)	(3 074)	(702)	(4 049)	(4 049)	(4 049)	(11 362)	

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

6. PROPERTY, PLANT AND EQUIPMENT

31 March 2013	Work-in Progress	Land and buildings	Furniture & Fittings	Computers	Other Equipment	Motor vehicles	Total
Leasehold	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Carrying value:							
Beginning of the year	57	33 774	184	787	231	963	41 713
Cost/valuation	772	33 774	1 133	2 806	617	4 156	48 975
Accumulated depreciation	(715)	-	(949)	(2 019)	(386)	(3 193)	(7 262)
Movement during the year:	(22)	(7 165)	4 145	272	(17)	(784)	35 581
Additions	-	-	4 694	849	80	-	44 775
Revaluation loss	-	(7 165)	-	-	-	-	(7 165)
Depreciation	(22)	-	(549)	(577)	(97)	(784)	(2 029)
Carrying value:							
End of the year	35	26 609	4 329	1 059	214	179	77 294
Cost/valuation	772	26 609	5 827	3 655	697	4 156	86 585
Accumulated depreciation	(737)	-	(1 498)	(2 596)	(483)	(3 977)	(9 291)

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

6.1 PROPERTY, PLANT & EQUIPMENT

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 revaluation reserves.

	2014	2013
	N\$'000	N\$'000
- Erf 5479, Windhoek	78 860	63 011
- Erf 995, Otjiwarongo	3 160	3 160
- Erf 870 and 871, Mariental	170	171
- Erf 1235, Rundu	3 323	3 323
- Erf 1591, Oshakati	1 814	1 814
	87 327	71 478

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	14 350	14 650
Cost	15 000	15 000
Accumulated depreciation	(650)	(350)
Depreciation charge	(300)	(300)
Closing carrying amount	14 050	14 350
Cost	15 000	15 000
Accumulated depreciation	(950)	(650)

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 10 February 2014 amounted to N\$ 34 880 000.

In terms of a Supreme Court judgment passed after the reporting date, the bank is obliged to sell the investment property at the previously contracted option price of N\$ 15 000 000.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

		<u>2014</u>	<u>2013</u>
		N\$'000	N\$'000
7.	INTANGIBLE ASSETS		
	Software Development Costs		
	Opening carrying amount	3 570	10 600
	Cost	28 124	28 124
	Accumulated amortisation	(24 554)	(17 524)
	Amortisation	(3 567)	(7 030)
	Closing carrying amount	3	3 570
	Cost	28 124	28 124
	Accumulated amortisation	(28 121)	(24 554)
8.	SPECIAL PURPOSE FUNDS		
	Ministry of Lands and Resettlement (Post-resettlement)	67 418	64 273
	Staff savings scheme	216	193
	Government Ministries & agricultural boards & unions	40 317	42 509
		107 951	106 975
	The bank acts as an agent for the management of these funds on behalf of the above third parties.		
9.	INVENTORY		
	Consumables	209	171

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

	2014	2013
	N\$'000	N\$'000
10. LOAN GUARANTEE FUND		
Government scheme for drought relief	20 731	20 731
Etunda Small Farmers	-	-
Post settlement support to Resettled farmers	42 503	42 503
	63 234	63 234
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 attracts interest at 2% per annum and repayable over 21 years as follows:		
- 21 equal annual installments of N\$ 12 823 255.		
The balance disclosed represents the fair value of the loan as at 31 March 2014	115 015	118 403
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 was originally repayable over 15 years but the bank fully repaid the loan in August 2014 to save interest costs.	57 774	44 466
Less: Current portion shown under current liabilities	(4 596)	(8 846)
	168 193	154 023
12. CREDITORS AND PROVISIONS		
Leave	2 726	2 161
Grants and bursaries	110	110
Total other provisions	2 836	2 271
Creditors	7 269	5 510
	10 105	7 781

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

	2014	2013
	N\$'000	N\$'000
13. DEFERRED INCOME		
Deferred income	90 314	99 735
Reconciliation of deferred income		
Opening balance	99 735	108 630
Adjustment for change in interest rate and loan tenure	1 401	-
Amortised to the statement of comprehensive income	(10 822)	(8 895)
	90 314	99 735

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. Until 31 July 2013, the loan was interest-free and from 1 August 2013 the interest rate was revised to 2% per annum. Interest-free loans and loans at below market interest rates are recognised 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 of 9.25% per annum is the equivalent of the borrowing rate that the Government would have charged for a similar loan.

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.

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

	2014	2013
	N\$'000	N\$'000
Bank contribution	3 155	3 050
Employee contribution	1 381	1 334
	4 536	4 384

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (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 as follows:

	2014	2013
	N\$'000	N\$'000
Present value of medical benefit obligation	22 168	21 243
Present value of severance benefit obligation	270	338
	22 438	21 581

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 annually.

The latest actuarial valuation for the post-retirement medical benefit was carried out in July 2014. The valuation method used was the projected unit credit method. The estimated liability as at 31 March 2014 was N\$ 22 168 000 (2013: N\$ 21 243 000).

	2014	2013
	N\$'000	N\$'000
Present value of unfunded obligation	22 168	21 243

Reconciliation showing the movement of the present value of unfunded obligation:

Balance at the beginning of the year	21 243	17 473
Current service costs	1 658	1 501
Interest expense	1 921	1 462
Remeasurements (gains)/losses		
Actuarial (gain)/losses	(2 186)	1 249
Benefits paid	(468)	(442)
	22 168	21 243

The principle assumptions used were:

Discount rate	8.94%	9.04%
Health care cost inflation	8.05%	8.04%
Average retirement age	60	60

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

	2014	2013
	N\$'000	N\$'000
14.2.1 Medical benefit obligation		
<i>Amounts recognised in the statement of comprehensive income are as follows:</i>		
Current service cost	1 658	1 501
Interest cost	1 921	1 462
Components of the defined benefit costs recognised in profit or loss (surplus)	3 579	2 963
<i>Remeasurement of the defined benefit obligation</i>		
Actuarial (gain)/ loss	(2 654)	807
Components of defined benefit (income)/costs recognised in other comprehensive income	2 654	807
 Total	 925	 3 770
14.2.2 Severance benefit obligation		
The latest actuarial valuation for the severance benefit obligation was		
Present value of unfunded obligation	270	337
<i>Reconciliation showing the movement of liability reflected on the statement of financial position:</i>		
Balance at the beginning of the year	337	260
Current service costs	42	37
Interest expense	27	20
Remeasurements		
Actuarial (gain)/loss	(136)	20
	270	337

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	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	33 481	33 481
	115 672	115 672

Tractors and implements were transferred to the bank from Government for sale and on-lending to communal farmers during the previous financial years. The bank 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 (2013: N\$ \$ 33 480 741) has been included under funds and grants as this scheme is administered on behalf of the Ministry of Agriculture, Water and Forestry.

16. RESERVES

Reserves	569 332	481 609
Reconciliation of reserves		
Balance at the beginning of the year	481 609	459 021
Surplus for the year	88 569	29 753
Revaluation loss	(846)	(7 165)
Balance at the end of the year	569 332	481 609

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

17. CAPITAL FUND	2014	2013
	N\$'000	N\$'000
Government contribution	1 071 263	890 826
Reconciliation of Capital Fund		
Opening balance	890 826	770 826
Contribution during the year	180 437	120 000
	1 071 263	890 826
18.1 INCOME AND EXPENDITURE		
Interest income		
Cash and short-term assets	15 434	12 873
Advances granted	153 068	146 252
	168 502	159 125
18.2 Interest expenses		
Government loan	10 823	8 894
Fund accounts and borrowings	7 179	1 360
	18 002	10 254
18.3 Other operating income		
Rent received	2 187	601
Government grant released (interest free loan)	10 823	8 894
Other income	2 282	927
	15 292	10 422

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

	2014	2013
	N\$'000	N\$'000
18.4 General administrative expenses		
Auditor's Remuneration	131	168
Auditor's remuneration	131	168
Depreciation and amortisation	5 938	9 360
Property, plant & equipment	2 071	2 030
Investment properties	300	300
Amortisation - intangible assets	3 567	7 030
Directors fees	303	68
Insurance	446	457
Marketing	3 868	3 725
Maintenance property & equipment	169	159
Professional fees	3 045	4 443
Rent paid	1 887	3 814
Staff cost	47 420	44 351
Salaries	23 320	24 784
Fringe benefits	23 118	18 804
Training	982	763
Other expenses	21 682	18 755
Bank charges	294	299
Legal fees	1 160	614
Security cost	418	229
Printing & stationery	416	300
Computer expenses	5 254	4 943
VAT apportionment expenses	2 198	1 949
Municipal costs	1 371	1 099
Travel	2 259	1 824
Vehicle cost	793	477
Telephone	1 011	1 082
General expenses	6 508	5 939
	84 889	85 300

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

19. Commitments	2014	2013
	N\$'000	N\$'000
Authorised capital expenditure		
Authorised	33 636	15 849

This committed capital expenditure relates to the acquisition of property, plant and equipment and will be funded by both borrowings and own funds.

20. Contingencies

20.1 Retrenched 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 Dismissed 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 re-instatement. The appeal hearing was heard in October 2013 but the outcome of the matter is yet to be determined.

20.3 Agribank vs the abattoir tenant

The bank brought eviction proceedings against its abattoir tenant. The High Court ruled in favour of the bank and ordered an eviction. The tenant has appealed the High Court's ruling on the basis that it has the option to purchase the abattoir at N\$ 15 million and the appeal was heard in October 2013 in the Supreme Court. Subsequent to the reporting date, the Supreme Court ruled in favour of the tenant to exercise its option to purchase the abattoir at a price of N\$ 15 million.

20.4 Ostrich farmer vs Agribank

The ostrich farmer is suing the bank for an amount of N\$ 14 million in connection with a contract entered into. The ostrich farmer has not acted in a manner that indicates intention to finalise the matter.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014(continued)

20.5 Labour Union vs Agribank

A matter between a Labour Union and the bank is under arbitration within the office of the Labour Commissioner. The Labour Union is alleging unfair recruitment processes by the bank and there are no monetary claims against the bank. The matter was postponed to a date to be determined as the Labour Union is yet to file a reply to the heads of argument filed by the bank.

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 minimise 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 adequately utilised, and in addition, borrowing and overdraft facilities are monitored.

The facilities are as follows:

Borrowing and overdraft facilities	2014	2013
	N\$000	N\$000
Building Project	66 000	66 000
Normal operations	50 000	50 000
Utilised on building project	(57 774)	(44 466)
Available	58 226	71 534

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 2014 (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.

2014

Financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years
	N\$' 000	N\$' 000	N\$' 000
Other liabilities	112 548	108 838	145 027
Trade payables	10 106	-	-

2013

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

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 bank 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 2014 (continued)

Financial instruments by classification

Assets as per statement of financial position

2014

Financial assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		N\$' 000	N\$' 000	N\$' 000
Advances	Fixed	1 989 559	-	1 989 559
Bank balances	Floating	423 221	-	423 221
Other current assets	Non-interest-bearing	2 183	-	2 183

2013

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

Liabilities as per statement of financial position

2014

Financial liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		N\$'000	N\$'000	N\$'000
Loan Guarantee Fund	Non-interest-bearing	63 234	-	63 234
Long-term borrowings	Floating/Non-interest bearing	172 789	-	172 789
Special purpose funds	Fixed and floating	107 951	-	107 951
Post retirement Benefits	Floating	22 438	-	22 438
Trade creditors	Non-interest-bearing	10 106	-	10 106

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

Liabilities as per statement of financial position (continued)

2013

Financial liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		N\$' 000	N\$' 000	N\$' 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

The tables above summarise 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 2013.

As at 31 March 2014:

	100 basis points increase	100 basis points decrease
	N\$' 000	N\$' 000
Floating rate financial assets	423 221	4 232
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	423 221	4 232

As at 31 March 2013:

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

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (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 the bank.

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 timely 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 "arrear". 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 minimised.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (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:

	2014	2013
	N\$ 000	N\$ 000
Advances	1 989 559	1 520 987
Bank balances	423 221	330 142
Other receivables	2 183	3 737
	<u>2 414 963</u>	<u>1 854 866</u>

Asset classes with no credit risk exposure:

Property, plant and equipment	94 077	77 294
Intangible assets	3	3 570
Cash on hand	32	32
Investment property	14 050	14 350
Inventory	209	171
	<u>108 371</u>	<u>95 417</u>

Collateral

The main types of collateral the bank normally obtains include the following:

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

Other Financial Assets

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

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 2014 (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 bank 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

	2014	2013
	N\$ 000	N\$ 000
Less than one year	663 931	776 494
Between one and two years	249 752	100 706
Between two and three years	113 856	170 816
More than three years	179 701	152 714
	1 207 240	1 200 730

The above table represents the gross loan balance (net of the provision) in respect of past due loans and not only the past due portion of such loans.

Loan advances neither past due nor impaired

	464 417	599 466
--	---------	---------

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.

Special arrangements	254 627	29 254
----------------------	---------	--------

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (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 2014, 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	Annual improvements 2011-2013 Cycle: Amendments to Basis of Conclusion to clarify the meaning of "effective IFRSs".	Annual periods beginning on or after 1 July 2014
IFRS 2, Share-based Payment	Annual Improvements 2010–2012 Cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	Annual periods beginning on or after 1 July 2014
IFRS 3, Business Combinations	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.	Annual periods beginning on or after 1 July 2014
	Annual Improvements 2011–2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.	Annual periods beginning on or after 1 July 2014
IFRS 8, Operating Segments	Annual improvements 2010-2012 Cycle: Amendments to some disclosure requirements regarding judgments made by management in applying aggregation criteria, as well as those to certain reconciliations.	Annual periods beginning on or after 1 July 2014

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

22. Standards and interpretations not yet effective

IFRS 9, Financial Instruments	<p>Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.</p> <p>A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.</p>	<p>Annual periods beginning on or after 1 July 2014</p> <p>Annual periods beginning on or after 1 January 2018</p>
IFRS 10, Consolidated Financial Statements	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.	Annual periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements	Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.	Annual periods beginning on or after 1 January 2016.
IFRS 12, Disclosure of Interests in Other Entities	New disclosures required for investment Entities (as defined in IFRS 10)	Annual periods beginning on or after 1 January 2014
IFRS 13, Fair Value Measurement	<p>Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables.</p> <p>Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.</p>	<p>Annual periods beginning on or after 1 July 2014</p> <p>Annual periods beginning on or after 1 July 2014</p>

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

IFRS 14, Regulatory Deferral Accounts	IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.	Annual periods beginning on or after 1 January 2016
IFRS 15, Revenue from Contracts from Customers	<p>New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.</p> <p>The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements</p> <p>The new standard supersedes:</p> <ul style="list-style-type: none"> (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services. 	Annual periods beginning on or after 1 January 2017

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (continued)

22. Standards and interpretations not yet effective

IAS 16, Property, Plant and Equipment	<p>Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.</p> <p>Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.</p> <p>Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.</p>	<p>Annual periods beginning on or after 1 July 2014</p> <p>Annual periods beginning on or after 1 January 2016</p> <p>Annual periods beginning on or after 1 January 2016</p> <p>Annual periods beginning on or after 1 January 2016</p>
IAS 19, Employee Benefits	Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended.	Annual periods beginning on or after 1 July 2014
IAS 24, Related Party Disclosures	Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	Annual periods beginning on or after 1 July 2014

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

22. Standards and interpretations not yet effective

IAS 27, Consolidated and Separate Financial Statements	<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 a parent.</p> <p>Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p>	<p>Annual periods beginning on or after 1 January 2014</p> <p>Annual periods beginning on or after 1 January 2014</p>
IAS 32, Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	Annual periods beginning on or after 1 January 2014
IAS 36, Impairment of Assets	Amendments to address the disclosure of information about the 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
IAS 38, Intangible Assets	<p>Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.</p> <p>Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.</p>	<p>Annual periods beginning on or after 1 July 2014</p> <p>Annual periods beginning on or after 1 January 2016</p>

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED MARCH 2014 (continued)

22. Standards and interpretations not yet effective

IAS 38, Intangible Assets (continued)	Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	Annual periods beginning on or after 1 January 2016
IAS 39, Financial Instruments: Recognition and Measurement	Amendments for novation of derivatives the continuation of hedge accounting.	Annual periods beginning on or after 1 January 2014
IAS 40, Investment Property	Annual Improvements 2011-2013 Cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	Annual periods beginning on or after 1 July 2014
IAS 41, Agriculture: Bearer Plants	Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	Annual periods beginning on or after 1 January 2016
Interpretations		
IFRIC 21, Levies		Annual periods beginning on or after 1 January 2014