ANNUAL REPORT 2017

AGRIBANK
OF NAMIBIA
Your all Season Bank

CONTENTS

GLOSSARY OF TERMS

AALS	Affirmative Action Loan Scheme
AASD	Agri Advisory Services Division
CEO	Chief Executive Officer
CIC	Credit and Investment Committee (of the Board)
DFRC	Development Finance Resource Centre
EHP	Enhancement Packages (a subset of SAP)
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FRACC	Finance, Risk, Audit and Compliance Committee (of the Board)
FSP	Farmers' Support Project
FURS	Farm Unit Resettlement Scheme
FY	Fiscal Year/Financial Year
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HRC	Human Resources Committee
ICT	Information Communication Technology
MLR	Ministry of Land Reform
NCA	Northern Communal Areas
RAG	Red, Amber and Green (Progress Indicators)
SADC	Southern African Development Community
SAP	Systems, Applications, Products (in Data Processing)
SVCF	South of the Veterinary Cordon Fence
VCF	Veterinary Cordon Fence

RAG Progress Indicators

Red	Behind Plan
Amber	Slightly Behind Plan
Green	On-Track

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ABOUT AGRIBANK

1. ABOUT AGRIBANK

1.1 Mandate

Agribank is a state-owned financial institution whose mandate is to advance money to persons or financial intermediaries for the promotion of agriculture and related activities. The Bank derives its mandate from the provisions of the Agricultural Bank of Namibia Act, No. 5 of 2003.

1.2 Strategic Thrust

Vision

To be the catalyst in transforming the agricultural sector where every Namibian enjoys a quality life.

Mission

To promote socio-economic development through affordable and innovative agricultural financing solutions.

Values

Our core values, which serve as principles which guide our business, are:

Customer Service	-	Striving for excellence in the way we serve our customers.
Accountability	-	Accounting for and taking responsibility for the actions we take in pursuit of our mandate.
Professionalism	-	Striving to apply skills, competence and character, expected of highly trained professionals, in the conduct of our business and the execution of our mandate.
Fairness	-	Striving towards equitable and fair treatment of all stakeholders.
Integrity	-	Honesty and truthfulness in the conduct of our business.
Transparency	-	Openness in all our dealings and to public scrutiny.

CHAIRPERSON'S REPORT

2.1 Overview

The Namibian economy is currently faced by numerous challenges which have resulted in a considerable slow-down of the economy. According to the latest estimates, the economy grew marginally by 1.1% in 2016, compared to 6% in 2015. From the Bank's perspective, the drought experienced in the 2015/16 season is one of the main contributors to the slow growth of the domestic economy. Despite the adverse operating conditions, the Bank continued to fulfill its mandate by providing affordable financing to both existing and new clients.

Whilst growth forecasts for 2017 and 2018 are positive, several down-side risks remain. These include the impact of fiscal consolidation on the broader economy, volatile climatic patterns, as well as pest and animal disease outbreaks. These risks will impact the overall performance of the agricultural sector as well as the financial performance of the Bank. The outlook is compounded by the reduction in Government's funding subsidies to the Bank over the current three-year budget planning cycle. As a result, the Bank is compelled to implement alternative funding strategies in order to continue fulfilling its mandate. However, it is not all doom-and-gloom. On the positive front, the above-normal rainfall received in most parts of the country, and improved rangeland conditions during the recently ended rainy season, may result in the recovery of the agricultural sector, with positive spin-offs for the Bank and the sector in general.

2.2 Transition

The former Chief Executive Officer, Ambassador Leonard Iipumbu, retired at the end of July 2016. He was succeeded by Mr Sakaria Nghikembua on 1 August 2016. This seamless and timeous transition is indeed no mean feat, achieved only by a few state-owned enterprises in Namibia. The Board worked diligently to ensure efficiency in the transition. During the review period, we have recorded a number of achievements, including implementing long-outstanding Board decisions, finalising and approving our new five-year Strategic Plan, finalising our annual audit for FY 2015/16, holding our Annual General Meeting for FY 2015/16 timeously, and implementing a Bank-wide Performance Management System. We have charted a new path towards the sustainability of the Bank and the effective execution of our mandate.

2.3 Strategy

Our new five-year Strategic Plan is aligned to the Harambee Prosperity Plan. The plan consists of five focus areas, namely: the Customer, Financial Sustainability, Employees, Governance and Socio-Economic Transformation. Service excellence, innovation and excellence in the execution of deliverables constitute the building blocks of our strategy.

Key initiatives under the Customer Focus include understanding market insights through on-going research activities, offering relevant products to our customers, and ensuring the Bank's accessibility through an increased footprint and digital platforms. Other innovative initiatives include the development of products for communal farmers in order to broaden financial inclusion, and to ensure food self-sufficiency at a household level. Core initiatives being implemented to ensure the Bank's financial sustainability include loan book growth, interest income growth, cost containment, effective arrears management, as well as growing the non-interest income stream. The long-term objective is to ensure that the Bank is able to meet its financial obligations.

> *"Notwithstanding the negative impacts of climatic conditions, Agribank continued to provide affordable financing to the farming community and has managed to overcome these challenges."*

The Strategic Plan further provides for the attraction and recruitment of employees with the required competencies, attitude and potential, while concerted efforts will continually be made to improve the leadership and managerial capacity of our people through appropriate training and development interventions. Some of the initiatives under this focus area include the introduction of an employee recognition and reward scheme, embedding the Performance Management System, as well as the introduction of a performance incentive scheme within the confines of Public Enterprises remuneration guidelines.

Given the nature of the Bank's operations, significant emphasis has been placed on risk management and compliance in furtherance of the Governance Focus. To this end, compliance and risk management specialists have been recruited during the reporting period. Specific initiatives included company-wide roll-out of risk and compliance awareness sessions, the implementation of a compliance testing plan, training of the Board and Senior Management on governance-related matters, and the roll-out of a risk management framework within the Bank. Going forward, priority will be on ensuring that business continuity management policies and plans are put in place, and that audit and forensic auditing capacities are enhanced in the business.

As for the Socio-Economic Transformation Focus, we have continued to provide training and mentorship to farmers through the Agri Advisory Services Division. The Board has also approved a robust and dynamic stakeholder engagement

strategy, whose implementation is in full swing. In order to reach out to communal farmers who do not have collateral to offer against the Bank's loans, we have introduced a no-collateral loan product and have seen encouraging take-up since its launch in April 2017. To streamline the lending process, the Delegation of Authority policy has been revised. As a result of such revision, some lending decisions are now being made at branch and lending department levels; whilst the approval amounts for the Management Credit Committee and the Board Credit and Investment Committee, have also been increased. Furthermore, a decision was taken to increase the frequency of the Board Credit and Investment Committee meetings to monthly intervals, to enable faster loan approvals. Plans are at an advanced stage to implement a wholesale review of all key business processes – specifically the loan cycle process – to ensure service excellence in our lending practices.

2.4 Acknowledgements

I wish to express my gratitude to the Government of the Republic of Namibia, as the shareholder of Agribank, for the support rendered throughout the year.

I would also like to extend my appreciation to my fellow Directors for their professional inputs and guidance in shaping the governance and oversight functions of the Bank. Together, we have implemented strategic decisions to ensure the competitiveness of the Bank whilst fulfilling its mandate.

I am equally appreciative of the fresh impetus injected into the Bank by the Chief Executive Officer, Sakaria Nghikembua, who, despite joining the Bank in the middle of this reporting period, has made tremendous strides in finalising and implementing the new Strategic Plan, and in repositioning the Bank for the future.

Last but certainly not least, I wish to thank the management and staff of the Bank for their support to the Board, as well as their selfless contributions to ensure that the Bank continues to play a meaningful role in the socio-economic transformation of our country.

I look forward to an exciting and meaningful future for Agribank.

Terttu N T Uuyuni
CHAIRPERSON

BOARD OF DIRECTORS

CHAIRPERSON
Terttu Uuyuni

VICE CHAIRPERSON
Michael Iyambo

BOARD MEMBER
Oiva Mahina

BOARD MEMBER
Dagmar Honsbein

BOARD MEMBER
Dr Michael Humavindu

BOARD OF DIRECTORS

3.1 Board Tenure, Directors' Experience and Qualifications

CHAIRPERSON

Terttu Uuyuni

(1 July 2015 – 30 June 2018)

Mrs Terttu Uuyuni is the Chairperson of the Board. She has over 13 years experience in commercial banking and bank supervision.

A firm believer in personal growth and development through consultative leadership, Mrs Uuyuni is one of the longest serving members of the Board. She has, in the past, served on the Risk and Audit Committee of the Board. She also served as Vice Chairperson of the Board from July 2010 to February 2012, before her appointment as Chairperson of the Board. She currently serves on the Finance, Risk, Audit and Compliance Committee. Her re-appointment as Chairperson has seen the retention of institutional knowledge and the continuation of Board strategies.

Mrs Uuyuni holds a Bachelor of Commerce degree from the University of Namibia, a CAIB (Associate Diploma in Credit) from the Institute of Bankers in South Africa, and is currently pursuing MBA studies with the University of Nicosia.

VICE CHAIRPERSON

Michael Iyambo

(1 July 2015 – 30 June 2018)

Mr Michael Iyambo is the Vice Chairperson of the Board. He is a knowledgeable and successful commercial farmer, with a focus on horticulture.

Mr Iyambo's successful farming business resulted in his triumph as the Master Agronomist of the Year in 2015 and his appointment as the Chairman of the National Horticultural Task Team and Vice Chairman of the Karst Area Horticultural Association. Mr Iyambo was recently appointed as Chairperson of the Namibia Agronomic Board. His knowledge of the industry and sound business acumen provide for optimum advice on credit analyses.

BOARD MEMBER

Oiva Mahina

(1 July 2015 – 30 June 2018)

Mr Oiva Mahina is a farmer and businessman based in Kavango West. His business interests are primarily in financial services, farming and the hospitality industry. He currently holds the positions of Vice President of the Namibia National Farmers' Union (NNFU) and of the Kavango West Regional Farmers' Union (KWRFU). He previously served on the Board of the Meat Corporation of Namibia (Meatco). He also served as the Chairperson of the Kavango Farmers' Union and of the Kavango Local Business Association.

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

Mr Mahina holds a Basic Education Teachers' Diploma from the Rundu College of Education.


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BOARD MEMBER

Dagmar Honsbein

(1 July 2015 – 30 June 2018)

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

Mrs Honsbein holds an MBA in International Marketing from Reutlingen in Germany, a postgraduate degree in Chemical Engineering and Applied Sciences from Aston University, Birmingham, United Kingdom, as well as a BSc in Wood Engineering from the University of Stellenbosch, South Africa.

BOARD MEMBER

Dr Michael Humavindu

(1 July 2015 – 30 June 2018)

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

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

Dr Humavindu holds a PhD in Economics from the University of Umeä, an MSc in Finance and Investments from the University of Durham, United Kingdom, an MA in Economics from the University of Stellenbosch, and a postgraduate diploma in Environmental Economics from the University of London, United Kingdom.

CHIEF EXECUTIVE OFFICER'S REVIEW

> *I commenced as the Chief Executive Officer of the Bank mid-way through the year in 2016 and am privileged to report on the Bank's operations for the financial year ended 31 March 2017.*

4.1 Introduction

I commenced as the Chief Executive Officer of the Bank in August 2016 and am privileged to report on the Bank's operations for the financial year ended 31 March 2017. During this period, we have seen many positive developments towards the repositioning of the Bank for the future amidst a fair share of direct and indirect challenges that confronted us. Notwithstanding, I am proud that we continued to deliver on our mandate.

4.2 Giving effect to the Strategic Plan

4.2.1 Key Actions

Key actions implemented to give effect to the Strategic Plan during the reporting period included the following:

- Implementation of a Bank-wide Performance Management System. The first performance appraisals for FY 2016/17 and contracting for FY 2017/18 were done simultaneously in May 2017, after financial year-end.
- Development of the no-collateral loan product for salaried communal farmers which was subsequently launched in April 2017.
- Repositioning of the Farmers' Support Project (FSP) and its integration into the Bank effective 1 April 2017. Training and mentoring interventions are currently underway throughout country.
- Delivery of credible financial performance despite a difficult operating environment exacerbated by successive droughts in the past few years.
- Strengthening of the governance function through the appointment of qualified personnel.
- Implementation of relevant action plans to enhance the control environment, ensure compliance and embed risk management within the business; and
- Implementation of a robust and interactive stakeholder engagement strategy, complemented by enhanced brand visibility initiatives.

4.2.2 Financial Highlights

Key financial performance highlights during the review period are as follows:

- The loan book grew by 7.4%, from N$2.43 billion in 2016 to N$2.61 billion in 2017.
- Interest income accordingly increased by 6% from N$157.4 million in 2016 to N$167.5 million in 2017.
- The Bank adopted BID-2, which is recommended for banks operating under the Banking Institutions Act of 1998, for the purpose of computing the provision for bad debts. This method resulted in a decrease in bad debt provisions for the year.
- Interest income on investments increased by 17.6% from N$16 million in 2016 to N$18.9 million in 2017, resulting from higher investment balances and better yields during the financial year.
- Other operating income reduced by 12.5% from N$14.4 million in 2016 to N$12.6 million in 2017 due to higher income from loan application fees and administration fees recorded in 2016, compared to 2017.
- General administrative expenses rose by 11% from N$109.1 million in 2016 to N$121.4 million in 2017, driven by an increase in staff costs of 12.8%, provision for actuarial valuation on post-retirement medical benefit obligations (N$4.4 million), new subscription fees for the use of a rangeland monitoring tool (N$1 million), and increased depreciation due to the acquisition of new assets for the Bank (N$4.2 million).
- Surplus for the year increased from N$7.5 million in 2016 to N$138.3 million in 2017 as a result of all the changes outlined above.
- During the review period, the Bank disbursed N$304 million in new loans to its clients. Of this amount, farmland purchases constituted the biggest component at N$103

million, livestock loans at N$44 million; and productive infrastructure improvements at N$29 million. Resettled farmers benefitted N$7 million in funding for the year. The Bank has proposed changes to the Ministry of Land Reform in order to make the Post-Settlement Support Fund more meaningful for resettled farmers. The engagement will continue in the new financial year.

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

Table 1: Key Financial Ratios

Key Ratio	2016	2017	RAG
Loan Advances (after provisions) as a percentage of total assets (%)	80.06%	86.60%	
Return on Assets	0.29%	5.1%	
Cost-to-Income	63.4%	66.9%	
Liquidity	6.87%	8.94%	
Arrears as a percentage of total advances (%)	19.1%	21%	
Net Interest Margin (%)	5.69%	5.63%	

4.3 Benchmarking

As a member of the Association of African Development Banks and Finance Institutions, we confidently rate ourselves in three core areas, namely: governance guidelines, financial prudential standards and operational guidelines. This rating system is designed to assist the Bank to achieve the highest levels in respect of governance, financial management and operational efficiencies. To ensure accuracy, our self-rating is reviewed by our external auditors.

Table 2: Development Financing Institutions Benchmarking

Key Metric (% Weight)	2015/16 Score	2016/17 Score	Direction of change
Governance Standards (40%)	32.5%	38.5%	↑
Financial Prudential Standards (40%)	26.0%	28.4%	↑
Operational Standards (20%)	5.9%	10.4%	↑
Total Score (weighted)	64.5%	77.2%	↑

4.4 Audit Qualification

The Annual Financial Statements presented in this Annual Report have been qualified by the external auditor. The basis of such qualification is inadequate data integrity related to collateral securities underlying loan advances. Such data is used to determine the adequacy of bad debt provisions when applying BID-2 guidelines. In 2009, the Bank migrated from BankMaster as its core banking system to SAP. At the time, SAP did not have the supporting loan collateral securities module. As a result, collateral securities information was captured in Excel format. In 2010, the Bank embarked on a project to develop the requisite collateral securities module on SAP and eventually to migrate the captured data from Excel to SAP. After numerous implementation delays, the Bank took a decision in August 2012 to migrate to SAP with whatever information was captured at the time. A review of samples of the captured data has revealed inaccuracies in the collateral securities data that has been captured on SAP. The capturing of collateral securities data on SAP has also not been completed. Whilst the external auditor did not find any problems with the actual loans data, he felt uncomfortable to sign off on provisions based on inaccurate and incomplete collateral securities data. This is the basis of the qualification. The Bank has taken immediate steps to comprehensively identify and rectify all data gaps related to collateral securities. Based on the outcome of this analysis, appropriate consequence management actions will be taken.

Table 3: History of Audit Opinions

Year	Name of External Auditor	Audit Opinion
2013	Mac & Associates	Unqualified
2014	Mac & Associates	Unqualified
2015	Mac & Associates	Unqualified
2016	Mac & Associates	Unqualified
2017	Mac & Associates	Qualified

4.5 Sales and Lending

The Bank plays an important role in catalysing the agricultural sector through its contribution to land reform initiatives and by supporting agricultural production. This is achieved through programmes such as the Affirmative Action Loan Scheme (AALS) and by extending commercial loans to previously disadvantaged Namibians to acquire farmland, livestock and related tools-of-trade. During the review period, the Bank implemented a new valuations policy which is aligned to the International Valuation Standards.

To widen access to communal farmers, the Bank completed groundwork for the introduction of a no-collateral loan product for communal farmers. This product was subsequently launched in April 2017. The Bank also implemented the necessary systems changes and processes to facilitate effective take-over of debt from commercial banks. The enhanced debt take-over product was launched in the new financial year. Other approved innovations included the agro-processing and financial intermediaries' financing products, both of which were scheduled for launch in the new financial year.

In addition to the roll-out of these new products, the Bank plans to implement re-engineered business processes in the new financial year. The ultimate objective is to improve customer service through streamlined processes. A key target is to reduce the loan cycle process.

4.6 Human Resources

During the period under review, a total of seven employees commenced employment with the Bank. Simultaneously, one employee retired, one passed on, whilst six resigned from the Bank in pursuit of new opportunities in the market. These movements are within benchmark thresholds, indicative of an organisation that is simultaneously stable and dynamic in its renewal. The Bank was issued with a compliance certificate by the Employment Equity Commission, an acknowledgment of its efforts to ensure it dynamically responds to the requirements of the Affirmative Action Employment Act (Act 29 of 1998).

Table 4: Employment Breakdown | 2016/17

Job Category	Male	Female	Total
Executive	4	0	4
Management	19	12	31
Non-Management	39	50	89
Total	**62**	**62**	**124**

Graph 1: Gender Employment Breakdown: Male and Female

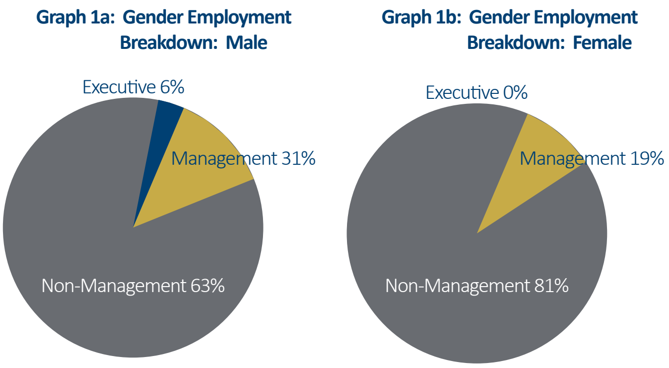
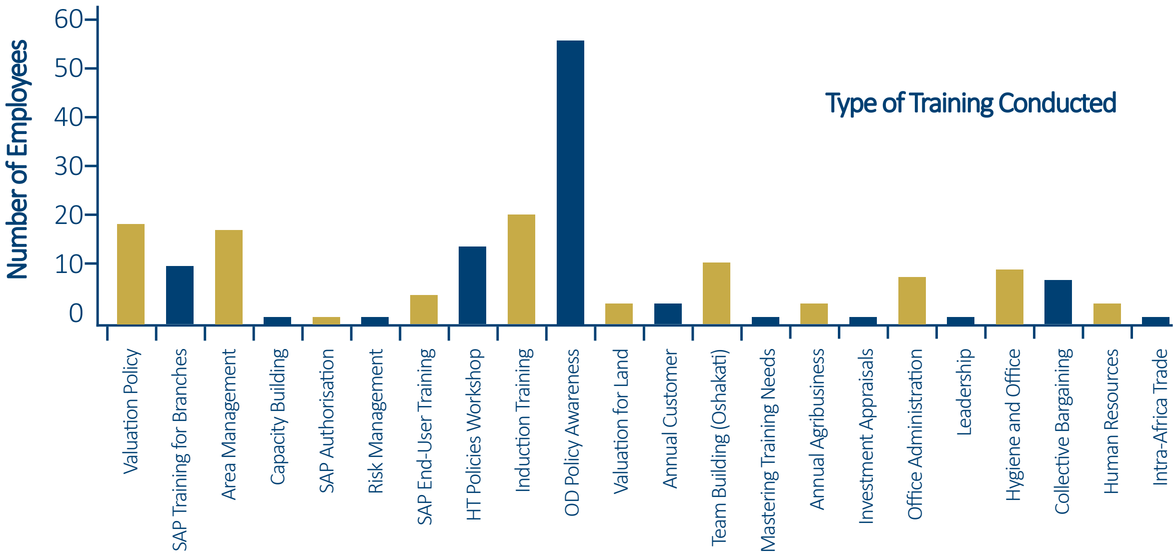


Table 5: Human Resources Ratios

Indicator	FYE March 2017
Total Number of Employees	124
Average Age	40 years
Staff Turnover Rate	7%
Average Tenure Service	8 years
Terminations	8
Workforce Distribution (male-female)	50-50
Staff Cost/Total Cost Ratio	60%
Absenteeism Rate	3%

Graph 2: Training Activities



4.6.1 Organisational Development

To increase organisational effectiveness and improve employee wellness, the Bank implemented relevant interventions and strategies, which included:

a) Performance Management

The Performance Management System was implemented in October 2016, following finalisation and approval of the five-year Strategic Plan at the end of September 2016. The system was implemented in a cascaded manner, with the Board first approving the CEO's performance contract whose deliverables were subsequently filtered through to Executives' performance contracts and then lower down the organisational hierarchy.

b) Learning and Development

Various training interventions were implemented during the year. Out of a total staff complement of 124, each employee has attended at least one intervention, which reflects a 100% coverage. The Bank made an investment of N$1.5 million in employee training and development interventions during the review period.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4.7 Farmers' Support Project (FSP)

The strategic initiative to integrate the Farmers' Support Project (FSP) team into the Bank's operations commenced during the reporting period. FSP is responsible for transferring skills to farmers through training and mentoring services, with the objective of increasing farm productivity.

Training and mentoring were identified as transformational initiatives in the Bank's Strategic Plan. This created the imperative to establish a stand-alone division within the Bank, effective 1 April 2017.

In Table 6, mentorship is classified into direct mentees (being the farmers who were directly mentored under the programme) and indirect beneficiaries. These are classified as additional farmers. They benefited from group mentoring activities, and included farmworkers, foremen and neighbouring farmers.

Table 6: FSP Mentorship Activities | April 2016 - March 2017

Operational Area	Mentees (Individual farmers mentored)			Additional farmers reached (Farmer groups mentored)			Number of farms / communal areas / sites mentored
	Male	Female	Total	Male	Female	Total	
Northern Communal Areas	185	109	294	1174	1188	2362	Villages = 173, Small-Scale Commercial Farms = 9
South of Veterinary Cordon Fence	553	153	706	1280	357	1637	Communal Villages = 96, Farm Unit Resettlement Scheme = 119, Affirmative Action Loan Scheme = 74
Total farmers mentored	**738**	**262**	**1000**	**2454**	**1545**	**3999**	**4999**
% out of total farmers mentored	**20%**			**80%**			**100%**

Training-related activities conducted under FSP included farmers' information days, short training courses, excursions, evening sessions and stakeholder meetings. Details of training interventions are reflected in Table 7.

Table 7: FSP Training Activities | April 2016 - March 2017

Operational Area	Number of training-related events (Evening lectures, Short training courses, Excursions, Farmers' Information Days, Stakeholder meetings)	Number of farmers trained		
		Male	Female	Total
Northern Communal Areas	9	143	103	246
South of Veterinary Cordon Fence	35	642	500	1142
TOTAL	**44**	**785**	**603**	**1388**
% out of TOTAL		**56.6%**	**43.4%**	**100%**

FSP also provided pre-settlement training to newly resettled beneficiaries under the auspices of the Ministry of Land Reform. Details of training conducted under the review period are outlined in Table 8.

Table 8: FSP Pre-Settlement Training | April 2016 - March 2017

Number of Pre-Settlement Training Events	Region / Venue	Total Number of Resettlement Farmers Trained		
		Male	Female	Total
07-12 August 2016	Otjozondjupa (Farm Sumas)	7	6	13
03-07 October 2016	Omaheke (Ben Hur RDC)	7	4	11
06-11 November 2016	Erongo (Omaruru Rest Camp)	6	10	16
20-23 February 2017	Otjozondjupa (Omatjene Research Station)	13	10	23
27-30 March 2017	Otjozondjupa (John Pandeni Research Station)	8	5	13
02-08 July 2017	Kunene (Toko Lodge)	8	5	13
		59	44	103
% out of total		**57.3%**	**42.7%**	**100%**

a) FSP Impact Assessment

Without being exhaustive, training and mentorship support provided to farmers through FSP has transformed the operations of many of these farmers, leading to national recognition in the form of the following awards:

- Resettlement Farmer of the Year Award for Khomas (2014 & 2016); as well as 2nd and 3rd runners-up for Khomas (2016)
- Resettlement Farmer of the Year Award for Erongo (2016)
- Resettlement Farmer of the Year 2nd runner-up and Small-Stock Winner for Kunene (2016)
- Master Horticulture Emerging Farmer of the Year for 2015 & 2017; and 2nd runner-up for 2017
- Best Mahangu Producer for 2013
- Best Conservation Farmer for 2014

Furthermore, one mentee graduated to become a mentor whilst others are recognised by their peer groups as informal mentors. Notwithstanding these accolades, more work needs to be done to elevate beneficiaries to successful commercial farmers.

For FY 2017/18, the new division will have the following focus:

- Farmers' information days, excursions, stakeholder meetings, and topic-specific short training courses will be offered to clients and non-clients to enhance their knowledge and skills base.
- Evening lectures will be offered to clients and non-clients of the Bank in different towns and villages as a platform for part-time farmers to upscale their competencies. In addition to this initiative, the Bank has also planned practical demonstrations or exposure events at various agricultural colleges, research stations and farms for the benefit of farmers.
- Identified clients will be offered an opportunity to receive free mentorship services. These clients should however be willing to sign an agreement to demonstrate their commitment to the learning and mentorship process.

- The Bank will enter into agreements with various agricultural service providers for joint cooperation in service delivery, as appropriate.
- The Agri Advisory Services Division will continue to train resettled farmers to enhance their chances of success in their new farming ventures.

4.8 Marketing and Communication

During the review period, the Bank undertook a multi-pronged brand visibility campaign, which involved placement of product awareness advertisements in newspapers and magazines, as well as flighting these on radio and television networks. The Bank's corporate website and its social media pages were also used for this purpose. The Bank intensified its stakeholder engagement through the implementation of a robust and interactive strategy. To this end, the Bank had stakeholder engagement sessions with various farmers' unions whilst media releases were issued to clarify and amplify the Bank's Strategic Plan and its Arrears Collection Strategy.

The Bank spent over N$1.1 million on Corporate Social Investments (CSI) during the 2016/17 financial year. Worthy causes that benefited from the Bank's CSI include the Kudu rabies immunisation project, agricultural shows, farmers' information days, annual general meetings of farmers' unions and education-related projects.

Graph 3: Breakdown of Sponsored Activities, FY 2016/17

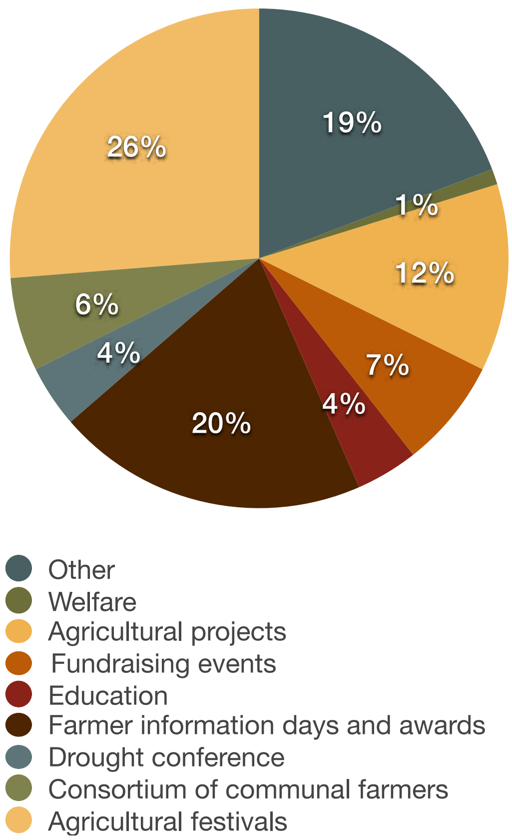


Table 9: Regional Spread of Sponsorships

Region	Amount N$
Erongo	20,000.00
Hardap	15,000.00
//Kharas	20,000.00
Kavango	42,000.00
Khomas	47,799.34
Kunene	63,696.30
National	578,810.00
Ohangwena	26,300.00
Omaheke	65,500.00
Oshana	133,770.00
Oshikoto	20,000.00
Otjozondjupa	83,500.00
Zambezi	5,740.00
Total	**1,122,115.64**

The Bank will continue to improve its brand visibility in the coming year, in addition to embedding its robust stakeholder engagement strategy. Towards this end, concerted efforts will be made to ensure that sufficient awareness is created with regards to the Bank's operations, activities and products.

4.9 ICT and Business Innovation

A managed printing solution was implemented, which enabled the Bank to control the printing environment in order to save costs. The Bank also renegotiated the SAP support and maintenance agreement to take account of current needs. The SAP system was re-configured to accommodate new products such as debt take-over (from commercial banks) and no-collateral loans. In addition, Information and Communication Technology (ICT) policies were updated to keep abreast of industry developments whilst responding to the Bank's ever-changing operational requirements. Planning for a Bank-wide business process re-engineering (BPR) initiative was concluded during the review period, with implementation planned in the new financial year.

During FY 2017/18, the Bank will enhance its Management Information Systems for effective business intelligence. Other planned initiatives include the implementation of the BPR and Systems Integration project. Operationally, ICT capabilities will be enhanced to effectively monitor internet usage, printing, network usage and uptime, and general systems uptime.

4.10 Research and Product Development

The Research and Product Development Division (R&D) completed a number of initiatives outlined in the Strategic Plan for the 2016/17 financial year which included the cost-benefit analysis for the integration of FSP into the Bank's operations, the development of the Climate Resilient Strategy and a comprehensive review of the Bank's loan products portfolio and pricing strategies. The outputs of all three initiatives have been approved by the Board for implementation. As focus for FY 2017/18, the R&D Division is committed to full implementation of the Climate Resilient Strategy, establishing the feasibility of expanding the Bank's branch footprint, investigating new market opportunities in agriculture and agro-related activities, and enhancing business intelligence and customer insights to ensure informed decision-making, thereby improving service delivery and propelling innovation in the Bank.

4.11 Risk Management

The Bank has made significant progress in terms of the risk management function. Key highlights include the appointment of a Risk Officer, the roll-out of risk awareness sessions throughout the Bank, embedding risk management at strategic and functional levels and the identification of the Top 10 risks, as well as associated mitigation measures, at enterprise level. The Bank also developed Business Continuity Management and Enterprise Risk Management policies.

The Top 10 enterprise-level risks are:

- **Business Continuity Risk** - the risk of failure to continue the core operations/functions of the Bank due to planned/unplanned events.
- **Reputational Risk** - the risk of exposure to events/people that could have a negative impact on the Bank's reputation.
- **Information Technology Risk** - the risk that the Information Communication Technology (ICT) infrastructure/platforms are not aligned to support the business strategy.
- **Funding Risk** - the risk that the Bank will not have adequate funds to advance loans and/or to cover operational costs.
- **Sustainability Risk** - the risk of exposure to increasing operational costs.

- **Recovery Risk** - the risk that the Bank will not effectively manage and collect loans in arrears and due installments on time.
- **Concentration Risk** – the risk resulting from over-lending to individuals, intermediaries and sectors in the industry, potentially causing losses to the Bank.
- **Corporate Governance Risk** - the risk that the Bank will fail to comprehensively embed Bank-wide risk management practices within its strategy, people, processes and systems; to ensure full compliance with laws, regulations and its own policies at all material times; and to have a robust and adequate system of internal controls.
- **Revenue Generation Risk** - the risk of failure to grow interest income due to low growth in the loan book as a result of declining sales; as well as failure to generate sufficient non-interest income revenue streams to support growth.
- **Human Resources Risk** - the risk that the Bank will fail to attract, retain and/or develop employees with adequate competencies, the right attitudes and potential for development and growth.

As intimated, robust mitigation strategies have been identified to ensure these risks are properly managed. The effectiveness of these mitigation measures is monitored at multiple organisational levels, namely the Executive Committee, the Board Committee responsible for risk management oversight and the Board itself.

In the new year, the Bank will set and monitor risk tolerance thresholds. Risk assessments will be conducted at departmental level and Business Continuity Plans will be implemented. In order to optimise efficiency, the Bank will acquire the ERM/Governance, Risk and Compliance (GRC) software.

4.12 Internal Audit

The Internal Audit Division achieved an audit completion rate of 91% on various significant risk-based and follow-up audits as per the approved Annual Audit Plan for the period under review. The Division also oversaw the achievement of a 90% successful completion rate for audit issues identified in a co-sourced audit assignment with an external audit service provider. The audit areas covered were:

- Human Resources Management
- ICT Systems (SAP and BPM)
- Loan Management Process, and
- Arrears Management

The division developed a three-year Strategic Audit Plan for the period 2017 to 2020, which was approved by the Board for implementation.

4.13 Legal Services

Key achievements for the Division during the reporting period include:

- Approval and implementation of the Arrears Collections Strategy, in conjunction with other role players within the Bank.
- Implementation of the FIA project before

handover to the new Compliance Division.

- Finalisation of 80% of all Human Resources related litigations, with the reference point being the number of issues at the beginning of the financial year.
- Developing the Legal Collections Policy and ensuring its approval by Board. Implementation of the policy will happen in the new financial year.

Going forward, the Division will focus on effective legal arrears collection, the reconstitution of the Bank's legal panel and its effective management to deliver on the Bank's legal needs; as well as continued reduction in open litigation cases in which the Bank is involved.

4.14 Outlook

During the 2016/17 financial year, the Bank faced a difficult operating environment, exacerbated by successive droughts in recent years and fiscal consolidation by Government. As a result, the economy is estimated to have grown by a mere 1.1% in 2016. Notwithstanding these challenges, the Bank demonstrated commendable resilience and achieved credible financial and operational results. The operating environment is set to remain challenging with economic growth forecast to increase by 2.1% in 2017 and 3.8% in 2018 (Bank of Namibia, Economic Outlook, July 2017). Political and economic uncertainties in our major trading partners remain risks to growth. On the positive side, the normal-to -above-normal rainfall received in most parts of the country during the 2016/17 rainy season, recovery in commodity prices and planned expansion in the mining sector, are expected to somewhat support growth.

Overall, we foresee another challenging two to three years ahead. Climatic conditions remain volatile and unpredictable, Government's fiscal consolidation efforts are likely to continue and economic growth will remain subdued. The Bank will have to become more operationally efficient and resilient. We are optimistic that, with all the organisational changes underway, the Bank will emerge stronger.

4.15 Conclusion

We have laid solid foundations for the Bank in the past year. However, we need to do more for our customers, to ensure the Bank's financial sustainability, to become an employer of choice, to have best-of-breed governance practices and to contribute to the social and economic development of our country.

I am grateful to the Board for their guidance, to management for their support and to all employees for helping us deliver on our mandate. We should remain steadfast in our resolve to reposition the Bank to effectively fulfill its mandate and play its part in the economy.

Sakaria Nghikembua
CHIEF EXECUTIVE OFFICER

EXECUTIVE MANAGEMENT

Sakaria Nghikembua
Chief Executive Officer

Regan Mwazi
General Manager: Corporate Services

Ignatius Theodore
Chief Financial Officer

Shali Shindume
General Manager: Lending

Stephanie de Klerk
Manager: Legal Services

Benjamin Coetzee
Manager: Internal Audit

Evast Kalumbu
Corporate Governance Officer (Company Secretary)

Kenneth Kasata
Risk Officer

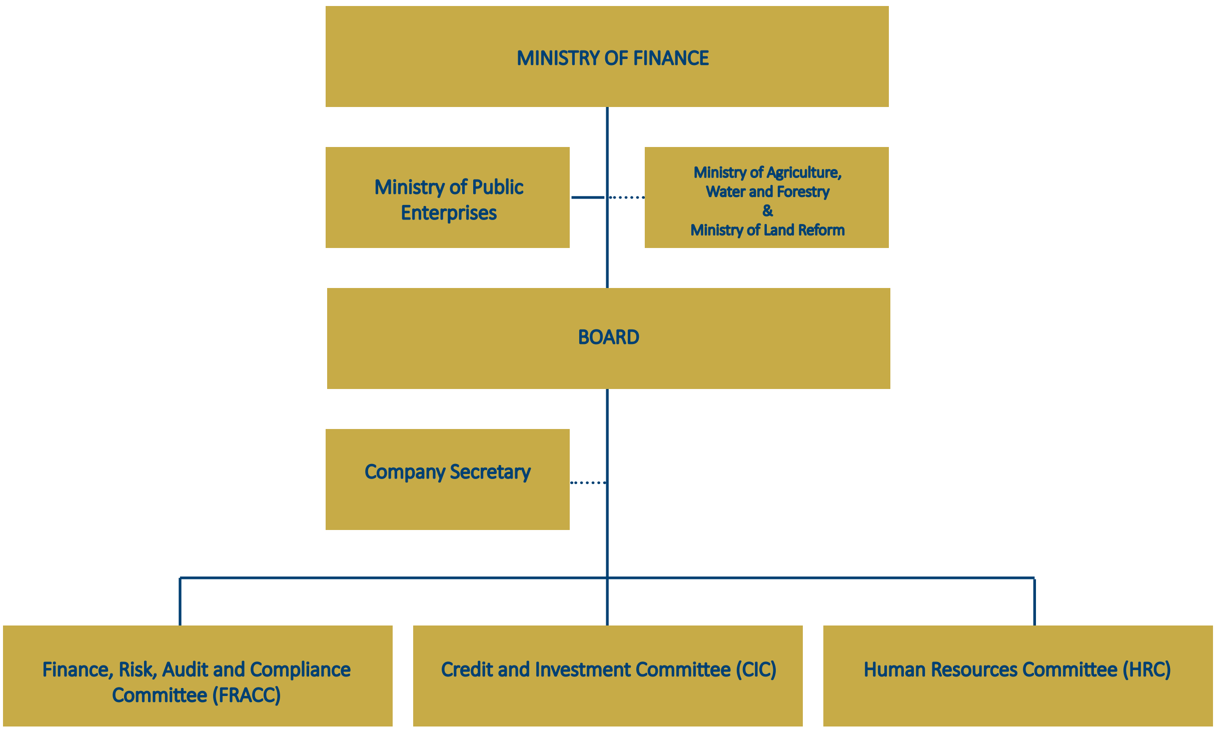
CORPORATE GOVERNANCE REPORT

6.1 Determining Strategic Direction

The Bank acknowledges that virtuous corporate governance is fundamental in the execution of its mandate. The Board and its sub-committees are responsible for strategically directing the Bank by ensuring timely decision-making and that actions and resolutions of the Board and its Committees are based on robust value-based discussions. The Board approves the Bank's strategy and exercises oversight over the implementation of that strategy.

6.2 Governance Framework and Board Structures

Graph 4: Governance Framework



6.2.1 Internal Governance Functions

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

- Internal Audit
- Risk Management, and
- Compliance

6.2.2 Internal Control Environment

Responsibility for the systems of operational and internal financial controls rests with the Board and has been delegated to the Finance, Risk, Audit and Compliance Committee (FRACC). The Bank's governance principles on ethical behaviour, legislative compliance and sound accounting practices lay the foundation for its internal control processes. Executive Management is accountable for determining the adequacy, extent and operation of control systems.

This system contributes to control over the Bank's activities, the efficiency of its operations and efficient use of its resources, whilst enabling it to adequately mitigate significant operational, financial or compliance risks. Therefore, the internal control system plays a key role in the conduct and monitoring of the Bank's activities. However, the Bank is aware that the internal control system cannot provide an absolute guarantee that its objectives will be met and that all the potential risks it may face will be controlled.

The Bank continued to target operational efficiencies during the 2016/17 financial year. Its success was measured through internal audit checks of all key operational areas. The review of existing policies, operations manuals, processes and procedures, where necessary, was carried out. Examples include the delegation of authority and cash-handling policies.

Overall, the state of the control environment in response to the management of high risks was found to be sound.

6.3 Board of Directors

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

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

The Board's main responsibilities are, inter alia:

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

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

6.3.1 Board Committees

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

Outlined hereafter are the three Committees, their oversight roles as well as their members:

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

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

- The Bank's systems of internal controls in the areas of finance and accounting;
- Procurement policies and adherence to these;
- The Bank's auditing, accounting and financial reporting processes;
- Internal and external auditor obligations;
- Bank-wide risk management – which includes consideration and investigation of strategic, financial and operational risks as identified by management, internal and external auditors; and,
- Compliance of the Bank to applicable laws, regulations and policies;
- Legal matters.

b) The Human Resources Committee (HRC)

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

- Establishment and review of an appropriate remuneration framework for Management in line with periodic market developments and the directives of the Ministry of Public Enterprises;
- Review of organisational and staff matters; and,
- Review and approval of annual salary increases.

c) The Credit and Investment Committee (CIC)

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

- Oversight over credit policy;
- Oversight over the development impact of the Bank;
- Review and approval of loans with a monetary value ranging between N$2.5 million and N$15 million;
- Review and recommendation, to the Board for approval, of loans with a monetary value in excess of N$15 million;
- Oversight over investment decisions of the Bank;
- Oversight over the assets and liability management function of the Bank.

6.3.2 Board and Committee Attendance

The following table reflects the attendance of Board and Committee meetings during the review period.

Table 10: Board Attendance

Name of Director	Board	Meetings Attended	Finance, Risk, Audit and Compliance Committee	Meetings Attended	Credit and Investments Committee	Meetings Attended	Human Resources Committee	Meetings Attended
Terttu Uuyuni	Chairperson	4/4	Member	4/5	-	-	-	-
Michael Iyambo	Deputy Chairperson	4/4	-	-	Member	9/9	Member	3/3
Michael Humavindu	Member	3/4	Member	2/5	Chairperson	9/9	-	-
Oiva Mahina	Member	4/4	-	-	Member	9/9	Chairperson	3/3
Dagmar Honsbein	Member	4/4	Chairperson	5/5	-	-	Member	2/3

6.3.3 Board Training and Development

The Board and Executive Committee members attended a two-day Corporate Governance training workshop under the Director Skills Development Programme, facilitated by the Southern African Development Community Development Finance Resource Centre (SADC-DFRC) in March 2017. The training was held at the Bank's head office in Windhoek.

Table 11: Board Fees

	2017	2016	Variance	% Variance
Retainer fees	459,070.92	406,714.26	-52,356.66	12.87%
Sitting Allowance	290,175.69	251,137.11	-47,038.58	19.35%
Total	**749,246.61**	**657,851.37**	**-99,395.24**	**15.30%**

Table 12: Board Fees per Director for the period: April 2016 - March 2017

Board Member	Retainer Fees	Sitting Fees
Terttu Uuyuni	100,669.92	63, 312.32
Oiva Mahina	123,873.00	78,104.49
Michael Iyambo	110,665.00	66,685.74
Dagmar Honsbein	123,873.00	82,073.14
*Dr Michael Humavindu	N/A	N/A
Total	**459,070.92**	**290,175.69**

***Dr Humavindu is a civil servant and does not qualify for Board fees**

6.3.4 Company Secretary

The role of the Company Secretary is to ensure the Board remains cognisant of its duties. In addition to guiding the Board on discharging its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary also oversees the induction of new directors, as well as the on-going education of directors. To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, stakeholder communication and other developments which may affect the Bank and its operations. All directors have access to the services of the Company Secretary.

6.4 Communication with the Shareholder

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

- The Bank's Annual Report. This should be prepared and submitted timeously to the shareholder in line with statutory reporting requirements;
- Regular briefings with the shareholder on matters affecting the Bank; and,

- The annual general meeting at which the shareholder is informed about:
  - o The strategy of the Bank;
  - o The performance of the Bank, and;
  - o Any significant matters.

6.5 Compliance

6.5.1 Code of Ethics

The Bank operates on the basis of a sound culture of entrenched values that are reflected in the approved Code of Ethics. To ensure that these ethics are adhered to, all employees are made aware of the Code of Ethics during their induction.

6.5.2 Conflict of Interest

In order for the Bank to guard against conflict of interest, the Company Secretary maintains a register of Directors' and employees' interests. In addition, the Directors and Executive Management are required to declare all interests at the meetings they attend, which is recorded in writing, as required by legislation. At no time during the reporting period were any contracts of significance relative to the Bank's business entered into with either a Director of the Bank, or any member of the Executive Committee or any entities in which any Director or Executive of the Bank has an interest.

ANNUAL FINANCIAL STATEMENTS

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

CONTENTS

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

7.1 Introduction

The accounts of the Agricultural Bank of Namibia for the financial year ended 31 March 2017 are being reported on in accordance with the provisions set out in the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003).

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

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Agricultural Bank of Namibia for the financial year ended 31 March 2017. These financial statements comprise the following statements submitted for the year then ended:

- Value Added Statement
- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Annual Financial Statements

The accounts were submitted on time by the Accounting Officer to the Auditor-General on 1 June 2017, in terms of Section 26 (1) of the State–Owned Enterprises Governance Act, 2006.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached and are on pages 45 to 81.

7.2 Management's Responsibility for the Financial Statements

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

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE AGRICULTURAL BANK OF NAMIBIA FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

7.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards on Auditing. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and Duties

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

a. All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
b. All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and,
c. The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

7.4 Acknowledgment

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

7.5 Key Audit Findings

7.5.1 Provision for Bad Debts

During the financial year under review, the Bank adopted the Determination on Asset Classification, Suspension of Interest and Provisioning (BID-2) for the purpose of computing the provision for bad debts. With 78% of the loans being graded in the sub-standard, doubtful and loss categories, the application of collateral values in calculating the provision is critical. However, the accuracy and completeness of the collateral values recorded on SAP is doubtful. This is attributable to inadequate controls (monitoring, supervision and review) over the capturing of the collateral values on SAP's collateral module as evidenced by the following:

- At 31 March 2017, 1 100 loan accounts with a total book value of N$483 713 000 did not have their collateral values captured on the system. This was partially corrected off SAP system for audit purposes but collateral values for loans with a book value of N$36 826 000 remained unrecorded.
- Based on a sample of 70 loan accounts tested (out of 8 400 accounts), the error rate was 20% which is too high for placing reliance on the SAP's collateral data given the other weaknesses noted.
- No collateral values were allocated to the ring-fenced accounts that were created on implementation of the drought relief scheme.
- There was no evidence (documentation) provided to demonstrate quality control checks on collateral that was exported into the SAP on initial implementation of the module.
- There is no clear plan of action for capturing the collateral - detailing timing of the project, supervision and monitoring processes, as well as quality control checks. Though the process has been on-going since 2013, the collateral values of some loan accounts granted prior to 2013 are still not captured.

Recommendations

- The capturing of securities on the SAP's collateral module should be speeded up. To facilitate this, a clear plan of action should be put in place and implemented accordingly.
- The Bank should also consider fully adopting BID-2 as this will enable it to benchmark its loan performance against similar institution/s in Namibia.
- The internal audit department should include the audit of securities in its audit plan.

Management Comments

- A comprehensive analysis of the gaps in collateral securities data will be performed; and an action plan will be developed and implemented during FY 2017/18 to sustainably address this weakness.
- The rest of the recommendations are noted and will be accorded due consideration for implementation.

7.5.2 Credit Control

- The credit quality has been worsening on an annual basis as evidenced by the fact that the loans in arrears increased by 18% from N$465 918 000 in 2016 to N$549 528 000 in 2017 which is a reflection of the Bank's credit policy. During the same period, the loan book grew by 7% which is attributable to growth in arrears and new loans disbursed. The decision by the Bank to engage debt collectors to assist with the collection of arrears with effect from February 2017 is highly commendable. The effect of these efforts will however be felt in the 2018 financial year.
- For most new loans, there is no alignment of the loan repayment cycle to the project's cash flow cycle, despite the principal source of the repayment being the funded project. The Bank allows a maximum grace period of 12 months for all loans except for affirmative action-related ones. The first installment is due 12 months from date of bond registration irrespective of the nature of the project being funded. For beginners (especially new farmers) and other projects of a long-term nature whose repayments are planned to come from the project's operating cash flows, the 12 months is too short since the revenue inflows may start after 12 months.
- As a result, clients fall into arrears on the first installment and some may never catch up with their scheduled installments.
- As at 31 March 2017, the Bank's loans were under-secured by a total amount of N$318 207 000 accounting for 12% of the loan book. This exposes the Bank to the risk of losses in the event of debtors defaulting on payments.

Recommendations

- The Bank should review the loan repayment grace periods and align these to the project's realistic cash flows.
- Registration of additional bonds and securities for loans that are under-secured is recommended.
- The Bank should consider registering bonds above the approved loan amounts.

Management Comments

- Loan grace periods will be reviewed during FY 2017/18 and repayments will be aligned to project cash-flows.
- For all collaterised loans, the Bank will ensure that full collateral to cover each loan is maintained.
- However, financial inclusion requires the Bank to advance non-collaterised loans to certain categories of clients. This aspect will be factored into provisions on advances made.

7.5.3 Suspension of Interest Charges on Non-Performing Loans

There is no prompt identification and communication of non-performing loans resulting in continued interest accruals on the same accounts.

Recommendation

Interest charges should be promptly suspended once the non-performing loans have been identified and there should be clear procedures for prompt identification and communication of such loans.

Management Comments

- The recommendation is fully accepted and corrective steps will be implemented during FY 2017/18.

7.6 Basis For Qualified Audit Opinion

During the financial year under review, the Bank adopted BID-2 for the purpose of computing the provision for bad debts. With 78% of the Bank's loans being graded in the sub-standard, doubtful and loss categories, the application of collateral values in calculating the provision is critical. However, there was no adequate system of internal control over the capturing of collateral values on SAP's collateral module on which we could rely. Consequently, we were not able to satisfy ourselves with the completeness and accuracy of the recorded collateral values as well as the reported provision for bad debts and surplus for the year.

7.7 Qualified Audit Opinion

The financial statements of the Agricultural Bank of Namibia for the financial year ended 31 March 2017 have been audited in accordance with the provisions of Section 25(1)(b) of the State Finance Act, 1991, read with the provisions of Section 20(2) of the Agricultural Bank of Namibia Act, 2003 (Act 5 of 2003).

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements fairly present, in all material respects, the financial position of the Agricultural Bank of Namibia as at 31 March 2017 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 2017

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

AGRICULTURAL BANK OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Contents:

Approval

The Annual Financial Statements, set out on pages 48 to 83, have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

Sakaria Nghikembua
Chief Executive Officer

Ignatius Theodore
Chief Financial Officer

The Annual Financial Statements, set out on pages 9 to 45, have been approved by the Board of the Agricultural Bank of Namibia and are signed on its behalf by:

Terttu Uuyuni
Chairperson of the Board

Dagmar Honsbein
Chairperson of the Board Finance, Risk, Audit & Compliance Committee

Statutory Information

DIRECTORS:

The composition of the Board of Directors is as follows:

CHAIRPERSON OF THE BOARD:

Terttu Uuyuni	Re-appointed 1 July 2015

NON-EXECUTIVE DIRECTORS

Oiva Mahina	Re-appointed 1 July 2015
Dagmar Honsbein	Appointed 1 July 2015
Michael Iyambo	Appointed 1 July 2015
Dr Michael Humavindu	Appointed 1 July 2015

REGISTERED OFFICE

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

AGRICULTURAL BANK OF NAMIBIA
VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016	
		N$ '000	N$ '000	
Value added:				
Value added is the wealth created by the Agricultural Bank of Namibia through the provision of loans to clients.				
Interest and non-interest income		199 057	187 917	
Decrease in provision for bad debts		76 248	-	
Interest paid and other expenditure		(60 323)	(113 816)	
		214 982	**74 101**	
Distribution of wealth created by the bank				
	Proportion			**Proportion**
Employee compensation				
- Salaries, wages and other benefits	27%	58 018	51 030	69%
Government				
- Taxation	7%	14 893	13 099	18%
Retention for expansion of growth	66%	142 071	9 972	13%
- Retained income		138 304	7 497	
- Depreciation and amortisation		3 767	2 475	
	100%	**214 982**	**74 101**	**100%**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	2017	2016	2015
ASSETS		**N$ '000**	**N$ '000**	**N$ '000**
Non-current assets				
Long-term portion of advances	4	1 573 399	1 437 771	1 266 925
Property, plant and equipment	6	114 843	93 103	93 344
Investment properties	7	45 280	45 895	45 895
Intangible assets	8	359	77	-
		1 733 881	**1 576 846**	**1 406 164**
Current assets				
Inventory	10	861	486	398
Cash and cash equivalents	3	197 561	374 153	378 997
Short-term portion of advances	4	208 158	165 163	218 110
Loan repayment in arrears	4	548 528	465 918	438 811
Other receivables	5	1 597	1 664	1 258
		956 705	1 007 384	1 037 574
Total assets		**2 690 586**	**2 584 230**	**2 443 738**
CAPITAL, RESERVES AND LIABILITIES				
Capital and reserves				
Capital	18	1 408 031	1 408 031	1 256 831
Reserves	17	786 537	648 232	640 735
Funds and grants	16	85 154	85 154	86 393
		2 279 722	**2 141 417**	**1 983 959**
Non-current liabilities				
Deferred income	14	59 026	69 241	79 676
Loan Guarantee Fund	11	110 433	98 482	92 295
Long-term portion of borrowings	12	104 983	107 833	110 442
Post-retirement employee benefits	15.2	29 440	26 238	23 720
		303 882	**301 794**	**306 133**
Current liabilities				
Creditors and provisions	13	8 055	18 521	13 651
Current portion of long-term borrowings	12	2 850	2 609	2 388
Special Purpose Funds	9	96 077	119 889	137 607
		106 982	141 019	153 646
Total liabilities		**410 864**	**442 813**	**459 779**
Total capital, reserves and liabilities		**2 690 586**	**2 584 230**	**2 443 738**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

INCOME	Notes	2017 N$ '000	2016 N$ '000
Interest income on advances	19.1	167 512	157 385
Interest expense	19.2	(17 442)	(15 719)
Net interest income before provision for impairment on advances		**150 070**	**141 666**
Bad debts and movement in provision for losses on advances	4	76 249	(56 463)
Impairment loss on cash and cash equivalent	3	(12 701)	-
Net income from lending activities		**213 618**	**85 203**
Interest income on banks and fixed deposits	19.1	18 879	16 050
Other operating income	19.3	12 667	14 483
Total income		**245 164**	**115 736**
General administrative expenses	19.4	(121 434)	(109 111)
Surplus for the year		**123 730**	**6 625**
Other comprehensive income			
Surplus on revaluation of land and buildings		12 724	-
Actuarial gain		1 851	872
Surplus for the year		**138 305**	**7 497**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Capital	Reserves	Funds and Grants	TOTAL
	N$ '000	N$ '000	N$ '000	N$ '000
Balance as at 1 April 2015	**1 256 831**	**640 735**	**86 393**	**1 983 959**
Surplus for the year	-	6 625	-	6 625
Government contribution	151 200	-	-	151 200
Write-off of loans under the Tractor Loan Scheme	-	-	(1 239)	(1 239)
Other comprehensive income	-	872	-	872
Balance as at 31 March 2016	**1 408 031**	**648 232**	**85 154**	**2 141 417**
Surplus for the year	-	123 730	-	123 730
Revaluation of land and buildings	-	12 724	-	12 724
Other comprehensive income	-	1 851	-	1 851
Balance as at 31 March 2017	**1 408 031**	**786 537**	**85 154**	**2 279 722**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 N$ '000	2016 N$ '000
Cash flows from operating activities	1	**(139 861)**	**(128 140)**
Cash received from customers	2	199 058	187 918
Cash paid to financiers	3	(17 442)	(15 719)
Cash paid to employees and suppliers		(49 845)	(159 797)
Cash movement in operating liabilities/assets	4	(10 399)	4 464
Cash movement in advances	5	(261 233)	(145 006)
Cash flows from investing activities		**(12 046)**	**(2 311)**
Proceeds on disposal of property, plant and equipment		955	-
Acquisition of property and equipment		(12 434)	(2 225)
Acquisition of intangible assets		(567)	(86)
Cash flows from financing activities		**(24 685)**	**125 607**
Movement in funds and capital-Government grants received		-	149 961
Movement in Special Purpose Funds		(23 812)	(17 718)
Movement in Loan Guarantee Fund		11 951	6 187
Decrease in deferred income		(10 215)	(10 435)
Movement in long-term borrowings		(2 609)	(2 388)
Net increase in cash and cash equivalents		**(176 592)**	**(4 844)**
Cash and cash equivalents at the beginning of the year		374 153	378 997
Cash and cash equivalents at the end of the year		**197 561**	**374 153**

AGRICULTURAL BANK OF NAMIBIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)
NOTES TO THE STATEMENT OF CASH FLOWS

		2017 N$ '000	2016 N$ '000
1.	**Reconciliation of surplus for the year to cash flow from operating activities**		
	Surplus for the year	138 305	7 497
	Adjusted for non-cash items:		
	Revaluation surplus on land and buildings	(12 724)	-
	Depreciation on property, plant and equipment	3 484	2 466
	Amortisation of intangible assets	285	9
	Profit on disposal of property, plant and equipment	(955)	-
	Revaluation loss on investment properties	615	-
	Post-retirement benefits	3 202	2 518
	Movement in creditors	(10 466)	4 870
	Movement in inventories	(375)	(88)
	Movement in trade receivables	67	(406)
	Movement in advances	(261 233)	(145 006)
	Other	(66)	-
	Cash flows from operating activities	**(139 861)**	**(128 140)**
2.	**Cash received from customers**		
	Interest received on advances	167 512	157 385
	Interest received on banks and fixed deposits	18 879	16 050
	Other income received	12 667	14 483
		199 058	**187 918**
3.	**Cash paid to financiers/loan providers**		
	Interest paid	**17 442**	**15 719**
4.	**Cash movement in operating liabilities/assets**		
	Other receivables	67	(406)
	Creditors and provision	(10 466)	4 870
		(10 399)	**4 464**
5.	**Cash movement in advances**		
	Movement in advances	(179 533)	(174 489)
	Movement in provision for credit losses	(81 700)	29 483
		(261 233)	**(145 006)**

1. ACCOUNTING POLICIES

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

1.1 Basis of Presentation

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards. The Annual Financial Statements are prepared on the historical cost basis except for the measurement of certain financial assets and liabilities at fair value as well as revaluation of land and buildings. They are presented in Namibia dollar.

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

1.2 Significant Judgments

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

- Advances, loans and receivables

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

- Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date.

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

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

- Impairment testing

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

- Provisions

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

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

1.3 Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Owner-occupied properties are carried at revaluation, determined by valuations by external independent professional valuators, less provision for impairment.

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

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

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

All property, plant and equipment, other than land and owner-occupied properties, are depreciated on the straight-line basis over their expected economic lives. The rates used to depreciate assets are as follows:

Motor vehicles	-	5 years
Furniture and fittings	-	5 years
Computer and office equipment	-	4 years
Leasehold assets	-	5 years

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

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

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

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

1.4 Leased Assets

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

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

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

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

1.5 Doubtful Advances and Provision for Impairment

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

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

1.6 Properties in Possession

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

1.7 Intangible Assets

Computer software development cost

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

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

1.8 Provisions

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

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

1.9 Employee Benefits

1.9.1 Short-term employee benefits

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

1.9.2 Defined contribution plans

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

1.9.3 Defined benefit plans

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

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

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

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

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

1.10 Financial Instruments

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

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

Impairment of financial assets

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

Impairment losses are recognised in profit or loss.

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

Trade and other payables

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

Cash and cash equivalents

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

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Bank's accounting policy for borrowing costs.

1.11 Revenue Recognition

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

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

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

1.12 Interest Expenses Recognition

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

1.13 Reserve Fund

The net surplus, after certain special provisions have been made, is credited to the Reserve Fund and applied to make good any loss or deficit which may occur in any transaction of the bank.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.14 Contingencies and Commitments

Transactions are classified as contingencies where the Bank's obligations depend on uncertain future events.

Items are classified as commitments where the Bank commits itself to future transactions or if the items will result in the acquisition of assets.

1.15 Government Grants

Government grants are recognised when there is reasonable assurance that:

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

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

Government grants related to income are presented as a credit in the profit or loss.

Where a loan is received from the Government at below-market interest or at no interest rate, the difference between the fair value of the loan and the amount received is recognised as a Government grant.

1.16 Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1.17 Inventory

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

The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2. Correction of a Prior Period Error

In prior years, the Bank had not been accounting for the Loan Guarantee Fund in terms of the existing agreement originally signed in 1996, which only became available to Management during the year under review. The correction has been applied retrospectively in accordance with IAS 8. The effect of the restatement of the prior period financial statements is reflected below.

	Notes	2017 N$ '000	2016 N$ '000
Impact on total comprehensive income for the year			
Increase/(decrease) in surplus for the year		153	(2 432)

Impact on liabilities and equity as at 1 April 2015

	As at 01/04/2015 As previously reported N$'000	Reclassification N$'000	Correction of a prior period error N$'000	As at 01/04/2015 restated N$'000
Loan Guarantee Fund	80 234	4 210	7 851	92 295
Other payables	10 655	(4 210)	-	6 445
	90 889	-	**7 851**	**98 740**
Impact on equity				
Retained income	**648 586**	-	**(7 851)**	**640 735**

Impact on liabilities and equity as at 31 March 2016

	As at 31/03/2016 As previously reported	Reclassification	Correction of a prior period error	As at 31/03/2016 restated
Impact on liabilities	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Loan Guarantee Fund	85 234	5 551	7 697	98 482
Other payables	13 188	(5 551)	-	7 637
	98 422	-	**7 697**	**106 119**
Impact on equity				
Retained income	**655 929**	-	**(7 697)**	**648 232**

	2017 N$ '000	2016 N$ '000
3. CASH AND CASH EQUIVALENTS		
Cash on hand	32	32
Bank balances	12 582	88 576
Notice deposits	197 648	285 545
	210 262	**374 153**
Provision for impairment	(12 701)	-
	197 561	**374 153**

Included in the cash and cash equivalents is N$25 402 000 invested with SME Bank which was put on provisional liquidation on 11 July 2017. The estimated irrecoverable portion was provided for.

	2017 N$ '000	2016 N$ '000
4. ADVANCES		
Total advances	**2 614 208**	**2 434 675**
Provision for credit losses on advances		
Opening balance	365 823	336 340
Current provision:		
- Interest suspended	459	1 690
- Provision for doubtful debts	(76 249)	56 463
- Amounts written off	(5 910)	(28 670)
TOTAL PROVISION	284 123	365 823
Total advances after provision	2 330 085	2 068 852
LESS: - SHORT-TERM PORTION OF ADVANCES	(208 158)	(165 163)
- ARREARS	(548 528)	(465 918)
LONG-TERM PORTION OF ADVANCES	**1 573 399**	**1 437 771**
5. OTHER RECEIVABLES		
Accounts receivable and prepayments	1 597	1 664
	1 597	**1 664**

6. PROPERTY, PLANT & EQUIPMENT

31 March 2017	Leasehold	Buildings	Land and Fittings	Furniture and Computers	Equipment	Other Vehicles	Motor Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value:							
Beginning of the year	-	87 751	2 357	2 474	490	31	93 103
Cost/valuation	383	87 751	7 169	5 890	1 603	4 156	106 952
Accumulated depreciation	(383)	-	(4 812)	(3 416)	(1 113)	(4 125)	(13 849)
Movement during the year:	-						
Additions	-	1 631	4 126	481	105	6 091	12 434
Revaluation	-	12 690	-	-	-	-	12 690
Depreciation	-	-	(1 580)	(883)	(313)	(708)	(3 484)
Disposals		-					
- Cost	-	-	-	(718)	-	(4 156)	(4 874)
- Accumulated depreciation	-	-	45	819	(46)	4 156	4 974
End of the year	-	**102 072**	**4 948**	**2 173**	**236**	**5 414**	**114 843**
Cost/valuation	383	102 072	11 295	5 653	1 708	6 091	127 202
Accumulated depreciation	(383)	-	(6 347)	(3 480)	(1 472)	(677)	12 359

6. PROPERTY, PLANT & EQUIPMENT (continued)

31 March 2017	Leasehold	Land and Buildings	Furniture and Fittings	Computers	Other Equipment	Motor Vehicles	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Carrying value:							
Beginning of the year	**1**	**87 751**	**3 580**	**1 337**	**607**	**68**	**93 344**
Cost/valuation	383	87 751	7 061	3 953	1 423	4 156	104 727
Accumulated depreciation	(382)	-	(3 481)	(2 616)	(816)	(4 088)	(11 383)
Movement during the year:	**(1)**	-	**(1 223)**	**1 137**	**(117)**	**(37)**	**(241)**
Additions	-	-	108	1 937	180	-	2 225
Depreciation	(1)	-	(1 331)	(800)	(297)	(37)	(2 466)
End of the year	**-**	**87 751**	**2 357**	**2 474**	**490**	**31**	**93 103**
Cost/valuation	383	87 751	7 169	5 890	1 603	4 156	106 952
Accumulated depreciation	(383)	-	(4 812)	(3 416)	(1 113)	(4 125)	(13 849)

	2017 N$ '000	2016 N$ '000
6.1 PROPERTY PLANT AND EQUIPMENT		

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

	2017 N$ '000	2016 N$ '000
Erf 5479, Windhoek	88 565	78 860
Additions - Erf 5479, Windhoek	-	424
Erf 995, Otjiwarongo	4 650	3 160
Erf 870 and 871, Mariental	170	170
Erf 1235, Rundu	5 580	3 323
Erf 1591, Oshakati	1 814	1 814
Unit 4, Romemoer, Otjiwarongo	1 293	-
	102 072	**87 751**

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

7. INVESTMENT PROPERTIES

Description	2017 N$ '000	2016 N$ '000
Portion 38 of Farm Okatjirute No 155 (*)	34 265	34 880
Extension of Farm Okatjirute 155	4 900	4 900
Erf Portion 18, Witvlei	780	780
Erf Portion 34, Witvlei	3 200	3 200
Erf Portion 117, Witvlei	320	320
Erf Portion 203, Witvlei	835	835
Erf Portion 204, Witvlei	650	650
Erf Portion 292, Witvlei	330	330
	45 280	**45 895**

The investment properties consist of farmland with improvements measuring 11,9335 hectares, situated in the Omaheke Region. The fair value was determined by an independent sworn appraiser on 28 November 2016.

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

		2017 N$ '000	2016 N$ '000
7.	**INVESTMENT PROPERTIES (Continued)**		
	Reconciliation		
	Opening balance	45 895	45 895
	Revaluation loss	(615)	-
		45 280	**45 895**
8.	**INTANGIBLE ASSETS**		
	Software development costs		
	Opening carrying amount	**77**	-
	Cost	28 113	28 027
	Accumulated amortisation	(28 036)	(28 027)
	Amortisation	(285)	(9)
	Additions	567	86
	Closing carrying amount	**359**	**77**
	Cost	28 680	28 113
	Accumulated amortisation	(28 321)	(28 036)
9.	**SPECIAL PURPOSE FUNDS**		
	Ministry of Lands and Resettlement (Post-resettlement)	71 480	69 055
	Staff savings scheme	371	304
	Government Ministries, Agricultural Boards and Unions	21 457	18 747
	Drought Relief Scheme Fund	2 769	31 783
		96 077	**119 889**

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

10.	**INVENTORY**		
	Consumables	861	486

	2017 N$ '000	2016 N$ '000
11. LOAN GUARANTEE FUND		
Government scheme for drought relief	20 731	20 731
Post-settlement support to resettled farmers	89 702	77 751
	110 433	**98 482**

The Loan Guarantee Fund attracts interest at the rate equivalent to the average rate of inflation for each respective year (7% and 3.93% for 2017 and 2016 financial years respectively).

12. LONG-TERM BORROWINGS

Loan - Government of the Republic of Namibia

The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank. The total amount settled was N$218 139 076. The loan attracts interest at 2% per annum and repayable over 21 years as follows: 21 equal annual installments of N$12 823 255.

	2017 N$ '000	2016 N$ '000
The balance disclosed represents the fair value of the loan as at 31 March 2017.	107 833	110 442
Less: Current portion shown under current liabilities	(2 850)	(2 609)
	104 983	**107 833**

13. CREDITORS AND PROVISIONS

	2017 N$ '000	2016 N$ '000
Leave pay provision	3 298	2 466
Grants and bursaries	110	110
Creditors	4 647	15 945
	8 055	**18 521**

	2017 N$ '000	2016 N$ '000
14. DEFERRED INCOME		
Deferred income	**59 026**	**69 241**
Reconciliation of deferred income		
Opening balance	69 241	79 676
Amortised to the statement of comprehensive income	(10 215)	(10 435)
	59 026	**69 241**

The deferred income arose from the Government loan (referred to in note 11) attracting interest at 2% per annum, which is below market rates. Interest-free loans and loans at below market interest rates are recognised as a form of government assistance. The benefit is the difference between the initial carrying amount of the loan, discounted at similar loan rates, and the actual proceeds received from the government. The interest rate used is 9.25% per annum.

15. EMPLOYEE BENEFITS

15.1 Pension scheme

The majority of the employees are members of the Agricultural Bank of Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The Fund is governed by the Pension Funds Act of 1956.

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

	2017	2016
Bank contribution	5 195	4 457
Employee contribution	2 273	1 949
	7 468	**6 406**

15.2 Post-retirement employee benefits

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

	2017 N$ '000	2016 N$ '000
Present value of medical benefit obligation	29 004	25 810
Present value of severance benefit obligation	436	428
	29 440	**26 238**

15.2.1 Medical benefit obligation

The Bank contributes to the medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of members is valued annually.

The latest actuarial valuation for the post-retirement medical benefit was carried out in April 2017. The valuation method used was the projected unit credit method. The estimated liability as at 31 March 2017 was N$29 004 000 (2016: N$25 810 000).

	2017 N$'000	2016 N$'000
Present value of unfunded obligation	**29 004**	**25 810**
Reconciliation showing the movement of the present value of unfunded obligation:		
Balance at the beginning of the year	25 810	23 334
Current service costs	1 998	1 763
Interest expense	2 965	1 556
Re-measurements gains		
Actuarial gain	(1 211)	(464)
Benefits paid	(558)	(379)
	29 004	**25 810**
The principal assumptions used were:		
Discount rate	10.72%	11.16%
Healthcare cost inflation	9.5%	10.18%
Average retirement age (in years)	60	60

		2017 N$ '000	2016 N$ '000
15.2.1	**Medical benefit obligation (continued)**		
	Amounts recognised in the statement of comprehensive income are as follows:		
	Current service cost	2 965	1 556
	Interest cost	1 998	1 763
	Components of the defined benefit costs recognised in profit or loss	4 963	3 319
	Remeasurement of the defined benefit obligation		
	Actuarial gain	(1 769)	(843)
	Components of defined benefit (income)/costs recognised in other comprehensive income	(1 769)	(843)
	Total	**3 194**	**2 476**
15.2.2	**Severance benefit obligation**		
	The latest actuarial valuation for the severance benefit obligation was:		
	Present value of unfunded obligation	**436**	**428**
	Reconciliation showing the movement of liability reflected on the statement of financial position:		
	Balance at the beginning of the year	428	386
	Current service costs	48	42
	Interest expense	42	29
	Remeasurements		
	Actuarial (loss)/gain	(82)	(29)
		436	**428**

		2017 N$ '000	2016 N$ '000
16.	**FUNDS AND GRANTS**		
	European Fund Account	11 528	11 528
	Government	36 102	36 102
	Agribank - NACP contribution	34 561	34 561
	Government Tractor Scheme (*)	2 963	2 963
		85 154	**85 154**

(*) - Tractors and implements were transferred to the Bank from Government for sale and on-lending to communal farmers during the years 2000 and 2002. The Bank administered the scheme on behalf of Government and any proceeds out of the scheme will be repayable to Government.

		2017 N$ '000	2016 N$ '000
17.	**RESERVES**		
	Reserve	**786 537**	**648 232**
	Reconciliation of reserves		
	Balance at the beginning of the year	648 232	640 735
	Surplus for the year	123 730	6 625
	Revaluation of land and buildings	12 724	-
	Actuarial gain	1 851	872
	Balance at the end of the year	**786 537**	**648 232**
18.	**CAPITAL FUND**		
	Government contributions	**1 408 031**	**1 408 031**
	Reconciliation of Capital Fund		
	Opening balance	1 408 031	1 256 831
	Contribution during the year	-	151 200
		1 408 031	**1 408 031**

		2017	2016
		N$ '000	N$ '000
19.1	**INCOME AND EXPENDITURE**		
	Interest income		
	Advances granted	167 512	157 385
	Bank and money market investments	18 879	16 050
		186 391	**173 435**
19.2	**Interest expenses**		
	Government loan	10 215	10 435
	Fund accounts and borrowings	7 227	5 284
		17 442	**15 719**
19.3	**Other operating income**		
	Rent received	337	279
	Government grant released	10 215	10 435
	Other income	2 115	3 769
		12 667	**14 483**

		2017	2016
		N$ '000	N$ '000
19.4	**General administrative expenses**		
	Auditor's remuneration		
	Auditor's remuneration	184	311
	Depreciation and amortisation	**3 769**	**2 475**
	Property, plant and equipment	3 484	2 466
	Intangible assets	285	9
	Directors' fees	749	658
	Insurance	202	364
	Marketing	5 048	5 895
	Maintenance of property and equipment	738	583
	Professional fees	7 431	6 505
	Rent paid	1 392	1 142
	Staff cost	**72 911**	**64 614**
	Salaries	29 147	28 106
	Fringe benefits	42 607	35 365
	Training	1 157	1 143
	Other expenses	**29 010**	**26 564**
	Bank charges	354	326
	Legal fees	842	834
	Security cost	768	674
	Printing & stationery	655	586
	Computer expenses	6 983	4 920
	VAT apportionment expenses	4 138	2 937
	Municipal costs	1 051	2 988
	Travel	2 496	2 547
	Vehicle costs	660	617
	Telephone	1 336	1 203
	General expenses	3 728	3 472
	Farmers' Support Project expenses	5 999	5 460
		121 434	**109 111**

	2017 N$ '000	2016 N$ '000
20. COMMITMENTS		
Authorised capital expenditure		
Authorised	**11 385**	**55 729**

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

21. CONTINGENCIES

21.1 Retrenched employees vs Agribank

Three former employees who were retrenched are suing the Bank challenging their retrenchment. The Bank settled the matter with one of the three employees and successfully defended the action in respect of the remaining two employees who appealed the matter to the Labour Court. The potential liability to the Bank is yet to be determined.

21.2 Agribank vs a third party

During the prior financial year, the Supreme Court ruled in favour of a third party to exercise its option to purchase an abattoir at a price of N$15 million and settlement of arrear rentals of N$3 million. The parties signed a sale agreement on 5 June 2015 which lapsed on 26 June 2015 but the third party remained in possession of the property. Following the cancellation of the sale agreement on 7 July 2015, there is no valid agreement in terms of which the third party is in possession of the property, therefore the Bank will institute eviction proceedings in the High Court. The Board met on 27 July 2017 and resolved that the asset will be disposed in compliance with the provisions of the Public Procurement Act No 15 of 2015. The further intention of the third party is not known.

21.3 Agribank vs a third party involved in ostrich products

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

21.4 Third party vs Agribank

The Bank is a party to an arbitration case in which the third party is claiming compensation for unfair labour practice. The matter is in the hands of the Labour Commissioner who is yet to make a ruling and the potential liability to the bank is N$2 million.

22. FINANCIAL RISK MANAGEMENT

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

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

22.1 Liquidity risk

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

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

The Bank manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequately utilised, and in addition, borrowing facilities are monitored.

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

2017

Financial Liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years
	N$'000	N$'000	N$'000
Other liabilities	98 927	157 014	87 842
Trade payables	8 055	-	-

2016

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

22.2 Cash flow and fair value interest rate risk

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

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

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

22. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments by classification

Assets as per statement of financial position

2017

Financial Assets	Interest rate	Loans and receivables	Fair value through profit & loss	TOTAL
	Fixed	N$'000	N$'000	N$'000
Advances	Floating	2 614 208	-	2 614 208
Bank balances	Non-interest-	197 529	-	197 529
Other current assets	bearing	1 597	-	1 597

2016

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

Liabilities as per statement of financial position

2017

Financial Liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		N$'000	N$'000	N$'000
Loan Guarantee Fund	Floating	110 433	-	110 433
Long-term borrowings	Fixed	107 833	-	107 833
Special purpose funds	Fixed and floating	96 077	-	96 077
Post-retirement benefits	Floating	29 440	-	29 440
Trade creditors	Non-interest-bearing	8 055	-	8 055

22. FINANCIAL RISK MANAGEMENT (continued)

Liabilities as per statement of financial position (continued)

2016

Financial Liabilities	Interest rate	Other financial liabilities at amortised cost	Fair value through profit & loss	TOTAL
		N$'000	N$'000	N$'000
Loan Guarantee Fund	Floating	98 482	-	198 482
Long-term borrowings	Fixed	110 442	-	110 442
Special purpose funds	Fixed and floating	119 889	-	119 889
Post-retirement benefits	Floating	26 238	-	26 238
Trade creditors	Non-interest-bearing	18 521	-	18 521

The tables above summarise the Bank's exposure to interest rate risks.

Cash-flow sensitivity analysis for interest-bearing instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/decreased profits by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis for 2016.

As at 31 March 2017

	100 basis points increase	100 basis points decrease
	N$'000	N$'000
Floating rate financial assets	197 529	1 975
Increase/(decrease) in profits	**197 529**	**1 975**

As at 31 March 2016

	100 basis points increase	100 basis points decrease
	N$'000	N$'000
Floating rate financial assets	374 121	3 741
Increase/(decrease) in profits	**374 121**	**3 741**

22. FINANCIAL RISK MANAGEMENT (continued)

22.3 Credit risk

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

Policy and responsibility

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

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

Approval process

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

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

Risk classification

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

22. FINANCIAL RISK MANAGEMENT (continued)

Credit exposure

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

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

Asset classes with credit risk exposure:

	2017 N$ '000	2016 N$ '000
Advances	2 614 208	2 434 675
Bank balances	197 529	374 121
Other receivables	1 597	1 664
	2 813 334	**2 810 460**

Asset classes with no credit risk exposure:

	2017 N$ '000	2016 N$ '000
Property, plant and equipment	114 842	93 103
Intangible assets	359	77
Cash on hand	32	32
Investment properties	45 280	45 895
Inventory	861	486
	161 374	**139 593**

Collateral

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

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

Other Financial Assets

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

Bank balances

The amounts are invested with reputable and regulated financial institutions.

22. FINANCIAL RISK MANAGEMENT (continued)

Other receivables

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

Concentration of credit risk

The concentration risk within the Bank consists mainly of:

- Exposure per agricultural sector
- Exposure per individual account holder

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

Loan advances past due not impaired	**2017**	**2016**
	N$ '000	**N$ '000**
Less than one year	967 099	566 452
Between one and two years	170 577	576 746
Between two and three years	255 866	144 136
More than three years	426 443	163 781
	1 819 985	**1 451 115**

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

Loan advances neither past due nor impaired	**489 943**	**597 920**

Included in the loan book of the Bank are the following amounts in respect of loan customers whose credit terms were re-negotiated. The Board granted relief to others based on adverse industry conditions prevailing over a specified period of time.

Special arrangements	**221 591**	**163 052**

23. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the Agricultural Bank of Namibia for the year ended 31 March 2017, the following applicable new or revised financial reporting standards, amendments and interpretations of those standards were in issue, but not yet effective. On review of these amendments and interpretations, the impact (if any) has not yet been estimated, or is not expected to have a material impact on the Bank's financial statements.

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

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

Standard or interpretation	Title and details	Effective Date
IFRS 16 Leases	New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion, and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. • IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgment in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. • IFRS 16 substantially carries forward the lessor's accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. • IFRS 16 supersedes the following Standards and Interpretations: a. IAS 17 Leases; b. IFRIC 4 Determining whether an Arrangement contains a Lease; c. SIC-15 Operating Leases-Incentives; and d. SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	1 January 2019

23. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Standard or interpretation	Title and details	Effective Date
IFRS 15 Revenue from Contracts from Customers	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.	1 January 2018
IAS 7 Statement of Cash Flows	Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017
IAS 40 Investment Property	Transfers of Investment Property: Clarification of the requirements on transfers to, or from, investment property.	1 January 2018

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