AGRIBANK OF NAMIBIA

Your all Season Bank

ANNUAL REPORT 2015

Agricultural Bank of Namibia

Executive Committee

Shali Shindume GM: Lending	Stephany de Klerk Legal Advisor/ Company Secretary	Amb. Leonard N Iipumbu Chief Executive Officer	Ignatius Theodore GM: Finance	Regan Mwazi GM: Corporate Services

About us

Objective

The objective of the Agricultural Bank of Namibia – or Agribank – is to promote agriculture or activities related to agriculture by lending money to –

- persons, which money is to be used in connection with agriculture or activities related to agriculture, and
- financial intermediaries, who or which in turn lend money to persons for the purposes contemplated above.

Mandate

Agribank is a State-owned financial institution with the mandate to advance money to persons or financial intermediaries for the promotion of agriculture and activities related to agriculture.

Vision

To become the financial institution of choice in the development of agriculture and its related activities

Mission

To promote agriculture and its related activities through affordable and sustainable financial solutions towards socio-economic development in Namibia

Values

Our core values, which serve as guiding principles and beliefs which ethically guide us, are as follows: **CAPFIT**

• Customer service	Striving for service excellence
• Accountability	Account for and take responsibility for actions taken in public office
• Professionalism	Striving to apply skills, competence and character expected of a highly trained professional in the conduct of business
• Fairness	Striving towards equitable and equal treatment of stakeholders
• Integrity	Honesty and truthfulness in the conduct of business
• Transparency	Openness to public scrutiny

Annual Report 2015

Contents

List of abbreviations

AALS	Affirmative Action Loan Scheme
CLDP	Communal Land Development Project
FSP	Farmers' Support Project
NACP	National Agricultural Credit Programme
PCLD	Programme for Communal Land Development
VCF	Veterinary Cordon Fence
ERFP	Emerging Retail Financing Product
ISECS	Informal Sector Entrepreneurs Credit Scheme

Board of Directors

Terttu N T Uuyuni (Chairperson)

- Self Employed Training Consultant (TLM Training Consultants CC) (2011- to date)
- Deputy Director : (Banking Supervision Department (Bank of Namibia) (2008 –2010)
- Principal Examiner: (Banking Supervision Department (Bank of Namibia) (2007 – 2008)
- Senior Financial Analyst: (Banking Supervision Department (Bank of Namibia) (2002- 2007)
- Board Member: Windhoek Country Club Resorts (September 2003 – present)

Oiva Mahina (Deputy Chairperson)

- Self employed (July 2005 – to date) • Farmer
- Vice- chairperson: Kavango Regional Farmers Union
- Chairperson: Kavango Local Business Association
- Member: Kavango Regional Council Tender Board
- Board Member: Meatco (2008 – 2010)

Anna N Shiweda

- Deputy Permanent Secretary (Ministry of Agriculture, Water and Forestry) (2001 – 2015)
- Managing Director – Designate (Namibia Development Corporation) (2001- 2003)
- Namibian Broadcasting Corporation • The Land Tribunal
- Institute of Management and Leadership Training
- Namibia Beverages- Coca- Cola 2000 – 2003 • Glenrand M.I.B Namibia

Immanuel P Awene

- Chief Financial Officer (New Era Publications Corporation Oct 2013 – to date)
- Practicing Chartered Accountant (2008 – 2013)
- Manager: Finance (Tsumeb Municipality) (2006 – 2008)
- Senior Manager: EAD (ABAS, PwC) (2003 – 2006)

Mujiwa Mayumbelo

- Strategic Executive at City of Windhoek: (1999 – to date)
- Deputy Director in Office of the President. (1996 – 1998)
- Member of Labour Advisory Council of Namibia (1993 – 1995)
- Member of UNAM Council (1991 – 1997)

Ambassador Leonard N Iipumbu (CEO)

- Masters Degree in Internal Services
- Bachelors Degree in Business Administration, Majoring in Economics and Finance.
- Held numerous diplomatic positions as Namibian Ambassador for France, Italy, Portugal, Spain, USA, Brazil, Canada and Mexico.

Chairperson Report

CHAIRPERSON REPORT

Economic and Sectoral Overview

This year, Namibia celebrated it's silver jubilee, 25 years of independence, as the ccountry reflects on the agricultural sector roadmap which seeeks to achieve the objectives of food self-sufficiency, poverty eradication and reduced unemployment. Indeed, the agricultural sector has been identified as a key economic sector in achieving NDP 4 objectives such as high and sustained economic growth, increased income equality and employment creation.

The Namibian agricultural sector is still facing challenges and its contribution to total GDP has continued to decline over the last decade, while the other sectors continue to expand. The decline is reflected in the lower productivity levels and output in the sector. Moreover, the country has been facing perennial natural calamities such as drought and food and mouth disease. It is, therefore, important that all stakeholders develop long-term strategies to address these challenges. At Agribank, we share the common vision of improved access to land, agricultural production and food security in the country.

Financial Results

Despite - and throughout - the difficult times experienced since 2013, we take pride in the fact that Agribank could approve loans to the tune of N$391.8 million in 2014/15 financial year, of the N$391.8 million loan advances, 42% went towards financing land acquisition; 21% for livestock purchases and the balance went for the takeover of agricultural debts initially financed by other financial institutions. The Bank's loan book, hence, grew by 15 percent from N$2.0 billion in the 2013/14 financial year to N$2.3 billion in the 2014/15. This growth is mainly driven by farmland acquisitions and livestock purchases.

The Bank has recorded an increase of N$51.8 million in arrears, which remains a concern for the board although all loans are secured. During the year under review, we were able to recover N$214 million in installments that fell due and N$44 million from the past arrears. We thank our committed clients that go an extra mile to always pay their installments despite the challenges that they might be facing.

To show support to our clients, the Bank introduced the Drought Relief Measures in 2013. This initiative had a negative impact on the bank's income received both in 2014 and 2015. Our net surplus was as a result affected significantly when compared to the previous years.

Strategic Initiatives

The Board continued to oversee the implementation of the strategic priorities during the year under review. In our view more has been achieved for the period under review as management refocused on implementation of strategic priorities. As a result, we saw a review of the organizational structure to realign our human resources capacity to support the strategic objectives. A number of key human resources from credible institutions were successfully hired and we strongly believe they will contribute to improving our operational efficiency.
In line with the aforementioned, we saw the need to creating an enabling environment for our staff and decided to make use of a professional service provider to conduct a job re-grading and scaling exercise. This paved the way for a Performance Management System (PMS) to be implemented.

In addition, the year was characterized by specific focus on building stakeholders' relationships through conducting meetings across the country and with our shareholders. These assisted the Bank in clarifying our shareholders expectations, identifying our clients' current and future needs, and sharing information on the available products offered by Agribank.

At the same time, the Bank saw these meetings as a platform to solicit input from the clients and potential clients on a new product idea that was envisaged to be introduced in the financial year 2015/2016. The Emerging Retail Farmers Product, is earmarked for the low income individuals that may not have the required type of collateral, and is expected to make Agribank loans more accessible to many, especially those farming in the communal areas. We look forward to the official launching of the Emerging Retail Financing Product (ERFP) and Informal Sector Entrepreneurs Credit Scheme (ISECS), in the near future.

Outlook

Looking ahead, we envision a bank that is highly efficient in service delivery as the Board is working hard to ensure that a performance culture through service excellence is lived throughout the organisation. in the institution. We envision a bank with a strong balance sheet that has been rated and has the capacity to raise own funds in the market. This will obviously be done without neglecting our developmental goals and mandate to effectively serve the Namibian farmers regardless where they are farming. I am pleased to announce that Agribank is committed to continuously support farmers even during future challenging periods.

...the Bank saw these meetings as a platform to soliciting input from the clients and potential clients...

Informal Sector Entrepreneurs Credit Scheme, is a financial solution for the informal sector vendors.

Appreciation

On behalf of the Board of Directors, I would like to express our sincere gratitude towards the Ministry of Finance, the Ministry of Agriculture, Water and Forestry and the Ministry of Land Reform for their significant and ongoing support and assistance. I would also like to thank my fellow Board members for their hard work and dedication over the past year. Last, but definitely not least, the Board's appreciation also goes to the staff and management of the Bank. We thank you for your loyalty and hope that all of you will continue pressing on towards helping the bank achieve its 5-year strategy.

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Terttu N T Uuyuni
Chairperson

Chief Executive Officer's Report

Chief Executive Officer's Report

This year marks 25 years of democracy for Namibia, and I am delighted to highlight some of Agribank's achievements over this period. As a development finance institution, Agribank has contributed towards improving the quality of life of Namibians through sustainable investment in the agricultural sector. These achievements were accomplished by the Bank leveraging the skills and expertise of its employees and stakeholders. In doing so, we enhanced the expansion of access to affordable agricultural financial solutions.

Some of the milestones achieved since independence include successfully restructuring the organisation, completing major renovations to our headquarters, developing drought relief facilities, and maintaining a strong balance sheet. Some of the challenges we faced over the same period involved financial difficulties and industry-wide natural calamities. In this report, I am happy to inform our stakeholders and the nation at large that the Bank has overcome these trials and is now moving ahead on a sustainable path. However, while we are encouraged by the positive development in the Bank in general and across the agricultural sector as a whole, we also acknowledge that much work still needs to be done to achieve the vision of a prosperous and integrated agricultural industry.

In respect of the 2014/15 financial year, the global economy continued with its slow recovery, mainly supported by the advanced economies – the United Kingdom and the United States. Growth in Namibia's main export markets for beef and grapes in the Euro area, for example, remained lacklustre, with Europe continuing to be marred by high public and private debt, on the one hand. According to data from NSA (Namibia Statistics Agency), the Namibian economy, on the other hand, grew by 6.4 percent in the 2014 calendar year, compared to 5.7 percent in 2013 counterpart. The upward trend was mainly supported by the non-agricultural sectors. Nonetheless, the agricultural sector itself grew by 9.6 percent in 2014, compared with a contraction of 19.3 percent in 2013, as the sector emerged from the drought conditions experienced in the 2013 rainy season. Farmers also benefited from lower fuel prices towards the end of the 2014/15 financial year, which, together with a rise in global oil supplies, helped to reduce their input costs. However, the outlook for growth in the agricultural sector is weak due to signs of a new drought, affecting growth in the primary industries and in the domestic economy, as a whole.

The Bank's financial performance slowed down during the reporting period, but still recorded healthy net surpluses. During 2014/15, net interest income before provisions increased by 5.0 percent, to N$142 million. Net interest income from lending activities declined by 24.0 percent in the year under review, mainly owing to a change in provision for losses on advances: these increased from a credit of N$5 million in the 2013/14 financial year to a charge of N$35 million in 2014/15. In addition, general administrative expenses rose by 10.5 percent to N$94 million in 2014/15, mainly due to the job grading exercise, which was concluded in November 2014. The revision of job grades also resulted in a 17.0 percent increase in the total salary bill to N$55 million in 2014/15. Therefore, the net surplus fell by 47.0 percent from N$89 million in the previous financial year to N$47 million in 2014/15.

The end of the reporting year saw the agricultural sector facing one of its most challenging periods: Namibia stands at the threshold of another drought – the second in as many years – which threatens to have devastating effects on farmers' livelihoods once again. The Crop and Household Food Security Assessment conducted by the Ministry of Agriculture, Water and Forestry indicates that large parts of the country received below-average rainfall during the 2014/15 rainy season. The situation that farmers now face is exacerbated by Namibia having emerged in 2013 from one of the worst droughts in 30 years. Moreover, the restrictions imposed by South Africa's State Veterinary Services during the reporting year in respect of livestock exports adversely affected farming operations throughout Namibia. In this regard, I am happy to announce that Agribank, as one of the key stakeholders in the agricultural sector, is ready to assist farmers in the event that the Namibian Government declares a drought.

As we continue on our chosen path and the challenges it will bring, we are commited to developing innovative funding options for the bank and at the same time sustainably grow our balance sheet in order to widen our income base. It is also the Bank's priority to find alternative forms of collateral for communal farmers not only to improve their access to financing, but also to expand our balance sheet.

Stakeholder engagement is another priority area for Agribank. To this end we have conducted several consultative meetings with farmers to discuss issues that concern them. The Bank also launched a client satisfaction survey aimed at improving our products and services.

The end of the reporting year saw the agricultural sector facing one of its most challenging periods...

Overall, we owe our progress during the reporting petiof to the hard work and dedication of our Board, Management and staff. I would therefore like to thank the Board for its strategic guidance and oversight provided during the year. Thank you to the staff of Agribank, for your contribution towards our success. Finally, allow me to express my gratitude to our clients and partners for their continued support during the period under review. Your alliance with Agribank helps to keep us on the path of sustainability.

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Amb. Leonard N Iipumbu
Chief Executive Officer

Corporate Governance Report

Corporate Governance Report

The year under review saw Agribank's continued compliance with the provisions of the Agricultural Bank of Namibia Act, 2003 (No. 5 of 2003), the State-owned Enterprises Governance Act, 2006 (No. 2 of 2006) and the Financial Intelligence Act, 2012 (No. 13 of 2012). In accordance with section 13 of the Agribank Act, all members of the Board of Directors declared their commercial interests within the first month of their continued tenure in 2014/15. The strategic intention of these declarations is to ensure that conflicts of business interest and interests in matters under consideration can be presented in a transparent manner. The Board's declarations were followed by similar statements by the Chief Executive Officer (CEO) and Executive Committee.

These declarations remain a compliance practice. They have ushered in an ethos of enhanced objectivity and independent decision-making by the Board, its Committees, and the three Agribank Management Committees.

Board duties and responsibilities

The Agribank Board of Directors remains committed to the principles articulated in the King Commission Report on Corporate Governance (King III), NAMCODE, International Financial Reporting Standards (IFRS), prudential standards and recognises the value of consistently employing the principles of good faith, care and diligence in the performance of its duties.

To this end, during the year under review the Board signed the Agribank Charter on the Financial Intelligence Act and, in so doing, the bank operationalised the provisions of the Act as they apply to bank administration, banking operations and management decision-making. Agribank also remains committed to the agenda of Board self-evaluation as contemplated by the Act.

The Directors strive to comply with the Code of Corporate Governance as put forth in the Agribank Board Charter, which forms the cornerstone of the Bank's governance framework and guides the Board in the performance of its duties. In order to ensure they comply with the governance principles outlined in the Board Charter, the Directors continue to adhere to the Board Procedure Manual and the practices set out therein.

The Board is responsible for setting the Bank's direction through established strategic themes, objectives and key policies. During the reporting period, the Board reviewed Management's performance in implementing the Bank's Five-year Strategic Plan. Based on the review, the Board realigned Management's expected outcomes to ensure that the goals set out in the Plan are attained.

In an attempt to ensure obligations of accountability to the Board are adhered to, the Directors invited Executive Management to attend Board meetings. This decision saw an increase in effective and frank dialogue, enhanced reporting and direct Board–Management instruction, which in turn saw Management effectively implement Board decisions. In addition, the Board actively tracked and monitored Management's performance and adherence to its directives.

Appointments and terms of office

The Minister of Finance, in concurrence with the Minister of Agriculture, Water and Forestry, appoints members to the Agribank Board of Directors. The reporting period saw no new appointments as the current incumbents' terms expired in the 2015/16 financial year. However, Hon. Anna Shiweda retired from the Board and as Chairperson of the Board's Human Resources Committee following her appointment as a Member of Parliament during the reporting year.

Table 1: Terms of incumbent Board Members

Board Member	Date of appointment	End of term
Ms TNT Uuyuni (Chairperson)	15 May 2012	16 May 2015
Mr O Mahina (Vice Chairperson)	29 August 2012	29 August 2015
Mr I Awene	16 May 2012	16 May 2015
Mr M Mayumbelo	16 May 2012	16 May 2015
Ms AN Shiweda	29 August 2012	21 March 2015

In line with Agribank's enabling Act, the following Directors chaired the three respective Board Committees during the reporting period:

Table 2: Chairpersons of Board Committees

Board Committee	Chairperson
Human Resources Committee	Ms Anna Shiweda
Audit and Risk Committee	Mr Immanuel Awene
Credit and Investment Committee	Mr Mujiwa Mayumbelo

As mentioned previously, Hon. Anna Shiweda retired as Chairperson of the Board's Human Resources Committee on 21 March 2015, in lined with her appointment as a Member of Parliament.

The Board of Directors maintained an excellent record of attending Board and Board Committee meetings. The Board did not institute the termination of any Board Member's tenure or disqualify any such Member from directorship during the period under review.

Board procedures and related matters

In terms of its procedures, roles and responsibilities, the Board is guided by the Agribank Board Charter and its Code of Corporate Governance. The Board meets once every two months and is responsible for the Bank's policies and for managing and controlling its affairs in accordance with the powers to be exercised and duties to be performed as per the Agribank Act. The operational management and administration of the Bank's affairs are delegated to the CEO and the Executive Committee, with the Board retaining oversight of the CEO's performance.

Governance and Performance Agreements

The Board of Directors assessed its performance in respect of its Governance Agreement with the Minister of Finance as well as its individual Directors' Performance Agreements with the Minister. The Board identified key areas of excellence and improvement during these assessments with the aim of refining its strategic leadership capabilities and its compliance with the Corporate Governance Code for Namibia (also known as the NAMCODE).

Board Committees

Three Committees assist the Board in executing its functions. In order to ensure matters are discussed comprehensively, each Board Committee is served by two Board Members, with the CEO and Executive Management being in attendance at Committee meetings. The Committees' specific functions are outlined below.

- Human Resources Committee

The primary objective of Agribank's Human Resources Committee is to create an organisational culture and pertinent structures and processes which seek to support staff development and optimise their potential. The Committee meets at least four times a year.

- Audit and Risk Committee

The Audit and Risk Committee assists the Board in meeting its responsibilities as regards to ensuring adequate systems of internal controls, compliance with policies, laws and regulations that impact Agribank, and that the Bank meets its external financial reporting obligations. The Committee's terms of reference deal with its membership, authority and duties. The Committee's responsibilities include reviewing the draft Annual Financial Statements prepared by the external auditors and meets at least four time a year. For the year under review, the Bank's external auditors, appointed by the Auditor-General, were MAC & Associates.

- Credit and Investment Committee

The key function of this Committee is to extend credit and make investment decisions to maximise returns on available investment options. This Committee meets at least four times a year.

Board resolutions

The Board prides itself on the fact that Agribank achieved key goals during the year under review. These focused mainly on matters relating to recruitment and organisational systems, but also on introducing products that give funding access to farmers without traditional collateral. The Board resolutions made in this regard were as follows:

Table 3: Key Board resolutions

Resolutions
To implement Agribank's new organisational structure
To implement the Performance Management System
To implement the Job Grading System
To contract a Consultant to assist with rolling out the Job Grading and Performance Management Systems
To introduce the Emerging Retail Financing Product, which is geared towards financing collateral-free loans at grass-roots level
To introduce the Informal Sector Credit Scheme, which is geared towards providing loan facilities to vendors in the informal sector
To conduct a complete information technology audit of the Business Process Management System with the aim of addressing key operational concerns

Agribank Management Committees

Agribank's Management Committees, which deal with the Bank's operations, are as follows:

- Executive Committee

The Executive Committee consists entirely of Executive Management, namely the representatives of all operational areas. The Executive Committee meets once a month and makes recommendations to the Board on policy and strategic direction of the Bank, as well as implement Board decisions inline with the delegation of authority.

- Credit Committee

The Credit Committee consists predominantly of Managers in the Lending, Finance and Corporate Services Departments. This Committee is responsible for the review and approval of loan applications, as well as for making appropriate recommendations to the Board for their approval under certain conditions, where applicable. Other responsibilities include managing the Bank's credit risk. The Committee meets once a week to ensure loans are approved in a timely manner.

- Asset and Liability Management Committee

This Committee's primary purpose is to conduct monthly reviews of the Bank's assets and liabilities. The Committee monitors risks, sets exposure limits in respect of a potential asset–liability mismatch, periodically reviews and sets interest rates, and monitors the meeting of commitments. The Committee consists predominantly of Managers from different departments.

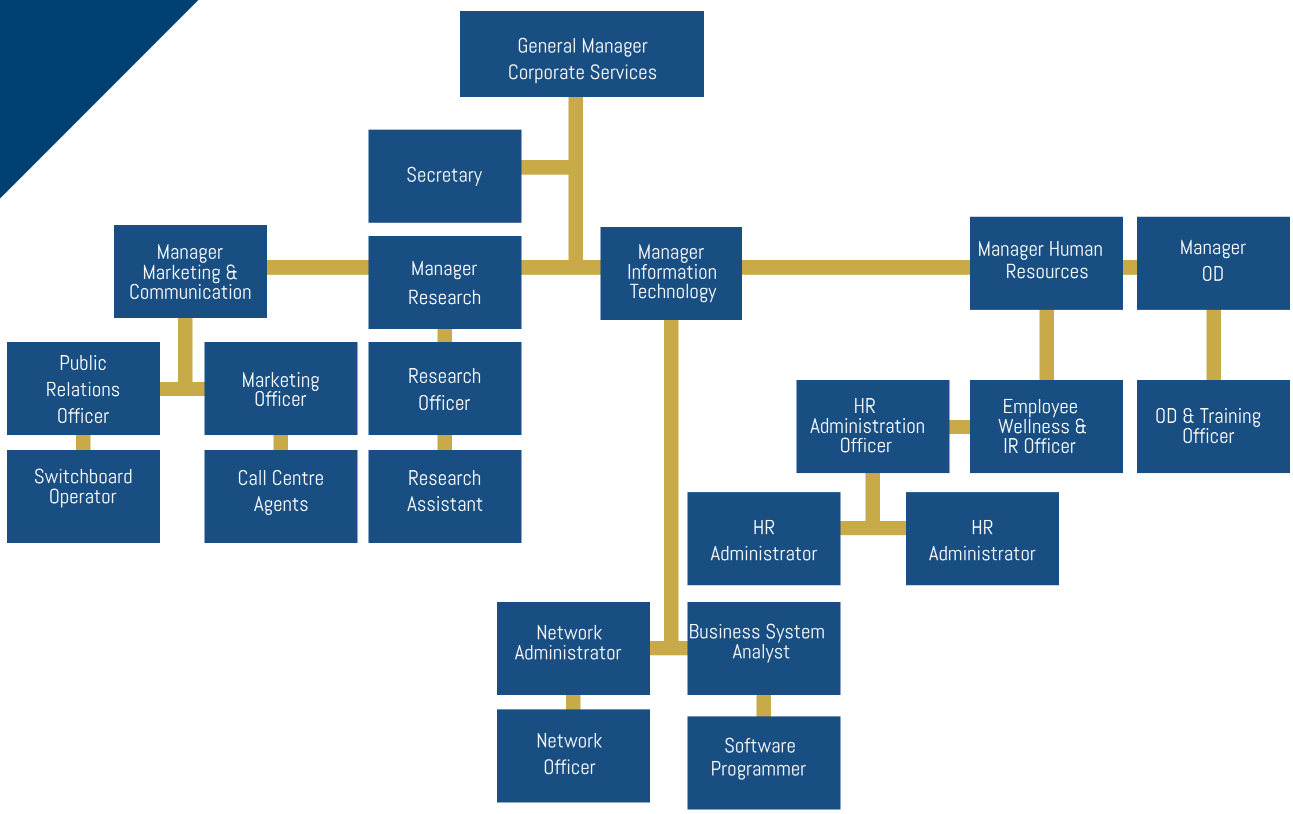
Risk management

As a development finance institution, Agribank is required to manage risks while it pursues its mandate. Risk management plays a crucial role in ensuring the Bank delivers on this mandate, while simultaneously remaining financially sustainable in respect of its investments and interventions.

The Agribank Board is ultimately responsible for the effective management of risks facing the Bank. To manage adverse risk exposure across the entire operation, the Bank adopted an Enterprise Risk Management approach. The approach involves embedding frameworks, policies, methodologies, processes and systems to manage all risks inherent in the Bank's strategies, operations and business processes.

Risk is managed at three levels in the Bank, namely strategic, management and business. These three levels where risks are identified are:

- Strategic risk, i.e. the chance that threats or unforeseen opportunities may inhibit Agribank's ability to achieve its strategic objectives. Agribank needs to manage this risk to successfully implement its strategy and mandate with the ultimate goal of creating and protecting shareholder and stakeholder value.
- Operational risk, i.e. the risk of loss resulting from inadequate or failed internal processes and systems, or from external events that can have a disruptive impact on the reliability, continuity, quality and efficiency of Agribank's operations or cause damage to its tangible or intangible assets, and
- Business risk, i.e. the chance that unknown events or circumstances can result in deviations from the returns expected on individual business propositions or impact on the planned outcomes of specific value-creating initiatives.



Corporate Services Department

Corporate Services Department

The Corporate Services Department provide planning for sustainable growth and prosperity today for wealth creation through rendering support for service delivery in an increasingly efficient and effective manner. It's composed of the Human Resources Division, the Organizational Development, Information and Technology, Research and Product Development, Marketing Communication Divisions. The Farmers Support Project is also under this Department.

Stakeholder Engagement & Corporate Social Investment Report

Agribank promotes sustainable growth and prosperity for wealth creation in the agriculture sector by providing support for service delivery in an increasingly efficient and effective manner. One of our key strategic focus areas is to engage stakeholders throughout this endeavour in order to improve service delivery and orient products to our stakeholders' needs. Moreover, as part of the Bank's corporate social responsibility, we continuously invest in projects that impact positively on communities' livelihoods.

Marketing and Communication Division

- Stakeholder engagement

Agribank continues to consult and network with its stakeholders to improve its product and service delivery. During the year under review, the Bank provided various forums for such engagement, including representations at the Erongo Expo, the Tsumeb Copper Festival, and the Grootfontein, Keetmanshoop, Okakarara and Otjiwarongo Trade Fairs as well as the Windhoek Show. Agribank also made financial contributions towards prizes for winners at the Mahangu Festival to promote excellence in the industry and enhance its corporate presence in the agricultural community. In addition, Agribank sponsored and participated in Farmer Information Days organised by farmers' unions and associations throughout the financial year.

Other engagement efforts took the form of networking opportunities presented at the following events, among others:

- Meeting of the Council of Traditional Leaders
- Meeting of the Kavango West business community
- Breakfast Meeting of the Ounongo Technology Centre
- The Prime Minister's Dialogue with farmers and the business community, and
- Various regional stakeholder meetings, e.g. in Hardap, Kavango East, Khomas, Ohangwena, Omaheke, Oshikoto, Otjozondjupa and Zambezi, to solicit inputs on Agribank's product offerings and service delivery.

The Bank's countrywide Client Satisfaction Survey offered another engagement platform. The Survey aims at evaluating clients' perceptions of Agribank products and services. The Survey is expected to be completed in May 2015.

- Corporate social responsibility

Agribank invested N$1.2 million in community upliftment and agricultural activities during the 2014/15 financial year in the spirit of meeting its corporate social responsibility. The investment aimed not only at enhancing the lives of ordinary Namibians, but also at adding value to the agricultural sector in general. The largest portion of the investment went towards sponsoring agricultural shows (30 percent), followed by agricultural projects (12 percent) and support for Farmer Information Days and congresses (9 percent).

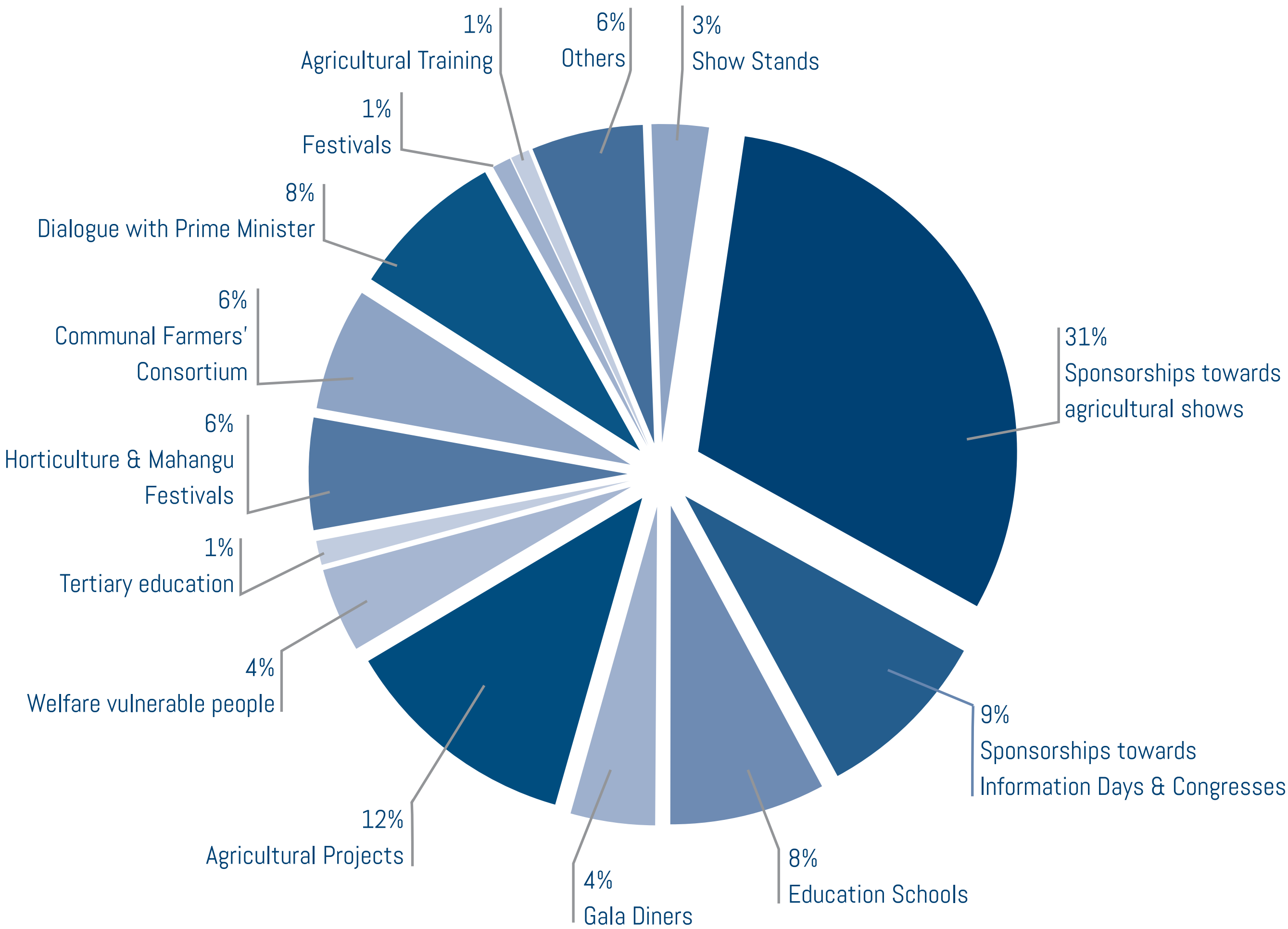


Figure 1: Corporate social investment, by category

Human Resources Investment & Development Report

The Human Resources team coordinates the flow of people, through our organisation and continuously develops staff to reach their full potential. Thus, besides offering general human resources advisory services, the team has certain key functions. These include Recruitment, Orientation, Remuneration, Compensation and Benefits, Development, Retention, Labour Relations, and Disability and Wellness. The alignment and effectiveness of these functions ensures that the Bank has the right people in the right positions at the right time. Furthermore, it creates a business environment that is conducive to delivering services to clients in an effective and efficient manner. In short, human resources service delivery has two principal components:

- Human resources management and performance, and
- Learning and development.

Staff turnover

The Bank started the financial year with 107 permanent employees, with the number increasing to 110 by 31 March 2015. During the period under review, seven recruits commenced employment at the Bank, while four employees resigned. Thus, the turnover rate for the reporting year was 3.7 percent.

The permanent workforce of 110 consisted of 58 men(53 percent) and 52 women (47 percent). A total of 70 employees were based at the Bank's Head Office, while the remaining 40 were at our six branches around the country (Figure 2).

Agribank was awarded a Compliance Certificate for the reporting year in respect of its adherence to the requirements of the Affirmative Action (Employment) Act, 1998 (No. 29 of 1998).

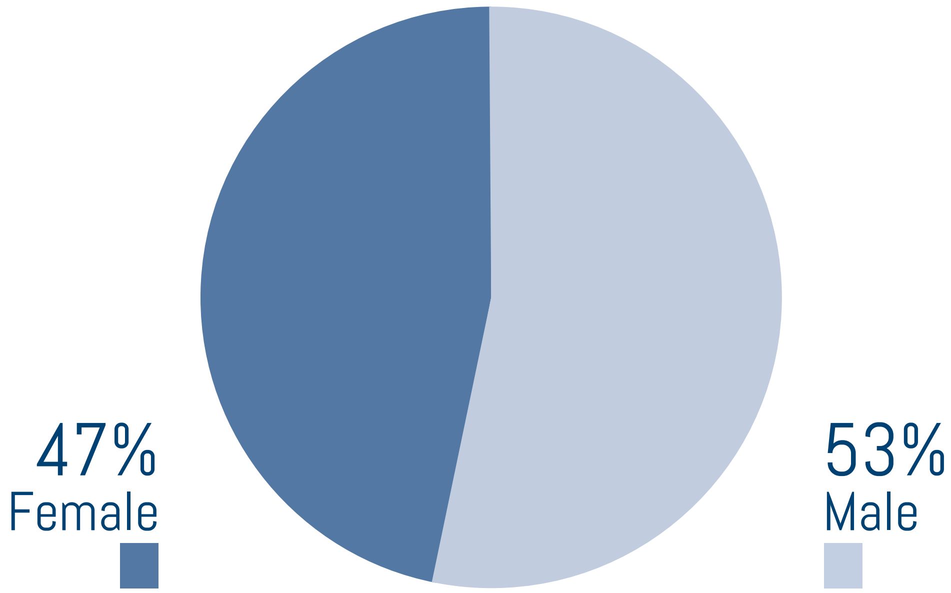


Figure 2: Staff gender balance

Business value added per employee

During the year under review, remuneration expenses as a proportion of total operating expenses increased by 4 percentage points. In this regard, the average cost of labour was more than the revenue generated by the Bank per employee. This came about as a result of a job grading exercise implemented in November 2014, which strove to realign remuneration to current market trends.

Total remuneration per employee has increased since 2013 and has remained above the 50 percent market threshold.

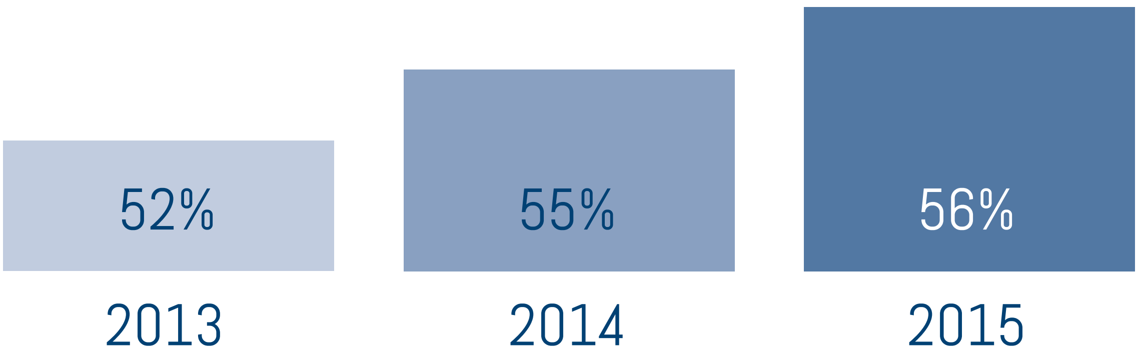


Figure 3: Business value added per employee

Performance management

Performance management is a process of establishing a shared understanding among the workforce about what is to be achieved at an organisation. Performance management includes activities that ensure goals are consistently met. The process also provides insight into why things happen, and foresight into what could happen in the future. Such perspectives lead to improved performance by the individual, the unit/department and the organisation overall.

Agribank enlisted the consulting services of PricewaterhouseCoopers (PwC) during the reporting year to review the Bank's Performance Management System. To ensure that employees are continously equipped with the required knowledge to implement the system successfully, the bank held various workshops relating to the cultivation of a performance culture. Through such interventions, the workforce was upskilled in leading the performance management process, mapping respective departmental workflows, and understanding their Performance Agreements with the Bank. Such agreements, which are signed by both parties, set out an individual's commitment to achieving agreed milestones.

Job review, verification and grading

In the previous reporting period, Agribank embarked on a job description, verification and grading process with the assistance of PwC's consulting services to align remuneration to current market trends. By the end of the 2014/15 review period, all job descriptions and positions had been regraded and benchmarked against similar positions in the market, and the amendments were duly implemented.

The review exercise strove to ensure that job descriptions continue to be well defined. In this way, the best fit can be found between individual job descriptions and grades that are consistent in the Bank. The review has brought about a grading structure that is now logically designed: not only can the Bank's HR related policies be effectively implemented, but remuneration decisions can also be based on monitored performance.

Learning and development

Agribank's employees are its most valuable resource. We are therefore committed to attracting, developing and retaining the best people by nurturing their careers in a challenging and stimulating environment, and encouraging individual development and growth. During the reporting period, Agribank invested N$985,000 in strengthening employees' capacity through various learning and development activities, in line with building the necessary competencies that will result in improved performance and excellence in achieving the expected results.

There were 152 development programmes, some of which are reflected below.

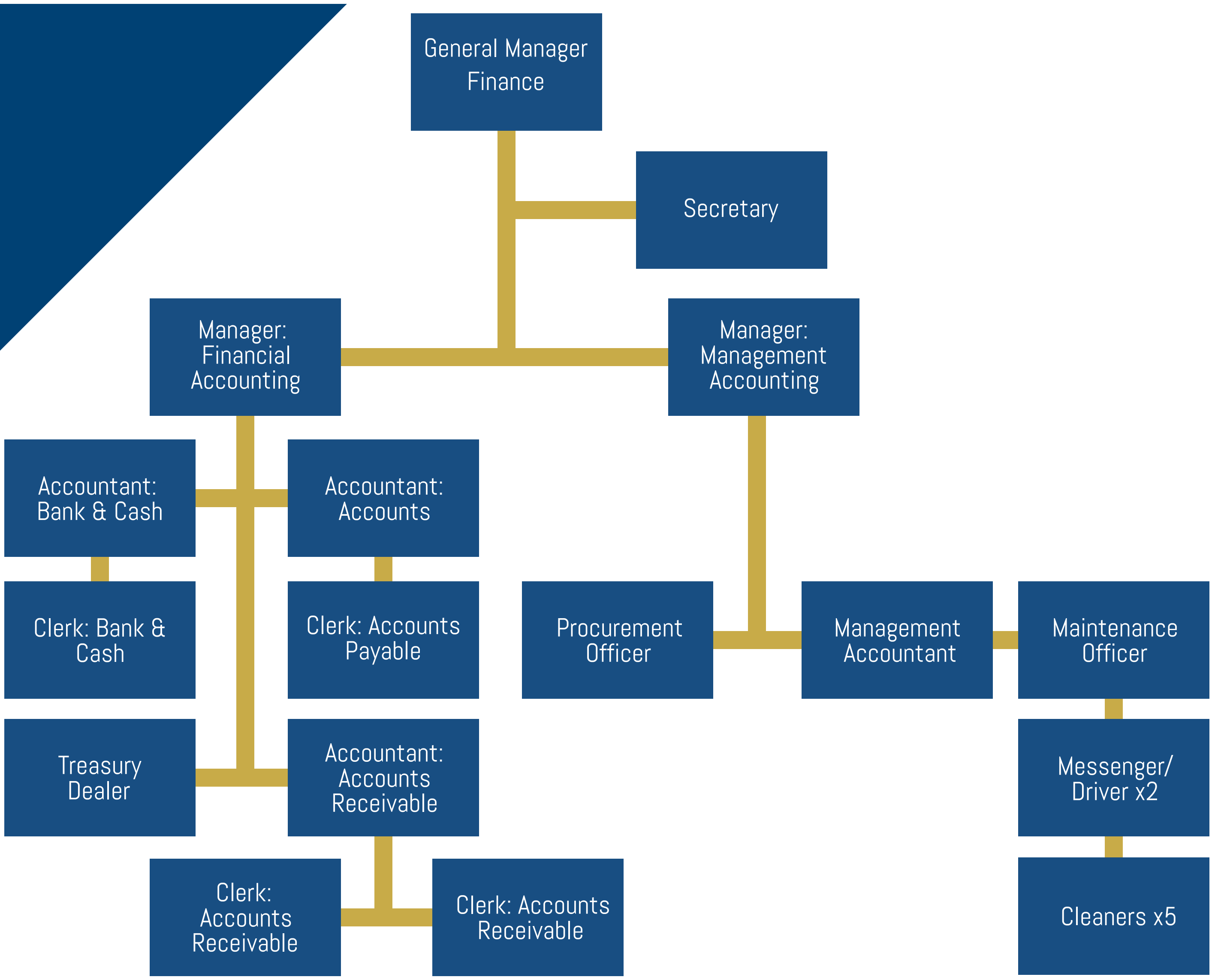
- Performance Management
- Advanced Microsoft Excel
- Customer Care and Emotional Skills
- Messenger/Driver Training
- Training for Southern African Development Community Development Finance Institutions
- Customer Relations Management
- Oracle Business Process Management
- Legal Training, and
- Lead Namibia Summit.

Information Technology Report

The Information Technology Division provides information and communications technology support systems and infrastructure solutions to enhance staff productivity. During the reporting period, the Bank upgraded its Oracle Servers. These are intended to run the business process management efficiently and improve the efficiency of the loan cycle.

The post-implementation audit of Agribank's loan origination system was conducted by way of business process management software during the period under review. The audit identified the challenges being experienced by its end users. In line with the audit's findings and recommendations, Agribank has since been implementing refinements and other enhancements on an ongoing basis.

The review period also saw the Bank's network bandwidth to regional branches being doubled. This advance improved communications with the Bank's Head Office and, thus, streamline operations across the organisation.



Finance Department

Finance Department

The Finance Department is headed by General Manager Finance, with two functional divisions, each with a manager:

- Financial Accounting
- Management Accounting

a) The department is responsible for develop and manage the financial function and subsequent financial services capacity of Agribank so that the there are effective processes in place that will ensure that financial resources are optimised within the context of financial planning, funding, income/revenue control, cost management and capitalisation requirements of Agribank's business activities.

b) Ensure that statutory requirements in terms of compliant financial approaches/methods and records are developed and maintained and appropriate reports are produced, and that all financial processes are compliance with standards and best practices.

c) Provide financial advice and a delivery capacity across the various financial services areas, including procurement and asset management as required by the Bank and its staff at various levels, as well as leading the negotiations on financing, funding, and budgetary requirements as they apply in relation to various stakeholders.

d) Ensure that Agribank is able to finance its growth strategies in terms of the financial requirements and pre-requisites.

e) Establishment of relevant accounting policies and procedures suitable for the current SAP environment and in accordance with best practices, local GAAP and IFRS.

Financial Performance Report

Agribank's financial performance slowed down, but still recorded healthy net surpluses during the reporting period. Nonetheless, the drought in the country in 2013 negatively impacted the clients' financial performance in the 2014/15 financial year, as evidenced by them failing to meet some of their financial obligations. Table 4a highlights the Bank's key metrics during the period under review.

Table 4a: Highlights from the Statement of Comprehensive Income – Key metrics

Total income			General expenses			Surplus		
N$'000	%	Direction	N$'000	%	Direction	N$'000	%	Direction
N$138,666	-18.75	↓	N$93,610	10.27	↑	N$47,144	-46.77	↓

Table 4b presents all of the metrics associated with the Bank's income during the reporting year. Agribank's net interest income, before provision for losses on advances, increased by 4.9 percent, i.e. from N$135 million in 2013/14 to N$142 million in 2014/15. The fact that income growth only improved slightly is due to farmers still recovering from the effects of the 2013 drought.

Table 4b: Highlights from the Statement of Comprehensive Income – All metrics

Income metric	2014/15 (N$'000)	2013/14 (N$'000)	Variation (%)
Net interest income	141,647	135,066	4.87
Provision for losses on advances	(35,240)	4,876	722.72
Total income	138,666	170,668	-18.75
General administrative expenses	(93,610)	(84,889)	10.27
Surplus	47,144	88,569	-46.77

The Bank' made adequate provision for losses on advances to its clients. Such provisions – represent an eightfold increase, i.e. from a credit amount of N$5 million during 2013/14 to N$35 million in 2014/15 – principally reflects higher provisions for non-performing loans and the slow recoverability of a loan to a major client, who is under liquidation. The Bank nonetheless prides itself on having secured 100 percent collateral on the majority of loans granted to its clients.

General administrative expenses increased by 10 percent in comparison to the prior reporting year, namely from N$85 million in 2013/14 to N$94 million in 2014/15. This increase was mainly due to the job grading exercise undertaken – but also finalised – during the review period. The job grading impacted on staff costs, which rose by 17 percent from N$47 million in 2013/14 to N$55 million in 2014/15. Consequently, the cost-to-income ratio increased by 18 percent from 50 percent in the preceding reporting year to 68 percent in 2014/15. Nonetheless, we continue to manage our operational expenses so that they remain within acceptable levels

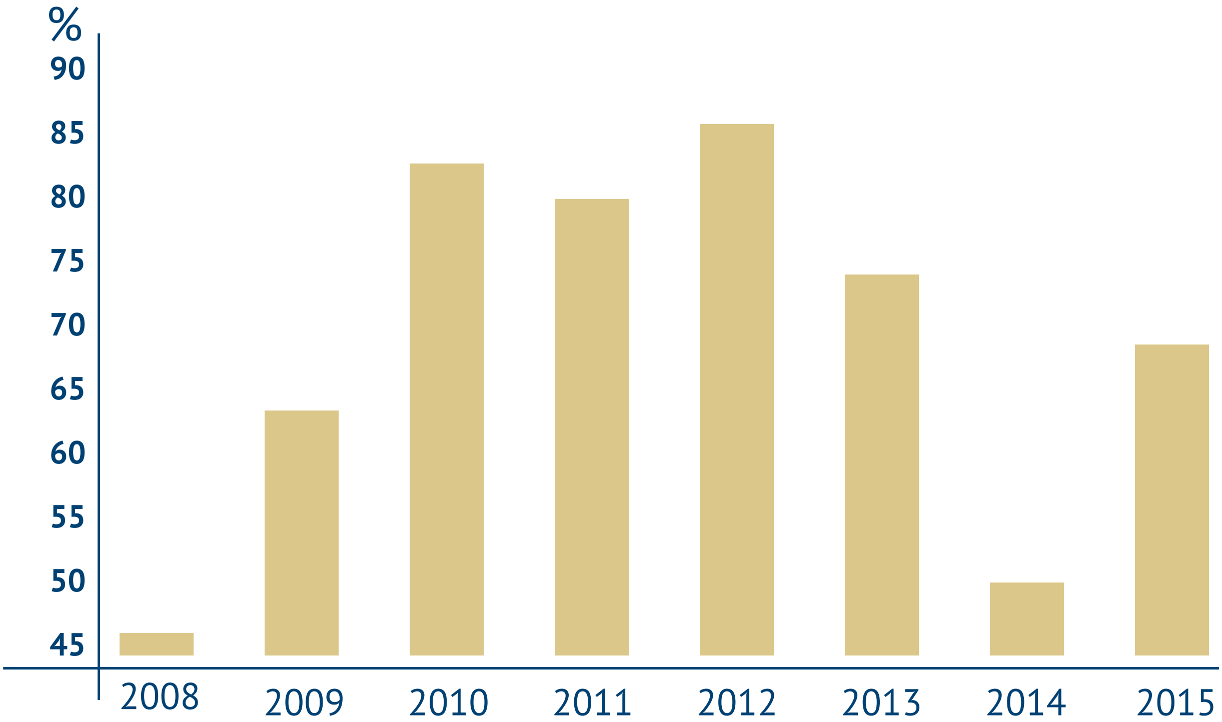


Figure 4: Cost-to-income ratio (%)

During the current financial year, the Bank's net surplus declined by 46.8 percent to N$47 million in comparison with the N$89 million registered for 2013/14. This reduction is due to an increase in provisions for losses on advances as well as higher general administrative expenses.

Table 5: Highlights from the Statement of Financial Position

Financial position	2014/15 (N$'000)	2013/14 (N$'000)	Variation (%)
Total assets	2,411,593	2,223,098	8.5
Total advances after provision for losses on advances	1,923,846	1,689,323	13.9
Bank and cash balances	378,997	423,253	-10.5
Capital and reserves	1,959,665	1,756,267	11.6
Arrears	438,811	386,993	13.4

The total assets of the Bank increased by 8.5 percent from N$2.2 billion in 2013/14 to N$2.4 billion in 2014/15, mainly as more loans were advanced to clients during the reporting year. Total advances after provisions for credit losses on advances amounted to N$1.9 billion in 2014/15, which reflects a 13.9 percent increase in comparison with the N$1.7 billion recorded for the prior review period. In respect of total arrear balances due from clients, the N$439 million recorded in the reporting year increased by 13.0 percent in comparison with total of N$387 million for the prior review period. Total arrears expressed as a percentage of total advances amounted to 19.0 percent in 2014/15, which was identical to the 2013/14 levels.

The performing loan[1] balances increased from N$1,313 million in 2011 to N$1,673 million in 2015. Non-performing loans[2] have increased over the past five years from N$266 million in 2011 to N$587 million in 2015. Accordingly, the non-performing-loan ratio[3] increased from 17.0 percent in 2011 to 26.0 percent in 2015. The increase in non-performing loans is mainly attributable to the negative impact of the drought in 2013 and 2014, as clients have found it difficult to meet their financial obligations on time.

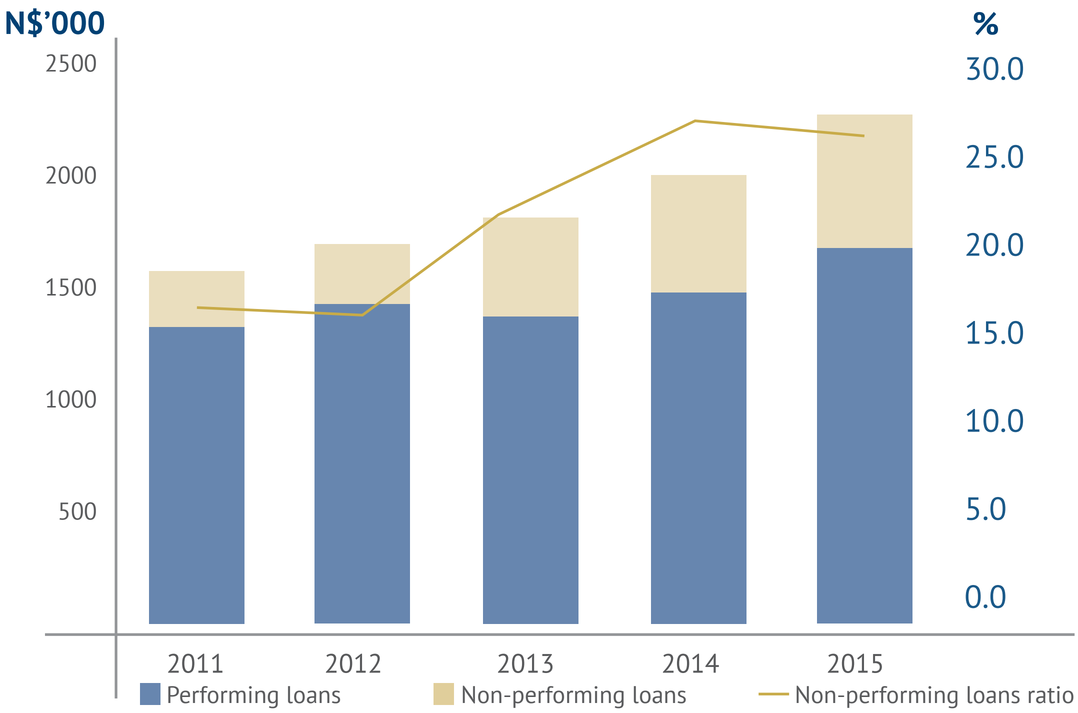


Figure 5: Loan book performance

[1] Performing loans are accounts that are in arrears for less than 24 months.

[2] Non performing loans are due account balances in arrears for more than 24 months, or accounts displaying a balance past the final due date.

[3] This ratio expresses the value of non-performing loans over the total loan book.

Figure 6 depicts concentrations of non-performing loans in the various loan sectors, i.e. loans per product type, as at the end of 2014/15 financial year. The principal sectors in which loans are not performing are farmland (35 percent), Irrigation equipment (22 percent), large stock 10 percent), Seasonal production (9 percent), consolidation of agricultural debts (9 percent) and farm infrastructure (5 percent).

* NACP = National Agricultural Credit Programme

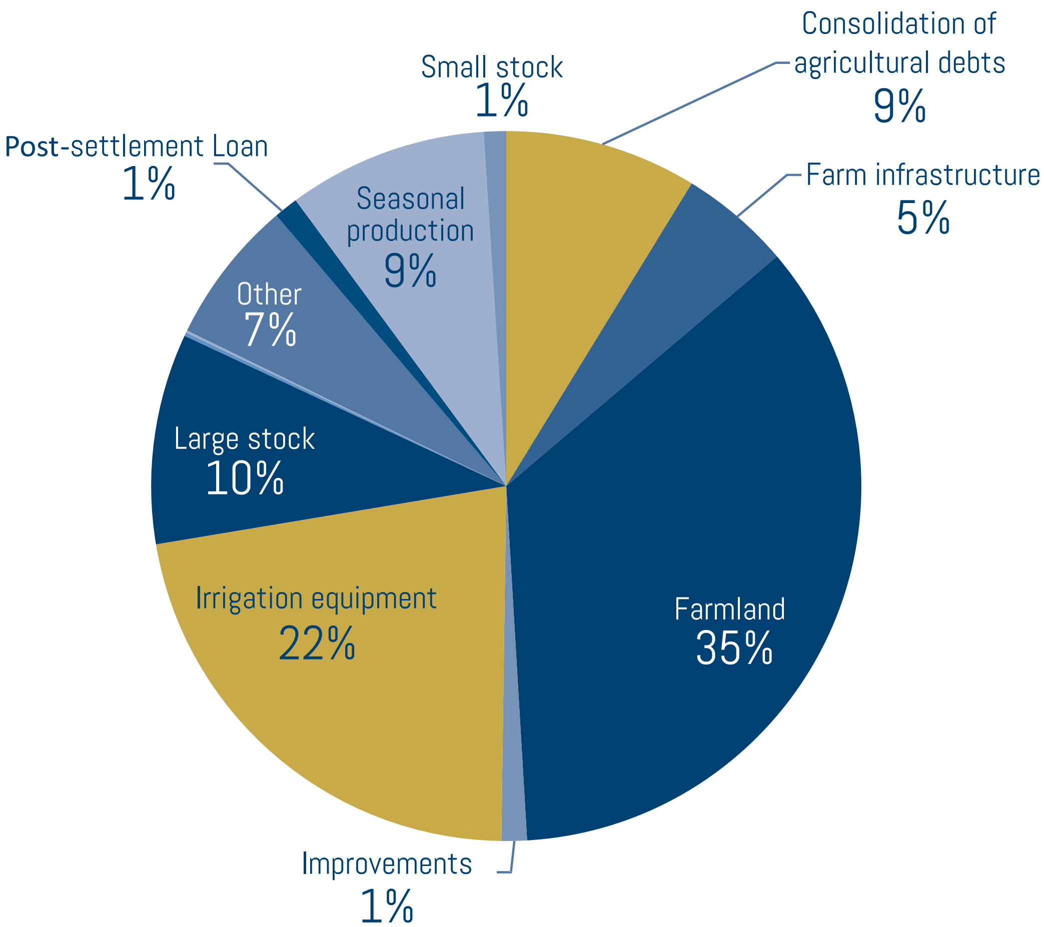


Figure 6: Non-performing loans per product type

The recent drought conditions still have a negative impact on clients' farming operations and production output levels. In this regard, the recently implemented Arrears Management Strategy is expected to assist in reducing such balances to controllable levels.

The Bank actively manages its liquidity position to ensure that it has enough funds available to expand the loan book and to meet its financial obligations when due. Notwithstanding the allocation of N$234 million made by Government to Agribank to support specific agricultural programmes, the cash balances reduced by 10.4 percent, i.e. from N$423 million in 2013/14 to N$379 million in 2014/15.

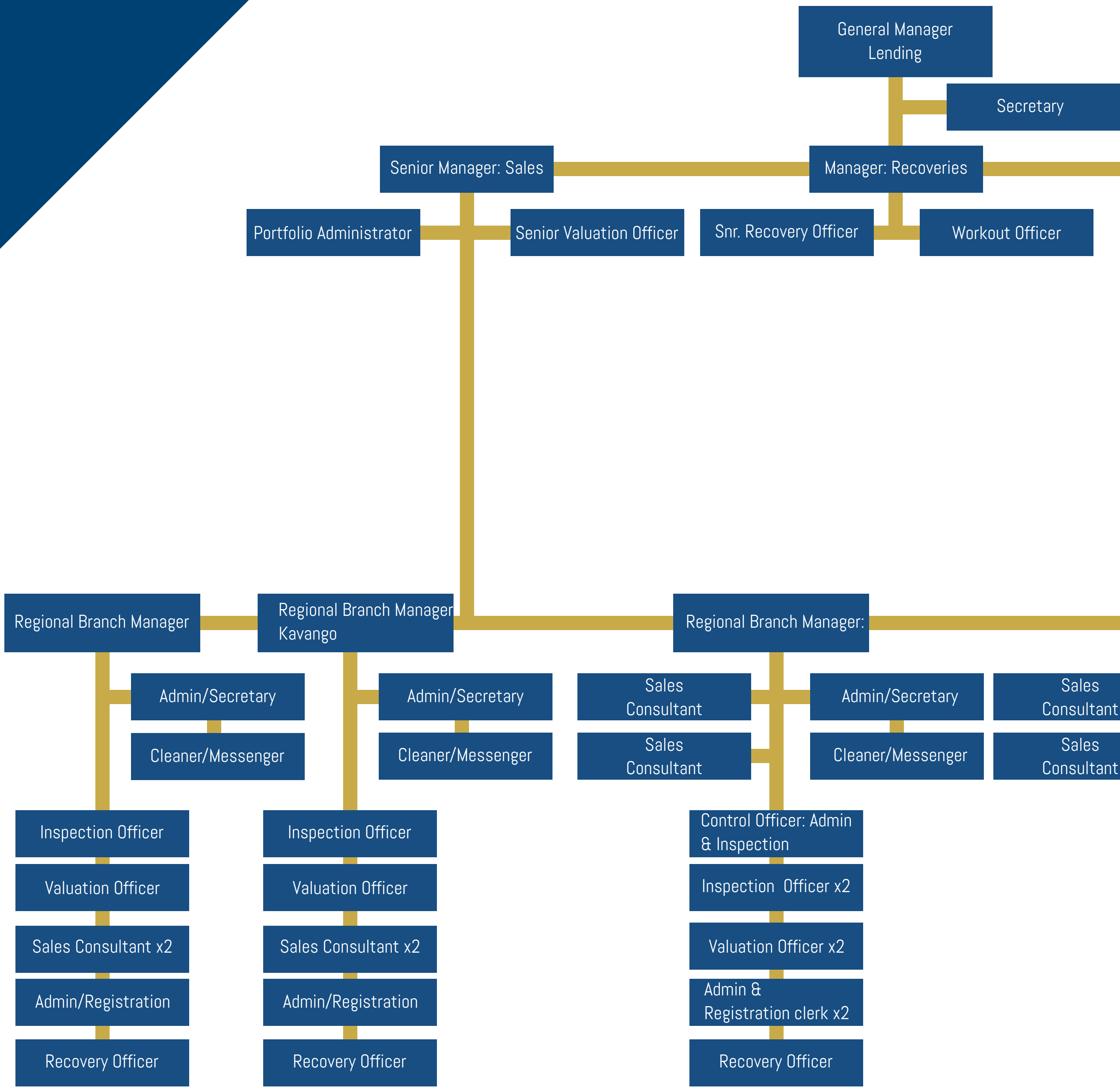
Table 6: Key ratio analysis

Key financial ratios	2014/15	2013/14
Loan advances (after provision) as a percentage of total assets (%)	80	76
Return-on-assets ratio	2	4
Cost-to-income ratio	68	50
Liquidity ratio	7:1	9:1
Arrears as a percentage of total advances (%)	19.4	19.4
Net interest margin (%)	7	7

In respect of key ratios, although the liquidity ratio reduced from 9:1 in 2013/14 to 7:1 in 2014/15, the Bank has adequate financial resources to meet its short-term financial commitments. The 7:1 ratio means Agribank has sufficient assets to convert to cash equivalents to cover its liabilities seven times, which is an acceptable position in respect of the Bank's financial soundness.

The return-on-assets ratio reduced from 4.0 percent in 2013/14 to 2.0 percent in 2014/15. This was mainly due to a decline in surplus income caused by increased provisions for losses on advances.

Agribank's total investment portfolio with local commercial banks and other financial institutions amounted to N$379 million at the end of the reporting year. N$240 million of this amount relates to Agribank's own funds, while the remaining N$139 million constitutes third-party funds.

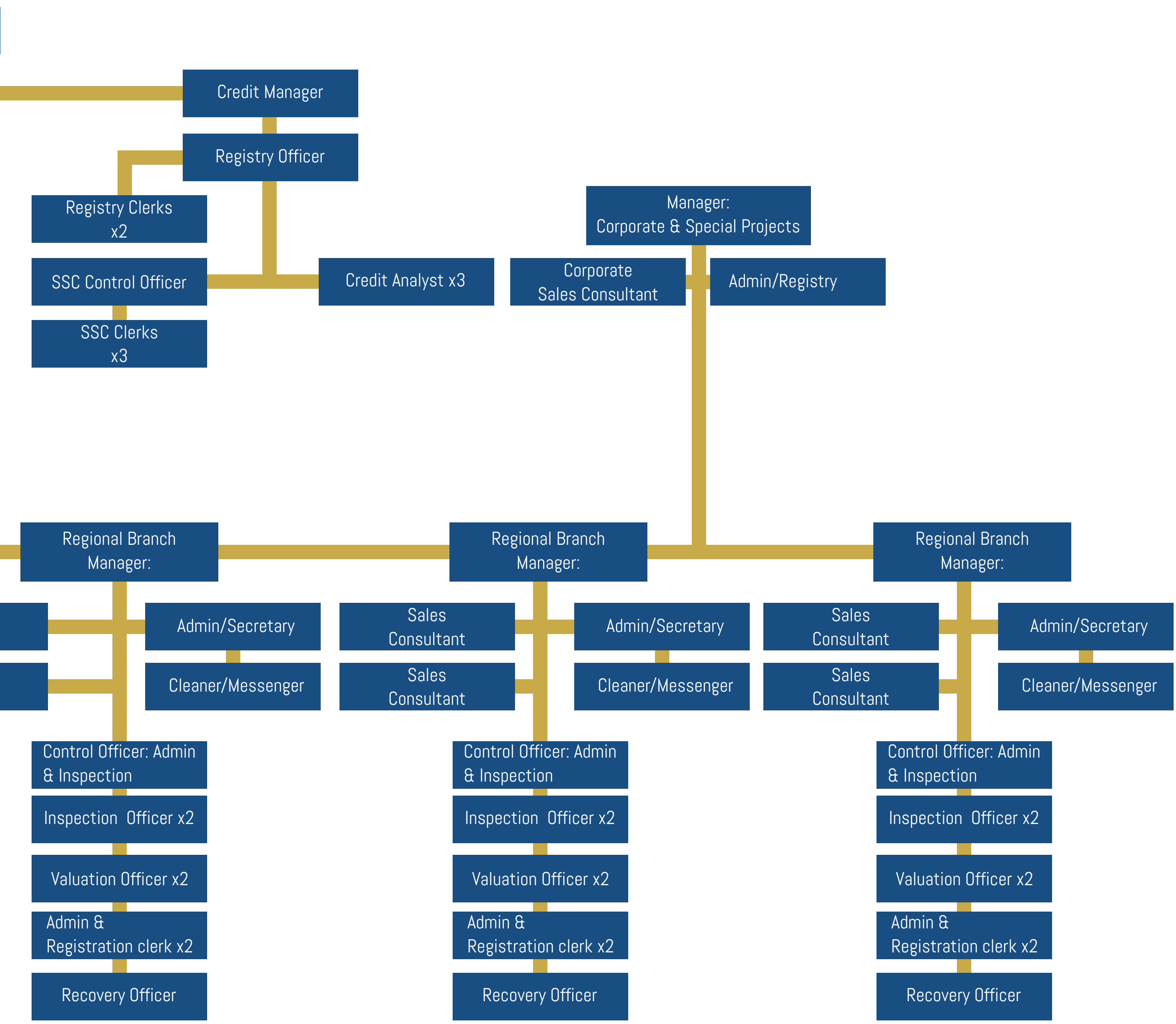


Lending Department

Lending Department

Agribank promotes growth in the agricultural industry that is inclusive and sustainable. This ethos is evidenced in its lending portfolio as well as its Farmers' Support Project (FSP) activities and other special schemes. In this regard, the Bank's overall loan book grew by 10 percent in comparison with the previous reporting year, namely from N$2.0 billion in 2013/14 to N$2.3 billion in 2014/15. The year under review also saw the Bank disburse N$300 million.

Farmland remains at the core of economic development in Namibia. This fact was underlined by farmers' investments in such property by way of Agribank loans,



which showed an increase of 86.5 percent in comparison with the previous reporting year. Similarly, livestock loans rose by 27.1 percent in comparison with the 2013/14 disbursements. Resettled farmers also gained access to affordable finance via Agribank in order to improve their farming operations; nonetheless, this segment of the loan portfolio showed a 31.2 percent decline, as not too many resettlement beneficiaries took up the facility.

Figure 7 graphically presents the main products in demand by farmers, in turn evidencing how the Bank has contributed towards national development through its operations.

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Figure 7 graphically presents the main products in demand by farmers, in turn evidencing how the Bank has contributed towards national development through its operations.
Agribank's Drought Relief Scheme made a significant contribution towards its loan book growth. Cases in point involved disbursing N$40 million during the year under review to farmers for loans aimed at enhancing agricultural production, water provision and infrastructure.

Farmland loans	Livestock loans	Post-settlement loans
• Total disbursed in 2014/15 for farmland purchases: N$149 million. • Comparison with such disbursements in 2013/14: 86.5 per cent increase.	• Total disbursed in 2014/15 for livestock loans: N$78 million • Comparison with such disbursements in 2013/14: 27.1 per cent increase.	• Total disbursed in 2014/15: N$10.6 million. • Comparison with such disbursements in 2013/14: 31.2 per cent decline.

Figure 7: Main Agribank loan products in demand by farmers, 2014/15

The growth of the loan book is dependent on actual disbursements, which are recurrent, and are based on project implementation timelines. Table 7 illustrates the development outcomes influenced by key Agribank loan products.

Table 7: Loan disbursements per loan product

Purpose of loan	Amount N$'000	Apportion-ment by type of loan (%)	No. of clients	No. of permanent jobs created / maintained
Additional land purchase for expansion	28,054	7.6	7	21
Affirmative Action – Full-time farmers	9,678	2.6	4	12
Consolidation of debts	28,483	7.7	6	0
Construction of dwellings and other permanent farm buildings	5,325	1.5	7	21
Drought Relief Scheme	40,229	10.9	149	447
Improvements	11,509	3.1	4	12
Irrigation equipment	21	0.0	1	3
Labourers' housing loan	1,779	0.5	9	27
Land purchase by beginners	112,202	30.5	30	90
Large stock	68,700	18.7	373	1,119
Light delivery vans, veld vehicles and small trucks	11,342	3.1	29	87
Male breeding stock and tollies	1,014	0.3	3	9
National Agricultural Credit Programme	2,694	0.7	33	99
New tractors and agricultural implements	11,966	3.3	30	90
Post-settlement loan	10,596	2.9	109	327
Poultry	127	0.0	4	12
Seasonal loans for production inputs	10,023	2.7	112	336
Small stock	10,108	2.8	84	252
Solar systems	3,744	1.0	12	36
Used tractors and agricultural implements	555	0.2	4	12
TOTAL	**368,150**	**100.00**	**1,010**	**3,246**

Total loans disbursed during the reporting period increased by 22.6 percent, namely from N$245 million in 2013/14 to N$300 million in 2014/15. The increase is mostly accounted for in loans to purchase farmland and large stock, which are our clients' most preferred loan products.

Table 8 illustrates that most disbursements during the reporting period were for long-term loans. Medium-term loans are associated with the next highest level of disbursements, while short-term loans are the lowest. The concentration of long-term loans is related to the purchased farmland.

Table 8: Performance of loans

Loan Performance	Long-term loans		Medium-term loans		Short-term loans	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Loans disbursed	122	258	646	771	74	53
Loan amount (N$'000)	146,606	214,187	91,9397	148,3557	6,3917	5,607

Table 9: Loan redemption periods

Term type	Purpose of loan	Redemption period (Years)
Long-term	Purchase of farmland	25
	Purchase of additional farmland/expansion of activities	20
	Debt takeover for farmlands	20
	Farm improvements (fencing, water provision, etc.)	15
Medium-term	Consolidation of debts	10
	Purchase of large stock by landowners	10
	Purchase of small stock by landowners	8
	Purchase of stock by farmers leasing land	9
	Purchase of male breeding stock	5
	Purchase of farming vehicles (tractors, small trucks, vans, etc.)	5–10
	Purchase of second-hand farm vehicles	3
	Irrigation equipment and implements	5
Short-term	Production	1

Agribank's special assistance schemes

In conjunction with the Government, Agribank offers certain loans under special schemes to farmers from time to time to improve their livelihoods. These Government-subsidised frameworks are offered at favourable conditions and include the Affirmative Action Loan Scheme (AALS), the National Agricultural Credit Programme (NACP), the Drought Relief Scheme, the Post-settlement Support Fund, and the Farmers' Support Project.

- Affirmative Action Loan Scheme

The AALS is a custom-made product for emerging commercial farmers from previously disadvantaged communities. The AALS is instrumental in distributing land equitably and utilising it optimally for sustained economic growth. The product is offered at flexible repayment options and affordable pricing. In addition, the AALS is complemented by the North–South Incentive Scheme, which is a vehicle for communal farmers to sell off their livestock north of the Veterinary Cordon Fence (VCF) and purchase disease-free livestock south of the VCF on a newly acquired farm.

AALS disbursements for the year under review increased by 125.6 percent in comparison with the previous reporting period, namely from N$4 million to N$10 million. This significant rise occurred as a result of a higher demand for farmland.

- National Agricultural Credit Programme

Production loans, livestock loans and infrastructure loans are provided under the NACP, as detailed below. In each case, legally acceptable, conventional collateral is required as security. These loans aim to maximise agricultural productivity, ensure surplus production, and contribute towards food security and wealth creation.

- Production loans

Loans are made available to finance input costs such as seed, fertiliser, chemicals, fuel and oil to enhance the production of food and cash crops, and in turn enable small-scale farmers to become surplus producers. These loans are seasonal and repayable within a year, but can be granted as a five-year revolving facility.

- Livestock loans

Loans for livestock are entertained only where grazing is sufficient and the right to utilise grazing has been verified. Loans for small stock are repayable over a maximum period of eight years, while the loan term for large stock purchases is ten years.

- Infrastructure loans

Loans are granted for fencing around cultivated land as well as for irrigation schemes, tractors, farming equipment, farm implements and draught animals. Such loans are repayable over a maximum period of ten years.

- Disbursements under the NACP, 2014/15

The NACP's overall performance was not optimal, as farmers still remained cautious after the 2013 drought. The overall loans extended under the NACP period declined by 14.4 percent to N$2.7 million in the 2014/15 financial year. Farmers mostly invested in water infrastructure, as loans disbursed for irrigation equipment increased by 57 percent in comparison with similar disbursements in the 2013/14 reporting year, while loans for solar systems rose by 28 percent over the same period. Farmers invested in the water infrastructure to protect themselves against drought conditions, which have recently become more frequent.

- Drought Relief Scheme

Namibia's agricultural sector has been in the throes of a severe drought since 2013, and another is looming, with potentially devastating effects on farmers' livelihoods in certain areas. As one of the main stakeholders in the agriculture sector, Agribank introduced a Drought Relief Scheme during the year under review to help alleviate the day-to-day pressures farmers were enduring, particularly in meeting input costs due to cash-flow shortages. The product offering under the Drought Relief Scheme entailed the following:

- Instalment holiday of one year
- Ring-fencing of arrears, and
- Support for production, water and infrastructure.

Total loans disbursed amounted to N$39 million in the reporting year, which contributed 11.0 percent towards the overall value of loans disbursed for this period.

- Post-settlement Support Fund

In terms of a Memorandum of Understanding signed in 2009, the Ministry of Lands and Resettlement and Agribank jointly established a Post-settlement Support Fund for resettled farmers to enable them to enhance their agricultural productivity. Agribank's contributions to this Fund came to an end during the 2014/15 reporting period, as the three-year agreement lapsed. It is to be reviewed to determine new terms and conditions. More than 526 resettled farmers have benefited from the Fund since its establishment.

The Farmers' Support and Communal Land Development Projects

The public and private sectors as well as the donor community in Namibia support farmers through various activities to improve productivity in the agriculture sector and the country as a whole. Such activities include practical and theoretical training, information days, information sessions, vaccination programmes, and animal health checks. Agribank implements two Government projects to this end, namely the Farmers' Support Project (FSP) and the Communal Land Development Project (CLDP).

- Farmers' Support Project (FSP)

The FSP aims to contribute towards improving the livelihoods of farmers in title-deed and non-title-deed areas of Namibia, mostly focusing on training and mentoring aspects. The FSP's objectives are to –

- enhance farmers' competencies (knowledge, skills and attitudes) in order to engage in and understand farming as a business
- support farmers in improving their farming practices, and
- enhance the interface between farmers and service providers in the agriculture industry.

About 34 mentors were contracted for the reporting period to actualise these objectives. The following were serviced in this regard:

- 120 AALS farms (14.6 percent of 820 in total)
- 109 resettlement farms (28 percent of 387 in total)
- 86 communal villages south of the VCF, and
- 189 villages in the northern communal areas.

A total of 1,600 farmers were reached through mentoring south of the VCF via the FSP, made up of 73 percent male and 27 percent female farmers (see Table 10). In the northern communal areas, i.e. north of the VCF, 1,249 farmers were mentored under the FSP, represented by 65 percent male farmers and 35 percent female farmers.

Table 10: Farmers reached through mentoring and coaching, 2014/15

Year	Farmers mentored south of the Veterinary Cordon Fence			Farmers mentored north of the Veterinary Cordon Fence		
	Male	Female	Total	Male	Female	Total
2014/15	1,166	434	1,600	813	436	1,249

The second component of advisory services through the FSP is the provision of training-related activities (e.g. Farmer Information Days, excursions and short courses) and stakeholder platforms. A total of 1,942 farmers were trained south of the VCF, comprising 62 percent male participants and 37 percent female (see Table 11). In the northern communal areas, the FSP provided training to a total of 1,497 farmers, consisting of 54 percent male and 49 percent female farmers.

Table 11: Farmers reached through training-related activities, 2014/15*

Year	Farmers mentored south of the Veterinary Cordon Fence				Farmers mentored north of the Veterinary Cordon Fence			
	No. of events	Male	Female	Total	No. of events	Male	Female	Total
2014/15	74	1,229	713	1,942	50	811	686	1,497

** Farmer Information Days, excursions and short courses*

The FSP has received technical and financial support from the Government of the Federal Republic of Germany, through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), since 2010. This aid is expected to continue until April 2017. During the reporting period, Agribank supplemented this budget by allocating 51 percent (N$5.5 million) of the FSP's operational budget towards funding project activities.

- Communal Land Development Project

To improve the livelihoods of its beneficiaries in the communal areas, the CLDP's objectives are to –

- enhance sustainable land management practices, and
- improve productivity and market orientation through –
  - o securing land rights
  - o developing integrated land use plans
  - o making infrastructure investments, and
  - o providing advisory services.

The CLDP focuses on non-title-deed areas under the Government's Programme for Communal Land Development (PCLD) by improving the land-based livelihoods of rural communities through the development of communal land and their better integration into the mainstream economy. In March 2014, the European Union (EU) contributed N$42 million to the FSP to provide advisory services by way of seven mentors. The CLDP's project timeline ranges from April 2014 to March 2018. The CLDP is solely funded by the EU, with a financial agreement in place between the GIZ and Agribank as regards to project administration.

The main component of the CLDP's advisory services is the contracting of consultants (mentors) on a yearly basis who offer individual and group mentoring to targeted farmers who are PCLD beneficiaries. For the 2014/15 financial year, the CLDP's advisory services commenced in November 2014, reaching 96 farmers through mentoring activities in Kavango East and West. Of these farmers, 71 were male and 25 female.

Table 12: Mentoring activities under the CLDP, November 2014–March 2015

Mentoring per area	Total mentors	No. of mentoring visits	Farms/ villages visited	Male farmers reached	Female farmers reached	Total farmers reached
Omusati	1	6	2	19	0	19
Kavango East and West	1	49	27	71	25	96
TOTAL	**2**	**55**	**29**	**90**	**25**	**115**

The second component of CLDP advisory services is the provision of training-related activities (e.g. Farmer Information Days, excursions and short courses) and stakeholder platforms (see Table 13). A total of 146 farmers were reached through Farmer Information Days, i.e. 88 male and 58 female farmers benefited from this type of activity. Short courses on rangeland management were provided to 101 farmers in Kavango East and West, as well as in Ohangwena and Omusati. Of these, 80 farmers were male and 21 female. As regards stakeholder meetings, a total of 177 farmers and other stakeholders were reached. Among the beneficiaries of this type of activity were 124 male and 53 female farmers. Overall, 424 farmers (292 male and 132 female) were trained in Kavango East, Kavango West, Ohangwena and Omusati.

Table 13: Training-related activities under the CLDP, November 2014–March 2015

Type of training-related activity	No. of training events	Male farmers reached	Female farmers reached	Total farmers reached
Farmer Information Days	3	88	58	146
Short courses	3	80	21	101
Stakeholder meetings	6	124	53	177
TOTAL	**12**	**292**	**132**	**424**

Farmers' Support Project Operation Areas

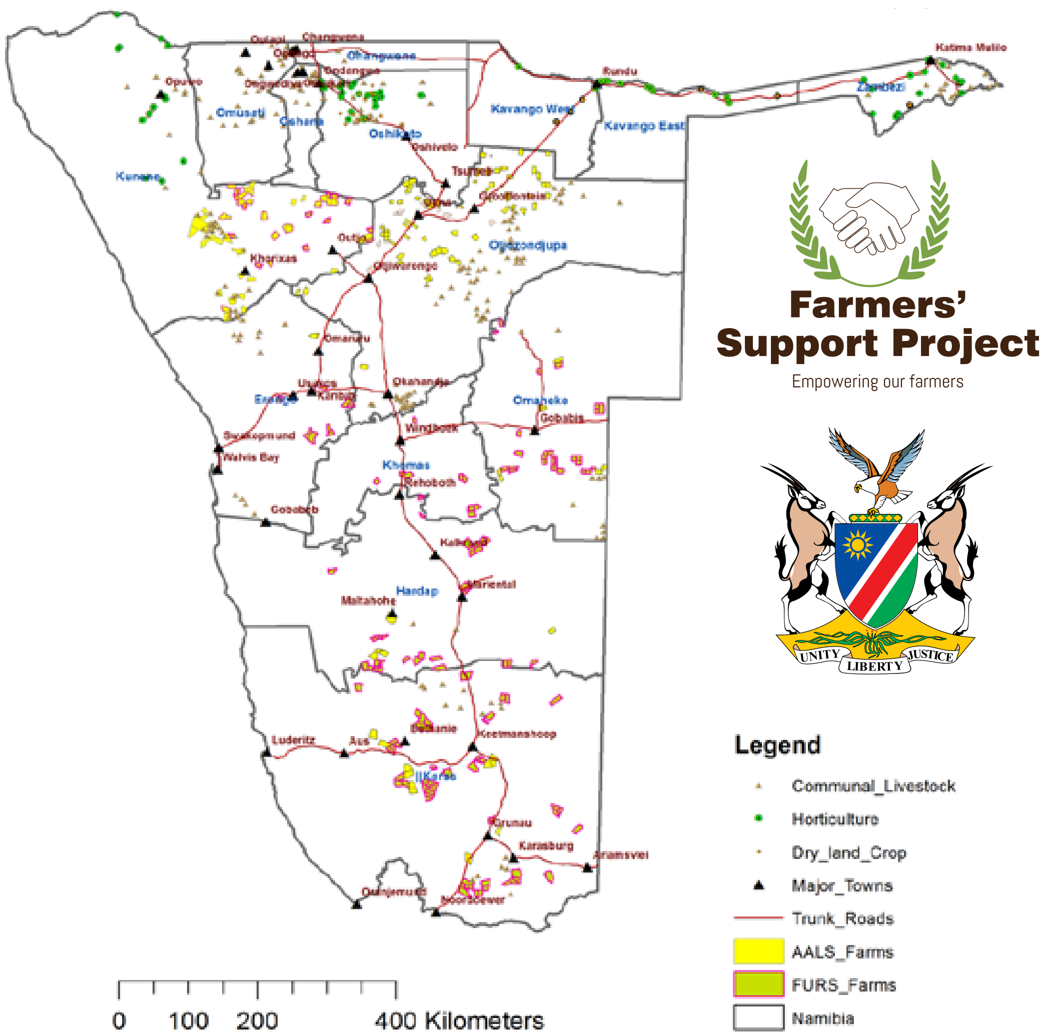

Figure 9: Farmers' Support Project – Advisory services, 2010–2015

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK of Namibia FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

REPUBLIC OF NAMIBIA

UNITY LIBERTY JUSTICE

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 2015, 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, October 2015

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 2015

1. INTRODUCTION

This report on the accounts of the Agricultural Bank of Namibia for the financial year ended 31 March 2015 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and 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 to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Agricultural Bank of Namibia for the financial year ended 31 March 2015. These financial statements comprise the following statements submitted for the year then ended:

- Contents and approval of financial statements Page 49
- Value Added Statement Page 51
- Statement of financial position Page 52
- Statement of comprehensive income Page 53
- Statement of changes in equity Page 54
- Statement of cash flow Page 55
- Notes to the financial statements Page 57 to 92

The accounts were submitted on time by the Accounting Officer to the Auditor-General on the 9 July 2015 in terms of Section 26 (1) State – Owned Enterprises governance Act, 2006.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached from 49 to 92.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, Act 31 of 1991 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

(a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;

(b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and

(c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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 of the financial statements, 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the bank during the audit is appreciated.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

5. KEY AUDIT FINDINGS

5.1 Recovery of loans

Audit is concerned about the bank's low rate of loan recovery on its scheduled loan instalments due by customers resulting in the persistent growth of the arrear loan book. The bank's arrear loan book has increased by 13% (compared to 16% in the previous year) from N$ 387 million in 2014 to N$ 439 million in 2015. The increase occurred despite the implementation of some drought relief measures introduced by the bank during the prior 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.

5.2 LITIGATION MATTERS

As reported in 2014 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.

5.3 UNQUALIFIED AUDIT OPINION

The financial statements of the Agricultural Bank of Namibia for the financial year ended 31 March 2015 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 Agricultural Bank of Namibia as at 31 March 2015 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, October 2015

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

AGRICULTURAL BANK OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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APPROVAL

The annual financial statements, set out on pages 52 to 92, 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

I.H. Theodore
General Manager Finance

The annual financial statements, set out on pages 52 to 92, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf by:

T.N.T. Uuyuni
Chairperson of the Board

I.P. Awene
Director

Statutory Information

DIRECTORS:

The composition of the board of directors is as follows:

CHAIRPERSON OF THE BOARD:

T.N.T. Uuyuni	Re-appointed 1 July 2015

NON-EXECUTIVE DIRECTORS

I.P. Awene	Term ended 16 May 2015
G. M. Mayumbelo	Term ended 16 May 2015
O.H. Mahina	Re-appointed 1 July 2015
S. Shiweda	Resigned 21 March 2015
D. Honsbein	Appointed 1 July 2015
M. Iyambo	Appointed 1 July 2015
Dr. M. Humavindu	Appointed 1 July 2015

EX-OFFICIO MEMBER

Ambassador Leonard N. Iipumbu (Chief Executive Officer)
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 2015

		2015	2014	
		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 and non-interest income		188 192	183 794	
Interest paid and other expenditure		(85 015)	(43 515)	
		103 177	**140 279**	
Distribution of wealth created by the bank				
	Proportion			**Proportion**
Employee compensation				
- Salaries, wages and other benefits	41%	42 657	36 422	26%
Government				
- Taxation	11%	10 950	9 349	7%
Retention for expansion of growth	48%	49 570	94 508	67%
- Retained income		47 144	88 569	
- Depreciation and amortisation		2 426	5 939	
	100%	**103 177**	**140 279**	**100%**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note	2015	2014	2013
ASSETS		N$'000	N$'000	N$'000
Non-current assets				
Long-term portion of advances	4	1 266 925	994 430	1 001 029
Property, plant & equipment	6	93 344	94 077	77 294
Investment properties	6.2	13 750	14 050	14 350
Intangible assets	7	-	3	3 570
		1 374 019	1 102 560	1 096 243
Current assets				
Inventory	9	398	209	171
Cash and cash equivalents	3	378 997	423 253	330 173
Short-term portion of advances	4	218 110	307 900	202 228
Loan repayment in arrears	4	438 811	386 993	317 730
Other receivables	5	1 258	2 183	3 737
		1 037 574	1 120 538	854 039
Total assets		**2 411 593**	**2 223 098**	**1 950 282**
CAPITAL, RESERVES AND LIABILITIES				
Capital and reserves				
Capital	17	1 256 831	1 071 263	890 826
Reserves	16	616 441	569 332	481 609
Funds and grants	15	86 393	115 672	115 672
		1 959 665	1 756 267	1 488 107
Non-current liabilities				
Deferred income	13	79 676	90 314	99 735
Loan Guarantee Fund	10	80 234	63 234	63 234
Long-term portion of borrowings	11	110 442	168 193	154 023
Post-retirement employee benefits	14.2	23 720	22 438	21 581
		294 072	344 179	338 573
Current liabilities				
Creditors and provisions	12	13 651	10 105	7 781
Current portion of long-term borrowings	11	2 388	4 596	8 846
Special purpose funds	8	141 817	107 951	106 975
		157 856	122 652	123 602
Total liabilities		**451 928**	**466 831**	**462 175**
Total capital, reserves and liabilities		**2 411 593**	**2 223 098**	**1 950 282**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

INCOME	**Note**	**2015**	**2014**
		N$'000	N$'000
Interest income on advances	18.1	155 933	153 068
Interest expense	18.2	(14 286)	(18 002)
Net interest income before provision for impairment on advances		**141 647**	**135 066**
Bad debts and movement in provision for losses on advances	4	(35 240)	4 876
Net income from lending activities		**106 407**	**139 942**
Interest income on banks and fixed deposits	18.1	18 505	15 434
Other operating income	18.3	13 754	15 292
Total income		**138 666**	**170 668**
General administrative expenses	18.4	(93 610)	(84 889)
Surplus for the year		**45 056**	**85 779**
Other comprehensive income			
Actuarial gain/(loss)		2 088	2 790
Surplus for the year		**47 144**	**88 569**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Capital	Reserves	Funds and Grants	TOTAL
	N$'000	N$'000	N$'000	N$'000
Balance as at 31 March 2013	**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**
Surplus for the year	-	45 056	-	**45 056**
Government contribution	234 291	-	-	**234 291**
Transfer to Drought Relief Fund	(48 723)	-	-	**(48 723)**
Write-off of loans under the Tractor Loan Scheme	-	-	(29 279)	**(29 279)**
Other	-	(35)	-	**(35)**
Other comprehensive income	-	2 088	-	**2 088**
Balance as at 31 March 2015	**1 256 831**	**616 441**	**86 393**	**1 959 665**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015	2014
		N$'000	N$'000
Cash flow from operating activities	1	**(179 378)**	**(69 132)**
Cash received from customers	2	188 192	183 794
Cash paid to financiers	3	(14 286)	(18 002)
Cash paid to employees and suppliers		(123 232)	(70 466)
Cash movement in operating liabilities/assets	4	4 471	3 878
Cash movement in advances	5	(234 523)	(168 336)
Cash flow from investing activities		**(1 401)**	**(19 700)**
Acquisition of property and equipment		(1 401)	(19 700)
Cash flow from financing activities		**136 523**	**181 912**
Movement in funds and capital-Government Grants received		156 289	180 437
Movement in reserves		(35)	-
Movement in Special Purpose Fund		33 866	976
Movement in Loan Guarantee Fund		17 000	-
Decrease in deferred income		(10 638)	(9 421)
Movement in long-term borrowings		(59 959)	9 920
Net increase in cash and cash equivalents		**(44 256)**	**93 080**
Cash and cash equivalents at the beginning of the year		423 253	330 173
Cash and cash equivalents at the end of the year		**378 997**	**423 253**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

	NOTES TO THE STATEMENT OF CASH FLOWS	2015	2014
		N$'000	N$'000
1.	**Reconciliation of surplus for the year to cash flow from operating activities**		
	Surplus for the year	47 144	88 569
	Adjusted for non-cash items:		
	Depreciation on property, plant and equipment	2 121	2 071
	Depreciation on investment properties	300	300
	Amortisation of intangible assets	3	3 567
	Loss on disposal of property, plant and equipment	13	-
	Post-retirement benefits	1 282	857
	Movement in creditors	3 546	2 324
	Movement in inventories	(189)	(38)
	Movement in trade receivables	925	1 554
	Movement in advances	(234 523)	(168 336)
	Cash flow from operating activities	**(179 378)**	**(69 132)**
2.	**Cash received from customers**		
	Interest received on advances	155 933	153 068
	Interest received on banks and fixed deposits	18 505	15 434
	Other income received	13 754	15 292
		188 192	**183 794**
3.	**Cash paid to financiers/loan providers**		
	Interest paid	**14 286**	**18 002**
4.	**Cash movement in operating liabilities/assets**		
	Other receivables	925	1 554
	Creditors and provision	3 546	2 324
		4 471	**3 878**
5.	**Cash movement in advances**		
	Movement in advances	(270 628)	(164 761)
	Movement in provision for credit losses	36 105	(3 575)
		(234 523)	**(168 336)**

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 judgments

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 judgments 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 judgments 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 judgments 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.

- 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 valuators, 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.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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
Leasehold assets	-	5 years

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operational profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

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 available for 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.

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

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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. Reameasurement 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; and
- Remeasurements.

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.

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.

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 convertable 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.

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.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2. RECLASSIFICATION OF CERTAIN AMOUNTS

The arrears for the prior periods previously included in the long-term portion advances were reclassified to current assets to enhance disclosure and there is no impact on previously reported earnings and total assets.

	2015	2014
	N$'000	N$'000
Impact on long term portion advances (non-current portion)		
As previously reported	1 381 423	1 318 759
Reclassification of arrears to current assets	(386 993)	(317 730)
Restated balances	**994 430**	**1 001 029**
Impact on arrears (current assets)		
As previously reported	-	-
Reclassification of arrears from non-current portion of advances	386 993	317 730
Restated balances	**386 993**	**317 730**

3. CASH AND CASH EQUIVALENTS

	2015	2014
	N$'000	N$'000
Cash on hand	32	32
Bank balances	10 348	18 400
Notice deposits	368 617	404 821
	378 997	**423 253**

4. ADVANCES

	2015	2014
	N$'000	N$'000
Total advances	**2 260 186**	**1 989 558**
Provision for credit losses on advances		
Opening balance	300 235	303 810
Current provision:		
- Interest suspended	1 123	1 481
- Provision for doubtful debts	35 240	(4 876)
- Amounts written off	(258)	(180)
TOTAL PROVISION	336 340	300 235
Total advances after provision	1 923 846	1 689 323
LESS: - SHORT-TERM PORTION OF ADVANCES	(218 110)	(307 900)
- ARREARS	(438 811)	(386 993)
LONG-TERM PORTION OF ADVANCES	**1 266 925**	**994 430**

5. OTHER RECEIVABLES

	2015	2014
	N$'000	N$'000
Accounts receivable and prepayments	1 258	2 183
Staff related	-	-
	1 258	2 183

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

6. PROPERTY, PLANT & EQUIPMENT

31 March 2015	Leasehold	Work-in Progress	Land and buildings	Furniture and Fittings	Computers	Other Equipment	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value:								
Beginning of the year	**13**	**-**	**87 327**	**4 916**	**864**	**850**	**107**	**94 077**
Cost/valuation	772	-	87 327	7 694	3 938	1 552	4 156	105 439
Accumulated depreciation	(759)	-	-	(2 778)	(3 074)	(702)	(4 049)	(11 362)
Movement during the year:	**(12)**	**-**	**424**	**(1 336)**	**473**	**(243)**	**(39)**	**(733)**
Additions	-	-	424	16	922	39	-	1 401
Disposals at cost	(389)	-	-	(649)	(907)	(168)	-	(2 113)
Disposals-Accum. Dep	389	-	-	636	907	168	-	2 100
Depreciation	(12)	-		(1 339)	(449)	(282)	(39)	(2 121)
End of the year	**1**		**87 751**	**3 580**	**1 337**	**607**	**68**	**93 344**
Cost/valuation	383	-	87 751	7 061	3 953	1 423	4 156	104 727
Accumulated depreciation	(382)	-	-	(3 481)	(2 616)	(816)	(4 088)	(11 383)

6. PROPERTY, PLANT & EQUIPMENT (Continued)

31 March 2015	Leasehold	Work-in Progress	Land and buildings	Furniture and Fittings	Computers	Other Equipment	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value:								
Beginning of the year	**35**	**44 869**	**26 609**	**4 329**	**1 059**	**214**	**179**	**77 294**
Cost/valuation	772	44 869	26 609	5 827	3 655	697	4 156	86 585
Accumulated depreciation	(737)	-	-	(1 498)	(2 596)	(483)	(3 977)	(9 291)
Movement during the year:	**(22)**	**(44 869)**	**60 718**	**587**	**(195)**	**636**	**(72)**	**16 783**
Additions	-	15 485	1 210	1 867	283	855	-	19 700
Disposals at cost	-	-	(846)	-	-	-	-	(846)
Disposals-Accum. Dep	-	(60 354)	60 354	-	-	-	-	-
Depreciation	(22)	-	-	(1 280)	(478)	(219)	(72)	(2 071)
End of the year	**13**	**-**	**87 327**	**4 916**	**864**	**850**	**107**	**94 077**
Cost/valuation	772	-	87 327	7 694	3 938	1 552	4 156	105 439
Accumulated depreciation	(759)	-	-	(2 778)	(3 074)	(702)	(4 049)	(11 362)

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

6.1 PROPERTY, PLANT & EQUIPMENT

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

	2015	2014
	N$'000	N$'000
- Erf 5479, Windhoek	78 860	78 860
- Additions- Erf 5479, Windhoek	424	-
- Erf 995, Otjiwarongo	3 160	3 160
- Erf 870 and 871, Mariental	170	170
- Erf 1235, Rundu	3 323	3 323
- Erf 1591, Oshakati	1 814	1 814
	87 751	**87 327**

Erf 5479, Windhoek is registered in the name of Land and Land Bou Bank of South West Africa (predecessor of Agricultural Bank of Namibia).

6.2 INVESTMENT PROPERTIES

Opening carrying amount	**14 050**	**14 350**
Cost	15 000	15 000
Accumulated depreciation	(950)	(650)
Depreciation charge	(300)	(300)
Closing carrying amount	**13 750**	**14 050**
Cost	15 000	15 000
Accumulated depreciation	(1 250)	(950)

The investment properties consist of farmland with improvements measuring 11.9335 hectares, situated in the Omaheke Region. The fair value, as determined by an independent sworn appraiser on 10 February 2014 amounted to N$ 34 880 000. In terms of a Supreme Court judgment in June 2014, the bank is obliged to sell the investment property at the previously contracted option price of N$ 15 000 000. Also refer to note 20.3.

AGRICULTURAL BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	N$'000	N$'000
7. INTANGIBLE ASSETS		
Software Development Costs		
Opening carrying amount	**3**	**3 570**
Cost	28 124	28 124
Accumulated amortisation	(28 121)	(24 554)
Amortisation	(3)	(3 567)
Closing carrying amount	-	**3**
Cost	28 124	28 124
Accumulated amortisation	(28 124)	(28 121)
8. SPECIAL PURPOSE FUNDS		
Ministry of Lands and Resettlement (Post-resettlement)	65 881	67 418
Staff savings scheme	252	216
Government Ministries, Agricultural Boards and unions	34 042	40 317
Drought Relief Scheme Fund	41 642	-
	141 817	**107 951**
The bank acts as an agent for the management of these funds on behalf of the above third parties.		
9. INVENTORY		
Consumables	398	209

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	2015	2014
	N$'000	N$'000
10. LOAN GUARANTEE FUND		
Government scheme for drought relief	20 731	20 731
Post settlement support to Resettled farmers	59 503	42 503
	80 234	**63 234**
11. LONG -TERM BORROWINGS		
Loan - Government of the Republic of Namibia		
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 2015.	112 830	115 015
Loan - Bank Windhoek		
A loan for the renovation of the Agribank building from Bank Windhoek 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
Less: Current portion shown under current liabilities	(2 388)	(4 596)
	110 442	**168 193**
12. CREDITORS AND PROVISIONS		
Leave pay provision	3 222	2 726
Grants and bursaries	110	110
Total other provisions	3 332	2 836
Creditors	10 319	7 269
	13 651	**10 105**

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13. DEFERRED INCOME

	2015	2014
	N$'000	N$'000
Deferred income	**79 676**	**90 314**
Reconciliation of deferred income		
Opening balance	90 314	99 735
Adjustment for change in interest rate and loan tenure	-	1 401
Amortised to the statement of comprehensive income	(10 638)	(10 822)
	79 676	**90 314**

The deferred income arose from the Government loan (referred to in note 11) attracting interest at 2% per annum, which is below market rates. 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%.

	2015	2014
	N$'000	N$'000
Bank contribution	3 593	3 155
Employee contribution	1 573	1 381
	5 166	**4 536**

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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:

	2015	2014
	N$'000	N$'000
Present value of medical benefit obligation	23 334	22 168
Present value of severance benefit obligation	386	270
	23 720	**22 438**

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 2015. The valuation method used was the projected unit credit method. The estimated liability as at 31 March 2015 was N$ 23 334 000 (2013: N$ 22 168 000).

	2015	2014
	N$'000	N$'000
Present value of unfunded obligation	**23 334**	**22 168**
Reconciliation showing the movement of the present value of unfunded obligation:		
Balance at the beginning of the year	22 168	21 243
Current service costs	1 302	1 658
Interest expense	2 016	1 921
Re-measurements (gains)/losses		
Actuarial gain	(1 665)	(2 186)
Benefits paid	(487)	(468)
	23 334	**22 168**
The principle assumptions used were:		
Discount rate	7.39%	8.94%
Health care cost inflation	6.56%	8.05%
Average retirement age	60	60

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	2015	2014
	N$'000	N$'000
14.2.1 Medical benefit obligation (continued)		
Amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	1 302	1 658
Interest cost	2 016	1 921
Components of the defined benefit costs recognised in profit or loss	3 318	3 579
Remeasurement of the defined benefit obligation		
Actuarial gain	(2 152)	(2 654)
Components of defined benefit (income)/costs recognised in other comprehensive income	(2 152)	(2 654)
Total	**1 166**	**925**
14.2.2 Severance benefit obligation		
The latest actuarial valuation for the severance benefit obligation was		
Present value of unfunded obligation	**386**	**270**
Reconciliation showing the movement of liability reflected on the statement of financial position:		
Balance at the beginning of the year	270	337
Current service costs	30	42
Interest expense	22	27
Remeasurements		
Actuarial loss/(gain)	64	(136)
	386	**270**

AGRICULTURAL BANK OF NAMIBIA
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	2015	2014
	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 (*)	4 202	33 481
	86 393	**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$ 4 202 260 (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. Loans amounting to N$ 29 278 482 were written off during the year as authorised by the Ministry of Agriculture, Water and Forestry.

	2015	2014
16. RESERVES	N$'000	N$'000
Reserves	**616 441**	**569 332**
Reconciliation of reserves		
Balance at the beginning of the year	569 332	481 609
Surplus for the year	47 144	88 569
Revaluation loss	-	(846)
Adjustments	35	-
Balance at the end of the year	**616 441**	**569 332**

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17. CAPITAL FUND

	2015	2014
	N$'000	N$'000
Government contribution	**1 256 831**	**1 071 263**
Reconciliation of Capital Fund		
Opening balance	1 071 263	890 826
Contribution during the year	234 291	180 437
Transfer to Drought Relief Fund	(48 723)	-
	1 256 831	**1 071 263**

18. INCOME AND EXPENDITURE

18.1 Interest income

	2015	2014
Cash and short-term assets	18 505	15 434
Advances granted	155 933	153 068
	174 438	**168 502**

18.2 Interest expenses

	2015	2014
Government loan	10 638	10 823
Fund accounts and borrowings	3 648	7 179
	14 286	**18 002**

18.3 Other operating income

	2015	2014
Rent received	922	2 187
Government grant released	10 638	10 823
Other income	2 194	2 282
	13 754	**15 292**

AGRICULTURAL BANK OF NAMIBIA
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	2015	2014
18.4 General administrative expenses	N$'000	N$'000
Auditor's remuneration	**-**	**131**
Auditor's remuneration	-	131
Depreciation and amortisation	**2 426**	**5 938**
Property, plant and equipment	2 123	2 071
Investment properties	300	300
Intangible assets	3	3 567
Directors fees	409	303
Insurance	362	446
Marketing	5 551	3 868
Maintenance property and equipment	96	169
Professional fees	4 797	3 045
Rent paid	1 105	1 887
Staff cost	**54 908**	**47 420**
Salaries	25 887	23 320
Fringe benefits	27 220	23 118
Training	1 801	982
Other expenses	**23 956**	**21 682**
Bank charges	457	294
Legal fees	514	1 160
Security cost	581	418
Printing & stationery	354	416
Computer expenses	4 947	5 254
VAT apportionment expenses	2 450	2 198
Municipal costs	1 660	1 371
Travel	2 383	2 259
Vehicle cost	778	793
Telephone	1 263	1 011
General expenses	8 569	6 508
	93 610	84 889

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

19. COMMITMENTS

	2015	2014
	N$'000	N$'000
Authorised capital expenditure		
Authorised	**35 686**	**33 636**

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 bank has closed its case and the complainant is now required to testify and make a case for the order sought. The amount of the award cannot be determined.

20.2 Dismissed employee vs Agribank

The bank successfully appealed an arbitration award by the Labour Court 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 complainant appealed the ruling with the Supreme Court and the Appeal has since lapsed.

20.3 Agribank vs a third party

During the current financial year, the Supreme Court ruled in favour of a third party to exercise its option to purchase the abattoir at a price of N$ 15 million. The parties signed a Sale and Purchase Agreement on 5 June 2015 which lapsed on 26 June 2015. The bank has retained ownership of the abattoir.

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 TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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	2015	2014
	N$000	N$000
Building Project	-	66 000
Normal operations	50 000	50 000
Utilised on building project	-	(57 774)
Available	**50 000**	**58 226**

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.

2015

Financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years
	N$' 000	N$' 000	N$' 000
Other liabilities	144 205	115 928	98 468
Trade payables	13 651	-	-

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	-	-

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.

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Financial instruments by classification

Assets as per statement of financial position

2015

Financial assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		N$' 000	N$' 000	N$' 000
Advances	Fixed	2 260 186	-	2 260 186
Bank balances	Floating	378 997	-	378 997
Other current assets	Non-interest- bearing	1 258	-	1 258

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

Liabilities as per statement of financial position

2015

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	80 2341	-	80 2341
Long-term borrowings	Floating/Non-interest bearing	112 830		112 830
Special purpose funds	Fixed and floating	141 817	-	141 817
Post retirement benefits	Floating	23 720	-	23 720
Trade creditors	Non-interest- bearing	13 651	-	13 651

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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

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 2014.

As at 31 March 2015:

	100 basis points increase	100 basis points decrease
	N$' 000	N$' 000
Floating rate financial assets	378 965	3 790
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	**378 965**	**3 790**

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**

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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 timeous loan repayments and reduce losses due to, for example, insolvency;
- For the vast majority of the products, credits are granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The bank may assume risks only within the limits of applicable legislation and other rules, including the rules on good practice for financial enterprises.

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 minimised.

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:	2015	2014
	N$ 000	N$ 000
Advances	2 260 186	1 989 559
Bank balances	378 965	423 221
Other receivables	1 258	2 183
	2 640 409	**2 414 963**

Asset classes with no credit risk exposure:

Asset classes with credit risk exposure:	2015	2014
	N$ 000	N$ 000
Property, plant and equipment	93 344	94 077
Intangible assets	-	3
Cash on hand	32	32
Investment property	13 750	14 050
Inventory	298	209
	107 424	**108 371**

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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.

Other receivables

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

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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	**2015**	**2014**
	N$ 000	N$ 000
Less than one year	830 694	663 931
Between one and two years	216 264	249 752
Between two and three years	113 618	113 856
More than three years	232 399	179 701
	1 392 975	**1 207 240**
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	**530 872**	**464 417**
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	**226 787**	**254 627**

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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 2015, the following applicable 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 7 Financial Instruments: Disclosures	Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.	1 January 2016
	Annual Improvements 2012-2014 Cycle. Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.	1 January 2016
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.	1 July 2014
IFRS 9, Financial Instruments	Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.	1 July 2014

IFRS 9, Financial Instruments (continued)	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: • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018 *IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*

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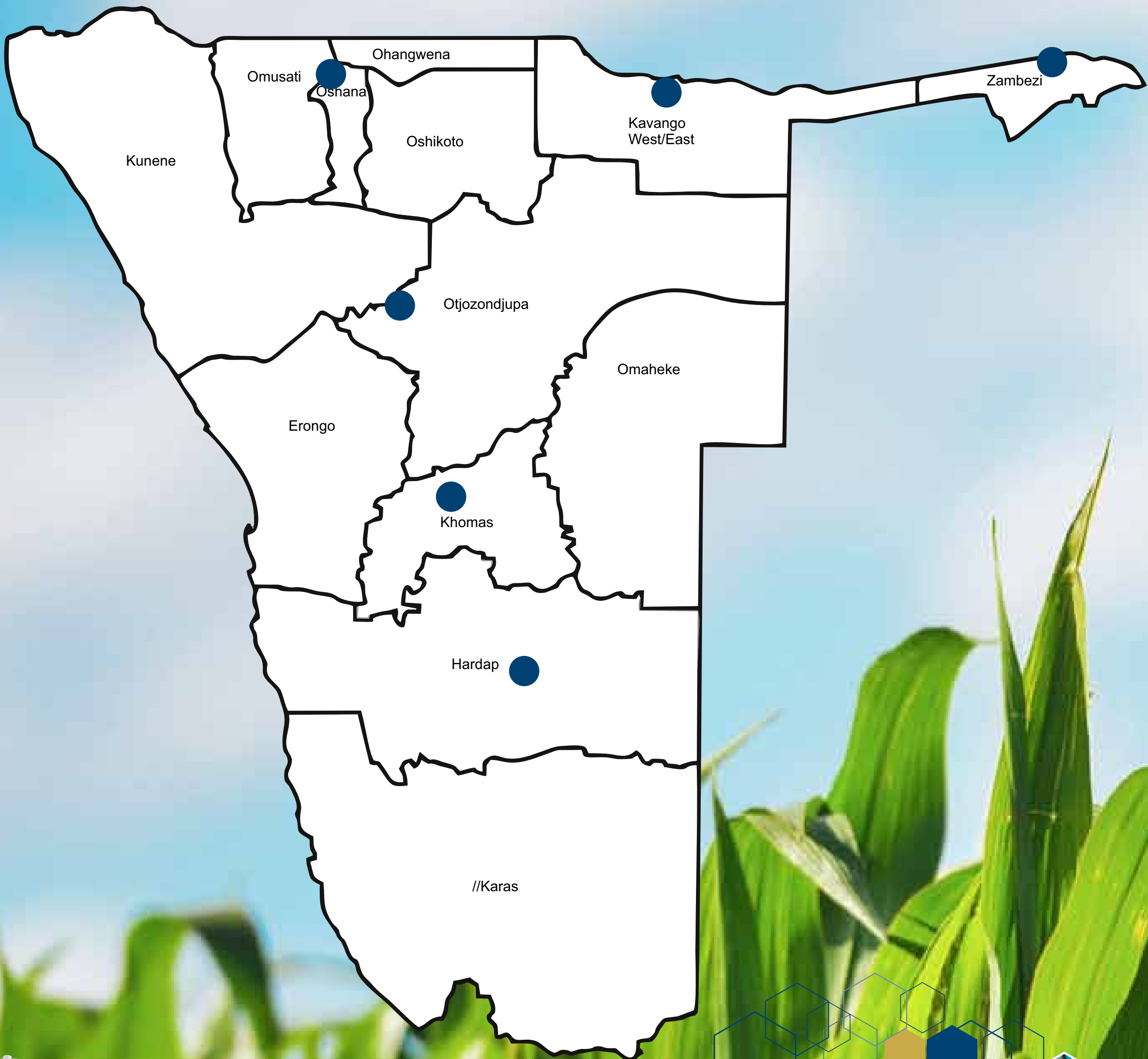
IFRS 13, Fair Value Measurement	Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables. Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014 1 July 2014
IAS 1, Presentation of Financial Statements	Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16, Property, Plant and Equipment	• Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. • 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.	1 July 2014 1 January 2016

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 Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).	1 July 2014 1 January 2016
IAS 24, Related Party Disclosures	Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	1 July 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.	1 July 2014
IAS 38, Intangible Assets	• Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. • 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. • 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.	1 July 2014 1 January 2016 1 January 2016
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.	1 July 2014

Notes



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