REPUBLIC OF NAMIBIA

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

SOCIAL SECURITY COMMISSION, EMPLOYEES' COMPENSATION FUND, MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND AND DEVELOPMENT FUND

FOR THE FINANCIAL YEAR ENDED 28 February 2010

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TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Social Security Commission, Employees' Compensation Fund and Maternity Leave, Sick Leave and Death Benefit Fund for the financial year ended 28 February 2010, in terms of Article 127(2) of the Namibian Constitution. My report is transmitted to the Commission in terms of Section 19(1) of the Social Security Act, (Act 34 of 1994) to be submitted to the Honourable Minister of Labour in terms of Section 19(2) who shall lay the report upon the Table of the National Assembly in terms of Section 19(3) of the Act.

JUNIAS ETUNA KANDJEKE
WINDHOEK, June 2011 **AUDITOR-GENERAL**

General Information

Country of operations	Namibia
Nature of business	To professionally administer the funds for the provision of social security benefits to the Namibian workforce and their dependants; and make recommendations to the Minister of Labour and Social Welfare regarding possible changes and amendments to the Act.
Commissioners	BRR Kukuri (Chairman) AE Biwa ANK Abner BU Katjiuongua A Zamuee A Kazondunge C Pandeni D Wright M Dhewa H Shikongo
Business address	Cnr. A. Kloppers & J. Haupt Streets Khomasdal Windhoek
Postal address	Private Bag 13223 Windhoek
Auditors:	Auditor-General
Bankers:	Bank Windhoek

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The reports and statements set out below comprise the annual financial statements presented to the commissioners:

REPORT of the AUDITOR-GENERAL

on the ACCOUNTS of the SOCIAL SECURITY COMMISSION,

EMPLOYEES' COMPENSATION FUND,

DEVELOPMENT FUND

and

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

for the financial year ended 28 February 2010

1. INTRODUCTION

The following have been audited for the year ended 28 February 2010:

1.1 The books of accounts of the Social Security Commission kept in terms of Section 18 of the Social Security Act of 1994, (Act 34 of 1994) and the relevant books, documents and papers audited in terms of Section 19 of the Act.

1.2 The books of accounts for the Employees' Compensation Fund and Accident Pension Funds kept in terms of Section 22(2) of the Employees' Compensation Act, 1941 (Act 30 of 1941) and the related books, documents and papers have been audited in terms of Section 22(3) of the Act.

1.3 The books of accounts of the Maternity Leave, Sick Leave and Death Benefits Fund, kept in terms of Section 18 of the Social Security Act of 1994 and the relevant books, documents and papers audited in terms of Section 19 of the Act.

1.4 The books of accounts of the Development Fund, kept in terms of Section 18 of the Social Security Act of 1994 and the relevant books, documents and papers have been audited in terms of Section 19 of the Act.

1.5 This report on the accounts is submitted in terms of Section 27(1) of the State Finance Act, 1991. The firm BDO of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act (Act 31 of 1991) to audit the accounts on behalf of the Auditor-General and under his supervision. Amounts mentioned in the report have been rounded off to the nearest Namibia Dollar.

2. FINANCIAL STATEMENTS

The audited financial statements are in agreement with the general ledger and other accounting records and are kept in the Office of the Auditor-General. They are the following and are annexed:

2.1 Social Security Commission ("SSC")

- Balance sheet
- Income statement
- Changes in equity
- Cash flow statement
- Notes to the financial statements

2.2 Employees’ Compensation Fund (“ECF”)

- Balance sheet
- Income statement
- Changes in equity
- Cash flow statement
- Notes to the financial statements

2.3 Maternity Leave, Sick Leave and Death Benefit Fund (“MSD”)

- Balance sheet
- Income statement
- Changes in equity
- Cash flow statement
- Notes to the financial statements

2.4 Development Fund (“DF”)

- Balance sheet
- Income statement
- Changes in equity
- Cash flow statement
- Notes to the financial statements

3. SCOPE OF THE AUDIT

The Accounting Officer of the Social Security Commission is responsible for the preparation of the financial statements for the Social Security Commission, Employees’ Compensation Fund, the Maternity Leave, Sick Leave and Death Benefit Fund and Development Fund and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the contracted firm, included:

(a) examination on a test basis of evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;

(b) assessment of the significant estimates and judgements made by the Accounting Officer of the Commission in the preparation of the financial statements and of whether the accounting policies are appropriate to the Funds’ circumstances, consistently applied and adequately disclosed; and

(c) evaluation of the overall adequacy of the presentation of information in the financial statements.

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

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

(ii) in all material respects, the expenditure and income have been applied to the purposes intended by the legislature; and

(iii) the financial transactions conform to the authorities that govern them.

4. AUDIT OBSERVATIONS

4.1 The following matters specifically relate to the Social Security Commission

4.1.1 Cost sharing ratio

The Social Security currently pays for the administration and capital costs on behalf of the other Funds. These costs are then allocated to the Employees' Compensation Fund and the Maternity Leave, Sick Leave on a 35/65 basis. Direct costs where possible are not directly allocated to the specific Fund.

Audit comments:

- The current 35/65 basis of splitting costs between the two Funds does not seem equitable as only these two Funds bear these costs whilst certain costs can be clearly attributed to the operation of other Funds.

Recommendations

- Management should come up with a cost-sharing ratio that is equitable to all Funds concerned. Possibilities might include:
  - Direct costs where possible should be allocated to the relevant Fund directly.
  - Indirect costs should be split based on a fair formula which will be reviewed annually.

Management comments

Management contracted the actuaries of the funds to investigate the matter and to recommend a cost-sharing ratio which according to their findings will be equitable. We expect to receive feedback by middle of November 2010. Direct costs are allocated directly i.e. bank charges but they are few. We will however deliberate and identify any other costs that might be allocated directly.

4.2 The following matters specifically relate to the Employees' Compensation Fund

4.2.1 Employer's assessment

The total of outstanding employer's assessments for the 2010 financial year amounted to N$ 34 680 109 (2009: N$ 28 043 496). The assessment income for the 2010 financial year amounted to N$ 66 195 993 (2009: N$ 52 484 829).

Audit comments:

- Recoverability and existence of accounts receivable is doubtful since our tests revealed that some of the accounts receivables are potentially not recoverable but are not impaired.
- The management did not provide the auditors with the provision for bad debts listing and bad debts suspense account listing which tie up to ledger balances of N$ 19 526 844 (2009 N$ 21 025 872) and N$ 5 696 544 (2009 N$ 2 326 398) respectively.
- Accounts receivables with credit balances amounted to N$ 4 917 631 (2009 N$ 3 699 965) these being as a result of lower wage bills on final assessment, these refunds are however not reclassified to creditors for proper disclosure.
- The accounting system is able to produce an age analysis but it is not used effectively to manage accounts receivables. The law in following up long-overdue accounts receivables is not being expeditiously enforced.
- There is inherent risk of completeness of the employers registered under the Employees' Compensation Fund (on which assessment income is derived from) due to the lack of regular updates to the database.

Recommendation

- The Commission should continue exploring ways to harmonise its billing process, debt collection process and revenue recognition policy to ensure that the assessment income, accounts receivables and the related financial statements areas are valid, accurate and complete.

Management comment

The Commission hands over accounts which are long overdue to the Legal department to institute legal action. All debts which are then identified as irrecoverable will be written off. This process will be strengthened.

As for provision for impairment, the Commission is in the process of reviewing its policy on provision for doubtful debts and after completion will impair accordingly.

Accounts receivables with credit balances are currently investigated and reconciled to the relevant invoices. Corrections will be done based on the reconciling items identified.

The age analysis is used to follow up long outstanding debtors and this year the Commission has, through its compliance section, contacted and visited several employers to ensure that they are registered and paid up to date. This is evident in the drop in accounts receivable balances for the new financial year.

The issue of completeness of revenue is an inherent risk as mentioned by the auditors and the Commission is continuously striving to address the issue. Through the implementation of an Electronic Data Interchange system, we envisage to reduce the effect of incorrect data base information.

4.2.2 Trade and other payables

The unclaimed balance at the end of the year was N$ 563 405 (2009: N$ 762 637)

Audit comments:

The unclaimed monies listing have items which are more than 24 months old.

The Commission is not adhering to its financial policy and procedures manual which stipulates that notices of monies that remains unpaid after 12 months must be published annually in the Government Gazette, and, if no response is obtained after 1 month of such notice, the monies be paid into the Reserve Fund (in other words, the monies are forfeited by the claimant).

Failure to comply with the financial policy and procedure manual on unclaimed monies results in misstatement of the trade and other payables balance in the annual financial statements.

Recommendation

The management should ensure that the policy on unclaimed monies as per the financial policy and procedure manual is implemented and adhered to on an annual basis.

Management comment

The Commission started the process of Gazetting the list late and could not write off any amounts due to the fact that it was not gazetted at the close of the financial year. This exercise will from now on be done earlier to ensure compliance with the policy.

4.2.3 Fair value of the investment property

The investment property balance as at 28 February 2010 was N$ 5 380 819 (2009: N$ 5 320 214).

Audit comments:

The investment property was not fairly valued in the current year (the last fair valuation was done in 2006) in accordance with requirements of the I.A.S 40 Investment Property paragraph 33 on fair value model; Furthermore, there is no evidence to demonstrate that the investment carrying amount does not differ materially with the fair value amount at 28 February 2010 in accordance with the requirements of I.A.S 16 Property, Plant and Equipment paragraph 34 on the frequency of the valuation.

Recommendation

The fair value of the investment should be determined on a yearly basis in accordance with the requirements of I.A.S 40 Investment Property and with sufficient regularity such that the carrying amount will not differ materially to the fair value in accordance I.A.S 16 Property, Plant and Equipment paragraph 34 on the frequency of the valuation.

Management comment

A revaluation was done in September 2009, but an incorrect capitalization of repairs and maintenance coming from prior years resulted in a difference between the valuation amount and the GL balance. The correction will be done and adjustments to the GL balance be made accordingly. With that exception we believe the investment property is fairly valued.

4.3 The following matters specifically relate to the Maternity Leave, Sick Leave and Death Benefit Fund

4.3.1 Accounts receivable

The net total of MSD accounts receivable at year-end was N$ 67 353 341 (2009: N$ 41 414 980). The contribution income for the 2010 financial year amounted to N$ 232 777 489 (2009: N$ 163 888 321).

Audit comments:

- Recoverability and existence of accounts receivables is doubtful, the auditors tests revealed that some of the accounts receivables are potentially not recoverable but are not impaired.
- Unknown deposits of N$ 194 673 (2009: N$ 166 603) are long outstanding. These have not been reconciled against accounts receivables' balance.
- There is inherent risk of completeness of the employers registered under the Maternity Leave, Sick Leave and Death Benefit Fund (on which contribution income is derived from) due to the lack of national centralised data of active employers.
- From the auditors selection of income and accounts receivables it was established that there were problems of under and over invoicing. This resulted in accounts receivables with credit balances of N$ 25 817 060 (2009: N$ 22 617 764).

Recommendations

- The Commission should continue exploring ways to harmonise its billing process, debt collection process and revenue recognition policy to ensure that the assessment income, accounts receivables and the related financial statements areas are valid, accurate and complete.

Management comment

The debtors division have been focusing on bad debt identification, submitting bad debts to relevant authorities for approval to write off.

Unknown deposits are difficult to allocate if the depositor detail is unknown and efforts are made to reduce this to the minimum. The Commission also engaged with the bank to ensure that depositor detail is collected at the time of deposit.

The Commission has introduced an Electronic Data Interchange system, which will assist in updating our database regularly to make sure that invoicing and receipts from debtors are in line. This will eventually resolve the issue of under/over invoicing as well as recoverability and credit balances for most debtors accounts.

4.3.2 Outstanding claims

Outstanding claims amounted to N$ 13 639 423 (2009: N$ 11 777 696) at 28 February 2010.

Audit comments:

- Management did not accrue all maternity benefit payments which were lodged before year end but not paid as at year end.
- The accounting treatment is not in line with the provisions of the I.A.S 37 Provisions which stipulate that a provision is recognised if all the following conditions are met:
    - a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event),
    - payment is probable ('more likely than not'), and
    - the amount can be estimated reliably.

Recommendation

A provision should be raised for all maternity benefits which are payable as at year end.

Management comment

The accounting treatment followed was to provide for all benefits which were registered prior to February 2010, whether paid or unpaid. Hence we have drawn two subsequent lists from the system, one containing amounts paid after year end in respect of claims registered prior year end and another list containing claims not yet paid in respect of claims registered prior to year end. The amounts not included are just an accidental omission and we perceive them not to be material, but it will be investigated and followed up to determine why it was not included in the provision.

4.3.3 Trade and other payables

The unclaimed balance at the end of the year was N$ 458 121 (2009: N$ 464 636).

Audit comments:

The unclaimed monies listing have items which are more than 24 months old.

The Commission does not have a policy on unclaimed monies on Maternity Leave, Sick Leave and Death Benefit Fund in the Commission’s financial policy and procedures manual.

Failure to have a policy on unclaimed monies might result in the fund unclaimed balances accumulating over the years without control.

The long overdue unclaimed monies might be susceptible to defalcation.

Recommendation

The management should ensure that a policy on unclaimed monies is designed and implemented on an annual basis.

Management comment

The Commission does not have a policy on unclaimed monies for MSD claims and will draft a policy this year in order to write off these amounts.

4.3.4 Fair value of the investment property

The investment property balance as at 28 February 2010 was N$ 5 380 819 (2009: N$ 5 320 214).

Audit comments:

The investment property was not fairly valued in the current year (the last fair valuation was done in 2006) in accordance with requirements of the I.A.S 40 Investment Property paragraph 33 on fair value model; Furthermore, there is no evidence to demonstrate that the investment carrying amount does not differ materially with the fair value amount at 28 February 2010 in accordance with the requirements of I.A.S 16 Property, Plant and Equipment paragraph 34 on the frequency of the valuation.

Recommendation

The fair value of the investment should be determined on a yearly basis in accordance with the requirements of I.A.S 40 Investment Property and with sufficient regularity such that the carrying amount will not differ materially to the fair value in accordance I.A.S 16 Property, Plant and Equipment paragraph 34 on the frequency of the valuation.

Management comment

A revaluation was done in September 2009, but an incorrect capitalization of repairs and maintenance coming from prior years resulted in a difference between the valuation amount and the GL balance. The correction will be done and adjustments to the GL balance be made accordingly. With that exception we believe the investment property is fairly valued.

5 ACKNOWLEDGEMENT

The management of the Social Security Commission is commended for the efforts made to attend to the audit findings reported in the previous years.

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

6 AUDIT OPINION – SOCIAL SECURITY COMMISSION

The accounts of the Commission for the financial year ended 28 February 2010 were audited by me in terms of the provisions of Section 19 of the Act, read with section 25(1) (b) of the State Finance Act, 1991.

I hereby certify that, in my opinion, the financial statements published, fairly present the financial position of the Fund and the results of the operations and cash flow information for the year ended 28 February 2010 in accordance with the International Financial Reporting Standards.

7 AUDIT OPINION – EMPLOYEES' COMPENSATION FUND

The accounts of the Fund for the financial year ended 28 February 2010 were audited by me in terms of the provisions of Section 22 (3) of the Employees' Compensation Act, 1941, read with Section 25(1) (b) of the State Finance Act, 1991.

I have been unable to satisfy myself regarding the following:

- Completeness, existence, accuracy and valuation of accounts receivable;
- Completeness, existence and accuracy of assessed income of the Employees' Compensation Fund; and
- Valuation of the investment property.

Except for matters mentioned in the preceding paragraphs, I hereby certify that, in my opinion, the financial statements published, fairly present the financial position of the Fund and the results of the operations and cash flow information for the year ended 28 February 2010 in accordance with the International Financial Reporting Standards.

8 AUDIT OPINION – MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

The accounts of the Fund for the financial year ended 28 February 2010 were audited by me in terms of the provisions of Section 19 of the Act, read with Section 25(1) (b) of the State Finance Act, 1991.

I have been unable to satisfy myself regarding the following:

- Accuracy, existence, completeness and valuation of accounts receivable;
- Accuracy, existence and completeness of contributions income of the Fund as at 28 February 2010;
- Completeness of the provision for reported claims; and
- Valuation of the investment property.

Except for matters mentioned in the preceding paragraphs, I hereby certify that, in my opinion, the financial statements published, fairly present the financial position of the Fund and the results of the operations and cash flow information for the year ended 28 February 2010 in accordance with the International Financial Reporting Standards.

9. AUDIT OPINION – DEVELOPMENT FUND

The accounts of the Fund for the financial year ended 28 February 2010 were audited by me in terms of the provisions of Section 19 of the Act, read with Section 25(1) (b) of the State Finance Act, 1991.

I hereby certify that, in my opinion, the financial statements published, fairly present the financial position of the Fund and the results of the operations and cash flow information for the year ended 28 February 2010 in accordance with the International Financial Reporting Standards.

WINDHOEK, June 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

Commissioners' Responsibilities and Approval

The Commissioners are required by the Social Security Act of 1994 and the Employees' Compensation Act of 1941, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards. The Auditor-General is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Commissioners to meet these responsibilities, the board of Commissioners sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Commissioners are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Commissioners have reviewed the Commission's cash flow forecast for the year to 28 February 2011 and, in the light of this review and the current financial position, they are satisfied that the Commission has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Auditor-General is responsible for independently reviewing and reporting on the Commission's annual financial statements. The annual financial statements have been examined by the Auditor-General and his report is presented on page 3 to 10.

The annual financial statements set out on pages 12 to 128, which have been prepared on the going concern basis, were approved by the board of Commissioners on 22 October 2010 and were signed on its behalf by:

BRR Kukuri	AE Biwa

SOCIAL SECURITY COMMISSION

BALANCE SHEET

AS AT 28 February 2010

	Notes	2010 N$	2009 N$
ASSETS			
Current assets		**22 002 929**	**22 579 323**
Trade and other receivables	2	8 286 811	5 434 529
Investments	3	11 247 374	15 895 832
Cash and cash equivalents	4	2 468 744	1 248 962
Total assets		**22 002 929**	**22 579 323**
FUNDS AND LIABILITIES			
Funds			
Accumulated fund		**20 995 851**	**20 217 799**
Current liabilities			
Trade and other payables	5	**1 007 078**	**2 361 524**
Total funds and liabilities		**22 002 929**	**22 579 323**

SOCIAL SECURITY COMMISSION

INCOME STATEMENT

for the year ended 28 February 2010

	Notes	2010 N$	2009 N$
Revenue	6	7 310	49 498
Gross surplus		**7 310**	**49 498**
Other income		228 249	300 594
Operating expenses		(653 900)	(567989)
Operating deficit	7	**(418 341)**	**(217 897)**
Investment revenue	8	1 196 393	2 123 209
Surplus for the year		**778 052**	**1 905 312**

SOCIAL SECURITY COMMISSION

CHANGES IN EQUITY

for the year ended 28 February 2010

	Accumulated surplus
	N$
Balance as at 1 March 2008	**18 312 487**
Surplus for the year	1 905 312
Balance as at 28 February 2009	**20 217 799**
Surplus for the year	778 052
Balance as at 28 February 2010	**20 995 851**

SOCIAL SECURITY COMMISSION

CASH FLOW STATEMENT

for the year ended 28 February 2010

	Notes	2010 N$	2009 N$
Cash flows from operating activities			
Cash used in operations	9	(4 625069)	(3 719 237)
Interest income		1 196 393	2 123 209
Net cash used in operating activities		**(3 428 676)**	**(1 596 028)**
Cash flows from investing activities			
Purchases of financial assets		-	(3 691 561)
Sale of financial assets		4 648 458	-
Net cash from /(used in) investing activities		**4 648 458**	**(3 691 561)**
Total cash movement for the year		**1 219 782**	**(5 287 589)**
Cash at the beginning of the year		1 248 962	6 536 551
Total cash at end of the year	4	**2 468 744**	**1 248 962**

1. Accounting policies

The annual financial statements set out on pages 12 to 32 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

The principal accounting policies are:

1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Commission's right to receive payment has been established.

Registration fees are recognised when the right to receive payment is established, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Commission.

Revenue from rentals is recognised on a straight line basis if there is a fixed escalation, otherwise when the rental becomes due.

1.2 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the Commission and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the Commission and the cost or fair value can be measured reliably.

Financial instruments are recognised when the Commission becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales are recognised using the trade date accounting.

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed.

Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or on disposal.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.4 Leases

Leases as a lessor

Operating leases

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease asset or liability. This liability or asset is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

1.5 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

1.6 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in fair value.

Cash and cash equivalents are measured at fair value.

1.7 Impairment of assets

The Commission assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.9 Trade and other payables

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

1.10 Financial instruments

Initial recognition

The Commission 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 assets and financial liabilities are recognised on the Commission's balance sheet when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial assets are initially recognised at their fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: The change in fair value is recognised in profit or loss or in equity, as appropriate.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on a financial asset or financial liability classified as an available-for-sale financial asset is recognised through profit or loss
- Financial assets and financial liabilities carried at amortised cost: A gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Financial instruments carried on the balance sheet include all financial assets and liabilities.

1.11 Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that proved evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

1.12 Comparatives

Comparative figures are restated in the event of a change in accounting policy or prior period error. There were no prior period errors changes or change in accounting policy in the current year.

1.13 Significant judgements

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

Provisions

Provisions were raised and management determined an estimate based on current and historical information available to them. Technical provisions and provision for leave were raised during the year.

Held to maturity investments and trade receivables

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

The impairment for trade receivables and held to maturity investments is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

	2010	2009
	N$	N$
2. Trade and other receivables		
Amount due from ECF (related party)	3 184 076	1 913 651
Amount due from MSD (related party)	4 076 020	2 821 484
Amount due from DF (related party)	86 229	116 850
Other debtors	940 486	582 544
	8 286 811	**5 434 529**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

3. Investments

	2010	2009
Fixed term deposits	11 247 374	15 895 832
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the balance sheet date and the interest rates are between 6.50% and 9.25% per annum.		
Total investments	**11 247 374**	**15 895 832**
Current assets		
Held to maturity	11 247 374	15 895 832
Total	**11 247 374**	**15 895 832**

	2010	2009
	N$	N$

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010 N$	2009 N$
Cash on hand	3 200	3 200
Bank balances	2 453 247	1 230 646
Short-term deposits	12 297	15 116
	2 468 744	**1 248 962**

5. Trade and other payables

	2010 N$	2009 N$
Trade payables	-	30 390
Amount due to ECF (related party)	422 569	1 187 124
Amount due to MSD (related party)	395 488	1 052 743
Amount due to DF (related party)	7 644	-
Other payables	181 377	91 267
	1 007 078	**2 361 524**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

6. Revenue

	2010 N$	2009 N$
Registration fees	**7 310**	**49 498**

7. Operating deficit

Operating deficit for the year is stated after accounting for the following:

	2010 N$	2009 N$
Rent received	-	179 687

8. Investment revenue

	2010 N$	2009 N$
Fixed term deposits	851 603	1 691 561
Cash and cash equivalents	344 790	431 648
	1 196 393	**2 123 209**

	2010	2009
	N$	N$

9. Cash generated from operations

	2010 N$	2009 N$
Surplus for the year	778 052	1 905 312
Adjustments for:		
Interest received	(1 196 393)	(2 123 209)
Changes in working capital:		
Trade and other receivables-(increase)	(2 852 282)	(1 986 422)
Trade and other payables-(decrease)	(1 354 446)	(1 514 918)
	(4 625 069)	**(3 719 237)**

10. Financial instruments

10.1 Categories of financial instruments

	2010 N$	2009 N$
Financial assets	**22 002 929**	**22 579 323**
Held to maturity investments	11 247 374	15 895 832
Loans and receivables (including cash and cash equivalents)	10 755 555	6 683 491
Financial liabilities	**1 007 078**	**2 361 524**
Amortised cost	1 007 078	2 361 524

10.2 Financial risk management objectives

The primarily objective in the investment of the Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each Fund.

The investment portfolio shall be diversified to minimise the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further, diversification will be provided by employing more than one Asset Manager with relatively low correlation in their investment performance based on investment styles.

The Commissioners recognise that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objectives will only be met if they are consistently achieved over a shorter period.

Real returns (i.e. returns in excess of inflation)are required across the range of portfolios,which compensate adequately for the levels of risk inherent in the portfolio. The requirement for real returns shall not apply to the Working Capital Portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the Commission in the longer-term.

10.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:
-Cash and cash equivalents
-Held to maturity investments

Market risk arises in the Fund due to fluctuations in the value of investments held.

The management has established a policy on market risk which sets out the principles that the Fund is expected to adopt in respect of management of the key market risks to which the Fund is exposed. The Board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and risk committee. For each of the major components of market risk, described in more detail below, the management has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

10.4 Interest rate risk management

Interest rate risk arises primarily from the Fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and swithcing investments to take advantage of high returns in certain instruments.

10.4.1 Interest rate sensitivity analysis

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair values or armortised costs of these financial instruments:

Financial assets	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Debt securities unquoted	112 474	(112 474)	158 958	(158 958)
Cash and cash equivalents	-	-	-	-
Total financial assets	**112 474**	**(112 474)**	**158 958**	**(158 958)**

An increase or decrease of 1% in the interest rates relating to financial assets would result in an increase in income of N$ 112 474 (2009: N$ 158 958) or a decrease in income of N$ 112 474 (2009: N$ 158 958) respectively.

10.5 Credit risk management

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Fund is exposed to credit risk are:
-investments and cash equivalents

The management determines credit quality by reference to ratings from independent rating agencies such as Standard & Poor's or Moody, where such ratings are not available, by internal analysis. Management seeks to avoid concentration of credit risk to groups of counterparties.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

10.5.1 Credit risk analysis

The following tables provide information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2010.

Financial instrument	*Credit rating*			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Trade and other receivables	-	-	8 286 811	**8 286 811**
Cash and cash equivalents	2 453 247	-	15 497	**2 468 744**
Held to maturity investments	6 621 437	-	4 625 937	**11 247 374**
Total	**9 074 684**	**-**	**12 928 245**	**22 002 929**

The following tables provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2009.

Financial instrument	*Credit rating*			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Trade and other receivables	-	-	5 434 529	**5 434 529**
Cash and cash equivalents	1 230 646	-	18 316	**1 248 962**
Held to maturity investments	11 560 094	-	4 335 738	**15 895 832**
Total	**12 790 740**	**-**	**9 788 583**	**22 579 323**

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Fund's financial instruments do not represent a concentration of credit risk, because the Fund deals with a variety of major banks and its accounts receivable are spread among all registered companies.

10.6 Liquidity risk management

Liquidity risk is the risk that the Fund will encounter difficulty in raising Funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

The Fund is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing Funds available to meet such calls.

The Fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claim liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

10.6.1 Liquidity and interest rate risk tables

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date

2010

Financial assets	Int rate %	On demand N$	<3 mnths N$	Total N$
Trade and other receivables	-	8 286 811	-	8 286 811
Cash and cash equivalents	-	2 468 744	-	2 468 744
Held to maturity investments	7.88	-	11 468 947	11 468 947
Total financial liabilities		**10 755 555**	**11 468 947**	**22 224 502**

Financial liabilities	Int rate %	On demand N$	<3 months N$	Total N$
Trade and other payables	-	1 007 078	-	1 007 078
Total financial liabilities		**1 007 078**	**-**	**1 007 078**
Net amount		**9 748 477**	**11 468 947**	**21 217 424**

10.6.1 Liquidity and interest rate risk tables (continued)

2009

Financial assets	Int rate %	On demand N$	<3 mnths N$	Total N$
Trade and other receivables	-	5 434 529	-	5 434 529
Cash and cash equivalents	-	1 248 962	-	1 248 962
Held to maturity investments	11.20	-	16 340 915	16 340 915
Total financial liabilities		**6 683 491**	**16 340 915**	**23 024 406**

Financial liabilities	Int rate %	On demand N$	<3 months N$	Total N$
Trade and other payables	-	2 361 524	-	2 361 524
Total financial liabilities		**2 361 524**	**-**	**2 361 524**

Net amount	**4 321 967**	**16 340 915**	**20 662 882**

11. Contingent assets and liabilities

There is a pending legal suit against the Commission being sued by a former employee for unfair dismissal. The case is still dealt with by the courts. The costs are not material and the outcome of the matter is not yet known.

There are no contingent assets.

12. Published standards, amendments and interpretations that are not yet effective and have not been early adopted by Social Security Commission

At the date of authorisation of these annual financial statements, certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Commission has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Commission's annual financial statements are as follows:

a. Standards and amendments that are going to have future impact on the Social Security Commission

New/Revised International Financial Reporting Standards		Issued	Effective Date
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from May 2008 Annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 9	Financial Instruments — Classification and Measurement	November 2009	Annual periods beginning on or after 1 January 2013

Revised International Accounting Standards		**Revised**	**Effective Date**
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 1	Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

b. Interpretations that are going to have future impact on the Social Security Commission

IFRIC Interpretation		Effective Date
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008; November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011

The tables above do not include the effective dates of minor consequential amendments that are the result of new or revised IFRSs, IASs or Interpretations.

The Commission could not disclose known or reasonably estimable information relevant to assessing the possible impact that application of the new Standards or Interpretations will have on the Commission's financial statements in the period of initial application due to the fact that the quantitative disclosures are not reasonably estimable at the time of preparing the annual financial statements.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Commission's financial statements.

SOCIAL SECURITY COMMISSION

DETAILED INCOME STATEMENT

for the year ended 28 February 2010

	2010	2009
	N$	N$
Registration income	7 310	49 498
Gross income	7 310	49 498
Rent received	-	179 689
Administration income	39 493	37 733
Other income	188 756	83 172
Interest received	1 196 393	2 123 209
Total income	**1 431 952**	**2 473 301**
Operating expenses		
Administration and management fees	(368 777)	(138 842)
Advertising	-	(381 815)
Bad Debts	(232 358)	-
Bank charges	(52 765)	(47 332)
Surplus for the year	**778 052**	**1 905 312**

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

BALANCE SHEET

AS AT 28 FEBRUARY 2010

	Notes	2010 N$	2009 N$
ASSETS			
Non-current assets		**35 254 869**	**24 845 692**
Property, plant and equipment	2	29 721 015	19 525 478
Investment property	3	5 380 819	5 320 214
Intangible Assets	4	153 035	-
Current assets		**1 135 897 211**	**925 232 849**
Trade and other receivables	6	22 442 764	2 950 110
Investments	5	1 111 297 475	915 998 152
Cash and cash equivalents	7	2 156 972	6 284 587
Total assets		**1 171 152 080**	**950 078 541**
FUNDS AND LIABILITIES			
Funds			
Accumulated fund		**1 104 192 782**	**893 088 346**
Non-current liabilities		**6 210 084**	**-**
Provisions	8	**6 210 084**	**-**
Current liabilities		**60 749 214**	**56 990 195**
Provisions	8	54 774 087	51 176 078
Trade and other payables	9	5 975 127	5 814 117
Total funds and liabilities		**1 171 152 080**	**950 078 541**

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

INCOME STATEMENT

for the year ended 28 FEBRUARY 2010

	Notes	2010 N$	2009 N$
Revenue	10	233 646 485	164 462 854
Claims	11	(89 168 040)	(81 596 875)
Gross surplus		**144 478 445**	**82 865 979**
Other income		352 920	10 899
Operating expenses		(64 358 046)	(59 570 418)
Operating surplus	12	**80 473 319**	**23 306 460**
Investment revenue	13	195 539 755	112 202 142
Fair value adjustments	14	(50 588 458)	(106 584 871)
Surplus for the year		**225 424 616**	**28 923 731**

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

CHANGES IN EQUITY

for the year ended 28 FEBRUARY 2010

	MSD Reserve Fund
	N$
Balance as at 1 March 2008	**864 164 615**
Surplus for the year	28 923 731
Balance as at 1 March 2009	**893 088 346**
Surplus for the year	225 424 616
Transfer to Development Fund	(14 320 180)
Balance as at 28 February 2010	**1 104 192 782**

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

CASH FLOW STATEMENT

for the year ended 28 FEBRUARY 2010

	Notes	2010 N$	2009 N$
Cash flows from operating activities			
Cash generated from operations	15	72 144 495	39 598 293
Interest income		195 539 755	112 202 142
Net cash from operating activities		**267 684 250**	**151 800 435**
Cash flows from investing activities			
Purchases of property plant and equipment		(11 357 802)	(5 724 486)
Purchases of investment property		(60 605)	(1 189 331)
Purchase of intangible assets		(185 497)	-
Purchases of financial assets		(245 887 781)	(143 145 542)
Net cash from investing activities		**(257 491 685)**	**(150 059 359)**
Cash flows from financing activities			
Contribution to Development Fund		(14 320 180)	-
Net cash from financing activities		**(14 320 180)**	**-**
Total cash movement for the year		**(4 127 615)**	**1 741 076**
Cash at the beginning of the year		6 284 587	4 543 511
Total cash at end of the year	7	**2 156 972**	**6 284 587**

1. Accounting policies

The annual financial statements set out on pages 33 to 68 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

The principal accounting policies are:

1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Commission’s right to receive payment has been established.

Contribution income is recognised when the right to receive payment is established, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Commission.

Revenue from rental income is recognised on a straight line basis if there is a fixed escalation, otherwise when the rental becomes due.

1.2 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the Commission and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the Commission and the cost or fair value can be measured reliably.

Financial instruments are recognised when the Commission becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales are recognised using the trade date accounting.

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed.

1.3 Derecognition of assets and liabilities (continued)

Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or on disposal.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.4 Property, plant and equipment and depreciation

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of property, plant and equipment are not capitalised.

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down their carrying amounts, less residual value, on the straight-line method over their useful lives as follows:

Item	Average useful life
• *Buildings*	*50 years*
• *Motor Vehicles*	*8 years*
• *Office Equipment*	*10 years*
• *Furniture and Fittings*	*10 years*
• *Computer Equipment*	*5 years*

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

1.4 Property, plant and equipment and depreciation (continued)

Where significant parts on an item have different useful lives, or patterns in which future economic benefits are expected to be consumed, to the item itself, these parts are depreciated over their estimated useful lives.

The carrying amounts of property, plant and equipment should be assessed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 profit or loss. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.5 Investment Properties

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of investment property are not capitalised

Investment properties are held to earn rental income or for capital appreciation. Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are treated as long-term investments and carried at market value determined annually by external independent professional valuers. Investment properties are not subject to depreciation. Increases and decreases in their carrying amount are recognised in profit or loss for the period.

Fair value

Subsequent to initial measurement investment property is measured at fair value. At the balance sheet date all investment properties are measured at fair value. A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.6 Leases (continued)

(a)Leases as a lessee

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability or asset is not discounted.

(b)Leases as a lessor

Operating leases

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease asset or liability. This liability or asset is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

1.7 Instalment sale transactions

Finance charges payable on instalment sale transactions for the purchase of fixed assets are accounted for over the period of the agreement by the effective interest rate method and are included with finance costs.

1.8 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of receivables. The Fund has a policy of providing all accounts receivable which are above 48 months as potential bad debts. The amount of the provision is recognised in the income statement.

1.9 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in fair value.

Cash and cash equivalents are measured at fair value.

1.10 Impairment of assets

The Commission assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

1.10 Impairment of assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.11 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not be recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.12 Trade and other payables

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

1.13 Employee benefits

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.

The expected cost of compensated absences is recognised as an expense as the employees render service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

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

Actuarial valuations are conducted every three years by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the income statement over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Commission is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the income statement, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

1.14 Financial instruments

Initial recognition

The Commission 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 assets and financial liabilities are recognised on the Commission's balance sheet when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial assets are initially recognised at their fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: The change in fair value is recognised in profit or loss or in equity, as appropriate.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:
- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on a financial asset or financial liability classified as an available-for-sale financial asset is recognised directly in equity.
- Financial assets and financial liabilities carried at amortised cost: A gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Financial instruments carried on the balance sheet include all financial assets and liabilities.

1.15 Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that proved evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

1.16 Comparatives

Comparative figures are restated in the event of a change in accounting policy or prior period error. There were no prior period error changes or change in the accounting policy in the current year.

1.17 Outstanding claims

Full provision is made for the estimated cost of claims including administration costs notified, but not settled at the balance sheet date. Provision is also made for the expected cost of claims incurred but not initiated at the balance sheet date.

1.18 Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

1.19 Significant judgements

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

Residual values and remaining useful lives

Management used the industrial practices to determine the residual values and useful lives of property, plant and equipment.

Provisions

Provisions were raised and management determined an estimate based on current and historical information available to them. Technical provisions and provision for leave were raised during the year.

Held to maturity investments and trade receivables

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

The impairment for trade receivables and held to maturity investments is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N$	N$	N$	N$	N$	N$
Land	17 688 713	-	17 688 713	6 858 126	-	6 858 126
Buildings	9 418 358	(1 310 811)	8 107 547	9 387 613	(943 917)	8 443 696
Furniture and fittings	1 933 322	(938 950)	994 372	1 592 593	(829 181)	763 412
Motor vehicles	1 603 457	(393 433)	1 210 024	1 603 457	(236 564)	1 366 893
Computer equipment	3 974 146	(2 891 988)	1 082 158	3 908 366	(2 492 794)	1 415 572
Office equipment	1 588 949	(950 748)	638 201	1 498 988	(821 209)	677 779
Total	**36 206 945**	**(6 485 930)**	**29 721 015**	**24 849 143**	**(5 323 665)**	**19 525 478**

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	6 858 126	10 830 587			-	17 688 713
Buildings	8 443 696	30 745	-	-	(366 894)	8 107 547
Furniture and fittings	763 412	340 729	-	-	(109 769)	994 372
Motor vehicles	1 366 893	-	-	-	(156 869)	1 210 024
Computer equipment	1 415 572	65 780	-	-	(399 194)	1 082 158
Office equipment	677 779	89 961	-	(2 626)	(126 913)	638 201
Total	**19 525 478**	**11 357 802**	**-**	**(2 626)**	**(1 159 639)**	**29 721 015**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -2009

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	2 854 444	4 003 682			-	6 858 126
Buildings	7 897 088	780 400	-	-	(233 792)	8 443 696
Furniture and fittings	617 555	207 168	-	-	(61 311)	763 412
Motor vehicles	1 271 414	-	-	-	95 479	1 366 893
Computer equipment	1 164 346	488 451	-	-	(237 225)	1 415 572
Office equipment	513 600	244 785	-	(58)	(80 548)	677 779
Total	**14 318 447**	**5 724 486**	**-**	**(58)**	**(517 397)**	**19 525 478**

Land and buildings comprise Erf 119 Grootfontein (1329 square metres, registration division B), Erf 120 Grootfontein (1377 square metres with buildings thereon, registration division B), Erf 2269 Windhoek (1430 square metres with buildings thereon), Erf 858 Walvis Bay (1250 square metres with buildings thereon), Erf 1589 Oshakati (3515 square metres without improvements), Erf 3223 Ongwediva (5310 square metres) and Erf 1610 Keetmanshoop (1186 square metres without improvements).

3. Investment property

	2010		2009	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	5 380 819	5 380 819	5 320 214	5 320 214
Total	**5 380 819**	**5 380 819**	**5 320 214**	**5 320 214**

Reconciliation of investment property -2010

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	5 320 214	60 605	-	-	-	5 380 819
Total	**5 320 214**	**60 605**	**-**	**-**	**-**	**5 380 819**

Reconciliation of investment property -2009

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	4 130 883	1 189 331	-	-	-	5 320 214
Total	**4 130 883**	**1 189 331**	**-**	**-**	**-**	**5 320 214**

Land and buildings comprise Erf 1983 Keetmanshoop (2624 square metres, with office buildings thereon)

4. Intangible assets

	2010			2009		
	Cost / Valuation	**Amortisation**	**Carrying value**	**Cost / Valuation**	**Amortisation**	**Carrying value**
	N$		**N$**	**N$**		**N$**
Software license	185 497	(32 462)	153 035	-	-	-
Total	**185 497**	**(32 462)**	**153 035**	**-**	**-**	**-**

Reconciliation of intangible assets - 2010

	Opening Balance	**Additions**	**Disposals**	**Adjustments**	**Amortisation**	**Closing Balance**
	N$	**N$**	**N$**	**N$**	**N$**	**N$**
Software license	-	185 497	-	(5 843)	(26 619)	153 035
Total	**-**	**185 497**	**-**	**(5 843)**	**(26 619)**	**153 035**

	2010	2009
	N$	N$
5. Investments		
Held to maturity		
Bonds	-	39 437 904
The Government bond was purchased on 25 November 1998 and it matured on 15 January 2010.		
Fixed term deposits	136 625 782	647 425 115
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the balance sheet date and the interest rates are between 6.50% and 9.25% per annum.		
	136 625 782	**686 863 019**
Fair value through profit and loss		
Funds held with the professional asset managers	974 671 693	229 135 133
Funds held with the professional managers are fair valued by the managers as at year end.		
	974 671 693	**229 135 133**
Total investments	**1 111 297 475**	**915 998 152**
Current assets		
Held to maturity	136 625 782	686 863 019
Fair value through profit and loss	974 671 693	229 135 133
Total	**1 111 297 475**	**915 998 152**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

Fair values are determined annually at balance sheet date.

6. Trade and other receivables	**2010 N$**	**2009 N$**
Gross trade debtors	67 353 341	41 414 980
Less: Debtors with credit balances	(25 817 060)	(22 617 764)
Less: Provision for bad debts	(20 047 505)	(17 138 524)
Net trade debtors	21 488 776	1 658 692
Amount due from ECF (related party)	12 467	-
Amount due from APF (related party)	32 174	-
Amount due from SSC (related party)	395 488	1 052 743
Other debtors	513 859	238 675
	22 442 764	**2 950 110**

The Fund's credit period on the contribution income is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of invoicing. Thereafter, interest is charged on the trade receivables at 10% per annum on the outstanding balance. The Fund has a policy of providing all accounts receivable which are above 12 months as potential bad debts.

There is no credit scoring system to assess the potential customer's credit quality as there is no external credit rating for all the employers in Namibia.

Included in the Fund trade receivables are debtors with carrying amounts of N$ 35 575 357 (2009: N$ 21 196 690) which are past due at the reporting date for which the Fund has not provided as at year end. The Fund does not hold any collateral over these balances. The average age of these receivables is +120 days (2009: +120days).

Ageing of part due but not impaired

60 days	3 311 288	3 195 987
90 days	2 140 083	4 514 351
+ 120 days	30 124 046	13 486 352
	35 575 417	**21 196 690**

	2010 N$	2009 N$
6. Trade and other receivables (continued)		
Movement in the allowance for doubtful debts		
Balance at beginning of the year	17 138 524	14 289 680
Impairment losses recognised on receivables	2 908 981	2 848 844
Balance at year end	**20 047 505**	**17 138 524**
Ageing of impaired trade receivables		
60 days	-	-
90 days	-	-
+120days	20 047 505	17 138 524
Total	**20 047 505**	**17 138 524**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

7. Cash and cash equivalents

	2010 N$	2009 N$
Cash and cash equivalents consist of		
Bank balances	2 156 972	6 284 587
	2 156 972	**6 284 587**

8. Provisions

Reconciliation of provisions - 2010	**Opening Balance**	**Movement**	**Closing Balance**
	N$	**N$**	**N$**
Leave pay	4 728 237	448 327	5 176 564
Reported outstanding claims	11 777 696	1 861 727	13 639 423
Unreported incurred claims	34 078 227	7 828 469	41 906 696
Legal costs	591 918	(330 430)	261 488
Total	**51 176 078**	**9 808 093**	**60 984 171**
Current	**51 176 078**	**3 598 009**	**54 774 087**
Leave pay	4 728 237	448 327	5 176 564
Reported outstanding claims	11 777 696	1 861 727	13 639 423
Unreported incurred claims	34 078 227	1 618 385	35 696 612
Legal costs	591 918	(330 430)	261 488
Non-current	**-**	**6 210 084**	**6 210 084**
Unreported incurred claims	-	6 210 084	6 210 084
Total	**51 176 078**	**9 808 093**	**60 984 171**

8. Provisions (continued)

Reconciliation of provisions - 2009	Opening Balance	Movement	Closing Balance
	N$	N$	N$
Leave pay	4 418 484	309 753	4 728 237
Reported outstanding claims	3 216 964	8 560 732	11 777 696
Unreported incurred claims	27 959 000	6 119 227	34 078 227
Legal costs	866 137	(274 219)	591 918
Total	**36 460 585**	**14 715 493**	**51 176 078**

Current	**36 460 585**	**14 715 493**	**51,176,078**
Leave pay	4 418 484	309 753	4 728237
Reported outstanding claims	3 216 964	8 560 732	11 777 696
Unreported incurred claims	27 959 000	6 119 227	34 078 227
Legal costs	866 137	(274 219)	591 918
Total	**36 460 585**	**14 715 493**	**51 176 078**

The unreported incurred claims represent the management estimate as at 28 February 2010 based on actuarial valuation as at that date.
The unreported but incurred claims were determined based on basic chain ladder method.
The method involves the following:
-The runoff claims for the Maternity Leave, Sick Leave and Death Benefit Fund (MSD) have been grouped into the following subgroups:
i. Death;
ii. Maternity Leave;
iii. Sick Leave;
iv. Retirement benefits.

Runoff triangles for each of these subgroups were formed by grouping the data by occurrence year and payment year. Development factors based on the accumulated claims paid after each period in respect of claims from the same year of occurrence. These development factors were used to project the expected claims during each future period. The following assumptions were incorporated in the basic chain ladder method:
a. The claim development factors will remain stable;
b. Past claims experience is a suitable guide to future claims experience.

8. Provisions (continued)

The IBNR liability as calculated using the basic chain ladder method was not discounted resulting in a more prudent estimate of the IBNR.

Part of the expenses that the Commission will be paying in future will be related to handling IBNR claims. Thus a Claims Handling Provision was included in the IBNR for these future expenses. The actuaries calculated the ratio of expenses paid relative to claims paid in 2010 according to the actuarial valuation. This ratio was applied to the IBNR liabilities to arrive at an estimate of the claims handling provision. A claims handling provision equal to 123% of the IBNR liability for the ECF fund and 95% of the IBNR liability for the MSD fund was set up.

The IBNR liability depends on the accuracy of the data provided to actuaries. The actuaries could not reconcile the data provided to them with the annual financial statements and they recommend that a data integrity provision be established to allow for the fact that there might have been some errors in the data provided. They kept the data integrity provision for the MSD fund the same as in previous actuarial valuation at 25% of the IBNR liability.

	2010	2009
	N$	N$
9. Trade and other payables		
Trade payables	1 238 040	2 306 753
Unallocated deposits	194 673	166 603
Amount owed to SSC (related party)	4 076 020	2 821 483
Amount owed to ECF(related party)	-	47 964
Amount owed to APF (related party)	-	1 516
Other payables	466 394	469 798
	5 975 127	**5 814 117**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

10. Revenue

	2010	2009
Contributions	232 777 489	163 888 321
Contributions interest	868 996	574 533
	233 646 485	**164 462 854**

	2010	2009
	N$	N$
11. Claims		
Maternity leave	62 907 910	55 788 461
Sick leave	11 383 630	11 297 481
Death benefits	6 808 000	6 440 000
Retirement benefits	8 068 500	8 070 933
	89 168 040	**81 596 875**
12. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Premises operating lease charges	673 860	618 367
Increase in impairment accounts receivable	2 908 981	2 848 844
Rental income	(291 639)	-
Auditors' remuneration	(35 843)	158 161
Depreciation on property, plant and equipment	1 186 258	517 397
Employee costs	42 109 358	38 101 229
13. Investment revenue		
Held to maturity investments	17 509 818	70 790 591
Bank deposits	636 679	737 238
Accounts receivable	610 342	336 777
Impaired accounts receivable	258 654	237 756
Interest income excluding interest income from asset managers	**19 015 493**	**72 102 362**
Funds under asset management	177 393 258	40 674 313
Total investment income	**196 408 751**	**112 776 675**
Less: Interest on debtors disclosed under revenue	(868 996)	(574 533)
Interest income per income statement	**195 539 755**	**112 202 142**

	2010	2009
	N$	N$

13. Investment revenue (continued)

Investment revenue earned on financial assets, analysed by category of asset is as follows:

	2010 N$	2009 N$
Held to maturity investments	17 509 818	70 790 591
Accounts receivable and cash equivalents	1 505 675	1 311 771
Funds under asset managers	177 393 258	40 674 313
Total investment income	**196 408 751**	**112 776 675**
Less: Interest on debtors disclosed under revenue	(868 996)	(574 533)
Interest income per income statement	**195 539 755**	**112 202 142**

14. Fair value adjustments

	2010 N$	2009 N$
Loss on funds under asset managers	42 759 989	100 465 644
Actuarial adjustment on provision for incurred but not reported claims	7 828 469	6 119 227
	50 588 458	**106 584 871**

15. Cash generated from operations

	2010 N$	2009 N$
Surplus for the year	225 424 616	28 923 731
Adjustments for:		
Depreciation and armortisation	1 186 258	517 397
Interest received	(195 539 755)	(112 202 142)
Other non-cash item	8 469	58
Fair value adjustments	50 588 458	106 584 871
Changes in working capital:		
Trade and other receivables - (increase)	(19 492 654)	(1 249 774)
Trade and other payables - increase	161 010	2 308 659
Provisions - increase	9 808 093	14 715 493
	72 144 495	**39 598 293**

	2010	2009
	N$	N$

16. Commitments

Authorised capital expenditure

Not yet contracted for but authorised	29 432 000	37 938 500

This committed expenditure relates to plant and equipment and investment properties and will be financed by existing cash resources and funds internally generated.

17. Financial instruments

17.1 Categories of financial instruments

Financial assets

	2010	2009
	1 135 897 211	**925 232 849**
Financial assets carried at fair value through profit or loss		
Designated as fair value through profit and loss	974 671 693	229 135 133
Held to maturity investments	136 625 782	686 863 019
Loans and receivables (including cash and cash equivalents)	24 599 736	9 234 697

Financial liabilities

	2010	2009
	66 959 298	**56 990 195**
Financial assets carried at fair value through profit or loss		
Designated as fair value through profit and loss	41 906 696	34 078 227
Amortised cost	25 052 602	22 911 968

17.2 Financial risk management objectives

The primarily objective in the investment of the Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each Fund.

The investment portfolio shall be diversified to minimise the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further, diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment styles.

The Commissioners recognise that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objectives will only be met if they are consistently achieved over a shorter period.

Real returns (i.e. returns in excess of inflation) are required across the range of portfolios, which compensate adequately for the levels of risk inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the Commission in the longer-term.

17.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

-Funds at FVPTL
-Cash and cash equivalents
-Held to maturity investments
-Provision for claims

Market risk arises in the Fund due to fluctuations in both the value of liabilities and the value of investments held.

The management has established a policy on market risk which sets out the principles that the Fund is expected to adopt in respect of management of the key market risks to which the Fund is exposed. The Board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and risk committee. For each of the major components of market risk, described in more detail below, the management has put in place additional policies and procedures to set out how each risk should be

17.4 Interest rate risk management

Interest rate risks arises primarily from the Fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

17.4.1 Interest rate sensitivity analysis

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair values or armortised costs of these financial instruments:

Financial assets	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Investments at fair value through profit and loss	-	-		
Investments held to maturity	1 366 258	(1 366 258)	6 474 251	(6 474 251)
Cash and cash equivalents	-	-		
Total financial assets	**1 366 258**	**(1 366 258)**	**6 474 251**	**(6 474 251)**

An increase or decrease of 1% in the interest rates relating to financial assets would result in an increase in income of N$ 1,4m (2009: N$ 6,5m) or a decrease in income of N$ 1,4m (2009:N$ 6,5m) respectively.

Financial liabilities	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Provision for claims	-	-	-	-
Total financial liabilities	-	-	-	-

An increase or decrease of 1% in the interest rates relating to financial liabilities would result in an increase in income of N$ 0 (2009: N$ 0) or a decrease in income of N$ 0 (2009:N$ 0) respectively.

17.5 Equity prices risks

The Fund is subject to price risk due to daily changes in the market values of its investments held by asset managers.

The Fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modeling methods by the asset managers. The Fund's holdings are diversified across industries, and concentration in any one company or industry are limited by parameters established by asset managers and statutory requirements. The Fund's exposure to movement in equities is 24.80% and 12.80% for the domestic and foreign equities, respectively, on the funds held by asset managers.

~~*17.5.1 Equity price sensitivity analysis*~~

At 28 February 2010, the Fund's listed equities were recorded at their fair value of N$ 366 million (2009: N$ 229 million). A hypothetical10% decline or increase in each individual share price would decrease/increase profit before taxation by N$ 36.6 million (2009: N$ 22.9 million).

17.6 Credit risk management

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Fund is exposed to credit risk are:
-investments and cash equivalents
-accounts receivables

The management determines counterparty credit quality by reference to ratings from independent rating agencies such as Standard & Poor's or Moody, where such ratings are not available, by internal analysis. Management seeks to avoid concentration of credit risk to groups of counterparties.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

17.6.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2010:

Financial instrument	*Credit rating*				
	AA	A1+	BB	Not rated	Carrying value
Funds at FVPTL	-	-	-	974 671 693	**974 671 693**
Trade and other receivables	-	-	-	22 442 764	**22 442 764**
Cash and cash equivalents	-	2 156 972	-	-	**2 156 972**
Held to maturity investments	-	91 196 588	-	45 429 194	**136 625 782**
Total	**-**	**93 353 560**	**-**	**1 042 543 651**	**1 135 897 211**

17.6.1 Credit risk analysis (continued)

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2009:

Financial instrument	*Credit rating*				
	AA	A1+	BB	Not rated	Carrying value
Funds at FVPTL	-	-	-	229 135 133	**229 135 133**
Trade and other receivables	-	-	-	2 950 110	**2 950 110**
Cash and cash equivalents	-	6 284 587	-	-	**6 284 587**
Held to maturity investments	-	593 251 455	-	93 611 564	**686 863 019**
Total	**-**	**599 536 042**	**-**	**325 696 807**	**925 232 849**

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Fund's financial instruments do not represent a concentration of credit risk, because the Fund deals with a variety of major banks and its accounts receivable are spread among all registered companies.

17.7 Liquidity risk management

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

The Fund is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls.

The Fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claim liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

17.7.1 Liquidity and interest rate risk tables

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date:

2010

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVPTL	-	-	974 671 693	-	-	**974 671 693**
Trade and other receivables	10.00	-	23 003 833	-	-	**23 003 833**
Cash and cash equivalents	-	2 156 972	-	-	-	**2 156 972**
Held to maturity investments	7.88	-	139 317 310	-	-	**139 317 310**
Total financial assets		**2 156 972**	**1 136 992 836**	**-**	**-**	**1 139 149 808**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	54 774 087	-	6 210 084	**60 984 171**
Trade and other payables	-	-	5 975 127	-	-	**5 975 127**
Total financial liabilities		**-**	**60 749 214**	**-**	**6 210 084**	**66 959 298**
Net amount		**2 156 972**	**1 076 243 622**	**-**	**(6 210 084)**	**1 072 190 510**

2009

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVPTL		-	229 135 133	-	-	**225 287 666**
Trade and other receivables	10.00	-	3 023 863	-	-	**3 023 863**
Cash and cash equivalents	-	6 284 587	-	-	-	**6 284 587**
Held to maturity investments	11.20	-	665 553 018	44 800 000	-	**710 353 018**
Total financial liabilities		**6 284 587**	**897 712 014**	**44 800 000**	**-**	**944 949 134**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	51 176 078	-	-	**51 176 078**
Trade and other payables	-	-	5 814 117	-	-	**5 814 117**
Total financial liabilities		**-**	**56 990 195**	**-**	**-**	**56 990 195**
Net amount		**6 284 587**	**840 721 819**	**44 800 000**	**-**	**887 958 939**

18. Post balance sheet events

There are no events which occurred after the year end which warrant disclosure.

19. Taxation

The Fund is exempted from income tax in terms of Section 23 of the Act.

20. Contingent assets and liabilities

There is a pending legal suit against the Commission being sued by a former employee for unfair dismissal. The case is still dealt with by the courts. The costs are not material and the outcome of the matter is not yet known. There are no contingent assets.

21. Commissioners' emoluments	2010	2009
	N$	N$
Commissioners' emoluments were	322 938	187 167

22. Defined benefit fund

The staff members are members of Government Institutions Pension Fund (GIPF), a defined benefit fund. The sponsors of the Fund are various Government related institutions that include the Commission and these sponsors have an obligation to meet the shortfall if the Fund's liabilities were to exceed the fund assets.

The value of the assets of GIPF is valued actuarially every third year. The latest actuarial valuation was done as at 31 March 2009, and the valuator reported that the Fund was in a sound financial position, and that the present rates of contributions were adequate to enable the Fund to provide the benefits to which members are entitled.

The performance of the Fund's investments is benchmarked on a quarterly basis by its investment consultant, Humanity Employee Benefits Company (Pty) Ltd.

23. Published standards, amendments and interpretations that are not yet effective and have not been early adopted by Social Security Commission

At the date of authorisation of these annual financial statements, certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Commission has not early adopted any of these pronouncements. The new Standards, Amendments and Interpretations that are expected to be relevant to the Commission's annual financial statements are as follows:

a. Standards and amendments that are going to have future impact on the Social Security Commission

New/Revised International Financial Reporting Standards		Issued	Effective Date
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from May 2008 Annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures	May 2010	Annual periods beginning on or

	— Amendments resulting from May 2010 Annual Improvements to IFRSs		after 1 January 2011
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 9	Financial Instruments — Classification and Measurement	November 2009	Annual periods beginning on or after 1 January 2013
Revised International Accounting Standards		**Revised**	**Effective Date**
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 1	Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

b. Interpretations that are going to have future impact on the Social Security Commission

IFRIC Interpretation		**Effective Date**
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008; November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011

The tables above do not include the effective dates of minor consequential amendments that are the result of new or revised IFRSs, IASs or Interpretations.

The Commission could not disclose known or reasonably estimable information relevant to assessing the possible impact that application of the new Standards or Interpretations will have on the Commission's financial statements in the period of initial application due to the fact that the quantitative disclosures are not reasonably estimable at the time of preparing the annual financial statements.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Commission's financial statements.

	2010 N$	2009 N$
Contribution income	233 646 485	164 462 854
Claims paid	(89 168 040)	(81 596 875)
Gross surplus	144 478 445	82 865 979
Rental income	291 639	-
Other income	61 281	10 899
Interest received	195 539 755	112 202 142
Total income	**340 371 120**	**195 079 020**
Expenses (Refer to page 77)	(64 358 046)	(59 570 418)
Operating surplus	**276 013 074**	**135 508 602**
Fair value adjustments losses	(50 588 458)	(106 584 871)
Net surplus	**225 424 616**	**28 923 731**

	2010	2009
	N$	N$
Operating expenses		
Actuarial fees	(49 833)	(113 750)
Administration and management fees	(5 577 554)	(1 800 145)
Advertising	(769 124)	(529 464)
Auditors remuneration	35 843	(158 161)
Bad debts	(2 911 741)	(7 424 048)
Bank charges	(463 629)	(417 835)
Cleaning	(190 878)	(154 971)
Commission paid	(572 837)	(508 531)
Consulting and professional fees	(1 035 047)	(830 892)
Consumables	(222 944)	(157 620)
Depreciation, amortisation and impairments	(1 186 258)	(517 397)
Donations	(129 331)	(129 838)
Employee costs	(42 109 358)	(38 101 229)
Entertainment	(16 811)	(13 111)
Training material and refreshments	(2 223)	(4 957)
Flowers	(155 855)	(207 182)
General expenses	(24 496)	(573 043)
First Aid kit	(2 515)	(1 048)
IT expenses	5 388	(60 871)
Impairment of related party loans	84 013	(55 935)
Insurance	(305 283)	(320 536)
Internal audit system expenses	-	(232 921)
Lease rentals on operating lease	(673 860)	(618 367)
Legal expenses	(242 187)	(422 782)
Job evaluations	(522 679)	-
Motor vehicle expenses	(13 869)	(79 254)
Other expenses	(291)	(390)
Pest control	(27 635)	(23 058)
Petrol and oil	(174 374)	(146 354)
Plants	(1 274)	(650)
Postage	(590 264)	(561 148)
Printing and stationery	(980 211)	(694 600)
Promotions	(17 086)	(20 173)
Protective clothing	(5 369)	(36 185)
Repairs and maintenance	(472 147)	(670 420)
Research and development costs	(39 108)	(25 240)
Retained income adjustment	79	60 909

	2010	2009
	N$	N$
Operating expenses (continued)		
Secretarial fees	7 829	(221 145)
Security	(412 404)	(706 419)
Software expenses	(59 673)	(62 925)
Staff welfare	(842 680)	(662 239)
Subscriptions	(581 758)	(510 533)
Telephone and fax	(641 107)	(942 864)
Training	(1 351 133)	(593 332)
Utilities	(1 116 373)	(860 738)
Total	**(64 358 046)**	**(59 570 418)**

EMPLOYEES’ COMPENSATION FUND

BALANCE SHEET

as at 28 February 2010

	Notes	2010 N$	2009 N$
ASSETS			
Non-current assets		**40 350 966**	**30 102 865**
Property, plant and equipment	2	34 817 112	24 782 651
Investment property	3	5 380 819	5 320 214
Intangible assets	4	153 035	-
Current assets		**325 728 560**	**280 211 142**
Trade and other receivables	6	15 963 118	14 077 714
Investments	5	309 090 485	264 279 957
Cash and cash equivalents	7	674 957	1 853 471
Total assets		**366 079 526**	**310 314 007**
FUNDS AND LIABILITIES			
Funds			
Accumulated fund		**249 940 061**	**190 685 647**
Non-current liabilities		**77 034 772**	-
Provisions	8	77 034 772	-
Current liabilities		**39 104 693**	**119 628 360**
Bank overdraft	7	5 539	-
Provisions	8	32 270 720	107 900 708
Trade and other payables	9	6 828 434	11 727 652
Total funds and liabilities		**366 079 526**	**310 314 007**

EMPLOYEES' COMPENSATION FUND

INCOME STATEMENT

for the year ended 28 February 2010

	Notes	2010 N$	2009 N$
Revenue	10	71 290 429	61 965 037
Claims	11	(18 291 775)	(23 781 049)
Gross surplus		**52 998 654**	**38 183 988**
Other income		646 402	2 516 190
Operating expenses		(31 028 026)	(28 772 159)
Operating surplus	12	**22 617 030**	**11 928 019**
Investment revenue	13	48 132 388	29 076 982
Fair value adjustments	14	(11 495 004)	(35 033 994)
Surplus for the year		**59 254 414**	**5 971 007**

EMPLOYEES' COMPENSATION FUND

CHANGES IN EQUITY

for the year ended 28 February 2010

Balance as at 1 March 2008	**1 559 868**	**183 154 772**	**184 714 640**
Surplus for the year	(27 950 202)	33 921 209	5 971 007
Balance as at 1 March 2009	**(26 390 334)**	**217 075 981**	**190 685 647**
Surplus for the year	28 744 293	30 510 121	59 254 414
Balance as at 28 February 2010	**2 353 959**	**247 586 102**	**249 940 061**

EMPLOYEES' COMPENSATION FUND

CASH FLOW STATEMENT

for the year ended 28 February 2010

	Notes	2010 N$	2009 N$
Cash flows from operating activities			
Cash generated from operations	15	18 592,994	52 837 921
Interest income	13	48 132 388	29 076 982
Net cash from operating activities		**66 725 382**	**81 914 903**
Cash flows from investing activities			
Purchases of property, plant and equipment	2	(11 357 801)	(5 724 484)
Purchases of financial assets		(56 305 532)	(76 139 052)
Purchase of intangible asset	4	(185 497)	-
Purchases of investment property	3	(60 605)	(1 189 332)
Net cash used in investing activities		**(67 909 435)**	**(83 052 868)**
Total cash movement for the year		**(1 184 053)**	**(1 137 965)**
Cash at the beginning of the year		1 853 471	2 991 436
Total cash at end of the year	7	**669 418**	**1 853 471**

1. Accounting Policies

The annual financial statements set out on pages 69 to 105 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

The principal accounting policies are:

1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Commission's right to receive payment has been established.

Assessment income is recognised when the right to receive payment is established, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Commission.

Revenue from rentals is recognised on a straight line basis if there is a fixed escalation, otherwise when the rental becomes due.

1.2 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the Commission and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the Commission and the cost or fair value can be measured reliably.

Financial instruments are recognised when the Commission becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales are recognised using the trade date accounting.

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed.

1.3 Derecognition of assets and liabilities (continued)

Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or on disposal.

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.4 Property, plant and equipment and depreciation

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of property, plant and equipment are not capitalised.

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down their carrying amounts, less residual value, on the straight-line method over their useful lives as follows:

Item	**Average useful life**
• *Buildings*	*50 years*
• *Motor Vehicles*	*8 years*
• *Office Equipment*	*10 years*
• *Furniture and Fittings*	*10 years*
• *Computer Equipment*	*5 years*

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

Where significant parts on an item have different useful lives, or patterns in which future economic benefits are expected to be consumed, to the item itself, these parts are depreciated over their estimated useful lives.

The carrying amounts of property, plant and equipment should be assessed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying

1.4 Property, plant and equipment and depreciation (continued)

values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 profit or loss. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.5 Investment Properties

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of investment property are not capitalised.

Investment properties are held to earn rental income or for capital appreciation. Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are treated as long-term investments and carried at market value determined annually by external independent professional valuers. Investment properties are not subject to depreciation. Increases and decreases in their carrying amount are recognised in profit or loss for the period.

Fair value

Subsequent to initial measurement investment property is measured at fair value. At the balance sheet date all investment properties are measured at fair value. A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

(a)Leases as a lessee

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability or asset is not discounted.

1.6 Leases (continued)

(b)Leases as a lessor

Operating leases

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease asset or liability. This liability or asset is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

1.7 Instalment sale transactions

Finance charges payable on instalment sale transactions for the purchase of fixed assets are accounted for over the period of the agreement by the effective interest rate method and are included with finance costs.

1.8 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of receivables. The Fund has a policy of providing all accounts receivable which are above 24 months as potential bad debts. The amount of the provision is recognised in the income statement.

1.9 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in fair value.

Cash and cash equivalents are measured at fair value.

1.10 Impairment of assets

The Commission assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

1.10 Impairment of assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.11 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.12 Trade and other payables

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

1.13 Employee benefits

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.

The expected cost of compensated absences is recognised as an expense as the employees render service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.13 Employee benefits (continued)

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted every three years by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the income statement over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Commission is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the income statement, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

1.14 Financial instruments

Initial recognition

The Commission 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 assets and financial liabilities are recognised on the Commission's balance sheet when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

1.14 Financial instruments (continued)

Financial assets are initially recognised at their fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: The change in fair value is recognised in profit or loss or in equity, as appropriate.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on a financial asset or financial liability classified as an available-for-sale financial asset is recognised through profit or loss.
- Financial assets and financial liabilities carried at amortised cost: A gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Financial instruments carried on the balance sheet include all financial assets and liabilities.

1.15 Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that proved evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

1.16 Comparatives

Comparative figures are restated in the event of a change in accounting policy or prior period error. There were no prior period error changes or change in the accounting policy in the current year.

1.17 Outstanding claims

Full provision is made for the estimated cost of claims including administration costs notified, but not settled at the balance sheet date. Provision is also made for the expected cost of claims incurred but not initiated at the balance sheet date.

1.18 Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

1.19 Significant judgements

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

Residual values and remaining useful lives

Management used the industrial practices to determine the residual values and useful lives of property, plant and equipment.

Provisions

Provisions were raised and management determined an estimate based on current and historical information available to them. Technical provisions and provision for leave were raised during the year.

Held to maturity investments and trade receivables

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

The impairment for trade receivables and held to maturity investments is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N$	N$	N$	N$	N$	N$
Land	18 988 320	-	18 988 320	8 157 734	-	8 157 734
Buildings	14 019 481	(1 997 643)	12 021 838	13 988 736	(1 469,674)	12 519 062
Furniture and fittings	1 715 753	(919 007)	796 746	1 375 024	(809 238)	565 786
Motor vehicles	1 603 457	(691 576)	911 881	1 603 457	(534 707)	1 068 750
Computer equipment	3 205 592	(2 125 334)	1 080 258	3 139 812	(1 726 140)	1 413 672
Office equipment	1 995 990	(977 921)	1 018 069	1 906 029	(848 382)	1 057 647
Total	**41 528 593**	**(6 711 481)**	**34 817 112**	**30 170 792**	**(5 388 141)**	**24 782 651**

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Adjustments	Revaluations	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	8 157 734	10 830 586			-	18 988 320
Buildings	12 519 062	30 745	-		(527 969)	12 021 838
Furniture and fittings	565 786	340 729	-	-	(109 769)	796 746
Motor vehicles	1 068 750	-	-	-	(156 869)	911 881
Computer equipment	1 413 672	65 780	-	-	(399 194)	1 080 258
Office equipment	1 057 647	89 961	(2 626)	-	(126 913)	1 018 069
Total	**24 782 651**	**11 357 801**	**(2 626)**	**-**	**(1 320 714)**	**34 817 112**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -2009

	Opening Balance	Additions	Adjustments	Revaluations	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	4 154 054	4 003 680	-	-	-	8 157 734
Buildings	12 075 095	780 400	-	-	(336 433)	12 519 062
Furniture and fittings	419 929	207 168	-	-	(61 311)	565 786
Motor vehicles	973 271	-	-	-	95 479	1 068 750
Computer equipment	1 162 445	488 451	-	-	(237 224)	1 413 672
Office equipment	893 468	244 785	(58)	-	(80 548)	1 057 647
Total	**19 678 262**	**5 724 484**	**(58)**	**-**	**(620 037)**	**24 782 651**

Land and buildings comprise Erf 119 Grootfontein (1329 square metres, registration division B), Erf 120 Grootfontein (1377 square metres with buildings thereon, registration division B), Erf 2269 Windhoek (1430 square metres with buildings thereon), Erf 858 Walvis Bay (1250 square metres with buildings thereon), Erf 1589 Oshakati (3515 square metres without improvements), Erf 3223 Ongwediva (5310 square metres) and
Erf 1610 Keetmanshoop (1186 square metres without improvements).

3. Investment property

	2010		2009	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	5 380 819	5 380 819	5 320 214	5 320 214
Total	**5 380 819**	**5 380 819**	**5 320 214**	**5 320 214**

Reconciliation of investment property -2010

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	5 320 214	60 605	-	-	-	5 380 819
Total	**5 320 214**	**60 605**	**-**	**-**	**-**	**5 380 819**

Reconciliation of investment property -2009

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	4 130 882	1 189 332	-	-	-	5 320 214
Total	**4 130 882**	**1 189 332**	**-**	**-**	**-**	**5 320 214**

Land and buildings comprise Erf 1983 Keetmanshoop (2624 square metres, with office buildings thereon)

4. Intangible Assets

	2010			2009		
	Cost / Valuation	**Amortisation**	**Carrying value**	**Cost / Valuation**	**Amortisation**	**Carrying value**
	N$	**N$**	**N$**	**N$**	**N$**	**N$**
Software license	185 497	(32 462)	153 035	-	-	-
Total	**185 497**	**(32 462)**	**153 035**	**-**	**-**	**-**

Reconciliation of intangible assets -2010

	Opening Balance	**Additions**	**Disposals**	**Adjustments**	**Amortisation**	**Closing Balance**
	N$	**N$**	**N$**	**N$**	**N$**	**N$**
Software license	-	185 497	-	5 843	(38 305)	153 035
Total	**-**	**185 497**	**-**	**5 843**	**(38 305)**	**153 035**

	2010	2009
	N$	N$
5. Investments		
Held to maturity		
Bonds	-	9 859 476
The Government bond was purchased on 25 November 1998 and it matured on 15 January 2010.		
Fixed term deposits	53 823 553	235 537 356
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the balance sheet date and the interest rates are between 6.50% and 9.25% per annum.		
	53 823 553	**245 396 832**
Fair value through profit and loss		
Funds held with the professional managers	255 266 932	18 883 125
Funds held with the professional managers are fair valued by the managers as at year end.		
	255 266 932	**18 883 125**
Total investments	**309 090 485**	**264 279 957**
Current assets	**309 090 485**	**264 279 957**
Held to maturity	53 823 553	245 396 832
Fair value through profit and loss	255 266 932	18 883 125
Total	**309 090 485**	**264 279 957**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

Fair values are determined annually at balance sheet date.

	2010	2009
	N$	N$
6. Trade and other receivables		
Gross trade debtors	34 680 109	28 043 496
Less: Debtors with credit balances	(4 917 631)	(3 699 965)
Less: Provision for bad debts	(19 526 844)	(21 025 872)
Net trade debtors	10 235 634	3 317 659
Amount due from APF to ECF (related party)	2 552 948	7 818 830
Amount due from MSD (related party)	-	47 964
Amount due from SSC (related party)	422 569	1 210 599
Amount due from APF to ECF (related party)	23 474	9 028
Other debtors	2 728 493	1 673 634
	15 963 118	**14 077 714**

The Fund's credit period on the assessment income is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of assessment. Thereafter, interest is charged on the trade receivables at 10% per annum on the outstanding balance. The Fund has a policy of providing all accounts receivable which are above 12 months as potential bad debts.

There is no credit scoring system to assess the potential customer's credit quality as there is no external credit rating for all the employers in Namibia.

Included in the Fund's trade receivables are debtors with carrying amounts of N$ 31 837 164 (2009 N$ 5 114 219) which are past due at the reporting date for which the Fund has not provided as potential bad debts. The Fund does not hold any collateral over these balances. The average age of these receivables is +120 days (2009: +120 days).

Ageing of past due but not impaired

	2010	2009
60 days	1 520 995	572 759
90 days	601 942	458 484
+120days	29 714 227	4 082 976
Total	**31 837 164**	**5 114 219**

	2010	2009
	N$	N$

6. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

Balance at beginning of the year	21 025 872	39 354 397
Impairment losses recognised on receivables	-	1 242 375
Movement out of the provision	(1 499 028)	(19 570 900)
Balance at year end	**19 526 844**	**21 025 872**

Ageing of impaired trade receivables

60 days	-	-
90 days	-	-
+120days	19 526 844	21 025 872
Total	**19 526 844**	**21 025 872**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

7. Cash and cash equivalents

Cash and cash equivalents consist of		
Bank balances	674 957	1 853 471
Bank overdraft	(5 539)	-
	669 418	**1 853 471**

8. Provisions

Reconciliation of provisions - 2010	**Opening Balance**	**Movements**	**Closing Balance**
	N$	**N$**	**N$**
Leave pay	2 545 974	241 407	2 787 381
Compensation claims	105 036 009	1 341 301	106 377 310
Legal costs	318 725	(177 924)	140 801
Total	**107 900 708**	**1 404 784**	**109 305 492**
Current	**107 900 708**	**(75 629 988)**	**32,270,720**
Leave pay	2 545 974	241 407	2 787 381
Compensation claims	105 036 009	(75 693 471)	29 342 538
Legal costs	318 725	(177 924)	140 801
Non-current	-	**77 034 772**	**77 034 772**
Compensation claims	-	77 034 772	77 034 772
Total	**107 900 708**	**1 404 784**	**109 305 492**

Reconciliation of provisions - 2009	**Opening Balance**	**Movements**	**Closing Balance**
	N$	**N$**	**N$**
Leave pay	2 379 183	166 791	2 545 974
Compensation claims	75 804 880	29 231 129	105 036 009
Legal costs	466 382	(147 657)	318 725
Total	**78 650 445**	**29 250 263**	**107 900 708**
Current	**78 650 445**	**29 250 263**	**107 900 708**
Leave pay	2 379 183	166 791	2 545 974
Compensation claims	75 804 880	29 231 129	105 036 009
Legal costs	466 382	(147 657)	318 725
Total	**78 650 445**	**29 250 263**	**107 900 708**

	2010	2009
	N$	N$

8. Provisions (continued)

Fair value determination of the compensation claims

Provision for compensation claims is made up of the following liability components:

Category		
-Medical claims	9 485 472	10 677 022
-Permanent disability	2 862 423	2 531 463
-Temporary disabilities	3 466 843	3 288 576
-Burial and transport expenses	409 037	561 597
-Pension liabilities	66 129 208	62 716 722
- Claims handling provision	19 968 383	20 995 964
- Data Integrity provision	4 055 944	4 264 665
Total provision for claims	**106 377 310**	**105 036 009**

The unreported but incurred claims were determined based on basic chain ladder method.
The method involves the following:
-The runoff claims for the Employees' Compensation Fund (ECF) have been grouped into the following subgroups:
i. Burial and Transport;
ii. Medical Claims;
iii. Permanent Disability; and
iv. Temporary Disability.

Runoff triangles for each of these subgroups were formed by grouping the data by occurrence year and payment year. Development factors based on the accumulated claims paid after each period in respect of claims from the same year of occurrence. These development factors were used to project the expected claims during each future period. The following assumptions were incorporated in the basic chain ladder method:
a. The claim development factors will remain stable;
b. Past claims experience is a suitable guide to future claims experience.

The pension liabilityis the present value of all future expected pension payments calculated by discounting the current pension being paid by a net discount rate and allowing for mortality. The following assumptions were made to value the pension liability:

i. Post retirement rate of interest

In order to make some allowance for increasing pensions in the future, the interest rate adopted in the valuation calculations was 3% p.a. in respect of the period after each member’s retirement. The Fund does not have a formal pension increase policy, but pensions are increased from time to time on an ad hoc basis.

The effect of this measure is that if in a particular year, for example, the Fund earns 10% on its investments then the Fund can grant a 6.7% (1.10/1.03 -1) increase in pensions payable from the Fund without any financial strain on the Fund.

8. Provisions (continued)

The corresponding assumption used in the previous valuation report was 3% p.a.

ii. Mortality
Mortality for those in receipt of pension payments was assumed to be in line with the PA(90) mortality table. Disabled members were assumed to experience higher mortality equal to that for a life aged 15 years and older .

Child mortality was ignored until age 18.

iii. Spouse
All disabled pensioners were assumed to have a spouse to whom a 50% reversionary pension is paid. Male pensioners are assumed to be four years older than their spouses. The constant allowance pensions were valued based on a single life pension only since these pensions will stop on the death of a disabled person.

Part of the expenses that the Commission will be paying in future will be related to handling IBNR claims. Thus a Claims Handling Provision was included in the IBNR for these future expenses. The actuaries calculated the ratio of expenses paid relative to claims paid in 2010 according to the actuarial valuation. This ratio was applied to the IBNR liabilities to arrive at an estimate of the claims handling provision. A claims handling provision equal to 123% of the IBNR liability for the ECF fund and 95% of the IBNR liability for the MSD fund was set up.

The IBNR liability depends on the accuracy of the data provided to actuaries. The actuaries could not reconcile the data provided to them with the annual financial statements and they recommend that a data integrity provision be established to allow for the fact that there might have been some errors in the data provided. A data integrity provision equal to 25% of the IBNR liability for the ECF fund was set up during the year.

	2010	2009
	N$	N$

9. Trade and other payables

	2010 N$	2009 N$
Trade payables	318 785	1 165 893
Amount owed to APF by ECF (related party)	2 552 948	7 818 830
Amount owed to MSD by ECF (related party)	12 467	1 620
Amount owed SSC (related party)	3 184 076	1 913 651
Amount owed to ECF by APF (related party)	23 474	32 502
Amount owed to MSD by APF (related party)	32 174	-
Other payables	704 510	795 156
	6 828 434	**11 727 652**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

10. Revenue

	2010 N$	2009 N$
Assessment income	66 195 993	52 484 829
Administrative fees income - APF	2 541 488	1 662 399
Pension capitalised - APF	2 552 948	7 817 809
	71 290 429	**61 965 037**

11. Claims

	2010 N$	2009 N$
Medical expenses	7 419 091	8 378 236
Compensation payments	4 005 208	3 398 043
Capital pension paid - APF	2 552 948	7 817 809
Pension paid - APF	4 314 528	4 186 961
	18 291 775	**23 781 049**

	2010	2009
	N$	N$

12. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Premises operating lease charges	362 848	332 967
Rental income	(291 639)	-
Auditors' remuneration	(19 300)	85 164
Impairment loss recognised on accounts receivable	(1 493 397)	1 242 375
Depreciation on property, plant and equipment	1 359 019	620 037
Employee costs	22 674 270	20 516 046

13. Investment revenue

Held to maturity investments	6 902 082	25 490 291
Bank deposits	391 410	579 622
Accounts receivable	787 511	474 297
Impaired accounts receivable	1 014 804	1 421 067
Interest income excluding interest income from asset managers	**9 095 807**	**27 965 277**
Funds under asset management	40 838 896	3 007 069
Total investment income	**49 934 703**	**30 972 346**
Less: Interest on debtors disclosed under revenue	(1 802 315)	(1 895 364)
Interest income per income statement	**48 132 388**	**29 076 982**

Investment revenue earned on financial assets, analysed by category of asset is as follows:

Held to maturity investments	6 902 082	25 490 291
Accounts receivable and cash equivalents	2 193 725	2 474 986
Funds under asset managers	40 838 896	3 007 069
Total investment income	**49 934 703**	**30 972 346**
Less: Interest on debtors disclosed under revenue	(1 802 315)	(1 895 364)
Interest income per income statement	**48 132 388**	**29 076 982**

	2010	2009
	N$	N$

14. Fair value adjustments

Actuarial adjustment on provision for incurred but not reported claims	1 341 301	28 985 785
Loss on Funds under asset managers	10 153 703	6 048 209
Total fair value loss	**11 495 004**	**35 033 994**

	2010	2009
	N$	N$
15. Cash generated from operations		
Surplus for the year	59 254 414	5 971 007
Adjustments for:		
Depreciation and amortisation	1 359 019	620 037
Interest received	(48 132 388)	(29 076 982)
Assets adjustments	(3 217)	58
Fair value adjustments	11 495 004	35 033 994
Changes in working capital:		
Trade and other receivables	(1 885 404)	7 309 128
Trade and other payables	(4 899 218)	3 730 416
Provisions	1 404 784	29 250 263
	18 592 994	**52 837 921**

16. Commitments

Authorised capital expenditure

Not yet contracted for but authorised	29 432 000	37 938 500

This committed expenditure relates to plant and equipment and investment properties and will be financed by existing cash resources and Funds internally generated.

	2010	2009
	N$	N$
17. Financial instruments		
17.1 Categories of financial instruments		
Financial assets		
	325 728 560	**280 211 142**
Financial assets carried at fair value through profit or loss		
Designated as FVPTL	255 266 932	18 883 125
Held to maturity investments	53 823 553	245 396 832
Loans and receivables (including cash and cash equivalents)	16 638 075	15 931 185
Financial liabilities		
	116 139 465	**119 628 360**
Financial assets carried at fair value through profit or loss		
Designated as FVPTL	106 377 310	105 036 009
Amortised cost	9 762 155	14 592 351

17.2 Financial risk management objectives

The primarily objective in the investment of the Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each Fund.

The investment portfolio shall be diversified to minimise the risk of loss resulting from concentration of assets in a specific
maturity, specific issuer or a specific class of securities. Further, diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment styles.

The Commissioners recognise that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objectives will only be met if they are consistently achieved over a shorter period.
Real returns (i.e. returns in excess of inflation) are required across the range of portfolios, which compensate adequately for
the levels of risk inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the Commission in the longer-term.

17.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

-Funds at FVPTL
-Cash and cash equivalents
-Held to maturity investments
-Provision for claims

Market risk arises in the Fund due to fluctuations in both the value of liabilities and the value of investments held.

The management has established a policy on market risk which sets out the principles that the Fund is expected to adopt in respect of management of the key market risks to which the Fund is exposed. The Board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and risk committee. For each of the major components of market risk, described in more detail below, the management has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

17.4 Interest rate risk management

Interest rate risks arises primarily from the Fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

17.4.1 Interest rate sensitivity analysis

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair values or amortised costs of these financial instruments:

Financial assets	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Debt securities unquoted and cash and cash equivalents	538 236	(538 236)	2 355 374	(2 355 374)
Total financial assets	**538 236**	**(538 236)**	**2 355 374**	**(2 355 374)**

An increase or decrease of 1% in the interest rates relating to financial assets would result in an increase in income of N$ 0.5m (2009: N$ 2.4m) or a decrease in income of N$ 0.5m (2009:N$ 2.4m) respectively.

17.4.1 Interest rate sensitivity analysis (continued)

Financial liabilities	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Provisions	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**

An increase or decrease of 1% in the interest rates relating to financial liabilitieswould result in an increase in income of N$ 0 (2009: N$ 0) or a decrease in income of N$ 0 (2009:N$ 0) respectively.

17.5 Equity prices risks

The Fund is subject to price risk due to daily changes in the market values of its investments held by asset managers. The Fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods by the asset managers. The Fund's holdings are diversified across industries, and concentration in any one company or industry are limited by parameters established by asset managers and statutory requirements. The Fund's exposure to movement in equities is 24.80% and 12.80% for the domestic and foreign equities, respectively, on the funds held by asset managers.

17.5.1 Equity price sensitivity analysis

At 28 February 2010, the Fund's listed equities were recorded at their fair value of N$ 96 million(2009: N$ 19 million). A hypothetical 10% decline or increase in each individualshare price would decrease/increase profit before taxation by N$ 9.6 million (2009: N$ 1.9 million).

17.6 Credit risk management

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Fund is exposed to credit risk are:
-investments and cash equivalents
-accounts receivables

17.6 Credit risk management (continued)

The management determines counterparty credit quality by reference to ratings from independent rating agencies such as Standard & Poor's or Moody, where such ratings are not available, by internal analysis. Management seeks to avoid concentration of credit risk to groups of counterparties.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

17.6.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2010.

Financial instrument	*Credit rating*					
	AAA	A1+	BBB	BB	Not rated	Carrying value
Funds at FVPTL	-	-	-	-	255 266 932	**255 266 932**
Trade and other receivables	-	-	-	-	15 963 118	**15 963 118**
Cash and cash equivalents	-	674 957	-	-	-	**674 957**
Held to maturity investments	-	53 799 231	-	-	24 322	**53 823 553**
Total	**-**	**54 474 188**	**-**	**-**	**271 254 372**	**325 728 560**

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2009.

Financial instrument	*Credit rating*					
	AAA	A1+	A	A-	Not rated	Carrying value
Funds at FVPTL	-	-	-	-	18 883 125	**18 883 125**
Trade and other receivables	-	-	-	-	14 077 714	**14 077 714**
Cash and cash equivalents	-	1 853 471	-	-	-	**1 853471**
Held to maturity investments	-	235 514 460	-	-	9 882 372	**245 396 832**
Total	**-**	**237 367 931**	**-**	**-**	**42 843 211**	**280 211 142**

17.6.1 Credit risk analysis (continued)

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Fund's financial instruments do not represent a concentration of credit risk, because the Fund deals with a variety of major banks and its accounts receivable are spread among all registered companies.

17.7 Liquidity risk management

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

The Fund is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls.

The Fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claim liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

17.7.1 Liquidity and interest rate risk tables

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date:

2010

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVPTL	-	-	255 266 932	-	-	255 266 932
Trade and other receivables	10.00	-	35 547 112	-	-	35 547 112
Cash and cash equivalents	-	674 957	-	-	-	674 957
Held to maturity investments	7.88	-	54 883 877	-	-	54 883 877
Total financial assets		**674 957**	**345 697 921**	**-**	**-**	**346 372 878**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	32 270 720	-	77 034 772	109 305 492
Trade and other payables	-	-	6 833 973			6 833 973
Total financial liabilities		**-**	**39 104 693**	**-**	**77 034 772**	**116 139 465**
Net amount		**674 957**	**306 593 228**	**-**	**(77 034 772)**	**230 233 413**

2009

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVPTL	-	-	18 883 125	-	-	18 883 125
Trade and other receivables	10.00	-	28 744 583	-	-	28 744 583
Cash and cash equivalents	-	1 853 471	-	-	-	1 853 471
Held to maturity investments	11.20	-	242 132 402	11 200 000	-	253 332 402
Total financial assets		**1 853 471**	**289 760 110**	**11 200 000**	**-**	**302 813 581**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	107 900 708	-	-	107 900 708
Trade and other payables	-	-	11 727 652			11 727 652
Total financial liabilities		**-**	**119 628 360**	**-**	**-**	**119 628 360**
Net amount		**1 853 471**	**170 131 750**	**11 200 000**	**-**	**183 185 221**

18. Post balance sheet events

There are no events which occurred after the year end which warrant disclosure.

19. Taxation

The fund is exempted from income tax in terms of Section 23 of the Act.

20. Contingent assets and liabilities

There is a pending legal suit against the Commission being sued by a former employee for unfair dismissal. The case is dealt with by the courts. The costs are not material and the outcome of the matter is not yet known. There are no contingent assets.

	2010	2009
	N$	N$
21. Commissioners' emoluments		
Commissioners' emoluments were	173 890	100 782

22. Defined benefit fund

The staff members are members of Government Institutions Pension Fund (GIPF), a defined benefit fund. The sponsors of the Fund are various Government related institutions that include the Commission and these sponsors have an obligation to meet the shortfall if the Fund's liabilities were to exceed the fund assets.

The value of the assets of GIPF is valued actuarially every third year. The latest actuarial valuation was done as at 31 March 2009, and the valuator reported that the Fund was in a sound financial position, and that the present rates of contributions were adequate to enable the Fund to provide the benefits to which members are entitled.

The performance of the Fund's investments is benchmarked on a quarterly basis by its investment consultant, Humanity Employee Benefits Company (Pty) Ltd.

23. Published standards, amendments and interpretations that are not yet effective and have not been early adopted by Social Security Commission

At the date of authorisation of these annual financial statements, certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Commission has not early adopted any of these pronouncements. The new Standards, Amendments and Interpretations that are expected to be relevant to the Commission's annual financial statements are as follows:

a. Standards and amendments that are going to have future impact on the Social Security Commission

New/Revised International Financial Reporting Standards		Issued	Effective Date
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from May 2008 Annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 9	Financial Instruments — Classification and Measurement	November 2009	Annual periods beginning on or after 1 January 2013
Revised International Accounting Standards		**Revised**	**Effective Date**
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 1	Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011

IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

b. Interpretations that are going to have future impact on the Social Security Commission

IFRIC Interpretation		Effective Date
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008; November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011

The tables above do not include the effective dates of minor consequential amendments that are the result of new or revised IFRSs, IASs or Interpretations.

The Commission could not disclose known or reasonably estimable information relevant to assessing the possible impact that application of the new Standards or Interpretations will have on the Commission's financial statements in the period of initial application due to the fact that the quantitative disclosures are not reasonably estimable at the time of preparing the annual financial statements.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Commission's financial statements.

EMPLOYEES' COMPENSATION FUND

DETAILED INCOME STATEMENT

for the year ended 28 February 2010

	2010	2009
	N$	N$
Assessment income	71 290 429	61 965 037
Claims paid	(18 291 775)	(23 781 049)
Gross surplus	**52 998 654**	**38 183 988**
Rental income	291 639	-
Other income	354 763	99 297
Interest received	48 132 388	29 076 982
Bad debts recovered	-	2 416 893
Total income	**101 777 444**	**69 777 160**
Expenses (Refer to page 105)	(31 028 026)	(28 772 159)
Operating surplus	**70 749 418**	**41 005 001**
Fair value adjustments losses	(11 495 004)	(35 033 994)
Net surplus	**59 254 414**	**5 971 007**

EMPLOYEES' COMPENSATION FUND

DETAILED INCOME STATEMENT

for the year ended 28 February 2010

	2010	2009
	N$	N$
Operating expenses		
Actuarial fees	26 833	61 250
Advertising	414 144	285 096
Auditors remuneration	(19 300)	85 164
Bad debts	(1 493 397)	1 242 375
Bank charges	101 848	95 738
Cleaning sevices and materials	102 780	83 446
Communication lines	308 451	273 825
Consulting and professional fees	633 372	467 125
Contribution refund	388 307	80 915
Corporate functions	120 046	84 872
Depreciation, amortisation and impairments	1 359 019	620 037
Donations	69 640	69 913
Employee costs	22 674 270	20 516 046
Entertainment	9 052	7 060
First aid kit	1 353	562
Hire of equipment	157	-
IT expenses	(2 901)	32 777
Insurance	164 383	172 596
Internal Audit System expenses	-	125 419
International conferences	7 883	91 838
Job evaluations	281 442	-
Lease rentals on operating lease	362 848	332 967
Legal expenses	130 408	227 652
Management fees	1 435 747	99 534
Motor vehicle expenses	7 468	42 675
Municipal expenses	601 124	463 475
Office refreshments	9 200	10 862
Petrol and oil	93 894	78 806
Plants	15 567	12766
Postage	317 835	302 157
Printing and stationery	527 806	374 016
Protective clothing	2 891	19 484
Public relations expenses	-	210
Recruitment	21 058	13 591
Repairs and maintenance	254 233	360 996
Retained income adjustment	-	436

EMPLOYEES' COMPENSATION FUND

DETAILED INCOME STATEMENT

for the year ended 28 February 2010

	2010	2009
	N$	N$
Operating expenses (continued)		
Security	222 064	380 380
Seminars and conferences	32 132	33 883
Subscriptions	313 254	274 903
Subsistence staff on duty	453 751	356 590
Subsistence training	(4 215)	97 911
Sundry expenses	9 638	41 793
Telephone and fax	345 211	507 696
Training	727 533	340 654
Training materials and refreshments	1 197	2 668
Total	**31 028 026**	**28 772 159**

DEVELOPMENT FUND

BALANCE SHEET

AS AT 28 February 2010

	Notes	2010 N$	2009 N$
ASSETS			
Non-current assets			
Property, plant and equipment	2	**32 607**	**27 356**
Current assets		**51 870 564**	**26 385 055**
Investments	3	50 895 524	26 090 908
Accounts receivables		7 644	3 136
Cash and cash equivalents	4	967 396	291 011
Total assets		**51 903 171**	**26 412 411**
FUNDS AND LIABILITIES			
Funds			
Accumulated fund		**51 718 227**	**25 710 090**
Current liabilities			
Trade and other payables	5	**184 944**	**702 321**
Total funds and liabilities		**51 903 171**	**26 412 411**

DEVELOPMENT FUND

INCOME STATEMENT

for the year ended 29 February 2010

	Notes	2010 N$	2009 N$
Revenue	6	23 820 180	-
Training schemes - expenses	7	(1 148 471)	(502 200)
Gross surplus /(deficit)		**22 671 709**	**(502 200)**
Operating expenses		(491 324)	(549 150)
Operating surplus /(deficit)	8	**22 180 385**	**(1 051 350)**
Investment revenue	9	3 827 752	2 644 669
Surplus for the year		**26 008 137**	**1 593 319**

DEVELOPMENT FUND

CHANGES IN EQUITY

for the year ended 28 February 2010

	Accumulated surplus
	N$
Balance as at 1 March 2008	**24 116 771**
Surplus for the year	1 593 319
Balance as at 28 February 2009	**25 710 090**
Surplus for the year	26 008 137
Balance as at 28 February 2010	**51 718 227**

DEVELOPMENT FUND

CASH FLOW STATEMENTS

for the year ended 28 February 2010

	Notes	2010 N$	2009 N$
Cash flows from operating activities			
Cash generated from /(used in) operations	10	21 653 249	(1 548 633)
Interest income		3 827 752	2 644 669
Net cash from operating activities		**25 481 001**	**1 096 036**
Cash flows from investing activities			
Purchases of financial assets - investments		(24 804 616)	(1 509 286)
Net cash used in investing activities		**(24 804 616)**	**(1 509 286)**
Total cash movement for the year		**676 385**	**(413 250)**
Cash at the beginning of the year		291 011	704 261
Total cash at end of the year		**967 396**	**291 011**

1. Accounting policies

The annual financial statements set out on pages 106 to 128 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

The principal accounting policies are:

1.1 Revenue recognition

Grants are measured at the fair value of the consideration received or receivable and represents grant income received in the current year.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Commission's right to receive payment has been established.

Revenue from rentals is recognised on a straight line basis if there is a fixed escalation, otherwise when the rental becomes due.

1.2 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the Commission and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the Commission and the cost or fair value can be measured reliably.

Financial instruments are recognised when the Commission becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales are recognised using the trade date accounting.

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed.

Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or on disposal.

1.3 Derecognition of assets and liabilities (continued)

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.4 Property, plant and equipment and depreciation

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of property, plant and equipment are not capitalised.

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down their carrying amounts, less residual value, on the straight-line method over their useful lives as follows:

Item	**Average useful life**
• *Office Equipment*	*10 years*
• *Furniture and Fittings*	*10 years*

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

Where significant parts on an item have different useful lives, or patterns in which future economic benefits are expected to be consumed, to the item itself, these parts are depreciated over their estimated useful lives.

The carrying amounts of property, plant and equipment should be assessed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 profit or loss. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.5 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

1.6 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in fair value.

Cash and cash equivalents are measured at fair value.

1.7 Impairment of assets

The Commission assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Commission estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 Provisions and contingencies

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.8 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.9 Trade and other payables

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

1.10 Employee benefits

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.

The expected cost of compensated absences is recognised as an expense as the employees render service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

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

Actuarial valuations are conducted every three years by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the income statement over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

1.10 Employee benefits (continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Commission is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the income statement, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Financial instruments

Initial recognition

The Commission 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 assets and financial liabilities are recognised on the Commission's balance sheet when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial assets are initially recognised at their fair value on the trade date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value: The change in fair value is recognised in profit or loss or in equity, as appropriate.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

After initial recognition financial liabilities are measured as follows:

1.11 Financial instruments (continued)

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on a financial asset or financial liability classified as an available-for-sale financial asset is recognised through profit or loss.
- Financial assets and financial liabilities carried at amortised cost: A gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Financial instruments carried on the balance sheet include all financial assets and liabilities.

1.12 Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that proved evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

1.13 Comparatives

Comparative figures are restated in the event of a change in accounting policy or prior period error.

1.14 Significant judgements

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

Residual values and remaining useful lives

Management used the industrial practices to determine the residual values and useful lives of property, plant and equipment.

Provisions

Provisions were raised and management determined an estimate based on current and historical information available to them. Technical provisions and provision for leave were raised during the year.

1.14 Significant judgements (continued)

Held to maturity investments and trade receivables

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

The impairment for trade receivables and held to maturity investments is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depn	Carrying value	Cost / Valuation	Accumulated depn	Carrying value
	N$	N$	N$	N$	N$	N$
Furniture and fittings	52 510	(38 036)	**14 474**	52 510	(38 036)	**14 474**
Office equipment	46 600	(28 467)	**18 133**	46 600	(33 718)	**12 882**
Total	**99 110**	**(66 503)**	**32 607**	**99 110**	**(71 754)**	**27 356**

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Adjustment	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Furniture and fittings	14 474	-	-	-	-	**14 474**
Office equipment	12 882	-	-	5 251	-	**18 133**
Total	**27 356**	**-**	**-**	**5 251**	**-**	**32 607**

Reconciliation of property, plant and equipment -2009

	Opening Balance	Additions	Disposals	Adjustment	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Furniture and fittings	19 134	-	-	-	(4 660)	**14 474**
Office equipment	18 133	-	-	-	(5 251)	**12 882**
Total	**37 267**	**-**	**-**	**-**	**(9 911)**	**27 356**

	2010	2009
	N$	N$
3. Investments		
Fixed term deposits	50 895 524	26 090 908
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the balance sheet date and the interest rates are between 6.5% and 9.25% per annum.		
Sub-total	50 895 524	26 090 908
Impairments on held to maturity	-	-
	50 895 524	**26 090 908**
Fair value through profit and loss		
Funds held with the professional managers	30 012 236	30 012 236
Funds held with the professional managers are valued by the managers as at year end.		
Sub-total	30 012 236	30 012 236
Impairments on fair value through profit and loss	(30 012 236)	(30 012 236)
	-	**-**
Total investments	**50 895 524**	**26 090 908**
Current assets		
Held to maturity	50 895 524	26 090 908
Fair value through profit and loss	-	-
Total	**50 895 524**	**26 090 908**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	967 396	291 011
	967 396	**291 011**

	2010	2009
	N$	N$

5. Trade and other payables

	2010 N$	2009 N$
Amount due to SSC (related party)	86 229	116 850
Other payables	98 715	585 471
	184 944	**702 321**

The related party balances are interest free, unsecured and have no fixed terms of repayment.

6. Revenue

	2010 N$	2009 N$
Contributions from MSD	14 320 180	-
Government Grants	9 500 000	-
	23 820 180	**-**

7. Training schemes

	2010 N$	2009 N$
Training Schemes	1 107 000	-
Study Schemes	41 471	502 200
	1 148 471	**502 200**

8. Operating surplus/ (deficit)

Operating surplus /(deficit) for the year is stated after accounting for the following:

	2010 N$	2009 N$
Depreciation on property, plant and equipment	-	9 911
Employee costs	466 849	492 355

9. Investment revenue

	2010 N$	2009 N$
Fixed term deposits	3 791 532	2 609 286
Bank deposits	36 220	35 383
	3 827 752	**2 644 669**

	2010	2009
	N$	N$
10. Cash generated from/(used in) operations		
Surplus for the year	26 008 137	1 593 319
Adjustments for:		
Depreciation and armortisation	(5 251)	9 911
Interest received	(3 827 752)	(2 644 669)
Changes in working capital:		
Trade and other receivables - (increase)/decrease	(4 508)	5 507
Trade and other payables - decrease	(517 377)	(512 701)
Total	**21 653 249**	**(1 548 633)**

11. Financial instruments

11.1 Categories of financial instruments

	2010	2009
Financial assets	**51 870 564**	**26 385 055**
Held to maturity investments	50 895 524	26 090 908
Loans and receivables (including cash and cash equivalents)	975 040	294 147
Financial liabilities	**184 944**	
Amortised cost	184 944	-

11. Financial instruments

11.1 Categories of financial instruments

	2010	2009
Financial assets	**51 870 564**	**26 385 055**
Held to maturity investments	50 895 524	26 090 908
Loans and receivables (including cash and cash equivalents)	975 040	294 147
Financial liabilities	**184 944**	-
Amortised cost	184 944	-

11.2 Financial risk management objectives

The primarily objective in the investment of the Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each Fund.

The investment portfolio shall be diversified to minimise the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further, diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment styles.

The Commissioners recognise that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objectives will only be met if they are consistently achieved over a shorter period.

Real returns (i.e. returns in excess of inflation) are required across the range of portfolios, which compensate adequately for the levels of risk inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the Commission in the longer-term.

11.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

-*Cash and cash equivalents*

-*Held to maturity investments*

Market risk arises in the Fund due to fluctuations in the value of investments held.

The management has established a policy on market risk which sets out the principles that the Fund is expected to adopt in respect of management of the key market risks to which the Fund is exposed. The Board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and risk committee. For each of the major components of market risk, described in more detail below, the management has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

11.4 Interest rate risk management

Interest rate risk arises primarily from the Fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

11.4.1 Interest rate sensitivity analysis

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair values or armortised costs of these financial instruments:

Financial assets	**2010 1% increase N$**	**2010 1% decrease N$**	**2009 1% increase N$**	**2009 1% decrease N$**
Debt securities unquoted	508 955	(508 955)	260 909	(260 909)
Cash and cash equivalents	-	-	-	-
Total financial assets	**508 955**	**(508 955)**	**260 909**	**(260 909)**

An increase or decrease of 1% in the interest rates relating to financial assets would result in an increase in income of N$ 508 955 (2009: N$ 260 909) or a decrease in income of N$ 508 955 (2009:N$ 260 909) respectively.

11.5 Credit risk management

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Fund is exposed to credit risk are:
-investments and cash equivalents

The management determines counterparty credit quality by reference to ratings from independent rating agencies such as Standard & Poor's or Moody, where such ratings are not available, by internal analysis. Management seeks to avoid concentration of credit risk to groups of counterparties.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

11.5.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2010:

Financial instrument	***Credit rating***			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Trade and other receivables	-	-	7 644	**7 644**
Cash and cash equivalents	-	-	967 396	**967 396**
Held to maturity investments	25 382 340	-	25 513 184	**50 895 524**
Total	**25 382 340**	**-**	**26 488 224**	**51 870 564**

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2009.

Financial instrument	***Credit rating***			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Trade and other receivables	-	-	3 136	**3 136**
Cash and cash equivalents	-	-	291 011	**291 011**
Held to maturity investments	12 742 561	-	13 348 347	**26 090 908**
Total	**12 742 561**	**-**	**13 642 494**	**26 385 055**

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Fund's financial instruments do not represent a concentration of credit risk, because the Fund deals with a variety of major banks and its accounts receivable are spread among all registered companies.

11.6 Liquidity risk management

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

11.6 Liquidity risk management (continued)

The Fund is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls.

The Fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claim liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

11.6.1 Liquidity and interest rate risk tables

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date:

2010

Financial assets	**Int rate %**	**On demand N$**	**<3 mnths N$**	**Total N$**
Trade and other receivables	-	7 644	-	7 644
Cash and cash equivalents	-	967 396	-	967 396
Held to maturity investments	7.88	-	51 898 166	51 898 166
Total financial assets		**975 040**	**51 898 166**	**52 873 206**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**Total N$**
Trade and other payables	-	184 944		184 944
Total financial liabilities		**184 944**	**-**	**184 944**
Net amount		**790 096**	**51 898 166**	**52 688 262**

11.6.1 Liquidity and interest rate risk tables (continued)

2009

Financial assets	**Int rate %**	**On demand N$**	**<3 mnths N$**	**Total N$**
Trade and other receivables	-	3 136	-	3 136
Cash and cash equivalents	-	291 011	-	291 011
Held to maturity investments	11.20	-	26 821 453	26 821 453
Total financial assets		**294 147**	**26 821 453**	**27 115 600**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**Total N$**
Trade and other payables	-	702 321	-	702 321
Total financial liabilities		**702 321**	**-**	**702 321**
Net amount		**(408 174)**	**26 821 453**	**26 413 279**

12. Post balance sheet events

There are no events which occurred after the year end which warrant disclosure.

13. Taxation

The Commission is exempted from income tax in terms of Section 23 of the Act.

14. Defined benefit fund

The staff members are members of Government Institutions Pension Fund (GIPF), a defined benefit fund. The sponsors of the Fund are various Government related institutions that include the Commission and these sponsors have an obligation to meet the shortfall if the Fund's liabilities were to exceed the fund assets.

The value of the assets of GIPF is valued actuarially every third year. The latest actuarial valuation was done as at 31 March 2009, and the valuator reported that the Fund was in a sound financial position, and that the present rates of contributions were adequate to enable the Fund to provide the benefits to which members are entitled.

The performance of the Fund's investments is benchmarked on a quarterly basis by its investment consultant, Humanity Employee Benefits Company (Pty) Ltd.

15. Published standards, amendments and interpretations that are not yet effective and have not been early adopted by Social Security Commission

At the date of authorisation of these annual financial statements, certain new Standards, amendments and Interpretations to existing standards have been published but are not yet effective. The Commission has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Commission's annual financial statements are as follows:

a. Standards and amendments that are going to have future impact on the Social Security Commission

New/Revised International Financial Reporting Standards		**Issued**	**Effective Date**
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from May 2008 Annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 7	Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 9	Financial Instruments — Classification and Measurement	November 2009	Annual periods beginning on or after 1 January 2013
Revised International Accounting Standards		**Revised**	**Effective Date**
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

IAS 1	Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

b. Interpretations that are going to have future impact on the Social Security Commission

IFRIC Interpretation		**Effective Date**
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008; November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011

The tables above do not include the effective dates of minor consequential amendments that are the result of new or revised IFRSs, IASs or Interpretations.

The Commission could not disclose known or reasonably estimable information relevant to assessing the possible impact that application of the new Standards or Interpretations will have on the Commission's financial statements in the period of initial application due to the fact that the quantitative disclosures are not reasonably estimable at the time of preparing the annual financial statements.

Other new Standards and Interpretations have been issued but are not expected to have a material impact on the Commission's financial statements.

DEVELOPMENT FUND

DETAILED INCOME STATEMENT

for the year ended 28 February 2010

	2010	2009
	N$	**N$**
Contributions	23 820 180	-
Benefits paid	(1 148 471)	(502 200)
Gross surplus /(deficit)	22 671 709	(502 200)
Interest received	3 827 752	2 644 669
Total income	**26 499 461**	**2 142 469**
Operating expenses		
Bank charges	(4 750)	(1 275)
Depreciation	-	(9 911)
Employee costs	(466 849)	(492 355)
Telephone and fax	5 459	(10 538)
Travel local	(25 184)	(35 071)
Surplus for the year	**26 008 137**	**1 593 319**