ANNUAL REPORT 2011

AGRIBANK
OF NAMIBIA

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Who we are...

For more information about
Agribank's Loans Product Portfolio
visit our website
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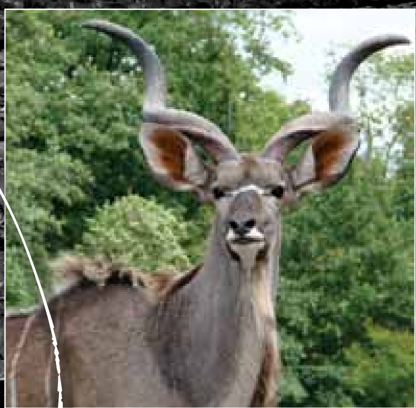

Windhoek Head Office
(061) 207 4111
Email: info@agribank.com.na

Vision

The Agricultural Bank of Namibia is a sustainable financial services institution that adds value to agriculture and related industries as well as rural communities.

Mission

The Agricultural Bank of Namibia is an agriculture and rural development finance institution that strives to enhance the productivity and profitability of agriculture and related industries by providing affordable and sustainable financial products and services that adds value to clients businesses.

Values

- Professionalism - We strive for exemplary conduct and personal integrity in all our professional interactions.
- Integrity - We subscribe to truth, honesty, transparency and accountability of conduct in all that we do.
- Productivity and competency – We recognize the importance of hard work, efficiency and effectiveness.
- Innovation work ethics – Value innovative thinking in recognition of the important impact that each individual can have on our institution and society at large. We uphold sound moral interactions with each other as well as all external stakeholders.
- Quality customer service – We uphold high standards of aspiration in all practices, with continuous attention to improvement in excellent customer service.
- Cost effectiveness – We strive to make use of scarce resources in the most effective and efficient way.

Focus

Agribank's focus is a heritage of financial sustainability through the development of agriculture and related industries.

Agribank specialize in financing the entire value chain from land acquisition, production inputs, harvesting, transporting, processing and marketing of the products at competitive interest rates.

"Continuously preparing today for a prosperous Namibia tomorrow"

AGRIBANK
OF NAMIBIA
Your all Season Bank

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Board of Directors

Board of Directors

Mr Hans-Günther Stier
Chairman of the Board of Directors
- *Chartered Accountant (SA and NAM)*
- *BA and BComm CA*
- *Partner: Stier Vente Associates*
- *Hold Various Directorships*
- *Part-time Farmer*

Ms Terttu Ndunge Tegelela Uuyuni
Vice Chairperson of the Board of Directors
- *Diploma (CAIB) from the Institute of Bankers in SA (IBSA)*
- *Bachelor of Commerce degree from UNAM*
- *Deputy director - Bank of Namibia*
- *Member to the Marketing Council - PricewaterhouseCoopers Namibia*
- ***Board Member - Windhoek Country Club Resort***
- ***Appointed to Agribank Board of Directors July 2010***

Ms Wilburga Katamelo
Receiver of Revenue Supervisor: Ministry of Home Affairs and Immigration (MHA)
- *Certificate in Public Administration*
- *Part-time Farmer*

Mr Malachias Vehaka Tjimune
CEO - Namibia National Farmers Union (NNFU)
- *MA in Rural Social Development*
- *Post Graduate Diploma in Rural Social Development*
- *National Diploma in Agriculture*
- *Secretariat Member of SADC*
- *Board Member of SADC Food, Natural Resources Policy Analysis Network*
- *Member of the Agricultural Forum*

Mr Desmond Raimund Tshikesho
Under Secretary - Department of Agriculture (MAWF)
- *M.Ed - Environmental Education*
- *B.Agric. (Honors) - Extension Management*
- *B.Agric*
- *National Diploma in Agriculture*
- *National Coordinator for Foreign Funded projects such as: NOLIDEP, REMP and NOREESP*

Ambassador Leonard N Iipumbu
Chief Executive Officer
- *Masters Degree in International Services*
- *Bachelors Degree in Business Administration Majoring in Economics and Finance*
- *Held numerous diplomatic positions as Namibian Ambassador for France, Italy, Portugal, Spain, USA, Brazil, Canada and Mexico*

CHAIRPERSON'S REPORT

Board of Directors & management

The Minister of Finance, Honourable Saara Kuugongelwa-Amadhila appointed Ms Terttu Ndunge Tegelela Uuyuni to Agribank Board of Directors during the year.

The Board approved the upgrading and renovation of the Head Office building of the Bank.
The Board of Directors has an excellent record of attending board meetings.

Corporate Governance & Risk management

The Board approved the establishment of the Board Credit and Investment Committee, Board Charter and the Bank's Strategic Plan for a period of three years.

Board members attended a Corporate Governance Workshop to provide them with an introduction to corporate governance principles and also to workshop the Board Charter.

The Board approved performance agreement with the Minister of Finance and also initiated the drafting of the performance contracts between the Board and Senior Management as required in terms of the State – Owned Enterprises Governance Act.

I wish to express my sincere appreciation to the Ministry of Finance and the Ministry of Agriculture, Water and Forestry for their continued support, understanding and cooperation.

Financial results

Total income increased by 22% to N$101 million as provision for doubtful debts made on loans advanced decreased by 25.1% to N$26.8 million. General administrative expenses increase in by 17.9% mainly due to increase in amortization of software development cost, marketing, professional fees and computer expenses. Surplus for the year increased by 40.4% from N$14.9 million to N$21 million.

Loans & Advances

Total loans and advances increased by 11.4% to N$1.6 billion during the year. Adequate provisions for doubtful debts were made on non-performing loans.

Market prices of commercial farms are still increasing, making land becoming more unaffordable to most Namibians.

Liquidity

Funds of the Bank have decreased by 37.1% due to more loans approved to clients. Surplus funds were invested primarily in money market instruments with local commercial banks to allow greater liquidity when advancing loans to clients. The Bank manages liquidity risk through an ongoing review of future commitments and credit facilities.

Funding

As Agribank lending rates are approaching those of local commercial banks, the Bank is continually making efforts to source affordable finances in order to provide reasonably priced loan financing to our clients, particular the rural farming community which would stimulate the growth in the agricultural sector.

Appreciation

I would like to thank my fellow Board members and the Chief Executive Officer for their valuable and outstanding attendance, unselfish dedication, commitment, quality contribution and participation at board deliberations and meetings.

To management and staff, your continued support, commitment and teamwork is highly appreciated.

I wish to express my sincere appreciation to the Ministry of Finance and the Ministry of Agriculture, Water and Forestry for their continued support, understanding and cooperation.

Finally, we thank all our other stakeholders for their support and appreciate doing business with them.

Mr H G Stier
Chairperson: Agribank Board of Directors

OVERVIEW CHIEF EXECUTIVE OFFICER

Financial Performance

Despite the uncertainties associated with the aftermath of the global crises the Bank still achieved acceptable growth in net surplus to N$20.9m (2010: N$14.9m) which represents 40% growth over the previous year. Major contributions to this positive performance were improvements in the provision for losses on advances, as reflected by the reduction in the provision charged to the income statement to N$26.8m or 25% (2010: N$35.7m).

Even though operating expenses increased by 22% or N$80.4m from the previous year (N$68.2m), cost to income ratio improved to 79% from 82% in the previous year. Investment in human capital continues to be the largest contributor to operating expenses, followed by information technology costs, as the Bank keeps abreast of advances in technology; an area identified by the Bank as a key strategic driver.

Gross advances increased with N$162.2m (2010: N$110.4m), representing a growth of 11% as a result of new business from the loan portfolio. Regardless of this growth, the provision for credit losses on advances increased from N$201.5m in the previous year to N$234.2m as a result of the deterioration of the non-performing loans.

Current Assets decreased during the year due to lower cash balances held as well as the decrease in short-term portion of advances. This has had a knock on impact resulting in a decrease in current ratio to 2:1 (2010: 2.5:1).

Highlights

Key statement of financial performance ratios

	2010	2011
Non-interest income to total income ratio	5%	9.2%
Net interest margin on total average assets	7.7%	7.7%

Salient Financial Indicators

	2010 N$'000	2011 N$'000
Surplus Income (N$)	14 951	20 988
Return on Asset (ROA)	1%	2%
Return on Equity (ROE)	2%	2%
Cost to income ratio	82%	79%
Liquidity Ratio	2.5:1	2:1
Total Assets	1 391 178	1 476 374
% Growth in gross advances	11%	8%
Provision for impairment as % of advances	14%	15%
Arrears as % of loan total book	13%	15%

Loan Performance

Agribank's performance during the financial year ending 31 March 2011 was satisfactory and decreased by 2% when compared to the financial year-ending March 2010. I am pleased to present the performance overview highlighting the main activities during the year under review. Agriculture performance experienced a high volatility in agricultural commodity prices that had implications on food security throughout many countries. The rise in the price of oil on the international market is a major concern as it affects the production costs of most agricultural commodities.

The period under review was characterised by a persistent sovereign debt crisis affecting the European economies. This lacklustre performance of the European countries had a negative impact on the Namibian economy in terms of export products such as beef, grapes and fish. As a result, the performance of the loans approved towards the sector were somewhat subdued and decreased by 2% year-on-year from N$293.4 million in 2010 to N$288.4 million in 2011 thus contributing in general 6% to the growth of the total loan book. A total of 1214 clients benefitted from loan approvals and disbursement during the year under review.

Loan advances expressed as a percentage of total assets increased by 10% from 81% in 2010 to 91% in 2011 which is 16% above the international benchmark of 75%. Growth advances increased by Arrears increased by 2% to 15% in 2011 as a result of many challenges faced by clients due to economic crisis, rising cost of oil and adverse climatic conditions that influence the cost of production. The cost-to-income ratio expenses dropped by 4% to 85% but still remained high compared to industry standard of below 60%. This is attributed to mainly the post-settlement support fund provision of N$10 million, marketing costs, IT costs, legal, training and staff costs. Management is applying prudent financial control to contain expenses by especially deploying measures to allocate expenses properly in line with the business standards.

Human Resources

The Bank has a relatively stable workforce during the period under review. A total of five (5) employees commenced employment in the Bank while seven (7) employees resigned and one died during the period. The Bank has complied with the requirements stipulated in the Affirmative Action Employment Act (Act 29 of 1998), and was awarded a compliance certificate.

In ensuring that the Bank achieve its objectives and remain competitive, the three year strategic plan was developed and implementation of the plan started by cascading the balance score card to departments, sections and individuals. The performance management was also introduced to facilitate the cascading of objectives to individual employees and monitoring actual performance against set targets.

During the year under review, training and development initiatives focused mainly on improving competencies in information technology, client services, credit assessment, financial management, risk management, and performance management. A total of 77 employees benefited from various training programs or workshops at a total cost of N$971 220.

Information Technology

During the period under review the Agribank Information Technology (IT) performed the following high level activities:

- The SAP Enterprise Resource Planning (ERP) business system went live at the Bank with Financial, Controlling, Procurement, Loans, and Human Resources modules.
- Agribank Information Technology (IT) policies and procedures were reviewed, compiled, work shopped with Agribank management.
- IT Helpdesk or service desk was established at the Bank to ensure satisfactory IT service delivery to Agribank.
- The IT department started to formally review the Bank's Business Processes through Business Process Management (BPM) framework and IT personnel attended formal BPM certification training.

Corporate Social Investment Program

Agribank is committed to be a credible corporate citizen that invests in various grass-root programs for the upliftment of the majority of the population. During the year under review (2010/2011), Agribank invested N$663 000 in various community-based activities/projects relevant to the socio-economic development of the nation. I am privileged to highlight our targeted intervention and engagements in more ways than one in contributing to social empowerment in our business endeavors. The majority or 69 percent of the activities that benefitted from the sponsorships were agriculture-related with 11 percent going to Non-governmental organizations (NGO's) or Welfare Organizations (WO's), 8 percent went to fundraising dinners for various activities while 5 percent went to various schools throughout the country.

Activity	Amount, N$	%
Agriculture-Related Activities	458 478.00	69
NGOs/WO's	73 000.00	11
Fundraising dinners	58 000.00	8
Schools	35 000.00	5
National Youth Council (NYC)	20 000.00	4
Boxing	18 380.00	3
Grand Total	662 858.00	100

Highlights of the Corporate Social Investment activities.

The Government of the Republic of Namibia has committed and continue to allocate enormous financial resources towards the education sector since independence. This demonstrates Government commitment to developing education as a means to bringing the desired change in Namibia through economic development to create jobs, alleviate poverty and fight hunger, malnutrition and diseases and above all, attain equitable social development.

The Agricultural Bank of Namibia recognize the importance of education to create a knowledge-based economy to exploit the natural endowment of Namibia for the benefit of its people. In this regard, ETSIP (Education and Training Sector Improvement Program) is a significant program in response to Vision 2030 to facilitate the transition to a knowledge-based

Amb. Leonard N Iipumbu together with bursary student recipients accompanied by the Dean of students from UNAM and Polytechnic.

society. As a corporate partnership of Government in education development, Agribank has substantially contributed towards education over the years through program support to the National Youth Council (NYC) for cultivation and training of identified youth mentors in the production of mushroom, financial support towards the construction of the Faculty of Engineering and Information Technology building of UNAM at Ongwediva in order to create a conducive learning environment and through various sponsorships to grass-root programs to uplift the living standard of the communities.

Agribank awarded bursaries to students from both UNAM and Polytechnic in various fields of national importance such as Agriculture, Fisheries and Aquaculture, Computer Science, Accounting, Auditing and Finance. Agribank believes that these fields play an important role in the realization of the broad-based economy to facilitate the attainment of an industrialised nation. All in all, 11 students have met the stringent requirements of the Agribank bursary scheme to the total amount N$2.7 million over the next four academic years. The bursaries will cover costs such as registration and tuition fees, study material, transport, accommodation and meals. In return, Agribank expects the students to excel in their studies and plough back the knowledge gained into the national development.

Agriculture Investment Conference 2010

The Ministry of Agriculture, Water, and Forestry; the Ministry of Trade and Industry; and the Namibia Manufacturers Association organized an Agricultural Investment Conference from 15-17 September 2010 in Windhoek, Namibia.

Research indicates that Agriculture supports about 70% of the Namibian population but at the same time it only contributes 5.4 percent to GDP.

"Sustainable performance is the integration of economimic, social and environmental performance."

CEO - OVERVIEW

Staff of the Ministry of Agriculture Water and Foristry (MAWF) who organised the 2010 Agriculture Investment Conference with the Permanent Secretary, Mr Andrew Ndishishi.

This contradiction indicates major business opportunities in the industry.

The overarching objective of the conference was to expose existing business opportunities in the entire agriculture value chain (Agro Business, Agro Finance, Agro Inputs, Agro Logistics and Supply, and Agro Technology) and match investors interested in the agriculture value chain with agricultural entrepreneurs as outlined below:-

- **Agribusiness** This relates to investment in agricultural infrastructure such as water supply for irrigation, land, and access to roads, building and the like.
- **Agro Technology** This would mean plant, implements, machinery and equipment for land preparations, construction of infrastructure such as silos, milling facilities, dairies cold storage and other technological facilities.
- **Agro Input** This includes the production of improved seeds, fertilizer to improve yields per hectare, chemicals such as pesticides and herbicides as well as chemicals for food processing and conservation. These, to a certain extent are all imported but could be successfully mixed, purchased or produced locally.
- **Agro Logistics and Supply** Opportunities within this include transportation, haulage, storage, warehousing and distribution of agricultural produce, inputs, machinery and plants.
- **Agro Financing** This relates to access to finance as well as the availability and affordability of agro finance products across a wider spectrum than is currently offered. Currently, much of the financial products are aimed at land acquisition and less to crop production or food processing.

Amb. Leonard N Iipumbu speaking at the occasion at the handover of a N$ 400,000 Cheque to Namibia National Farmers Union (NNFU) for the Consortium of Companies for Communal Farmers

Agribank, being the largest agricultural financier in Namibia, realized the importance of this function and became the largest sponsor of this important event to the tune N$ 200 000 towards the conference.

Thus, Agribank became a partner not just a sponsor in hosting the conference and as a result was awarded special treatment by being accorded fulltime presence at the conference organizing committee meetings.

Honorable Minister John Mutorwa, Minister of Agriculture Water and Forestry (MAWF) and Amb. Leonard N Iipumbu patron of the Communal Farmers Consortium of companies handing over a cheque of N$ 460000 to Namibia National Farmers Union (NNFU).

Consortium

Agribank was among the pioneering institutions that established the Consortium of Companies for communal farmers to contribute financial resources for the development of small-scale farmers. An amount of N$100,000 was made towards the consortium of companies during the financial

> “Agribank was among the pioneering institutions that established the Consortium of Companies for communal farmers to contribute financial resources for the development of small-scale farmers.”

year under review.

Agribank donates N$ 30,000 to Agricultural Training Centre Krumhuk. 11 Students received diplomas at the graduation ceremony held in December 2011

Oshipe Mahango Chanpionship Festival.

A sponsorship amount of N$21 000.00 was given towards the Oshipe Mahangu Championship Festival organized by the Namibia Agronomic Board for the winners of the best producers in the Northern Central Regions.

Agricultural Training Centre Krumhuk - N$

30,000.00

The Agricultural Bank of Namibia identified training of farmers as a critical component of the land reform program to increase productivity in order to ensure national food self-sufficiency and job creation. In this regard, Agribank officially took over the implementation of the Farmers' Support Project (FSP) since July 2010 with financial support of N$5 million over 3 years from the Government of the Federal Republic of Germany through Gessellschaft fur Zusammenarbeit (GIZ) to augment and strengthen the ongoing training program of farmers by the bank in line with the Post Settlement Support Fund (PSSF) established in 2009 between Agribank and the Ministry of Lands and Resettlement (MLR). The German funding will continue until September 2013 and Agribank intends to integrate the project into its organogram structure.

Farmers Support Project (FSP)

Agribank is passionate about maintaining and sustaining the productive capacity and effective use of the farmland to ensure that the future demands for food and non-food products are met. In this regard, Agribank prioritized training, mentorship and skills transfer to all farmers throughout the country under the Farmers' Support Project (FSP). To date, the FSP trained (under the mentorship programs) 2,177 small-scale farmers in communal areas in all 13 Regions, 299 farmers under the Affirmative Action Loan Scheme (AALS) and 692 Resettled farmers in modern farming skills to enable them to meet the daunting challenges of sustainable food production, wealth creation and value addition in the agriculture sector. A further 1,820 farmers benefitted from short courses, farmers' days and excursions offered by the project during the review period. For the financial year ending March 2013, Agribank approved a budget of N$4 million as a contribution towards the FSP to continue with this targeted intervention initiative in order to boost production while the GIZ made an injection of

Agribank is passionate about maintaining and sustaining the productive capacity and effective use of the farmland to ensure that the future demands for food and non-food products are met.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Agribank Board of Directors is committed to the principle of the Code of Corporate Practices and Conduct (King III) report on Corporate Governance. The Board of Directors recognize their accountability to ensure that the business of the Bank is conducted in an ethical, transparent and responsible manner in line with the Bank's mandate.

During the period under review, the Directors complied with the Code of Corporate Governance and is committed to the continuous implementation of initiative to improve corporate governance for the benefit of all stakeholders.

The Board is responsible for setting the direction of the Bank through the established objectives, strategies and key policies. In this regard, the Board approved the Bank's Strategic Plan for the period 2011-2013 during 2010. It monitors the implementation of such strategies through structured reporting approach, accepts accountability and recognizes its responsibility for relationships with various stakeholders.

Law and Regulations

Agricultural Bank of Namibia Act, Act No. 5 of 2003 as amended

The Agricultural Bank of Namibia, operating as Agribank, is a State-Owned Enterprise that has working relations with the Ministries of Agriculture, Water and Forestry (MAWF), Lands and Resettlement (MLR) and the Ministry of Fisheries and Marine Resources. Agribank is governed by a Board which reports to the Minister of Finance.

The Board, through the Audit Committee, regularly monitors compliance to the Agricultural Bank of Namibia Act (Act 5 of 2003 as amended) and the State-Owned Enterprises Governance Act, (Act 2 of 2006 as amended) as the two main regulating legislations of the Bank.

Board of Directors

Board Structure

The Bank is led by an effective Board consisting of five members that is ultimately responsible for corporate governance within the Bank. The Board consists of a strong contingent of independent non-executive Directors, including the Chairman. The Chief Executive Officer attends board meetings as an ex-officio member.

The Chairperson of the Board is appointed by the Minister of Finance and the board members of the board elect a vice-chairperson in concurrence with the Minister of Finance. Non-executive directors are actively involved in board decision-making and contribute an independent judgement to the Board discussions.

Appointments and terms of office

The Minister of Finance in concurrence with the Minister of Agriculture, Water and Forestry appoints members to the Board of Agribank. Emphasis is placed on retaining a balance of skills, knowledge and experience necessary for achieving strategic objectives.

A member of the Board holds office for a period of three years and is eligible for re-appointment for two additional terms. The current Board of directors was initially appointed on the 04 October 2004 for the remaining term of office of the previous Board, which expired on 11 August 2005. On the 09 August 2005 they were appointed for a three-year term and subsequently re-appointed for a second three year term which comes to an end on the 14 February 2012.

During the period under review, Ms. Terttu Uuyuni was appointed to the Board in July 2010 to fill a vacancy that was created with the leaving of Mr. Phillip Shiimi during 2007.

Board Procedures and Related Maters

The Board procedures are guided by a Board Charter that was approved during September 2010. The Charter sets out the Board's role and responsibilities and the governance processes used to fulfil them.

The Board meets monthly and is responsible for the policies, management and control of the affairs for the bank with powers and duties to be exercised and performed in line with the Agribank Act. Additional Board meetings, apart from those planned, are convened as circumstances dictate.

The directors have unrestricted access to all information, records, documents and property of the Bank to enable them to discharge their duties and responsibilities. Directors are also entitled to obtain independent professional advice at the Bank's expense, should they deem this necessary.
All Directors are required to declare in writing to the Minister of Finance all financial or professional interest in a matter before the Board or committee of the Board.

Performance Agreement

- The Board of Directors are obligated to enter into a Governance agreement and individual Board members are required to enter into Performance Agreements with the Minister of Finance as per the requirements of the State-Owned Enterprises Governance Act. These agreements include amongst other the programmes, which the Bank intends to carry out during the next year and the measurement targets, which the Bank intends to reach.
- These Agreements were approved by the Board and awaits the signing thereof with the Minister of Finance.

Board Committees

Credit Committee

Each Board Committee is served by at least two Board members with the Chief Executive Officer and Senior Management being in attendance.

Human Resources Committee

The primary objective of Agribank's Human Resources Committee is to create an organisational culture, structures and processes, which seek to support the development of people and the optimization of their potential. The Committee consists of two Board members namely Mrs. Wilburga Katamelo and Mr. Desmond Tshikesho. The Chief Executive Officer and the Human Resources Manager attend Committee meetings on invitation. The Human Resources Committee meets at least three times a year.

Audit Committee
The Audit Committee assists the Board in meeting its responsibilities for ensuring an adequate system of internal controls and compliance and in meeting external financial reporting obligations. The Committee's term of reference deals adequately with its membership, authority and duties. The Audit Committee consists of two Board members, namely Mr. Hans-Gunther Stier (Chairman of the Committee) and Mrs. Terttu Uuyuni and both are independent non-executive directors. The Chief Executive Officer, Senior Managers, External Auditors and Internal Auditors attend Committee meetings on invitation. The Audit Committee meets at least three times a year.

Risk Committee
The Risk Committee term of reference deals adequately with its membership, authority and duties. The Risk Committee consists of three Board members, namely Mr. Vehaka Tjimune (Chairman of the Committee), Mr. Hans-Gunther Stier and Mrs. Terttu Uuyuni. The Chief Executive Officer, Senior Managers and Internal Auditors attend Committee meetings on invitation. The Risk Committee meets at least three times a year.

Credit Committee
The Credit Committee's main functions are to deal with the Bank's Credit Extension and Credit Risk Management. The Committee's term of reference deals adequately with its membership, authority and duties. The Committee consists of three Board members, namely Mrs. Terttu Uuyuni (Chairperson), Mr. Vehaka Tjimune and Mr. Hans-Gunther Stier. The Chief Executive Officer and Senior Managers attend Committee meetings on invitation. The Credit Committee meets at least six times a year.

Financial Reporting and External Auditing
It is the responsibility of the Board to ensure that proper records are kept and financial statements are prepared in accordance with regulations of the International Financial Reporting Standards (IFRS). The Directors, in assuming accountability for ensuring that certain procedures are followed with regards to systems of internal control, have provided reasonable assurance as to the integrity and reliability of the financial statements of the Bank. The financial statements of the Bank are reviewed by External Auditors on behalf of the Auditor General and are presented to Parliament by the Minister of Finance.

The Risk Committee
The purpose of the Risk Committee is to assist the Board of Directors in overseeing and reviewing the company's operational information regarding Agribank's risk management system including the significant policies, procedures and practices employed to manage the credit risk, reputation risk, strategic risk, operational risk, informational risk and other risk as per the Bank's overall risk universe.

The Committee shall exercise the power and authority of the Board and assist the Board in fulfilling its responsibilities in correlation with those activities and operations of Agribank of Namibia. The Risk Management Committee consists of two independent non-executive directors and meets quarterly.

Risk Management
The Bank, like any financial institution is expected to a number of risks in the natural pursuit of its business objectives. The Bank is in the process of reviewing and adopting a Risk Management Plan incorporating policies and procedures for Risk Management. This will align the risk philosophy of the Board of Directors with the business objectives of the Bank while balancing the demands of development and financial sustainability through exercising responsible, pro-active and sound risk management. The significant risk areas include:

Credit Risk
Credit risk is the risk of financial loss arising from the failure of borrowers to meet their contractual obligations to the Bank. The pursuit of the Bank's development objectives renders substantial credit risk and unavoidable and necessary consequence of its business operations.

The Board of Directors accept full responsibility for the management of credit risk and all credit decisions currently vest with the Board and will continue to vest in the Board for the time being. The Board of Directors will delegate some of the credit decisions to management as soon as the current credit risk policies and procedures are reviewed and implemented.

Liquidity Risk
Liquidity risk is the risk that the Bank will not be able to fund or meet obligations at reasonable or, in case of extreme market disruptions, at any price.

Market Risk
Market risk is all risks linked to fluctuations in market prices (interest rates, exchange rates, etc.). Currently, the Bank has no other foreign exchange exposure except for licensing fees for software. The Board of Directors can, in line with contractual obligations, adjust interest rates on all interest earning assets when circumstances require such and adjustment. Most of the interest bearing liabilities in the books of the Bank was obtained at floating interest rates and in cases where rates are fixed; such liabilities will mature within a 12 month period.

Operational Risk
Operational risks are losses resulting from inadequate or failed internal process, people and systems or from an external event. The Bank's aim is identification, prevention and mitigation of operational risks as well as timely and meaningful management reporting.

Information Technology Risk
Information Technology Risk is a component of Information Technology governance which is an integral part of overall enterprise or corporate governance and as such is the responsibility of the Board, CEO and Executive management.

Information Technology Risk in general includes but is not limited to system failure; IT projects failure, accidental disclosure of data or misuse of systems by employees, fire to the server room, unauthorized access to the server room or to institutions computers, flooding in the server room, cyber attack to the institution's computer system, damage to the institution's buildings, etc.

Information Technology Risk can be mitigated by strengthening Information Technology governance. The Agribank Board and Executive management practice and structure can ensure that an effective system of internal controls is in place to manage risks and that risk management is embedded in the operation of the enterprise by ensuring that activities and processes:

a) Align to the Bank's strategic direction and outcomes
b) Consider risks and opportunities and ensure appropriate mitigation strategies are developed and implemented
c) Are appropriately prioritized within the Bank's resources
d) Are appropriately planned and approved
e) Are appropriately controlled.

Management Committees

Executive Committee
The Executive Committee consists entirely of Executive Management who are representatives of all operational areas. The committee meets once a month and makes recommendations to the Board on policy and strategic direction of the bank.

Credit Committee
The Credit Committee consists predominantly of Managers in the Sales, Credit and Services Department and the Committee is responsible for the review and approval/recommendation of loan applications. The Committee is also responsible for the management of the Credit Risk in the Bank. This Committee meets once a week to ensure timeous approval of loans.

Asset Liability Management Committee (ALCO)
This Committee's primary purpose is to review, on a monthly basis, the assets and liabilities of the Bank and to monitor risks and set limit exposures regarding assets and liability mismatch, interest rates and commitments. This Committee consists predominantly of Managers from the Finance Department and they are assisted by Senior Managers from other departments.

Ethics and Organizational Integrity
The Agricultural Bank of Namibia is committed to organizational integrity and high standards of ethical behaviour in its dealings with all stakeholders. It is in light of this that the Bank decided to review its Codes of

Ethics to bring it into line with its redefined vision, mission and values. The Code of Ethics is aspired to achieve the following core principles as recommended by the King III report:

a. Fairness
b. Transparency
c. Confidentiality
d. Honesty
e. Non discrimination
f. Accountability and Responsibility, and
g. Respect for human dignity, human rights and social justice.

Performance of Commercial Loan Types for the Financial Year 2010/2011

	Long-term Loans		Medium-term Loans		Short-term Loans	
	2011	2010	2011	2010	2011	2010
Loans Granted	34	41	588	966	163	78
Amounts (N$)	81,713,059	86,462,096	90,088,220	125,955,332	22,037,624	28,781,448
Total Number of clients indebted	1,285	642	3,041	4,757	26	354
Total Capital outstanding	34,713,225	208,827,337	410,088,053	302,507,675	9,133,139	70,518,867

Redemption Period and Current Interest Rates of Different Loans

Loans		Years
Long-term	Purchase of Farmland	25
	Purchase of additional Farmland/expansion of activities	20
	Farm improvements (fencing, water provision, etc.)	15
Medium-term	Consolidation of debts	10
	Purchase of large stock by land owners	8
	Purchase of small stock by land owners	5
	Purchase of stock by farmers leasing land	5
	Purchase of male breeding stock	5
	Purchase of farming vehicles (small trucks, vans, etc.)	5 – 10
	Irrigation equipment	5
Short-term	Crop production	1

Redemption Period and Current Interest Rates of Different Loans

	1-3 Years	4-6 Years	7-8 Years	9th Year
Full-time Farmers Interest Rate Payable p.a (%)	0%	2%	4%	8%
Part-time Farmers Interest Rate Payable p.a (%)				
Non Farming Income – N$0 to N$100,000	1%	3%	5%	9%
N$100,001 to N$200,000	2%	4%	6%	9.38%
N$200,001 to N$300,000	6%	9.38%	9.38%	9.38%
N$300,001 to N$400,000	9.38%	9.38%	9.38%	9.38%
N$400,001 plus	9.38%	9.38%	9.38%	9.38%

Performance of Special Scheme Loans during the Past Financial Year 2010/2011

	Affirmative Action		Labourer's Housing	
	2011	2010	2011	2010
Loans Granted	8	11	25	16
Amount(s) (N$)	19,313,718	21,652,638	2,458,161	2,192,681
Total number of clients indebted	555	617	97	101
Total Capital outstanding (N$)	529,370,802	545,867,286	9,291,117	9,013,736

Special Schemes

A Cabinet Resolution(CAB 92 of 1992) introduced the following programs aimed at empowering communal farmers:

The Affirmative Action Loan Scheme (AALS)

The main objective of the Affirmative Action Loan Scheme is to resettle well-established and strong communal farmers on commercial farmland to minimize the pressure on grazing in communal areas. The Bank avails loans against a mortgage bond as security, for a period of 25 years, which:

- Year 1-3 is free of interest and capital repayment for full-time farmers: and as from year 4 onwards, outstanding amount is redeemed over the remaining 22 years at an escalating interest rate.
- Part-time farmers may elect to service the interest portions only, for the first three years , where after the outstanding amount is redeemed over the remaining 22 years at the appropriate interest rate.
- Alternatively, part-time farmers may elect to capitalize the interest portion for the first three years, where after the outstanding amount is redeemed over the remaining 22 years at the appropriate interest rate.

The North-South Incentive Scheme (N-SIS)

Cabinet approved the scheme in 1999 to mitigate veterinary restrictions imposed on the movement of cattle north of the Veterinary Cordon Fence (VCF)

- Farmers participating in the Affirmative Action Loan Scheme (AALS) and farming north of the VCF, qualify to apply for additional assistance under the North-South Incentive Scheme.
- The objective of this scheme is to accord farmers north of the VCF the opportunity to resettle on commercial farms south of the VCF. Farmers are required to dispose of all their cattle through slaughtering at a registered abattoir and/or a recognized abattoir entrepreneur, except for stud bulls of outstanding quality.
- Proceeds from such sales will then be complemented from the N-SIS budget to purchase an equivalent number of disease-free cattle south of the VCF, to be used on the newly acquired farm. The minimum number of cattle that can be subsidized is 150, and limited to 70% of the official carrying capacity of the farm, a maximum of 40 cattle.
- However, the actual amount of subsidy payable per head of cattle will be calculated as the difference between the proceeds of the cattle sold and the purchase price of animals bought south of the VCF. Should the prices of the cattle bought south of the VCF be less than the proceeds, no subsidy will be payable and the amount paid over by the abattoir and/or recognized abattoir entrepreneur to the Bank, will be forwarded to the applicant.

Loans for the construction of farm labourer's housing

This facility is available to farmers for the construction of farm workers houses of an acceptable standard:

- The maximum qualifying amount per unit is N$75,000 but can be increased in exceptional cases.

NACP	2011	2010
Number of beneficiaries (NACP)	80	378
Amounts Granted (N$)	59,907,826	27,590,520
Total clients indebted	1,854	1890
Total Capital outstanding (N$)	100,452,067	64,717,427
Number of clients in arrears	1,275	1,255

- The unit must be a permanent structure with a minimum of two rooms, a bathing and ablution facilities.

National Agricultural Credit Programme (NACP)
The NACP provides three types of loans:

- **Production Loans**
  Loans are made available to finance input costs such as seed, fertilizer, chemical, fuel and oil, in order to enhance the production of foodstuffs and cash crops to enable small scale farmers to become surplus producers. These loans are seasonal and repayable within one year and can be revolved for 5 years.

- **Livestock Loans**
  Loans for livestock are entertained when:
  - The grazing is sufficient
  - The right to utilize grazing is verified.

Loans are repayable over a maximum period of eight years for small and ten years for large stock.

- **Infrastructure Loans**
  Loans are granted for the fencing in of cultivated land, irrigation, tractors, equipment, implements and draught animals, repayable over a maximum period of ten years.

  Legally acceptable conventional collateral will be accepted as security for the above mentioned loan products.
- **Government Tractor Scheme**
  Government by Cabinet resolution No. 36/07/11/95/002 resolved to privatize the ploughing services rendered to communal farmers by assisting entrepreneurs to acquire tractors and implements and then render these services.

The Ministry of Agriculture, Water and Forestry (MAWF), through the Agri-service Reform Programme, entered into an agreement with Agribank whereby the bank will sell the tractors and administer the scheme on behalf of Government.

Since inception of the scheme in 2000, a total of 419 private entrepreneurs successfully completed a training programme and obtained tractors under the scheme. Government also continues to subsidize the cost of ploughing services to communal farmers up to a maximum extent of three hectares.

Performance
The scheme was in operation for six years when it was stopped as a result of the growing arrears exacerbated by the re-occurrence of the drought conditions in the country. The current arrears situation if compared with the age of the scheme indicates that the scheme is not performing well.
The reasons for the non-performance were:

- The availability and high costs of spares and maintenance services
- Inaccurate measurement of the size of land
- Untrained drivers operating the tractors resulting in inefficient and down time of services
- Lack of working capital
- Mechanically unfit tractors
- Lack of other complementary items (i.e. for the off-season activities).

Draught Animal Power Acceleration Programme (DAPAP)
DAPAP is an affordable, sustainable and environmentally friendly technology which can be used by men, women and children for ploughing, weeding, transportation and possible harvesting. The aim of the Draught Animal Power Acceleration Programme (DAPAP) is to utilize draught animal power initiative in the Communal Areas (NACP) (as well as to a smaller extent in the areas where ploughing services are done) for smallholder farmers to profitable use various animal traction technologies for higher sustainable crop production and increased productivity.

Animals mainly used for DAPAP are cattle, donkeys and horses to pull implements such as carts, ploughs, cultivators, planters and harrows. The proper and efficient utilization of DAPAP technology can guarantee higher returns of controlled crops such as maize and mahangu.

GRN Tractor Scheme	2011	2010
Number of beneficiaries (GRN Tractor Scheme)	52	208
Total Capital outstanding (N$)	1,683,335	4,128,781
Number of clients in arrears	200	205
Amounts in Arrear (N$)	28,402,258	28,583,873

DAPAP offers the following benefits:

- Improves efficiency of physical labour input in crop production;
- Improves yield per hectare and area cultivated;
- Promotes environmentally sustainable crop production methods;
- It has low maintenance cost; and
- It is a catalyst of change from subsistence to commercial farming.

Agribank provides financing at affordable interest rates for the purchase of animals and implements for sustainable crop production in order to contribute towards household food security. Only fulltime farmers, who have very little or no tangible collateral, will be accommodated under this scheme.

DAPAP	2011	2010
Total clients indebted (DAPAP)	-	280
Total Capital outstanding (N$)	-	852,887
Number of clients in arrears	248	280
Amounts in Arrear (N$)	813,971	852,887

Green scheme

Green scheme is a Government scheme to promote large scale irrigation for food production to raise the volume and value of export and maximize value addition mostly focusing on import substitution. A total of 27,000 hectares is being developed for irrigation and is estimated to create 10,000 jobs. Agribank provide financing to the Green Scheme that covers all operational costs inclusive of production costs. In the year under review, the bank disbursed N$3.5 million to Etunda Irrigation Scheme under the Green Scheme.

Green Scheme	2011	2010
Total number of clients indebted	37	291
Total Capital Outstanding (N$)	1,473,959	1,270,084
Number of Loans Granted	95	55
Amount Granted	14,933,750	753,644

- **Post Settlement Support Fund (PSSF)**

The Ministry of Lands and Resettlement and the Agricultural Bank of Namibia have established a funding scheme for resettled farmers to enable them to enhance agricultural productivity. On the 17th February 2009, the two parties signed a Memorandum of Understanding signifying their commitment towards empowering resettled farmers.
The loans are tailored to meet the following important financing needs of the resettlement farmers:

Type of loan	Repayment period	Interest rate
Crop Production	2 years	4%
Production Inputs & Small Equipment (Working Capital)	2 years	4%
Large Stock Small Stock Draught animals	10 years 8 years 5 years	4% 4% 4%
Poultry, Piggery & Rabbits	2 years	4%
Water Provision, Fencing & other improvements	10 – 15 years	4%

New products

The Agricultural Bank Act (Act 5 of 2003) has broadened the capacity of the bank to finance a wider spectrum of farming related activities. However, such farm related activities should complement the normal farming activities such as bee keeping and the breeding of domestic animals, a business plan is a prerequisite to application.

Aquaculture

The Bank in conjunction with the Ministry of Fisheries and Marine Resources (MFMR) is currently busy to compile a Financing Policy in order to accommodate future applicants in this industry. This draft policy is currently in an advanced stage and will be incorporated in the Bank's Credit Policy. However, applicants must comply with the entire Ministry's conditions and regulations regarding aquaculture (i.e. business plan, aquaculture license, environmental impact study, etc.) before they submit their applications to the bank. The feasibility of applications will be thoroughly scrutinized by officials of the Ministry of Fisheries and Marine Resources and financial consultants in the industry to determine the viability of the projects.

	2011	2010
Number of Loans Granted	279	157
Amount Granted	11,451,494	8,493,308

Eco-tourism

A prerequisite for considering such applications is that eco-tourism operations should be complementary to normal farming activities. The following can be considered:

- Construction or renovation of guest accommodation facilities
- Construction of recreation facilities
- Construction of game proof camps
- Purchasing of game.

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 2010, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, August 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REPORT of the AUDITOR-GENERAL on the ACCOUNTS of the AGRICULTURAL BANK OF NAMIBIA for the financial year ended 31 MARCH 2011

1. INTRODUCTION

The accounts of the Bank for the year ended 31 March 2011 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003).

The firm Grand Namibia of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Bank on his behalf and under his supervision.

Section 3 of the Act stipulates as follows:

"Agribank
The juristic person known as the Agricultural Bank of Namibia continues to exist under the name Agribank."

Section 4 of the Act defines the objects of the bank as follows:

"Object of the Agribank
The object of the Agribank is to promote agriculture or activities related to agriculture by lending money -

a) to persons, which money is to be used in connection with agriculture or activities related to agriculture; and

b) to financial intermediaries, who or which in turn lend money to persons for the purposes contemplated in paragraph (a)"

To finance loans advanced as stipulated in Section 6(2)(a) in respect of persons mentioned in Section 4(2), the Bank may in terms of the Act conclude contracts relating to:

(i) security in respect of a loan;
(ii) the manner of, and period for, the repayment of a loan;
(iii) the interest payable in respect of a loan;
(iv) records and returns to be submitted to the Agribank;
(v) any other matters, which the Agribank considers necessary.

2. ANNUAL FINANCIAL STATEMENTS

In terms of Section 20(b) of the Act, the Chief Executive Officer shall:

"(b) as soon as possible, but not later than six months after the end of a financial year, cause a statement of the income and expenditure of the Agribank for that financial year, and a balance sheet of its assets and liabilities as at the end of that financial year, to be prepared."

In addition to afore-mentioned financial statements the following documentation is also attached to this report:

- Audit observations
- Contents and approval of financial statements
- Value Added Statement
- Statement of financial position
- Statement of comprehensive income
- Statement of cash flows
- Notes to the financial statements

3. SCOPE OF THE AUDIT

The Accounting Officer of the Bank is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm in accordance with International Standards on Auditing, included:

a) performing procedures, selected based on the auditor's judgements, to obtain evidence about the amounts and disclosures in the financial statements.

b) assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

c) in making those risk assessments, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity;

d) evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management; and

e) evaluating the overall presentation of the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;

- in all material respects, the expenditure and income have been applied to the purposes intended; and

- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS

The observations made during the previous audit were dealt with either by management or by the internal audit department through regular reporting on the progress in this regard.

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

4.1 Inadequate credit controls

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

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

4.2 Late submission of annual financial statements

The Board failed to comply with Section 21 of the Agribank Act, 2003 as amended, which required that the audited financial statements be submitted to the Minister within 6 months of the financial year-end.

5. RESPONSES FROM THE LAWYERS

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

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

Since significant uncertainties regarding the ultimate outcome of these cases prevail, no provision for any liability has been made in the financial statements.

6. ACKNOWLEDGEMENT

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

7. AUDIT OPINION

The financial statements of the Bank for the financial year ended 31 March 2011 have been audited in accordance with the provisions of Section 25(1)(b) of the State Finance Act, 1991, read with the provision of Section 20(2) of the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003).

In my opinion the financial statements fairly present, in all material respects, the financial position of the Bank as at 31 March 2011 and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and in the manner required by the State Finance Act, 1991 (Act 31 of 1991) and the Agricultural Bank Act, 2003 (Act 5 of 2003).

WINDHOEK, August 2011
JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNUAL FINANCIAL STATEMENTS

CONTENTS:

APPROVAL

The annual financial statements, set out on pages 27 to 54, have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

Ambassador Leonard N Iipumbu
Chief Executive Officer

Mr Ignatius H Theodore
Senior Manager Finance

The annual financial statements, set out on pages 27 to 54, have been approved by the Board of the Agricultural Bank of Namibia and are signed on their behalf.

Mr Hans-Günther Stier
Chairperson of the Board

Member of the Board

STATUTORY INFORMATION

DIRECTORS:

The composition of the board of directors is as follows:

CHAIRPERSON OF THE BOARD:

Mr Hans-Günther Stier	Appointed 06 October 2004

NON-EXECUTIVE DIRECTORS

Mrs Wilburga G Katamelo	Appointed 06 October 2004
Mr Desmond R Tshikesho	Appointed 06 October 2004
Mr Vehaka M Tjimune	Appointed 06 October 2004
Ms Terttu Uuyuni	Appointed July 2010

EX-OFFICIO MEMBER

Leonard N Iipumbu (Chief Executive Officer)	Appointed 01 February 2005.

The Chief Executive Officer attends board meetings as an Ex-officio member.

REGISTERED OFFICE

Agricultural Bank of Namibia
10 Post Street Mall
Private Bag 13208
WINDHOEK

VALUE ADDED STATEMENT

VALUE ADDED STATEMENT - 31 MARCH 2011

		2011	20110	
		N$ '000	N$ '000	
Value added:				
Value added is the wealth created by the Agricultural Bank of Namibia through the provision of services to clients.				
Interest income and non-interest income		141 245	135 464	
Interest paid and other expenditure		(74 433)	(81 061)	
		66 812	**54 403**	
Distribution of wealth created by the Bank				
Employee compensation				
- Salaries, wages and other benefits	46%	30 977	28 395	52%
Government				
- Taxation	10%	6 359	5 767	11%
Retention for expansion of growth	44%	29 476	20 241	37%
- Retained income		20 988	14 951	
- Depreciation		8 488	5 290	
		66 812	**54 403**	

Fig 1: 2011 Value addition

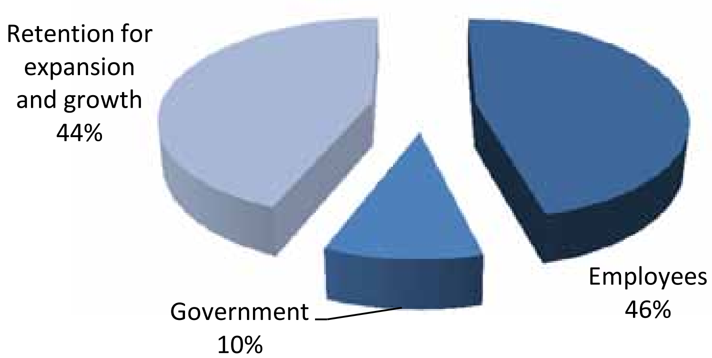
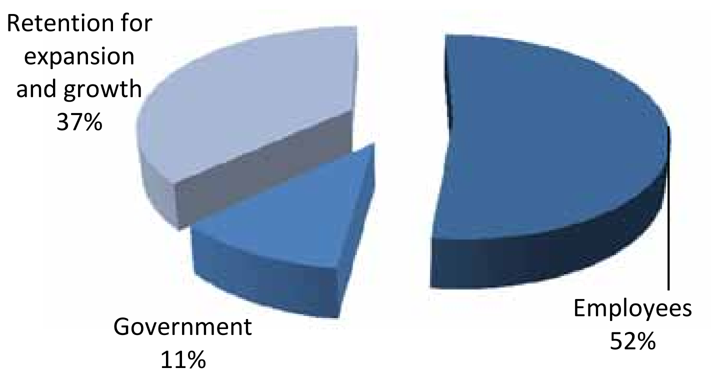


Fig 2: 2010 Value addition



STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

ASSETS	Notes	2011	2010	2009
Non-current assets		N$ '000	N$ '000	N$ '000
Long-term portion of advances	4	1 166 500	990 625	847 979
Property, plant &equipment	6.1	36 711	52 474	52 355
Investment properties	6.2	14 950	-	-
Intangible assets	7	17 630	24 628	20 833
		1 235 791	1 067 727	929 767
Current assets				
Cash on hand	2	26	25	14
Bank balances	3	61 384	97 581	156 394
Short-term portion of advances	4	178 765	225 046	232 864
Other receivables	5	408	799	12 017
		240 583	323 451	401 289
Total assets		1 476 374	1 391 178	1 332 456
CAPITAL, RESERVES AND LIABILITIES				
Capital and reserves				
Capital	18	569 658	465 415	447 415
Reserves	17	447 061	426 073	417 118
Funds and grants	16	116 226	117 386	124 265
		1 132 945	1 008 874	988 798
Non-current liabilities				
Line of credit	10	-	-	207 090
Deferred income	14	117 536	141 104	-
Other borrowed funds	11	23 099	21 543	18 723
Long-term borrowings	12	79 903	79 685	2 961
Post-retirement employee benefits	15.2	10 343	8 806	7 404
		230 881	251 138	236 178
Current liabilities				
Creditors and provisions	13	16 213	37 047	9 542
Current portion of line of credit	10	-	-	19 750
Current portion of long-term borrowings	12	10 350	13 284	4 691
Special purpose funds	8	85 985	76 892	59 576
Bills	9	-	3 943	3 921
		112 548	131 166	98 480
Total liabilities		**343 429**	382 304	333 658
Total capital, reserves and liabilities		**1 476 374**	1 391 178	1 332 456

VALUE ADDED STATEMENT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011 *(continued)*

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

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

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Basis of presentation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements are prepared on the historical cost basis except for the measurement of certain financial- assets and liabilities at fair value.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with the previous period, unless stated otherwise.

1.2 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

- Advances and loans and receivables

The bank assesses its advances, loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

- Fair value estimation
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The bank uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision for financial assets and liabilities with maturities of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the bank for similar financial instruments.

- Impairment testing
The bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

- Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 13 - Provisions.

The provision for post-retirement medical benefits is based on an actuarial valuation by independent actuaries. In determining the provision, assumptions are made regarding discount rates, mortality rates and health care inflation rates.

1.3 Property and equipment
Property and equipment are initially recorded at cost. Owner-occupied properties are carried at market value, determined by valuations carried out every five years by external independent professional valuators, less subsequent depreciation and provision for impairment.

Farms acquired are stated at the amount of debt outstanding at the date of repossession. Provision is made against amounts considered to be irrecoverable.

All other property, plant and equipment are accounted for at cost.

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

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

All property and equipment, other than land, is depreciated on the straight-line basis over its expected economic live. The rates used to amortize assets are as follows:

Buildings	-	50 years
Motor vehicles	-	5 years
Furniture and fittings	-	5 years
Computer- and office equipment	-	4 years

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

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

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

Gains and losses on disposal of property 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 and equipment acquired under finance leases are capitalized at the lower of fair value and present value of the minimum lease payments.

Capitalized leased assets are depreciated on a straight-line basis over the higher of the lease term and five years.

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

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

1.5 Doubtful advances and provision for impairment

Advances are stated net of specific and general provisions. Specific provisions are made against identified doubtful advances based on regular evaluations that take cognisance of, inter alia, past experience, economic climate and the client's overall risk profile. Regulatory general provisions are maintained to cover potential losses which, although not specifically identified, may be present in any portfolio of advances.

When a loan is deemed uncollectible, it is written off against the specific provision if a provision has been made; otherwise the amount is charged to the income statement. Subsequent recoveries are likewise adjusted to the provision.

1.6 Properties in possession

Unsold properties in possession are stated at the lower of the net outstanding amount at date of purchase and net realizable value.

1.7 Intangible assets

Computer software development cost

Generally, costs associated with developing computer software are recognized as expenses when incurred. However, costs that are clearly associated with an identifiable system, which will be controlled by the entity and have a probable benefit exceeding the cost beyond one year, are recognized as an asset. Computer software development costs recognized as assets are, from the date the asset is brought into use, amortized in the income statement on a straight-line basis at rates appropriate to the expected useful lives of the asset, not exceeding five years.

Such assets are carried in the balance sheet at cost less any accumulated amortization and impairment losses.

1.8 Provisions

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.9 Employee Benefits

1.9.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

1.9.2 Defined contribution plans

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

1.9.3 Defined benefit plans

The bank provides post-retirement benefits by way of 100% contribution of medical aid. Benefits are available to all employees. Medical aid contributions are expensed as incurred.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted with sufficient regularity by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains or losses are recognized in full during the period it arise.

1.10 Financial instruments

The bank classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, available for sale assets and held-to-maturity investments. Financial liabilities are classified as financial liabilities at fair value through profit and loss and financial liabilities at amortised cost. Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the bank becomes a party to the contractual provisions of the instruments.

The bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each balance sheet date the bank assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan advances and loans to employees are classified as loans and receivables.
Loan advances are measured at initial recognition

at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Appropriate adjustments are made for securities held by the bank in respect of identified impaired debtors.

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

Trade and other payables

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

Cash and cash equivalents

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

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

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

1.12 Revenue and interest expense recognition

Interest income and expenses are recognized in the income statement on an accrual basis. Interest due/ accrued on doubtful accounts is recognized as income but is provided for under the provision for credit losses.

1.13 Reserve Fund

The net surplus is credited to the Reserve Fund and applied to make good any loss or deficit which may occur in any transaction of the Bank.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a basis or realized the asset and settles the liability simultaneously.

1.14 Contingencies and commitments

Transactions are classified as contingencies where the bank's obligations depend on uncertain future events. Items are classified as commitments where the bank commits itself to future transactions or if the items will result in the acquisition of assets.

1.15 Government grants

Government grants are recognized when there is reasonable assurance that:

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

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Government grants related to income are presented as a credit in the profit or loss.Where a loan is received from the Government at below market interest or at no interest rate, the difference between the fair value of the loan and the amount received is recognized as a Government grant.

1.16 Investment properties

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

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

1.18 New Standards and Interpretations

a) Improved, revised and replaced International Reporting Standards effective for the first time for the year ended 31 March 2011:

- IFRS 1 and IAS 27 IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption (effective from 01 January 2009)
- IFRS 2 Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations. (effective from 01 January 2009)
- IFRS 3 (Revised) Business Combinations. (effective from 01 July 2009)
- IFRS 8 Operating Segments (effective from 01 January 2009)
- IAS 1 (Revised), Presentation of Financial Statements (effective from 01 January 2009)
- IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 18 Revenue: Consequential amendments (effective from 01 January 2009)
- IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential
- IAS 23 (Revised), Borrowing Costs. (effective from 01 January 2009)
- IAS 32 and IAS 1Financial Instruments: Presentation and Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation. (effective from 01 January 2009)
- IAS 36 Impairment of Assets: Consequential amendments (effective from 01 January 2009)
- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008);
- IFRIC 15 Agreements for the Construction of Real Estates. (effective from 01 January 2009)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008);

Management assessed the relevance of these amendments and interpretations with respect to the operations of the Bank and concluded that they are not relevant.

b) Improved, revised and replaced International Reporting Standards that are not yet effective and have not been early adopted:

Standards, amendments and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after 1 April 2009 or later periods. None of these standards, amendments or interpretations has been early adopted, except for IAS 1 (revised) Presentation of Financial Statements (effective from 01 January 2009).The Bank will assess the relevance thereof with respect to its operations.

- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008);
- IAS 1 (Revised), Presentation of Financial Statements (effective from 01 January 2009)
- IAS 23 (Revised), Borrowing Costs. (effective from 01 January 2009)
- IFRS 8 Operating Segments (effective from 01 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estates. (effective from 01 January 2009)
- IFRS 2 Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations. (effective from 01 January 2009)
- IAS 32 and IAS 1 Financial Instruments: Presentation and Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation. (effective from 01 January 2009)
- IFRS 1 and IAS 27IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption (effective from 01 January 2009)
- IAS 18Revenue: Consequential amendments (effective from 01 January 2009)
- IAS 21The Effects of Changes in Foreign Exchange Rates: Consequential amendments(effective from 01 January 2009)
- IAS 36 Impairment of Assets: Consequential amendments (effective from 01 January 2009)
- IFRS 3 (Revised) Business Combinations. (effective from 01 July 2009)
- IAS 27 (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements (effective from 01 July 2009)
- IAS 12, IAS 27 (Amended) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements. (effective from 01 July 2009)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items. (effective from 01 July 2009)
- IAS 39 and IFRS 7 Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets (effective from 01 July 2009)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

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

6. PROPERTY, PLANT & EQUIPMENT

2010 Year	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value: Beginning of the year	**105**	**48 642**	**1 752**	**1 975**	**52 474**
Cost/valuation	766	48 653	7 729	3 969	61 117
Accumulated depreciation	(661)	(11)	(5 977)	(1 994)	(8 643)
		-			
During the year:	**(16)**	**33 642**	**(47)**	**(794)**	**(15 763)**
- Additions	6	-	117	-	123
- Reclassification	-	(15 000)	-	-	(15 000)
- Depreciation	(22)	-	(70)	(794)	(886)
Carrying value : End of the year	**89**	**(15 000)**	**1 799**	**1 181**	**36 711**
Cost/valuation	772	33 653	7 846	3 969	46 240
Accumulated depreciation	683)	(11)	(6 047)	(2 788)	(9 529)

2009 Year	Leasehold	Land and buildings	Furniture and fittings	Motor vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value: Beginning of the year	**10**	**48 642**	**538**	**3 165**	**52 355**
Cost price	661	48 653	5 887	3 969	59 170
Accumulated depreciation	(651)	(11)	(5 349)	(804)	(6 815)
During the year:	**95**	**-**	**1 214**	**(1 190)**	**119**
- Additions	105	-	1 842	-	1 947
- Depreciation	(10)	-	(628)	(1 190)	(1 828)
Carrying value : End of the year	**105**	**48 642**	**1 752**	**1 975**	**52 474**
Cost price	766	48 653	7 729	3 969	61 117
Accumulated depreciation	(661)	(11)	(5 977)	(1 994)	(8 643)

6.1 PROPERTY & EQUIPMENT (continued)

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

	2011	2010
	N$'000	N$'000
- Erf 5478, Windhoek	22 000	22 000
- Erf 995, Otjiwarongo	1 620	1 620
- Erven 870 and 871, Mariental	60	60
- Erven 1608 and 1609, Rundu	2 920	2 920
- Erf 1417, Oshakati	30	30
	26 630	**26 630**
6.2 INVESTMENT PROPERTIES		
Cost model		
Opening carrying amount	-	
Transfer from property, plant & equipment	15 000	
Depreciation	(50)	
Closing carrying amount	**14 950**	

7. INTANGIBLE ASSETS – SOFTWARE DEVELOPMENT COST

	2011	2010
Opening carrying amount	24 628	20 833
Further capitalized cost	29	7 257
Amortization	(7 027)	(3 462)
Closing carrying amount	**17 630**	**24 628**

8. SPECIAL PURPOSE FUNDS

	2011	2010
Ministry of Lands and Resettlement	40 560	19 896
Staff savings scheme	(29)	105
Government Ministries, Agricultural and farmers unions	45 454	56 297
	85 985	**76 892**

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

9. BILLS

	2011	2010
	N$'000	N$'000
Consideration amount	-	3 932
Accrued interest	-	11
	-	**3 943**

10. OTHER BORROWED FUNDS

	2011	2010
Government scheme for drought relief 92 loans	20 177	18 621
Etunda Small Farmers	2 922	2 922
	23 099	**21 543**

11 LONG-TERM BORROWINGS

The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank. The total amount settled was N$ 218 139 076. The loan is interest-free and repayable over 21 years as follows:

- For the first 20 years – N$ 10 350 000 annually
- Last installment – N$ 11 139 076

	2011	2010
The balance disclosed represents the fair value of the loan as at 31 March 2011	**90 253**	**90 035**
Finance Lease agreement Standard Bank	-	2 934
Less: Current portion shown under current liabilities	(10 350)	(13 284)
	79 903	79 685

12 CREDITORS AND PROVISIONS

PROVISIONS (EXCLUDING CREDIT LOSSES ON ADVANCES)

	2011	2010
Leave	1 497	1 360
Grants and bursaries	110	110
Total other provisions	1 607	1 470
Creditors	4 256	4 577
Government loan instalment	10 350	-
Income received in advance	-	31 000
Total creditors and provisions	**16 213**	**37 047**

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

13. *DEFERRED INCOME*

	2011 N$'000	2010 N$'000
Opening balance	141 104	
Recognized during the year:		
- Government interest-free loan	-	132 670
Amortized to the income statement	(10 568)	(4 566)
	117 536	141 104

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

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

14. EMPLOYEE BENEFITS

14.1 Pension scheme

The majority of the employees are members of the Agricultural Bank of Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The Fund is governed by the Pension Funds Act of 1956, which requires an actuarial valuation every three years. The latest actuarial valuation was performed as at 31 December 2008 and in the actuary's opinion the Fund was in a sound financial position at that date. The valuation confirmed that the value of assets in the Fund exceeded the value of the actuarially determined future liabilities.

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

	2011	2010
Bank contribution	N$'000	N$'000
Employee contribution	3 727	3 464
	1 631	1 516

14.2 Post-retirement employee benefits

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

Medical benefit obligation	10 200	8 690
Severance benefit obligation	143	116
	10 343	**8 806**

14.2.1 Medical benefit obligation

The Bank contributes to the medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of members is valued every 2nd year. The latest actuarial valuation for the severance benefit obligation was carried out on 31 March 2010.The latest actuarial valuation for the post-retirement medical benefit was carried out on 31 March 2009. The valuation method used was the projected Unit Credit Method. The liability was estimated at N$ 10.2 million as at 31 March 2011.

	2011	2010
	N$'000	N$'000
Present value of unfunded obligation	10 200	8 690
Reconciliation showing the movement of liability reflected on the balance sheet:		
Opening balance	8 690	7 404
Net expense recognized in the income statement	1 510	1 286
	10 200	8 690
Net expense recognized in the income statement:		
Actuarial (gain)/loss	-	-
Current service cost	650	551
Interest cost	860	735
	1 510	1 286
The principle assumptions used were:		
Discount rate	9%	9%
Health care cost inflation	8,9%	8,9%
Average retirement age	60	60
Valuation date		
The effect of a 1% movement in the assumed health care cost inflation:	**Increase**	**Decrease**
Effect on the current service and interest cost	1 868	1 383
Effect on the accumulated post-retirement medical obligation	10 558	7 307
The effect of members experiencing mortality 20% higher and lower than assumed:		
Effect on the current service and interest cost	558	702
Effect on the accumulated post-retirement medical obligation	8 132	9 392

14.2.2	**Severance benefit obligation**	**2011**	**2010**
		N$'000	N$'000
	Present value of unfunded obligation	143	116
	Reconciliation showing the movement of liability reflected on the balance sheet:		
	Opening balance	116	
	Net expense/(income) recognized in the income statement	27	116
		143	116
	Net expense recognized in the income statement:		
	Actuarial loss	-	89
	Current service cost	17	17
	Interest cost	10	10
		27	116
14.2.3	**Post-retirement employee benefits**		
	The principle assumptions used were:		
	Salary inflation rate	7.31%	7.31%
	Investment return	**8.81%**	**8.81%**
	Average retirement age	60	60

15. FUNDS AND GRANTS

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

Tractors and implements were transferred to Agribank from Government for sale and on-lending to communal farmers during the previous financial years. Agribank administered the scheme on behalf of Government and any proceeds out of the scheme will be repayable to Government. The balance of the Government Tractor Scheme of N$ 34 034 868 (2010: N$ 35 195 643) has been included under funds and grants, as this scheme is administered on behalf of the Ministry of Agriculture, Water and Forestry, and does not represent a liability of the bank.

16. RESERVES

	2011	2010
Balance at the beginning of the year	426 073	417 118
Surplus previously stated	-	(5 996)
Correction of error (Note 19)	20 988	14 951
Balance at the end of the year	**447 061**	**426 073**
	-	

17. CAPITAL FUND

		2011	**2010**
		N$'000	N$'000
Account No. 1	*	54 284	54 284
Account No. 2	**	108 893	108 893
Account No. 3	***	6 079	6 079
Account No. 4	****	400 402	296 159
		569 658	**465 415**

* The amount consists of loans and grants made available to the Bank by the then Administration of SWA, through its South West Africa account and the then General Authority.

** The amount consists of loans granted by the former second tier agricultural departments of the then administration of SWA which were transferred to the Bank on 31 January 1992 in terms of Section 23 of the Agricultural Amendment Act, 1991.

*** The amount consists of loans granted by the Rehoboth Investments Development Corporation Limited which were transferred to the Bank on 16 December 1996 in terms of Section 5 of the Rehoboth Investment and Development Corporation Act, 1966 (Act 15 of 1996).

**** The amount consist of a N$ 150 000 000 investment in the Bank by the Government converted to equity participation by Cabinet decision, Decision no 3rd/27.02.07/008. An additional transfer of N$ 128 159 was made in 2009. It was initially advanced as a loan by Government, but subsequently converted into equity. In the current financial year, the Ministry of Finance made an advance of N$ 18 million to strengthen the Bank's statement of financial position.

18 CORRECTION OF PRIOR PERIOD ERROR

Errors, confirmed by a Board resolution in 2007, occurred in the interest calculations of the Aussenkehr loan account. In addition to these errors, which had to be adjusted retrospectively, it was found that interest on arrear accounts of clients, identified for interest to be suspended, was never suspended i.e. only the interest on the capital balance was suspended.

The effects of the retrospective correction of the errors on the financial statements are as follows:	2011	2010
	N$'000	N$'000
Increase in special purpose funds	-	5 996

19. INCOME AND EXPENDITURE

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

19.4 General administrative expenses	2010	2009
	N$'000	N$'000
Auditors Remuneration	**430**	**113**
Audit fees	430	113
Depreciation and amortisation	**8 488**	**5 290**
Property, plant & equipment	1 411	1 828
Investment properties	50	-
Amortization - intangible assets	7 027	3 462
Directors Fees	237	211
Insurance	470	461
Marketing	3 219	2 375
Maintenance property & equipment	861	420
Professional fees	4 585	2 128
Rent paid	995	1 506
Staff cost	**37 337**	**34 183**
Salaries	21 254	20 809
Fringe benefits	14 590	12 364
Training	1 493	1 010
Other expenses	**23 795**	**21 506**
Post resettlement contribution	10 000	10 000
Bank charges	429	361
Legal fees	270	345
Security cost	235	252
Printing & stationery	382	319
Computer expenses	4 750	3 539
VAT apportionment expenses	1 910	1 226
Municipal costs	1 159	1 180
Travel	2 031	1 451
Vehicle cost	290	263
Telephone	1 106	1 463
General expenses	1 233	1 107
	80 416	**68 193**

20. FINANCIAL RISK MANAGEMENT

The bank's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the bank's financial performance. Risk management is carried out under policies approved by the board. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, and investment of excess liquidity.

20.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the bank maintains flexibility in funding by maintaining availability under committed credit lines.

The bank manages liquidity risk through an ongoing review of future commitments and credit facilities. The bank did not have any overdraft facility at year-end (2010: Nil).

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

The table below analyses the bank's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2011	Less than 1 year (N$ 000)	Between 1 and 5 years (N$ 000)	More than 5 years (N$ 000)
Other liabilities	119 434	41 400	166 389
Trade payables	14 606	-	-

2010	Less than 1 year (N$ 000)	Between 1 and 5 years (N$ 000)	More than 5 years (N$ 000)
Interest-bearing	109 666	41 400	166 389
Trade payables	35 577	-	-

20.2 Cash flow and fair value interest rate risk

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

As the bank's significant interest-bearing assets, are fixed rate advances, its income and operating cash flows are substantially independent of changes in market interest rates. The bank's interest rate risk arises mainly from its long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. This risk is managed by maintaining an appropriate mix between fix and floating interest rates.

Financial instruments by classification
Assets as per balance sheet

2011	Interest rate	Loans and receivables (N$ 000)	Fair value through profit & loss (N$ 000)	TOTAL (N$ 000)
Advances	Fixed	1 345 265	-	1 345 265
Cash and bank balances	Floating	61 384	-	61 384
Other current assets	Non-interest- bearing	408	-	408

2010	Interest rate	Loans and receivables (N$ 000)	Fair value through profit & loss (N$ 000)	TOTAL (N$ 000)
Advances	Fixed	1 215 671	-	1 215 671
Cash and bank balances	Floating	97 581	-	97 581
Other current assets	Non-interest- bearing	799	-	799

Liabilities as per balance sheet

2011	Interest rate	Other financial liabilities at amortised cost (N$ 000)	Fair value through profit & loss (N$ 000)	TOTAL (N$ 000)
Line of credit	Floating	-	-	-
Other borrowed funds	Non-interest- bearing	23 099	-	23 099
Long-term borrowings	Floating	90 253	-	90 253
Bills	Fixed	-	-	-
Special purpose funds	Fixed and floating	85 985	-	85 985
Trade creditors	Non-interest- bearing	14 606	-	14606

2010	Interest rate	Other financial liabilities at amortised cost (N$ 000)	Fair value through profit & loss (N$ 000)	TOTAL (N$ 000)
Line of credit	Floating	-	-	-
Other borrowed funds	Non-interest- bearing	21 543	-	21 543
Long-term borrowings	Floating	2 934	90 035	92 969
Bills	Fixed	3 943	-	3 943
Special purpose funds	Fixed and floating	70 896	-	70 896
Trade creditors	Non-interest- bearing	35 577	-	35 577

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 form its long-term borrowings. Borrowings issued at variable rates expose the bank to cash flow interest rate risk.

The table above summarizes the bank's exposure to interest rate risks.

"Continuously preparing today for a prosperous Namibia tomorrow"

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 2009.

As at 31 March 2010:

2011	100 basis points increase (N$ 000)	100 basis points decrease (N$ 000)
Floating rate financial assets	61 384	614
Floating rate financial liabilities	-	-
Increase/(decrease) in profits	61 384	614

As at 31 March 2009:

2010	100 basis points increase (N$ 000)	100 basis points decrease (N$ 000)
Floating rate financial assets	976	(976)
Floating rate financial liabilities	(29)	29
Increase/(decrease) in profits	947	(947)

20.3 Credit risk

Credit risk is the risk that the counterparties will not repay obligations on time and in full as expected or contracted, resulting in a financial loss to the Agribank.

Policy and responsibility
The key components of the current general credit policy are the following:

- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The bank insists upon a thorough assessment of the client's financial position during the loan decision process, so as to lead to better-quality credit decisions which result in timeouts loan repayments and reduce losses due to, for example, insolvency;
- For the vast majority of the products, credits are granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The bank may assume risks only within the limits of applicable legislation and other rules, including the rules on good practice for financial enterprises.

Approval process

When the bank processes a credit application from a customer, the following minimum information is needed:

- Comprehensive identity of the borrower;
- Evidence of the borrower's legal ability to borrow;
- Ability to repay including the timing and source of repayment and evidence of verification thereof;
- Description of the terms of credit obligation;
- Assessment of major risks and key litigants;
- Credit checks;
- Overview of the facility and collateral; and
- Documentary evidence of review and approval process

Risk classification

The bank monitors the repayment record of its customers on an ongoing basis to ensure that any deterioration in repayment record is detected as early as possible. Accounts will be categorized as "normal" or "arrears". The purpose of the classification is to provide a mechanism for the efficient and effective, reporting and evaluation of problem loans, and to allow them to be managed in such a way that the bank's risk if minimized.

Credit exposure

The bank's maximum credit exposure at 31 March was as follows:
Credit exposure is calculated on the basis of selected items on and off the balance sheet (guarantees and loan commitments).

Asset classes with credit risk exposure:	**2010** N$ 000	**2009** N$ 000
Advances	1 345 265	1 215 671
Bank balances	61 384	97 581
Other receivables	408	799
	1 407 057	**1 314 051**
Asset classes with no credit risk exposure:		
Property and equipment	36 711	52 474
Intangible assets	17 630	24 628
Cash on hand	26	25
	54 367	**77 127**

Collateral
The main type of collateral the Bank normally obtains include the following:

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

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

Bank balances
The amounts are invested with reputable financial institutions.

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

Concentration of credit risk
The concentration risk within the Agribank consists mainly of:

- Exposure per agricultural sector
- Exposure per individual account holder

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

Loan advances past due not impaired	**2011 N$'000**	**2010 N$'000**
Less than one year	586 464	406 463
Between one and two years	90 343	97 213
Between two and three years	134 109	62 478
More than three years	162 457	198 214
	973 373	764 368

Loan advances neither past due nor impaired

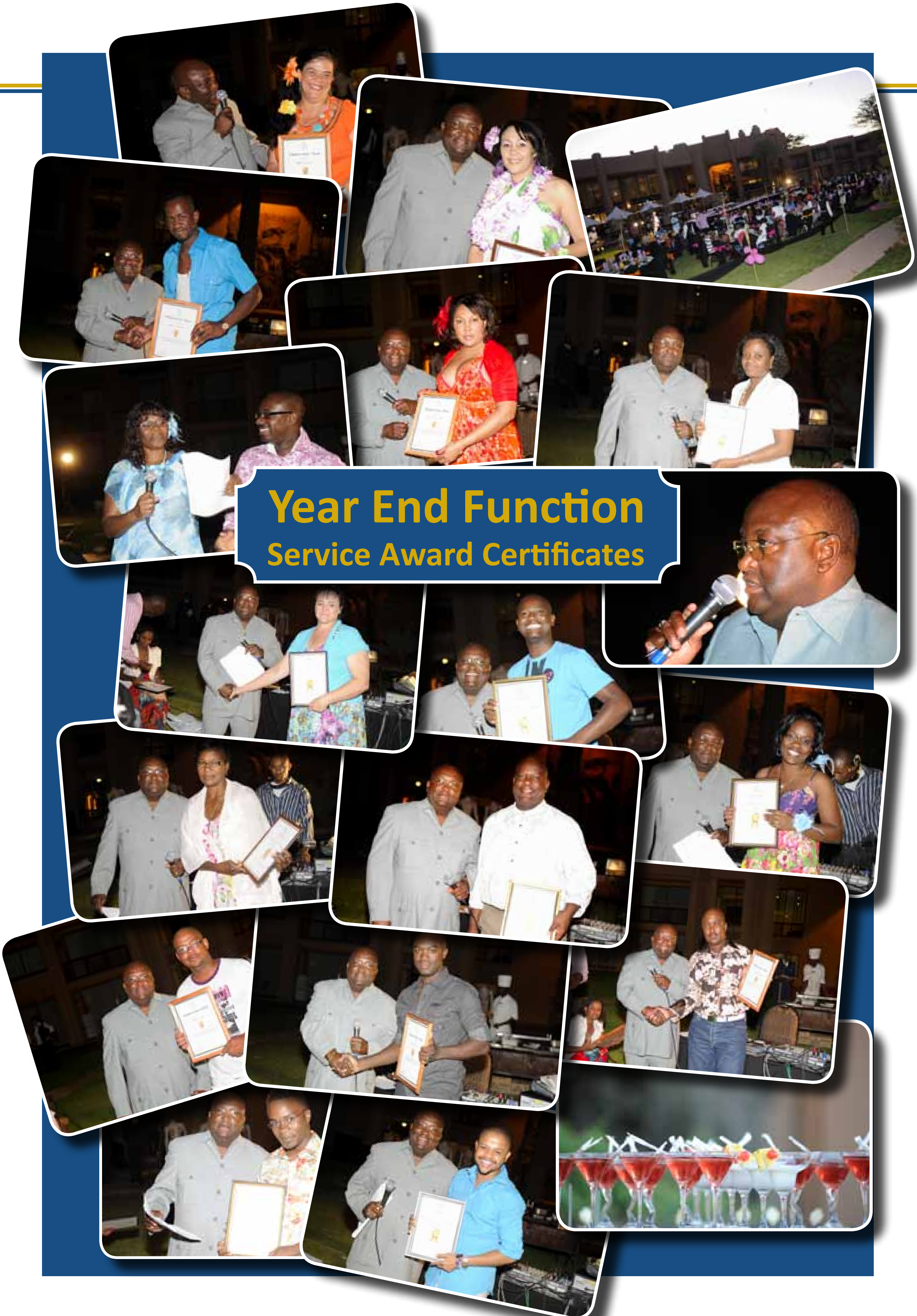
Loan advances neither past due nor impaired	**372 373**	**458 880**

Included in the loan book of the Bank is an amount of N$ 147.1 million in respect of loan customers whose credit terms were re-negotiated. These customers consolidated various loan accounts with the Bank into one account.

Consolidation of debt	212 209	178 713
Special arrangements	194 486	162 887
	406 695	341 599

21 Standards and interpretations not yet effective

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



Year End Function

Service Award Certificates

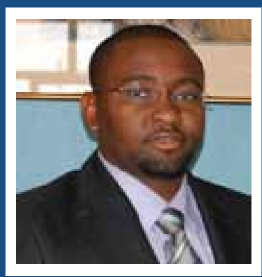
HEAD OFFICE

Head Office & Branch Managers

Amb. Leonard N Iipumbu
Chief Executive Officer (CEO)

Head office

Ignatius H Theodore
Senior Manager Finance



Shali Shindume
Senior Manager Credit, Sales & Services

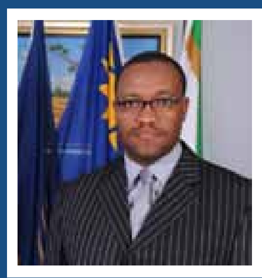
Beata Kapolo
Manager Human Resources

Jephta Kazondovi
Manager Information Technology

Regan Mwazi
Manager Marketing Communication & Research

Erenstine Kalomo
Company Secretary

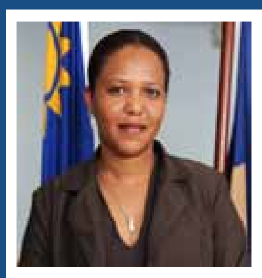
Dexter Maiba
Manager Recoveries



Masilo Hochobeb
Manager Corporate & Special Projects

Konwil Bayer
Manager Credit

Michael Mbamba
Manager Management Accounting



Elsie Skrywer
Manager Financial Accounting

Saima Ntinda
Manager Internal Audit

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Wylie Upi
Manager Midland Branch

Fillemon Nditya
Manager Otjiwarongo Branch

John Nekwaya
Manager Oshakati Branch

Benick Kamwi
Control Officer Katima Mulilo Branch

Alfred S Simasiku
Control Officer Rundu Branch

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