

Annual report 2016



AGRIBANK
OF NAMIBIA

Your all Season Bank



Table of Contents

About Agribank	3
Chairperson's Report	4
Chief Executive Officer's Review	8
Corporate Governance Report	14
Board of Directors	18
Executive Management	20
Annual Financial Statements of the Agricultural Bank of Namibia for Financial Year 2015/2016	23



About Agribank

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:

- | | |
|--------------------|---|
| • 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 |





CHAIRPERSON'S REPORT

Terttu N T Uuyuni

“The adverse weather conditions together with other pressing challenges in the agriculture sector...”

Overview

The Namibian economy faced challenging times during the 2015/16 financial year with the agricultural sector, in particular, weathering turbulent times as the country experienced two successive drought years. The recurring drought led to livestock sell-offs at sub-optimal prices, high animal mortality rates and crop failures.

Inflation, on the other hand, moderated in 2015 largely due to low fuel prices, thus reducing pressure on input costs.

The recurring adverse weather conditions, together with other well-known challenges in the agricultural sector, come at a time when Government is intensifying efforts to promote food self-sufficiency. The country continues to face structural challenges such as water shortages, adverse environmental impacts, rising farmland prices, inadequate markets for agricultural products and inequitable land distribution. These challenges hamper the achievement of national development objectives and are bound to have negative effects on economic growth.

As a result, appropriate policy responses are needed to mitigate the effects of these challenges. Within this context, Agribank has introduced relief measures such as the Drought Relief Scheme for farmers and remains committed, in conjunction with other stakeholders, to developing strategic interventions that would place the agricultural sector on a more resilient growth trajectory in the long term.

Financial Performance and Business Strategy

The Bank performed below expectations for the reporting period. Amongst major contributors to this sub-optimal performance are the recurring drought conditions, the ineffectual implementation of the Performance Management System in the Bank, an inadequate focus on arrears management, rising operational costs as well as a significant bad debt provision relating to a key customer which is in liquidation.

The 2015/16 financial year also heralded the end of the Bank's previous 5-year strategic plan. Whilst we have ensured the Bank's financial position remains stable, we do simultaneously acknowledge that, collectively as Board and Management, we could, and indeed should, have done more to ensure the financial sustainability of the Bank. This would enable us to deliver on our mandate in service of both commercial and communal farmers. A new strategic plan (2017-2021) has been crafted and will be presented to the shareholder at the Bank's Annual General Meeting towards the end of September 2016.

The next phase in the implementation of our strategy will see us focusing on making the Bank functionally efficient, being more deliberate in our efforts to serve communal farmers and contributing to economic growth through a concerted strategy to support agro-industries.

The Bank also intends introducing better climate-resilient measures to mitigate the adverse impacts continually wrought upon us by extreme and volatile climatic conditions. Other internal measures would include a sharper focus on expenses management, more stringent credit assessments as well as rigorous recoveries in respect of both normal loan installments and arrear payments. Despite unpredictable and harsh weather conditions, it is our conviction that our loan recoveries can, and must, improve to ensure the Bank's sustainability.

Our people will be core to the delivery of our strategy. Towards this end, the Bank will place renewed emphasis on ensuring that we recruit people with the right skills and values; that we continually develop them to enable them

to perform; and that we rigorously implement our Performance Management System, with the ultimate objective of creating a high performance culture within which every employee is afforded an opportunity to show-case their talents, and to grow and thrive as individuals.

Our new strategy will place the customer at the centre of our existence. In support of that objective, the Bank undertook a customer satisfaction survey during the period under review. This survey revealed that, whilst clients are generally satisfied with our products, we do need to improve our operational efficiencies in order to shorten our service turn-around times. We are appreciative of this feedback and commit to implementing appropriate corrective measures.

Governance and the Control Environment

The Bank is committed to implementing the highest governance and ethical standards throughout the organization, with a clear separation of duties between the Board and Management being the norm. On its part, the Board effectively executes its mandate through various sub-committees, each of which has a Charter outlining its scope and powers. In addition to Board structures, the Bank has a fully-fledged Internal Audit function; and respective Risk Management and Compliance functions. Whilst these functions represent a crucial starting point in embedding good corporate governance practices, we will focus on streamlining their operations in the new year with a view to deriving further value from their existence.

Current Board Committees are:

- The Finance, Risk, Audit and Compliance Committee (FRACC) – which exercises oversight over financial management, the internal control environment, risk management and compliance to laws, regulations and internal policies;
- The Human Resources Committee (HRC) – which exercises oversight over our people strategy and related governances; and,
- The Credit and Investment Committee (CIC) – which exercises oversight over credit extension.

Outlook

The impact of the drought will continue to be felt in the coming years. Simultaneously, weather patterns will remain unpredictable. Our customers are further challenged by the imposition of stringent export measures to the South African market. Whilst as a country we appear to have won the battle against the recent outbreak of the Foot-and-Mouth Disease (FMD), there is no guarantee that we will not experience another episode.

The outlook, thus, remains constrained requiring all stakeholders to be more pro-active and innovative in finding solutions to the challenges that we will continue to face. Through an accelerated execution of our new strategic plan (2017-2021), we will seek to place the Bank on a sustainable footing by being more customer-focused, becoming more operationally efficient, focusing on our people and being more outward-oriented as an organization.

Acknowledgements

Firstly, I want to thank our shareholder, the Government of the Republic of Namibia, for being very supportive of all our efforts throughout the year.

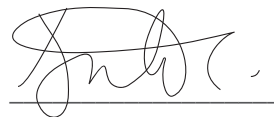
Secondly, I would like to express our gratitude to the outgoing directors, namely Mrs Anna Shiweda, Mr George Mayumbelo and Mr Immanuel Awene, for their commitment in taking the Bank to the next level.

Thirdly, I would like to extend a warm welcome to our new directors who were appointed during the 2015/16 financial year, namely Mrs Dagmar Honsbein, Mr Michael Iyambo and Dr Michael Humavindu. I am confident that, given their wide-ranging professional experience and proven expertise, they will help in lifting the Bank to an altogether new level.

Fourthly, I am most appreciative of the contribution made by our previous Chief Executive Officer, Ambassador Leonard Iipumbu, who retired subsequent to year-end on 31 July 2016. His leadership and drive over the past 11 years have ensured that the Bank remained on-track to contribute to the development of agriculture in our country. We sincerely wish him well in his new endeavours.

Fifthly, I wish to thank Management and all employees of the Bank for their steadfastness through challenging times. The Board looks forward to their enhanced contribution as we all aim to take the Bank to new territories.

Lastly, and perhaps most importantly, I welcome our new Chief Executive Officer, Mr Sakaria Nghikembua, on board. Although joining us only after financial year-end, Mr Nghikembua will be responsible for signing off on the financials for the reporting period as this process remained open upon his assumption of duty. Mr Nghikembua has solid experience in managing businesses in the financial services industry. Accordingly, we look forward to his valuable contribution in implementing our new strategic plan and in re-positioning the Bank for the future, which we are all very excited about.



Terttu N T Uuyuni
Chairperson



CHIEF EXECUTIVE OFFICER'S REVIEW

Sakaria Nghikembua

INTRODUCTION

I am privileged to report on the Bank's operations for the financial year ended 31 March 2016.

FINANCIAL HIGHLIGHTS

The Bank experienced a challenging financial year, with the following performance highlights:

- (a) The loan book grew only by 7.7%, from N\$2.26 billion in 2015 to N\$2.43 billion in 2016, mainly due to low demand for loans as a result of uncertainty precipitated by successive droughts;

- (b) Interest Income accordingly increased only by a marginal 1%, from N\$155.9 million in 2015 to N\$157.4 million in 2016;
- (c) Bad debt provisions increased significantly by 60.2%, largely because of a major provision for a customer in liquidation and an increase in general provisions because of a high level of arrears;
- (d) Interest Income on investments decreased by 13.3%, from N\$ 18.5 million in 2015 to N\$16 million, primarily because of lower investment balances maintained during the financial year;
- (e) Other Operating Income decreased by 13%, from N\$ 13.7 million in 2015 to N\$ 12 million in 2016, mainly due to lower income from loan application fees;
- (f) General administrative expenses rose sharply by 16.9%, from N\$93.3 million in 2015 to N\$109.1 million in 2016, driven by an increase in staff costs of 17.7%;
- (g) As a result, our surplus for the year before other comprehensive income decreased by 84.5%, from N\$47.4 million in 2015 to N\$7.3 million in 2016.

Based on our financial performance, comparative key financial ratios are as follows:

Table 1: Key Financial Ratios

KEY RATIO	2015	2016	RAG
Loan Advances (after provisions) as a percentage of total assets (%)	78.73%	80.06%	
Return on Assets	1.94%	0.28%	
Cost-to-Income	53.02%	63.1%	
Liquidity	6.57%	6.87%	
Arrears as a percentage of total advances (%)	19.4%	19.1%	
Net Interest Margin (%)	5.8%	5.57%	

DELIVERING ON OUR STRATEGY

To accelerate the implementation of the previous 5-year strategic plan, the Board identified 10 Strategic Focus Areas, namely:

- o Implementing a culture-change initiative;
- o Developing and implementing a company-wide performance management system;
- o Improving loan recoveries;
- o Improving the Bank's balance sheet generally;
- o Improving ICT infrastructure and the effective use of business information systems;
- o Improving sales and service delivery;
- o Improving recruitment and selection processes;
- o Improving stakeholder relationships;
- o Promoting good corporate governance; and,
- o Keeping abreast of regulatory developments.

A year-end assessment by the Board and Management delivered an overall average performance score of 2.9 out of a maximum score of 5 on the above metrics, which implies that the Bank did not adequately meet its strategy implementation targets. A new 5-year strategic plan (2017-2021) has been completed and will guide our strategic focus in the coming years. To ensure better implementation of this plan, renewed focus is being placed on robust monthly business performance reviews, appropriate employee training and development interventions as well as full implementation of the Performance Management System. Towards this end, all employees in the Bank will have performance contracts for the second half of financial year 2016/17.

HUMAN RESOURCES

During the year, the Bank focused on the three pillars of human resources development, namely: performance management, culture change and learning & development. These pillars are designed to inculcate a performance-driven culture that will propel the Bank towards effective service delivery.

With regards to learning and development, the Bank invested N\$1.2 million on its employees who completed various courses focusing on leadership development, management development, technical training as well as more generic training interventions.

The pilot phase of the performance management system was implemented as a learning curve with tangible results, which prompted adjustments to the system. The performance management policy was approved in March 2016. In consequence, the revised performance management system will be fully implemented during the 2016/17 financial year.

The Bank fully complied with the requirements of the Affirmative Action Employment Act (Act 29 of 1998), and was awarded a compliance certificate. The break-down of our staff compliment is reflected in the table below.

Table 2: Employment Break-down, 2015/16

	Male	Female	Total
Executive	4	0	4
Management	19	12	31
Non-management	40	52	92
Total	63	64	127

Overall, we maintained gender balance although some corrective work needs to be done at executive and middle management levels in the long-term. The relationship with the Bank's recognized union, the Namibia Financial Institutions Union (NAFINU), remained sound and a revised Recognition Agreement was signed in February 2016.

As a result of our efforts to enhance service delivery, we welcomed 23 new employees to the Bank during the year, which increased our staff costs. Total staff costs as a percentage of total operational costs rose from 56% in 2014/15 to 59% in 2015/16. Imbedding the performance management system should ensure that we increase employee productivity to absorb the extra costs in the coming years.

DEVELOPMENT IMPACT

The Bank has an important role to play in the transformation of the economy through its contribution to land reform initiatives and by supporting agricultural production. The Bank makes a positive developmental impact through its flagship programmes such as the Affirmative Action Loan Scheme (AALS), commercial loans to acquire farmland for previously disadvantaged Namibians and training and mentorship interventions for farmers through the Farmers' Support Project (FSP).

The AALS is an important component of our national land reform programme as it affords emerging farmers from previously disadvantaged communities an opportunity to acquire farms in commercial areas. Since the Bank's establishment shortly after the country's independence, it has funded a total of 1000 previously disadvantaged Namibians through both the AALS and commercial loans, in the process disbursing N\$1.4 billion to purchase 6 million hectares of commercial land, thereby already contributing 40% towards the national goal of acquiring 15 million hectares of commercial land by 2020.





Furthermore, the Bank identified training of farmers as critical in imparting skills that are necessary to increase productivity to ensure national food self-sufficiency and job creation. To sustain the productive capacity of farmland so acquired, the Bank prioritized the training of farmers in both commercial and communal areas by officially taking over the implementation of the Farmers' Support Project (FSP) in 2010.

To date, the FSP has 34 mentors who provide training and advisory services to small-scale, affirmative action and resettled farmers country-wide in close collaboration with the Ministry of Agriculture, Water and Forestry (MAWF), the Namibia Agronomic Board, as well Rangeland Management and Livestock Producers Forums. The training is aimed at transferring modern farming skills and knowledge of farming to emerging, affirmative action, resettled and communal farmers to enable them to meet the daunting challenges of sustainable food production and value addition in the agricultural sector. For the financial year under review, the project reached 3286 farmers through mentorship and 1544 farmers through training.

BENCHMARKING

As a member of the Association of African Development Banks and Finance Institutions, we rate ourselves in three core areas, namely governance guidelines, financial prudential standards and operational guidelines. This rating system is designed to assist the Bank to achieve the highest levels in respect of governance, financial management and operational efficiencies. The accuracy of our self-rating is reviewed by our external auditors. The Bank's comparative results for financial years 2014/15 and 2015/16 were as follows:

Table 3: Development Financing Institutions Benchmarking

KEY METRIC (%weight)	2014/15 SCORE	2015/16 SCORE	DIRECTION OF CHANGE
Governance Standards (40%)	32.5%	32.5%	
Financial Prudential Standards (40%)	26.0%	26.0%	
Operational Standards (20%)	7.1%	6.5%	
Total Score (weighted)	65.7%	65.1%	

CONCLUSION

Our challenges are clear. The weather has become routinely volatile and adapting to this volatility is an imperative for us. Our mandate requires us to contribute actively to the Harambee Prosperity Plan by supporting value addition, job-creation initiatives and being inclusive of all farmers. We need to strengthen the Bank's balance sheet to ensure we can sustainably deliver on our mandate. We will achieve this through quality growth of our loan book, rigorous collections of installments due, keeping arrears within sustainable levels and by generally improving our governance environment. The development of our people needs to be based on appropriate personal development plans rather than on courses available in the market. Importantly, we need to embed the performance management system.

I am grateful to the Board and the Shareholder for entrusting me with the responsibility of steering the Bank into the future. I am also grateful to management and all employees for their dedication to duty throughout the year and their visible commitment to continue doing so; and to my predecessor, Ambassador Leonard Lipumbu, for his steady leadership of the Bank for over a decade. I look forward to working with all stakeholders for many years to come.



Sakaria Nghikembua
CHIEF EXECUTIVE OFFICER





CORPORATE GOVERNANCE

The Board of Directors is accountable for implementing an effective governance framework within the Bank. In this regard, the Board implements mechanisms to safeguard the interests of the Bank and its stakeholders. The Bank actively seeks to comply with applicable laws and regulations as well as its own policies and procedures.

The Board

The Board consists of five non-executive directors who are appointed by the shareholder based on their skills, experience and expertise in fields critical to the Bank's performance. The role, functions and powers of the Board are derived from the Bank's Establishment Act, applicable laws, regulations, corporate governance best practices as well as approved policies. The Board's main responsibilities are, inter alia:

- o Setting the Bank's strategy and overall direction in line with the shareholder's mandate;
- o Bringing independent, informed and effective judgment to bear on material decisions affecting the Bank;
- o Approval of annual business plans and budgets – inclusive of both operational and capital budgets;
- o Ensuring that an effective governance framework is in place in the Bank; and,
- o The hiring and firing of the Chief Executive Officer.

The Board meets quarterly or at any ad hoc times as circumstances require. Directors have access to any such information from the Bank or any senior employee of the Bank as they may need to exercise their independent judgment on the affairs of the Bank; and may seek independent advice individually or collectively on any matter concerning the Bank should they need to do so in fulfillment of their fiduciary mandate.

Board Committees

To execute its mandate, the Board has set up Committees. In so doing, the Board recognizes and accepts the principle that whilst certain powers can be delegated to Committees, ultimate accountability for delegated matters remains with the Board. Authority delegated by the Board accordingly always entails a requirement of reporting back to the full Board and the obligation on the Board to monitor and evaluate the performance of the Committees.

The Board has established the following Committees:

- o The Finance, Risk, Audit and Compliance Committee (FRACC);
- o The Human Resources Committee (HRC); and,
- o The Credit and Investment Committee (CIC)

The Finance, Risk, Audit and Compliance Committee (FRACC)

This Committee consists of three (3) non-executive directors. The Committee is chaired by Mrs Dagmar Honsbein. Other members of the Committee are Mrs Terttu Uuyuni and Dr Michael Humavindu. The Committee exercises oversight in respect of:

- o The Bank's systems of internal controls in the areas of finance and accounting;
- o The Bank's auditing, accounting and financial reporting processes;

- o The performance of internal and external auditors;
- o Bank-wide risk management – which includes consideration and investigation of strategic, financial and operational risks as identified by management, internal and external auditors;
- o Compliance of the Bank to applicable laws, regulations and policies.

The Human Resources Committee (HRC)

This Committee consists of three (3) non-executive directors. The Committee is chaired by Mr Oiva Mahina, with other members being Mr Michael Iyambo and Mrs Dagmar Honsbein. Its primary functions are:

- o Establishment and review of an appropriate remuneration framework for Management and employees – in line with periodic market developments and the directives of the State-Owned Enterprises Governance Council;
- o Review of organizational and staff matters; and,
- o Review and approval of annual salary increases.

The Credit and Investment Committee (CIC)

This Committee is comprised of three (3) non-executive directors. The Committee is chaired by Dr Michael Humavindu, with other members being Mr Michael Iyambo and Mr Oiva Mahina. The Committee's primary functions are:

- o Review and approval of loans with a monetary value ranging from N\$0.5 million to N\$ 10 million;
- o Review and recommendation, to the Board for approval of loans with a monetary value in excess of N\$10 million.

Internal Governance Functions

To ensure robust risk management, compliance and best practice internal controls, the Bank has set up the following fully-fledged functions:

- o Internal Audit;
- o Risk Management; and,
- o Compliance

The Board and its Committees have full access to these functions.

Communication with the Shareholder

The Bank ensures continuous and constructive communication with the shareholder primarily through the following fora:

- o The Bank's annual report. This should be prepared and submitted timeously to the shareholder in line with statutory reporting requirements;
- o Regular briefings with the shareholder on matters affecting the Bank; and,
- o The annual general meeting at which the shareholder is informed about:
 - The strategy of the Bank
 - The performance of the Bank, and
 - Any significant matters

Board and Committee Attendance

Attendance for Board and Committee meetings is duly noted in an attendance register for every meeting. Attendance results for the year are noted in the following tables:

Table 4: Board Meetings

Date of Meeting	Members Present	Apologies Noted
30 July 2015	✓ ✓ ✓ ✓ ✓	None
24 September 2015	✓ ✓ ✓ ✓	Mrs Dagmar Honsbein (Official duties)
11 November 2015	✓ ✓ ✓ ✓ ✓	None
3 March 2016 (extraordinary)	✓ ✓ ✓ ✓ ✓	None
30 March 2016	✓ ✓ ✓ ✓	Mrs Dagmar Honsbein (Official duties)

Table 5: Finance, Risk, Audit and Compliance Committee

Date of Meeting	Members Present	Apologies Noted
03 September 2015	✓ ✓ ✓	None
09 September 2015	✓ ✓ ✓	None
01 October 2015	✓ ✓	Dr Michael Humavindu (Official duties)
29 October 2015 (extra ordinary)	✓ ✓ ✓	None
28 January 2016	✓ ✓ ✓	None

Table 6: Human Resources Committee

Date of Meeting	Members Present	Apologies Noted
7 October 2015	✓ ✓ ✓	None
5 November 2015	✓ ✓ ✓	Mrs Dagmar Honsbein (Official duties)
26 February 2016	✓ ✓ ✓	None

Table 7: Credit and Investment Committee

Date of Meeting	Members Present	Apologies Noted
13 August 2015	✓ ✓ ✓	None
8 October 2015	✓ ✓ ✓	None
12 February 2016	✓ ✓ ✓	None
2 March 2016	✓ ✓ ✓	None



Board of Directors

Agribank Board



Terttu Uuyuni

Mrs Terttu Uuyuni is the Chairperson of the Board and possesses more than 13 years' experience in commercial banking and bank supervision.

A firm believer in personal growth through consultative leadership, Mrs Uuyuni has served the Bank as a member of the Finance, Risk, Audit and Compliance and the Credit and Investment Board Committees; and as the Vice Chairperson of the Board from July 2010 to February 2012. Her re-appointment has seen the retention of institutional knowledge and the continuation of Board strategies.



Michael Iyambo

Mr Michael Iyambo is the Vice Chairperson of the Board and an emerging commercial farmer and entrepreneur who founded a competitive and successful horticultural project in 2005.

Mr Iyambo's successful business venture has resulted in his triumph as the Master Agronomist of the Year in 2015 and his appointment as the Chairman of the National Horticultural Task Team and Vice Chairman of the Karst Area Horticultural Association, a position he has held since 2009. His industry knowledge and sound business acumen provide for optimum advice on credit analysis.

Mr Oiva Mahina is a farmer and businessman based in Rundu. He holds the position of Vice Chairperson of the Kavango Farmers Union and serves as the Chairperson of the Kavango Local Business Association.

Mr Mahina brings with him a wealth of experience and knowledge about the challenges of communal and emerging farmers north of the Red Line, which speaks directly to the service delivery aspirations of the Bank. He chairs the Human Resources Committee.



Oiva Mahina

Mrs Dagmar Honsbein holds a post-graduate degree in Chemical Engineering and Applied Sciences. Her experience includes the provision of professional services to productive sectors, like agro-processing.

Mrs Honsbein has fundamental and practical insights in value chain management as well as financial systems and resources mobilisation for development. Her extensive knowledge in the productive sectors and innovation management, are invaluable as the Bank gears itself to serve its clients and respond to their needs in an ever-changing agricultural environment. She chairs the Finance, Risk, Audit and Compliance Committee.



Dagmar Honsbein

Dr Michael Humavindu who holds a Doctorate in Economics, boasts a strong academic and professional repertoire in Economic research, industrialisation, SME development, economic advice and modelling and policy analysis. Dr Humavindu spent eight years in development finance at the Development Bank of Namibia thereby working on project finance, deal structuring, credit assessments and the design of policies such as Microfinance and Development Impact Framework.

A Deputy Permanent Secretary in the Ministry of Industrialisation, Trade and SME Development, Dr Humavindu is optimally positioned to lead discussions and test the Bank's policies against the fiscal space, policy trends and the country's Economic Agenda. He chairs the Credit and Investment Committee.



Michael Humavindu

Executive Management

Agribank Executive Management



Sakaria Nghikembua

Chief Executive Officer



Regan Mwazi

GM: Corporate Services



Ignatius Theodore

GM: Finance



Shali Shindume

GM: Lending



Stephanie M de Klerk

Legal Advisor / Company Secretary



Benjamin Coetzee

Manager: Internal Audit



Annual Financial Statements



REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Agricultural Bank of Namibia for the financial year ended 31 March 2016, 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

WINDHOEK, August 2016

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 2016

1. INTRODUCTION

This report on the accounts of the Agricultural Bank of Namibia for the financial year ended 31 March 2016 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 2016. These financial statements comprise the following statements submitted for the year then ended:

- Contents and approval of financial statements
- Value Added Statement
- Statement of financial position
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flow
- Notes to the financial statements

The accounts were submitted on time (21 June 2016) by the Accounting Officer to the Auditor-General 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 and are on pages 27 - 68

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.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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 with International Standards on Auditing. 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.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

4. ACKNOWLEDGEMENT

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

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 6% from N\$ 439 million in 2015 to N\$ 465 million in 2016. 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.

6. LITIGATION MATTERS

The bank is involved in a number of legal cases that are being handled by its legal advisors. Details of the cases are disclosed in note 21 of these Annual Financial Statements.

7. UNQUALIFIED AUDIT OPINION

The financial statements of the Agricultural Bank of Namibia for the financial year ended 31 March 2016 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 2016 and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and in the manner required by the State Finance Act, 1991 (Act 31 of 1991) and the Agricultural Bank Act, 2003 (Act 5 of 2003).

WINDHOEK, August 2016



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

CONTENTS:

PAGE NO.

Approval of annual financial statements	27
Statutory information	28
Value Added Statement	29
Statement of financial position	30
Statement of comprehensive income	31
Statement of changes in equity	32
Statement of cash flows	33-34
Notes to the annual financial statements	35-68

APPROVAL

The annual financial statements, set out on pages 28 to 68, have been compiled from the books of the bank and to the best of our knowledge and belief, are correct.

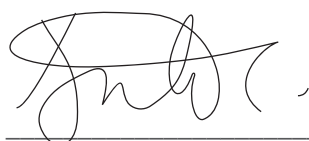


Sakaria Nghikembua
Chief Executive Officer



Ignatius Theodore
General Manager Finance

The annual financial statements, set out on pages 28 to 68, have been approved by the Board of the Agricultural Bank of Namibia and are signed on its behalf by:



Terttu N.T. Uuyuni
Chairperson of the Board



Dagmar Honsbein
Director

AGRICULTURAL BANK OF NAMIBIA

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statutory Information

DIRECTORS:

The composition of the board of directors is as follows:

CHAIRPERSON OF THE BOARD:

Terttu Uuyuni

Re-appointed 1 July 2015

NON-EXECUTIVE DIRECTORS

Immanuel Awene

Term ended 16 May 2015

George Mayumbelo

Term ended 16 May 2015

Oiva Mahina

Re-appointed 1 July 2015

Dagmar Honsbein

Appointed 1 July 2015

Michael Iyambo

Appointed 1 July 2015

Michael Humavindu

Appointed 1 July 2015

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 2016

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
Interest paid and other expenditure

2016 N\$'000	2015 N\$'000
185 395	188 192
(111 448)	(85 015)
73 947	103 177

Distribution of wealth created by the bank

	Proportion			Proportion
Employee compensation				
- Salaries, wages and other benefits	69%	51 030	42 657	41%
Government				
- Taxation	18%	13 099	10 950	11%
Retention for expansion of growth	13%	9 818	49 570	48%
- Retained income		7 343	47 444	
- Depreciation and amortisation		2 475	2 126	
	100%	73 947	103 177	100%

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 N\$'000	2015 N\$'000
ASSETS			
Non-current assets			
Long-term portion of advances	4	1 437 771	1 266 925
Property, plant and equipment	6	93 103	93 344
Investment properties	7	45 895	45 895
Intangible assets	8	77	-
		1 576 846	1 406 164
Current assets			
Inventory	10	486	398
Cash and cash equivalents	3	374 153	378 997
Short-term portion of advances	4	165 163	218 110
Loan repayment in arrears	4	465 918	438 811
Other receivables	5	1 664	1 258
		1 007 384	1 037 574
Total assets		2 584 230	2 443 738
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Capital	18	1 408 031	1 256 831
Reserves	17	655 929	648 586
Funds and grants	16	85 154	86 393
		2 149 114	1 991 810
Non-current liabilities			
Deferred income	14	69 241	79 676
Loan Guarantee Fund	11	85 234	80 234
Long-term portion of borrowings	12	107 833	110 442
Post-retirement employee benefits	15.2	26 238	23 720
		288 546	294 072
Current liabilities			
Creditors and provisions	13	18 521	13 651
Current portion of long-term borrowings	12	2 609	2 388
Special Purpose Funds	9	125 440	141 817
		146 570	157 856
Total liabilities		435 116	451 928
Total capital, reserves and liabilities		2 584 230	2 443 738

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 N\$'000	2015 N\$'000
INCOME			
Interest income on advances	19.1	157 385	155 933
Interest expense	19.2	(13 350)	(14 286)
Net interest income before provision for impairment on advance		144 035	141 647
Bad debts and movement in provision for losses on advances	5	(56 463)	(35 240)
Net income from lending activities		87 572	106 407
Interest income on banks and fixed deposits	19.1	16 050	18 505
Other operating income	19.3	11 960	13 754
Total income		115 582	138 666
General administrative expenses	19.4	(109 111)	(93 310)
Surplus for the year		6 471	45 356
Other comprehensive income			
Actuarial gain/(loss)		872	2 088
Surplus for the year		7 343	47 444

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Capital N\$'000	Reserves N\$'000	Funds and Grants N\$'000	TOTAL N\$'000
Balance as at 31 March 2014 as previously reported	1 071 263	569 332	115 672	1 756 267
Impact of change in accounting policy	-	20 830	-	20 830
Correction of prior period error	-	11 015	-	11 015
Balance as at 31 March 2014 as restated	1 071 263	601 177	115 672	1 788 112
Surplus for the year	-	45 356	-	45 356
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	648 586	86 393	1 991 810
Surplus for the year	-	6 471	-	6 471
Government contribution	151 200	-	-	151 200
Write-off of loans under the Tractor Loan Scheme	-	-	(1 239)	(1 239)
Other comprehensive income	-	872	-	872
Balance as at 31 March 2016	1 408 031	655 929	85 154	2 149 114

AGRICULTURAL BANK OF NAMIBIA

CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 N\$'000	2015 N\$'000
Cash flow from operating activities	1	(128 294)	(179 378)
Cash received from customers	2	185 395	188 192
Cash paid to financiers	3	(13 350)	(14 286)
Cash paid to employees and suppliers		(159 797)	(123 232)
Cash movement in operating liabilities/assets	4	4 464	4 471
Cash movement in advances	5	(145 006)	(234 523)
Cash flow from investing activities		(2 311)	(1 401)
Acquisition of property and equipment		(2 225)	(1 401)
Acquisition of intangible assets		(86)	-
Cash flow from financing activities		125 761	136 523
Movement in funds and capital-Government Grants received		149 961	156 289
Movement in reserves		-	(35)
Movement in Special Purpose Funds		(16 377)	33 866
Movement in Loan Guarantee Fund		5 000	17 000
Decrease in deferred income		(10 435)	(10 638)
Movement in long-term borrowings		(2 388)	(59 959)
Net increase in cash and cash equivalents		(4 844)	(44 256)
Cash and cash equivalents at the beginning of the year		378 997	423 253
Cash and cash equivalents at the end of the year		374 153	378 997

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

	2016 N\$'000	2015 N\$'000
1. Reconciliation of surplus for the year to cash flow from operating activities		
Surplus for the year	7 343	47 444
Adjusted for non-cash items:		
Depreciation on property, plant and equipment	2 466	2 121
Amortisation of intangible assets	9	3
Loss on disposal of property, plant and equipment	-	13
Post-retirement benefits	2 518	1 282
Movement in creditors	4 870	3 546
Movement in inventories	(88)	(189)
Movement in trade receivables	(406)	925
Movement in advances	(145 006)	(234 523)
Cash flow from operating activities	128 294	(179 378)
2. Cash received from customers		
Interest received on advances	157 385	155 933
Interest received on banks and fixed deposits	16 050	18 505
Other income received	11 960	13 754
	185 395	188 192
3. Cash paid to financiers/loan providers		
Interest paid	13 350	14 286
4. Cash movement in operating liabilities/assets		
Other receivables	(406)	925
Creditors and provision	4 870	3 546
	4 464	4 471
5. Cash movement in advances		
Movement in advances	(174 489)	(270 628)
Movement in provision for credit losses	29 483	36 105
	(145 006)	(234 523)

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

- 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 valuers, less provision for impairment.

Farms acquired are stated at the amount of debt outstanding at the date of repossession. Provision is made against amounts considered to be irrecoverable. All other property, plant and equipment are accounted for at cost.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves. Decreases that offset previous increases on the same asset are charged against the revaluation reserve all other decreases are charged to the statement of comprehensive income.

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

All property, plant and equipment, other than land and owner occupied properties, are depreciated on the straight-line basis over its expected economic lives.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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. General provisions are maintained to cover potential losses which, although not specifically identified, may be present in any portfolio of advances.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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 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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

1.9.2 Defined contribution plans

The bank provides defined contribution pension fund plans for employees. Payments to the pension fund are charged as an expense as incurred.

1.9.3 Defined benefit plans

The bank provides post-retirement medical benefits by way of 100% contribution of medical aid. Benefits are available to all employees. Payments to the post-retirement medical benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable and/or advance is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently at amortised cost.

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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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 properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

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 FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

2. CHANGE IN ACCOUNTING POLICY AND CORRECTION OF A PRIOR PERIOD ERROR

During the year the bank changed the accounting policy for investment properties to fair value model. Previously investment properties were accounted for at cost less accumulated depreciation and impairment losses. The fair model provides more relevant and reliable information given the high rate of appreciation of property values in Namibia. This change of accounting policy has been applied retrospectively in accordance with IAS 8.

During the year the bank discovered that some properties owned by the bank had not been reported in the bank's prior periods' financial statements. The correction has been applied retrospectively in accordance with IAS 8. The effect of the restatement of the prior period financial statements is reflected below.

	2016	2015
	N\$'000	N\$'000
Impact on total comprehensive income for the year		
Increase in surplus for the year	300	300

Impact on assets and equity as at 1 April 2014

	As at 01/04/2014 As previously reported N\$'000	Change in accounting policy N\$'000	Correction of a prior period error N\$'000	As at 01/04/2014 restated N\$'000
Investment properties	14 050	20 830	11 015	45 895
Impact on equity				
Retained income	569 332	20 830	11 015	601 177

Impact on assets and equity as at 31 March 2015 of the change in accounting policy

	As at 31/03/2015 As previously reported N\$'000	Change in accounting policy N\$'000	Correction of a prior period error N\$'000	As at 31/03/2015 restated N\$'000
	13 750	21 130	11 015	45 895
Impact on equity				
Retained income	616 441	21 130	11 015	648 586

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

	2016	2015
	N\$'000	N\$'000
3. CASH AND CASH EQUIVALENTS		
Cash on hand	32	32
Bank balances	88 576	10 348
Notice deposits	285 545	368 617
	374 153	378 997
4. ADVANCES		
Total advances	2 434 675	2 260 186
Provision for credit losses on advances		
Opening balance	336 340	300 235
Current provision:		
Interest suspended	1 690	1 123
Provision for doubtful debts	56 463	35 240
Amounts written off	(28 670)	(258)
TOTAL PROVISION	365 823	336 340
Total advances after provision	2 068 852	1 923 846
LESS: - SHORT-TERM PORTION OF ADVANCES	(165 163)	(218 110)
- ARREARS	(465 918)	(438 811)
LONG-TERM PORTION OF ADVANCES	1 437 771	1 266 925
5. OTHER RECEIVABLES		
Accounts receivable and prepayments	1 664	1 258
	1 664	1 258

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

6. PROPERTY, PLANT & EQUIPMENT

	Lease- hold	Land and buildings	Furniture and Fittings	Compu- ters	Other Equip- ment	Motor vehicles	Total
31 March 2016	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Carrying value:							
Beginning 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)
Movement during the year:	(1)	-	(1 223)	1 137	(117)	(37)	(241)
Additions	-	-	108	1 937	180	-	2 225
Depreciation	(1)	-	(1 331)	(800)	(297)	(37)	(2 466)
End of the year	-	87 751	2 357	2 474	490	31	93 103
Cost/valuation	383	87 751	7 169	5 890	1 603	4 156	106 952
Accumulated depreciation	(383)	-	(4 812)	(3 416)	(1 113)	4 125	(13 849)

	Leasehold	Land and buildings	Furniture and Fittings	Compu- ters	Other Equip- ment	Motor vehicles	Total
31 March 2016	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)

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

6.1 PROPERTY, PLANT & EQUIPMENT

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

	2016 N\$'000	2015 N\$'000
- Erf 5479, Windhoek	78 860	78 860
- Additions- Erf 5479, Windhoek	424	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	87 751

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

7. INVESTMENT PROPERTIES

Description	N\$'000	N\$'000
Portion 38 of Farm Okatjirute No 155 (*)	34 880	34 880
Extension of Farm Okatjirute 155	4 900	4 900
Erf Prn 18, Witvlei	780	780
Erf Prn 34, Witvlei	3 200	3 200
Erf Prn 117, Witvlei	320	320
Erf Prn 203, Witvlei	835	835
Erf Prn 204, Witvlei	650	650
Erf Prn 292, Witvlei	330	330
	45 895	45 895

(*) - The investment properties consist of farmland with improvements measuring 11,9335 hectares, situated in the Omaheke Region. The fair value was determined by an independent sworn appraiser on 10 February 2014.

The fair values of the rest of the investment properties were determined by an independent sworn appraiser on 10 August 2016.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

8. INTANGIBLE ASSETS

Software Development Costs

Opening carrying amount

Cost

Accumulated amortisation

Amortisation

Additions

Closing carrying amount

Cost

Accumulated amortisation

9. SPECIAL PURPOSE FUNDS

Ministry of Lands and Resettlement (Post-resettlement)

Staff savings scheme

Government Ministries, Agricultural Boards and unions

Drought Relief Scheme Fund

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

10. INVENTORY

Consumables

	2016 N\$'000	2015 N\$'000
	-	3
Cost	28 027	28 027
Accumulated amortisation	(28 027)	(28 024)
Amortisation	(9)	(3)
Additions	86	-
	77	-
Cost	28 113	28 027
Accumulated amortisation	28 036	(28 027)
	69 055	65 881
	304	252
	24 298	34 042
	31 783	41 642
	125 440	141 817
	486	398

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

	2016 N\$'000	2015 N\$'000
11. LOAN GUARANTEE FUND		
Government scheme for drought relief	20 731	20 731
Post settlement support to resettled farmers	64 503	59 503
	85 234	80 234
12. 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 2016.	110 442	112 830
Less: Current portion shown under current liabilities	(2 609)	(2 388)
	107 833	110 442
13. CREDITORS AND PROVISIONS		
Leave pay provision	2 466	3 222
Grants and bursaries	110	110
Creditors	15 945	10 319
	18 521	13 651

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

14. DEFERRED INCOME

Deferred income

Reconciliation of deferred income

Opening balance

Amortised to the statement of comprehensive income

2016 N\$'000	2015 N\$'000
69 241	79 676
79 676	90 314
(10 435)	(10 638)
69 241	79 676

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 is 9.25% per annum.

15. EMPLOYEE BENEFITS

15.1 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%.

Bank contribution

Employee contribution

4 457	3 593
1 949	1 573
6 406	5 166

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

15.2 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:

	2016 N\$'000	2015 N\$'000
Present value of medical benefit obligation	25 810	23 334
Present value of severance benefit obligation	428	386
	26 238	23 720

15.2.1 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 May 2016. The valuation method used was the projected unit credit method. The estimated liability as at 31 March 2016 was N\$ 25 810 000 (2015: N\$ 23 334 000).

Present value of unfunded obligation	25 810	23 334
Reconciliation showing the movement of the present value of unfunded obligation:		
Balance at the beginning of the year	23 334	22 168
Current service costs	1 763	1 302
Interest expense	1 556	2 016
Re-measurements (gains)/losses	(464)	(1 665)
Actuarial gain	(379)	(487)
Benefits paid	25 810	23 334
The principle assumptions used were:		
Discount rate	11.16%	7.39%
Health care cost inflation	10.18%	6.56%
Average retirement age (in years)	60	60

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

15.2.1 Medical benefit obligation (continued)

Amounts recognised in the statement of comprehensive income are as follows:

	2016 N\$'000	2015 N\$'000
Current service cost	1 556	1 302
Interest cost	1 763	2 016
Components of the defined benefit costs recognised in profit or loss	3 319	3 318
Remeasurement of the defined benefit obligation		
Actuarial gain	(843)	(2 152)
Components of defined benefit (income)/costs recognised in other comprehensive income	(843)	(2 152)
Total	2 476	1 166

15.2.2 Severance benefit obligation

The latest actuarial valuation for the severance benefit obligation was

Present value of unfunded obligation	428	386
Reconciliation showing the movement of liability reflected on the statement of financial position:		
Balance at the beginning of the year	386	270
Current service costs	42	30
Interest expense	29	22
Remeasurements		
Actuarial (loss)/gain	(29)	64
	428	386

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

16. FUNDS AND GRANTS

	2016 N\$'000	2015 N\$'000
European Fund Account	11 528	11 528
Government	36 102	36 102
Agribank - NACP contribution	34 561	34 561
Government Tractor Scheme (*)	2 963	4 202
	85 154	86 393

(*) - 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. At the reporting date, the balance of the Government Tractor Scheme fund amounted to N\$ 2 963 560 (2015: N\$ \$ 4 202 260). Loans amounting to N\$ 1 238 700 (N\$ 2015: N\$ 29 278 482) were written off during the year as authorised by the Ministry of Agriculture, Water and Forestry.

17. RESERVES

Reserves	655 929	648 586
Reconciliation of reserves		
Balance at the beginning of the year	648 586	601 177
Surplus for the year	7 343	47 444
Adjustments	-	(35)
Balance at the end of the year	655 929	648 586

18. CAPITAL FUND

Government contribution	1 408 031	1 256 831
Reconciliation of Capital Fund		
Opening balance	1 256 831	1 071 263
Contribution during the year	151 200	234 291
Transfer to Drought Relief Fund	-	(48 723)
	1 408 031	1 256 831

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

	2016 N\$'000	2015 N\$'000
19. INCOME AND EXPENDITURE		
19.1 Interest income		
Bank and money market	16 050	18 505
Advances granted	157 385	155 933
	173 435	174 438
19.2 Interest expenses		
Government loan	10 435	10 638
Fund accounts and borrowings	2 915	3 648
	13 350	14 286
19.3 Other operating income		
Rent received	279	922
Government grant released	10 435	10 638
Other income	1 246	2 194
	11 960	13 754

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

	2016 N\$'000	2015 N\$'000
19.4 General administrative expenses		
Auditor's remuneration	311	-
Auditor's remuneration	311	-
Depreciation and amortisation	2 475	2 126
Property, plant and equipment	2 466	2 123
Intangible assets	9	3
Directors fees	658	409
Insurance	364	362
Marketing	5 895	5 551
Maintenance of property and equipment	583	96
Professional fees	6 505	4 797
Rent paid	1 142	1 105
Staff cost	64 614	54 908
Salaries	28 106	25 887
Fringe benefits	35 365	27 220
Training	1 143	1 801
Other expenses	26 564	23 956
Bank charges	326	457
Legal fees	834	514
Security cost	674	581
Printing & stationery	586	354
Computer expenses	4 920	4 947
VAT apportionment expenses	2 937	2 450
Municipal costs	2 988	1 660
Travel	2 547	2 383
Vehicle costs	617	778
Telephone	1 203	1 263
General expenses	3 472	3 575
Farmer Support Project expenses	5 460	4 994
	109 111	93 310

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

20. COMMITMENTS

Authorised capital expenditure

Authorised

2016 N\$'000	2015 N\$'000
55 729	35 686

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

21. CONTINGENCIES

21.1 Retrenched employees vs Agribank

Three former employees who were retrenched are suing the bank challenging their retrenchment. The bank has closed its case, the complainants have testified, have been cross examined and closing arguments have been submitted. Judgment is being awaited and award is yet to be determined. The potential liability to the bank is N\$ 523 935 which depends on whether the District Labour Court finds that the complainants have successfully proven their claims.

21.2 Agribank vs a third party

During the prior 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 and settlement of arrear rental of N\$ 3 million. The parties signed a Sale Agreement on 5 June 2015 which lapsed on 26 June 2015 but the third party remained in possession of the property. Following the cancellation of the Sale Agreement on 7 July 2015 there is no valid agreement in terms of which the third party is in possession of the property, therefore the bank instituted eviction proceedings in the High Court. Default judgment was applied for and judgment is awaited. If the matter is defended legal costs are estimated to be N\$ 350 000.

21.3 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.

21.4 Agribank vs a third party involved in ostrich products

The matter involved an amount of N\$ 30 million granted to the third party. A legal action was instituted to recover the funds. The bank has now received correspondence regarding criminal investigation in the matter by the Anti-Corruption Commission. Due to the passage of time and the criminal investigation herein, the evaluation of the outcome of the matter is challenging.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

22. 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.

22.1 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

Building Project

Normal operations

Available

2016 N\$'000	2015 N\$'000
-	-
-	50 000
-	50 000

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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.

2016

	Less than 1 year	Between 1 and 5 years	More than 5 years
Financial liabilities	N\$'000	N\$'000	N\$'000
Other liabilities	128 046	128 614	90 692
Trade payables	18 521	-	-

2015

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

22.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate risks. Fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates.

As the bank's significant interest-bearing assets, are fixed rate advances, its income and operating cash flows are substantially independent of changes in market interest rates.

The bank's interest rate risk arises mainly from its long-term borrowings. Borrowings issued at variable rates expose the bank to cash flow interest rate risk. This risk is managed by maintaining an appropriate mix between fixed and floating interest rates.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments by classification

Assets as per statement of financial position

2016

Financial assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
		N\$'000	N\$'000	N\$'000
Advances	Fixed	2 434 675	-	2 434 675
Bank balances	Floating	374 121	-	374 121
Other current assets	Non-interest- bearing	1 664	-	1 664

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

Liabilities as per statement of financial position

2016

Financial assets	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	85 234	-	85 234
Long-term borrowings	Floating/Non-interest bearing	110 442	-	110 442
Special purpose funds	Fixed and floating	125 438	-	125 438
Post-retirement benefits	Floating	26 238	-	26 238
Trade creditors	Non-interest- bearing	18 521	-	18 521

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

Liabilities as per statement of financial position
2015

Financial assets	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	80 234	-	80 234
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

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 2015.

As at 31 March 2016:	100 basis points increase N\$'000	100 basis points decrease N\$'000
Floating rate financial assets	374 121	3 741
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	374 121	3 741

As at 31 March 2015:	100 basis points increase N\$'000	100 basis points decrease N\$'000
Floating rate financial assets	378 965	3 790
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	378 965	3 790

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3 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.

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

Credit exposure

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

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

Asset classes with credit risk exposure:	2016 N\$'000	2015 N\$'000
Advances	2 434 675	2 260 186
Bank balances	374 121	378 965
Other receivables	1 664	1 258
	2 810 460	2 640 409

Asset classes with no credit risk exposure:	2016 N\$'000	2015 N\$'000
Property, plant and equipment	93 103	93 344
Intangible assets	77	-
Cash on hand	32	32
Investment property	45 895	45 895
Inventory	486	397
	139 593	139 668

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 and regulated financial institutions. 22.

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

FINANCIAL RISK MANAGEMENT (continued)

Other receivables

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

Concentration of credit risk

The concentration risk within the bank consists mainly of:

- Exposure per agricultural sector
- Exposure per individual account holder

At the reporting date credit risk exposure was not concentrated to a small number of individual accounts, but was spread across entire loan book account holders.

Loan advances past due not impaired	2016 N\$'000	2015 N\$'000
Less than one year	566 452	830 694
Between one and two years	576 746	216 264
Between two and three years	144 136	113 618
More than three years	63 781	232 399
	1 451 115	1 392 975
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	597 920	530 872
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	163 052	226 787

AGRICULTURAL BANK OF NAMIBIA

NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

23. 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 2016, 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
IAS 38 Intangible Assets	• 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.	1 January 2016
	• 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 January 2016

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

23. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Standard or interpretation	Title and details	Effective Date
IFRS 9, Financial Instruments (continued)	<p>A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:</p> <ul style="list-style-type: none"> • 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. <p>IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.</p>	<p>1 January 2018</p> <p>*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*</p>

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

23. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Standard or interpretation	Title and details	Effective Date
IFRS 16 Leases	<ul style="list-style-type: none"> • New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. • IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. • IFRS 16 supersedes the following Standards and Interpretations: <ul style="list-style-type: none"> (a) IAS 17 Leases; (b) IFRIC 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 	1 January 2019

AGRICULTURAL BANK OF NAMIBIA
NOTES FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2016 (continued)

23. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Standard or interpretation	Title and details	Effective Date
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 7 Statement of Cash Flows	Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017
IAS 16 Property, Plant and Equipment	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 January 2016
IAS 19 Employee Benefits	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 January 2016



Contact us

- Windhoek Head Office
(061) 207 4111
info@agribank.com.na
- Katima Mulilo
(066) 252 060
katima@agribank.com.na
- Mariental
(063) 242 818
southern@agribank.com.na
- Midland
(061) 207 4202
midland@agribank.com.na
- Otjiwarongo
(067) 304 596
otjeroku@agribank.com.na
- Oshakati
(065) 221 358
oshakati@agribank.com.na
- Rundu
(066) 255 645
kavango@agribank.com.na