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 2011

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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 2011, 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
AUDITOR-GENERAL

WINDHOEK, April 2012

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 2011

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1. INTRODUCTION

The following have been audited for the year ended 28 February 2011:

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 Ernst & Young 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")

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the financial statements

2.2 Employees' Compensation Fund ("ECF")

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the financial statements

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

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the financial statements

2.4 Development Fund ("DF")

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the financial statements

2.5 Social Security Commission and Associated Fund ("CONSOLIDATED")

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- 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 and consolidated 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

Issues identified during the audit are annexed in the following format:

- Category
- Observation
- Implication
- Recommendation
- Management comment

4.1 Material matter relating specifically to the Employees' Compensation Fund

4.1.1 Assessment income and accounts receivable

The total of outstanding employers' assessments for the 2011 financial year amounted to N$37 270 081 (2010: N$ 34 680 109). The assessment income for the 2011 financial year amounted to N$ 64 125 389 (2010: N$ 66 195 993).

Audit comments:

- Significant ECF contributions are in areas. A test performed to verify existence of receivable by tracing a sample of ECF receivable to subsequent receipts resulted in 81% that could not be traced to receipts after year end.
- There is an inherent risk of completeness of the employers registered under the Employee's Compensation Fund (from which the assessment income is derived) due to the lack of regular updates to the database.
- Of a sample of employers selected during the ECF contributions testing, 8% employers were assessed at incorrect rates.
- As a result of the aforementioned findings, the Auditors could not obtain sufficient, appropriate assurance regarding the existence, completeness, valuation, rights and obligations of assessment income and the balance of outstanding employer assessment income.
- The completeness of the provision for doubtful debts of N$ 20 999 318 (2010: N$ 19 526 844) and the bad debt suspense account of N$ 5 540 578 (2010: N$ 5 696 544) cannot be determined with sufficient certain due to the inability to verify the assertions related to assessment income and the accumulation thereof into outstanding accounts receivable.

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 receivable and the related financial statements areas are valid, accurate and complete.

Management comment

- The Commission relies on information provided by the employers and the employer invoices are generated on the basis of the employer data as per our records. Differences are due to unregistered employees contributed for, employees terminations not communicated to the Commission, terminations that are perhaps communicated to the Commission but are not yet captured as well as the employee salaries not updated on the Commission's database.

Currently, the Commission has embarked upon the Electronic Data Interface program to improve on these issues. This program makes use of technology and it allows employers to submit their monthly form 10s electronically, into the Commission's database and the system can then do terminations immediately: it updates the employee salaries immediately and it provides a report of unregistered employees straightway. The target is to at least link employers that make up 80% of our contribution income to EDI, which will guarantee 80% accuracy of our revenue. However, the majority of our ECF debtors in number are those that are responsible for 20% of contribution income. The Data typist and debtors' officers are therefore required to update and reconcile these employer accounts. Due to the nature of the business, we believe minor differences will always be present and accepted.

- The Commission has recently developed and implemented a Debt Collection Policy and Procedures. This Policy and Procedures will be followed to ensure that defaulters are dealt with in line with the provision of the Act. The Commission has also appointed the Chief Compliance Officer, who is leading the team of compliance officers to ensure that all issues pertaining to non-compliances are addressed effectively.

4.2 Material matters relating specifically to the Maternity Leave, Sick Leave and Death benefit fund

4.2.1 Contribution income and accounts receivable

The net total of MSD accounts receivable for the 2011 financial year amounted to N$ 63 074 332 (2010: N$ 67 353 341). The contribution income for the 2011 financial year amounted to N$ 236 361 633 (2010: N$ 232 777 489).

Audit comments:

- Significant MSD contributions are in areas. A test performed to verify existence of receivable by tracing a sample of MSD receivables to subsequent receipts resulted in 81% that could not be traced to receipts after year end.
- The audit procedures performed revealed that the material cumulative differences between amounts recognized by the MSD contributions systems and the actual payments received from employers. The main contributing factors is over- and under invoicing.
- Of a sample of employers selected for MSD contributions testing, 56% were inactive i.e. up to date, contributions were not received from these employers on behalf of their employees for the year under review.
- There is an inherent risk of completeness of the employers registered under the Maternity Leave, Sick Leave and Death Benefit fund (from which the contribution income is derived) due to the lack of national centralised data of active employers.
- As a result of the aforementioned findings, the Auditors could not obtain sufficient, appropriate assurance regarding the existence, completeness, valuation, rights and obligations of contributions income and the balance of accounts receivable.
- The completeness of the provision for doubtful debts of N$ 24 630 312 (2010: N$ 20 047 505) and the bad debt suspense account of N$ 6 226 636 (2010: N$ 4 414 158) cannot be determined with sufficient certainty due to the inability to verify the assertions related to contribution income and the accumulation thereof into outstanding accounts receivable.

Recommendation

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

- The Commission relies on information provided by the employers and the employer invoices are generated on the basis of the employer data as per our records. Differences are due to unregistered employees contributed for, employees terminations not communicated to the Commission,

terminations that are perhaps communicated to the Commission but are not yet captured as well as the employee salaries not updated on the Commission's database.
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- The Commission has recently developed and implemented a Debt Collection Policy and Procedures. This policy and Procedures will be followed to ensure that defaulters are dealt with in line with the provision of the Act. The Commission has also appointed the Chief Compliance Officer, who is leading the team of compliance officers to ensure that all issues pertaining to non-compliances are addressed effectively.
  Perfect matching is not possible since our invoicing is based on estimates, especially for MSD debtors.

5. AUDIT OPINION – SOCIAL SECURITY COMMISSION

The accounts of the Commission for the financial year ended 28 February 2011 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 2011 in accordance with the International Financial Reporting Standards.

6. AUDIT OPINION – EMPLOYEES' COMPENSATION FUND

The accounts of the Fund for the financial year ended 28 February 2011 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, valuation, rights and obligations of accounts receivable; and
- Completeness, occurrence, measurement and accuracy of assessed income of the Employees' Compensation Fund;

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 2011 in accordance with the International Financial Reporting Standards.

7. AUDIT OPINION – MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

The accounts of the Fund for the financial year ended 28 February 2011 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:

- Completeness, existence, accuracy, valuation, rights and obligations of accounts receivable; and
- Completeness, occurrence, measurement and accuracy of contributions income of the Fund as at 28 February 2011;

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 2011 in accordance with the International Financial Reporting Standards.

8. AUDIT OPINION – DEVELOPMENT FUND

The accounts of the Fund for the financial year ended 28 February 2011 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 2011 in accordance with the International Financial Reporting Standards.

WINDHOEK, April 2012

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

The Commissioners Responsibility and Approach are required by the Social Security Act of 1994 and Workmen's Compensation Act of 1941, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the fund 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 International Financial Reporting Standards. The Auditor-General is engaged to express an independent opinion on the financial statements.

The financial statements for the year ended 28 February 2011 are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Commissioners consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all statements of International Financial Reporting Standards that they consider to be applicable have been followed. The Commissioners are satisfied that the information contained in the financial statements fairly presents results of operations for the year and the financial position of the fund at the year-end.

The Commissioners are also responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the fund to enable the Commissioners to ensure that the financial statements comply with the relevant legislation.

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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern basis has been adopted in preparing the financial statements. The Commissioners have reviewed the fund's cash flow forecast for the year to 29 February 2012 and, in the light of this review and the current financial position, they are satisfied that the fund 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 fund's financial statements. The financial statements have been examined by the Auditor-General and their report is presented on page 1 to 6.

The financial statements set out on pages 8 to 142 which have been prepared on the going concern basis, were approved and authorised for issue by the Commissioners and were signed on its behalf by:

_________________________ _______________________________

Commissioner Commissioner

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Date

SOCIAL SECURITY COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
ASSETS			
Non-current assets			
Long term loan	3	1 274 693	584 320
Current assets			
Investments	4	16 400 837	11 247 374
Trade and other receivables	5	3 733 959	7 702 491
Cash and cash equivalents	6	5 328 846	2 468 744
		25 463 642	21 418 609
Total assets		26 738 335	22 002 929
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		22 036 746	20 995 851
Current liabilities			
Trade and other payables	7	4 701 589	1 007 078
Total funds and liabilities		26 738 335	22 002 929

SOCIAL SECURITY COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Revenue	8	4 750	7 310
Gross surplus		4 750	7 310
Other income		187 695	228 249
Operating expenses		(184 632)	(421 542)
Operating surplus/(deficit)	9	7 813	(185 983)
Investment income	10	1 033 082	964 035
Surplus for the year		1 040 895	778 052
Total comprehensive income for the year		1 040 895	778 052

SOCIAL SECURITY COMMISSION
CHANGES IN EQUITY
AS AT 28 FEBRUARY 2011

	Accumulated funds N$
Balance as at 1 March 2009	20 217 799
Total comprehensive income for the year	778 052
Balance as at 28 February 2010	20 995 851
Total comprehensive income for the year	1 040 895
Balance as at 28 February 2011	22 036 746

SOCIAL SECURITY COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011	2010
		NS	N$
Cash flows from operating activities			
Cash generated from /(used in) operations	11	7 670 856	(3 808 391)
Investment income		1 033 082	964 035
Net cash from operating activities		8 703 938	(2 844 356)
Cash flows from investing activities			
Long term loan issued		(690 373)	(584 320)
(Purchases)/Sale of financial assets - investments		(5 153 463)	4 648 458
Net cash from investing activities		(5 843 836)	4 064 138
Net change in cash and cash equivalents		2 860 102	1 219 782
Cash and cash equivalents at the beginning of year		2 468 744	1 248 962
Cash and cash equivalents at the end of year	6	5 328 846	2 468 744

1. Accounting policies

The annual financial statements set out on pages 8 to 11 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 recognized, in profit or loss, using the effective interest rate method.

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

Revenue from rental income is recognized 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 recognized 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 recognized 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 recognized when the Commission becomes a party to the contractual provisions of the instrument.

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

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognized 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 derecognized if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognized only to the extent of the continuing involvement in those assets.

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

Accounting policies (continued)

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

1.4 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 recognized in the statement of comprehensive income.

1.5 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.

1.6 Impairment of assets

The Commission assesses at each statement of financial position 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 amortization is recognized immediately in profit or loss.

1.7 Provisions and contingencies

Provisions are recognized 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.

Accounting policies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized 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 recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not be recognized for future operating losses.

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

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 recognized as an interest expense.

1.8 Trade and other payables

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

1.9 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 recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized 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 recognized 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 statement of financial position date where the interim valuation is performed at an earlier date.
Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested.

Accounting policies (continued)

To the extent that, at the beginning of the financial period, any cumulative unrecognized 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 recognized in the statement of comprehensive income over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized 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 recognized 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 statement of comprehensive income, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

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

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 recognized on the Commission's statement of financial position when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognized 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 recognized 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 recognized for assets carried at cost or amortized cost, other than impairment losses.

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

Accounting policies (continued)

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortized 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 amortized 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 recognized as follows:

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

Financial instruments carried on the statement of financial position include all financial assets and liabilities.

1.11 Post statement of financial position events

Recognized amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that proved evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position 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 error changes or change in the accounting policy in the current year.

1.13 Significant judgments

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 are 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:

Accounting policies (continued)

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. Actuarial provisions were raised during the year.

Financial assets at amortized cost

The Commission assesses its trade receivables and investments for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the 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 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. New statements and interpretations

The fund has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the fund. They did however; give rise to additional disclosure, where applicable.

- IFRS 3 Business Combinations
- IAS 27 Consolidated and separate financial statements
- IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedge Instruments
- IFRIC 17 Distribution of Non-cash assets to Owners
- IFRIC 18 Transfer of Assets from Customers
- Annual Improvement project 2009
- IFRS 2 Share-based payments – Group cash settled share-based payment arrangements
- IAS 32 Classification of rights issue – Amendment to IAS 32

The following new or revised IFRS's and IFRIC interpretations have been issued with effective dates applicable to future annual financial statements of the fund:

Effective for periods commencing on or after 1 July 2010
- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRIC 19 Extinguishing financial liabilities with equity instruments

Effective for periods commencing on or after 1 January 2011
- IFRIC14 Prepayments of minimum funding requirement – Amendments to IFRIC14
- IAS 24 Related party disclosures
- Annual improvement project 2010

Accounting policies (continued)

Effective for periods commencing on or after 1 July 2011
- IFRS 1 Severe hyper-inflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1
- IFRS 7 Disclosures – Transfers of financial assets (Amendments to IFRS 7)

Effective for periods commencing on or after 1 January 2012
- IAS 12 Deferred tax: Recovery of underlying assets – Amendments to IAS 12

Effective for periods commencing on or after 1 January 2013
- IFRS 9 Financial Instruments

The fund has not early adopted any of the above standards. The application of these standards in future financial reporting periods will not have a significant impact on the fund's results, financial position and cash flows.

	2011 N$	2010 N$
3. Long term loan		
National Pension Fund loan (related party)	1 274 693	584 320
The loan is repayable upon formation of the National Pension Fund. There are no repayment terms, but repayment is not expected within the next twelve months. The loan is unsecured and bears no interest.		
4. Investments		
Fixed term deposits	16 400 837	11 247 374
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 4.75% and 6%.		
Current assets		
Loans and receivables	16 400 837	11 247 374
5. Trade and other receivables		
Amount due from ECF (related party)	1 534 500	3 184 076
Amount due from MSD (related party)	1 936 485	4 076 020
Amount due from DF (related party)	200 362	86 229
Other debtors	282 827	356 166
Provision for bad debts	(220 215)	-
	3 733 959	7 702 491

As at 28 February 2011, trade receivables with a nominal value of N$ 220 215 (2010: N$ nil) were impaired and fully provided for.
Related party balances are unsecured, interest free and have no fixed repayment terms.

	2011 N$	2010 N$
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 800	3 200
Bank balances	5 131 939	2 453 247
Short-term deposits	193 107	12 297
	5 328 846	2 468 744

7. Trade and other payables

	2011 N$	2010 N$
Amount due to ECF (related party)	2 174 245	422 569
Amount due to MSD (related party)	2 174 245	395 488
Amount due to DF (related party)	-	7 644
Other payables	116 271	181 377
Accruals	236 828	-
	4 701 589	1 007 078

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

8. Revenue

	2011 N$	2010 N$
Registration fees	4 750	7 310

9. Operating surplus/(deficit)

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

	2011 N$	2010 N$
Provision for bad debts	220 215	-

10. Investment income

	2011 N$	2010 N$
Fixed term deposits	653 718	619 245
Bank deposits	379 364	344 790
	1 033 082	964 035

11. Cash generated from operations

	2011 N$	2010 N$
Surplus for the year	1 040 895	778 052
Adjustments for:		
Investment income	(1 033 082)	(964 035)
Changes in working capital:		
Trade and other receivables	3 968 532	(2 267 962)
Trade and other payables	3 694 511	(1 354 446)
	7 670 856	(3 808 391)

12. Financial risk management objectives and policies

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

Real return (i.e. eturns in excess of inflation) is 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.

12.1 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:

-Cask and each equivalents
-Financial assets at amortized cost

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.

12.2 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.

12.2.1 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 amortized costs of these financial instruments:

Financial assets	*2011* 1 % increase N$	*2011* 1 % decrease N$	*2010* 1% increase N$	*2010* 1 % decrease N$
Debt securities unquoted	164 008	(164 008)	112 474	(112 474)

12.3 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 rating 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 or the counterparty concerned.

12.3.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit rating as 28 February 2011.

Financial instrument

	Credit Rating			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Long term loan	-	-	1 274 693	1 274 693
Trade and other receivables	-	-	3 733 959	3 733 959
Cash and cash equivalents	-	-	5 328 846	5 328 846
Investments	-	-	16 400 837	16 400 837
	-	-	26 738 335	26 738 335

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

	Credit Rating			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Long term loan	-	-	584 320	584 320
Trade and other receivables	-	-	7 702 491	7 702 491
Cash and cash equivalents	2 453 247	-	15 497	2 468 744
Investments	6 621 437	-	4 625 937	11 247 374
	9 074 684	-	12 927 245	22 002 929

The carrying amount of assets included on the statement of financial position 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 as accounts receivable are spread among all registered companies.

12.4 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.

12.4.1 Liquidity and interest rate risk tables (continued)

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

	Interest rate %	2011 On demand	<3 Months	Total
Financial assets				
Long term loan	-	1 274 693	-	1 274 693
Trade and other receivables	-	3 671 347	62 612	3 733 959
Cash and cash equivalents	-	5 328 846	-	5 328 846
Investments	5.37	-	16 400 837	16 400 837
Total Financial assets		10 274 886	16 463 449	26 738 335
Financial liabilities				
Trade and other payables	-	4 348 490	353 099	4 701 589
Net amount		14 623 376	16 110 350	30 733 726

	Interest rate %	2010 On demand	<3 Months	Total
Financial assets				
Long term loan	-	584 320	-	584 320
Trade and other receivables	-	7 346 325	356 166	7 702 491
Cash and cash equivalents	-	2 468 744	-	2 468 744
Investments	7.88	-	11 247 374	11 247 374
Total Financial assets		10 399 389	11 603 540	22 002 929
Financial liabilities				
Trade and other payables	-	825 701	181 377	1 007 078
Net amount		9 573 688	11 422 163	20 995 851

13. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

	2011	2010
	N$	N$
Financial assets	26 738 335	22 002 929
Loans and receivables:		
- Long term loan	1 274 693	584 320
- Investments	16 400 837	11 247 374
- Trade and other receivables	3 733 959	7 702 491
- Cash and cash equivalents	5 328 846	2 468 744
Financial liabilities	4 701 589	1 007 078
- At amortized cost	4 701 589	1 007 078

14. Contingent assets and liabilities

The following legal matters were pending at year end:

1. A case which concerned an appeal to the Labour Court against the decision of the Commission to reject a claim for compensation in terms of the Employees Compensation Act. The appeal was upheld and the Commission appealed to the Supreme Court against the decision of the Labour Court. The appeal was heard on 12 July 2011 and judgment was reserved i.e. the Court's decision is still pending in this matter. The fees payable in this matter were paid. However the matter was referred to the Master of the High Court for taxation.
2. Avid Investment Corporation cases – These are criminal fraud cases which are set to go on trial in 2012.
3. A case, related to a labour matter, is scheduled for hearing from 23 November 2011 to 2 December 2011 in the District Labour Court.
4. A case involving a former employee who defrauded the Commission and is currently serving a term in prison. The matter is finalized. There was an order for his pension to be paid to the Commission. However there are difficulties in this respect because it is not within the power of the Magistrate Court to make an order of this nature. In terms of GIPF's rules the employee must give written consent to the Commission to have his pension transferred to the Commission. He refused to give this permission and has now instructed a law firm to claim this money from the Commission. This could potentially result in legal proceedings against the Commission.

The costs for the aforementioned are not material and the outcome of the matters are not yet known. The related financial implication to the Commission can therefore not be determined with sufficient reliability.

15. Post statement of financial position events

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

16. Taxation

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

EMPLOYEES' COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	34 527 522	34 817 112
Investment property	4	3 200 000	5 380 819
Intangible Assets	5	482 408	153 035
		38 209 930	40 350 966
Current assets			
Investments	6	344 304 284	309 090 485
Trade and other receivables	7	16 600 859	15 963 118
Cash and cash equivalents	8	4 764 540	674 957
		365 669 683	325 728 560
Total assets		403 879 613	366 079 526
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		288 780 998	249 940 061
Non-current liabilities			
Provisions	9	77 223 000	77 034 772
Current liabilities			
Provisions	9	26 150 004	29 483 339
Trade and other payables	10	11 725 611	9 615 815
Bank overdraft	8	-	5 539
		37 875 615	39 104 693
Total funds and liabilities		403 879 613	366 079 526

EMPLOYEES' COMPENSATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Revenue	11	72 299 509	71 290 429
Claims	12	(17 409 368)	(19 633 076)
Gross surplus		54 890 141	51 657 353
Other income		672 983	646 402
Operating expenses		(46 123 328)	(31 028 026)
Operating surplus	13	9 439 796	21 275 729
Investment income	14	29 401 141	37 978 685
Surplus for the year		38 840 937	59 254 414
Total comprehensive income for the year		38 840 937	59 254 414

EMPLOYEES' COMPENSATION FUND
CHANGES IN EQUITY
AS AT 28 FEBRUARY 2011

	Accident Pension Fund N$	Employees' Compensation Fund N$	Accumulated Funds Total N$
Balance as at 1 March 2009	(30 642 603)	221 328 250	190 685 647
Total comprehensive income for the year	28 744 293	30 510 121	59 254 414
Balance as at 28 February 2010	(1 898 310)	251 838 371	249 940 061
Total comprehensive income for the year	6 567 814	32 273 123	38 840 937
Balance as at 28 February 2011	4 669 504	284 111 494	288 780 998

EMPLOYEES' COMPENSATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Cash flows from operating activities			
Cash generated from operations	15	3 104 359	17 251 611
Investment income		29 401 141	37 978 685
Net cash from operating activities		32 505 500	55 230 296
Cash flows from investing activities			
Purchases of property, plant and equipment		(2 816 187)	(11 357 719)
Proceeds on disposal of property, plant and equipment		1 619 416	-
Purchases of investment property		-	(60 605)
Purchase of intangible assets		(452 875)	(185 497)
Purchases of financial assets		(26 760 732)	(44 810 528)
Net cash from investing activities		(28 410 378)	(56 414 349)
Net change in cash and cash equivalents		4 095 122	(1 184 053)
Cash and cash equivalents at the beginning of year		669 418	1 853 471
Cash and cash equivalents at the end of year	8	4 764 540	669 418

1. Accounting policies

The annual financial statements set out on pages 25 to 56 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.

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.

1.4 Property, plant and equipment and depreciation (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 Intangible assets

Intangible assets are amortised on a straight-line basis over 3 years. The directors assess the carrying value of each intangible asset annually and revisions are made where it is considered necessary.

1.6 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 valuators. 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.

1.7 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.

1.7 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 statement of comprehensive income.

1.8 Installment 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.

1.9 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 120 days as potential bad debts. The amount of the provision is recognised in the statement of comprehensive income.

1.10 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.

1.11 Impairment of assets

The Commission assesses at each statement of financial position 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.

1.12 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.

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.

1.13 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.

1.14 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income, 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 statement of financial position 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.

1.15 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 statement of financial position 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 re cognised 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 statement of financial position include all financial assets and liabilities.

1.16 Post statement of financial position events

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

1.17 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.

1.18 Outstanding claims

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

1.19 Claims incurred

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

1.20 Significant judgments

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 are 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. Actuarial provisions were raised during the year.

Financial assets at amortised cost

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

1.20 Significant judgments (continued)

Financial assets at amortised cost (continued)

The impairment for trade receivables and 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. New statements and interpretations

The fund has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the fund. They did however; give rise to additional disclosure, where applicable.

- IFRS 3 Business Combinations
- IAS 27 Consolidated and separate financial statements
- IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedge Instruments
- IFRIC 17 Distribution of Non-cash assets to Owners
- IFRIC 18 Transfer of Assets from Customers
- Annual Improvement project 2009
- IFRS 2 Share-based payments – Group cash settled share-based payment arrangements
- IAS 32 Classification of rights issue – Amendment to IAS 32

The following new or revised IFRS's and IFRIC interpretations have been issued with effective dates applicable to future annual financial statements of the fund:

Effective for periods commencing on or after 1 July 2010
- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRIC 19 Extinguishing financial liabilities with equity instruments

Effective for periods commencing on or after 1 January 2011
- IFRIC14 Prepayments of minimum funding requirement – Amendments to IFRIC14
- IAS 24 Related party disclosures
- Annual improvement project 2010

Effective for periods commencing on or after 1 July 2011
- IFRS 1 Severe hyper-inflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1
- IFRS 7 Disclosures – Transfers of financial assets (Amendments to IFRS 7)

Effective for periods commencing on or after 1 January 2012
- IAS 12 Deferred tax: Recovery of underlying assets – Amendments to IAS 12

Effective for periods commencing on or after 1 January 2013
- IFRS 9 Financial Instruments

The fund has not early adopted any of the above standards. The application of these standards in future financial reporting periods will not have a significant impact on the fund's results, financial position and cash flows.

3. Property, plant and equipment

	2011			2010		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depression	Carrying value
	N$	N$	N$	N$	N$	N$
Land	4 154 054	-	4 154 054	18 988 238	-	18 988 238
Buildings	27 820 903	(2 637 121)	25 183 782	14 019 481	(1 997 643)	12 021 838
Furniture and fittings	1 828 336	(1 043 657)	784 679	1 715 753	(919 007)	796 746
Motor vehicles	2 336 871	(867 946)	1 468 925	1 603 457	(691 576)	911 881
Computer equipment	4 390 574	(2 536 667)	1 853 907	3 205 592	(2 125 334)	1 080 258
Office equipment	2 194 544	(1 112 369)	1 082 175	1 995 990	(977 839)	1 018 151
Total	42 725 363	(8 197 760)	34 527 522	41 528 511	(6 711 399)	34 817 112

Reconciliation of property, plant and equipment -2011

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	18 988 238	-	-	(14 834 184)	-	4 154 054
Buildings	12 021 838	586 654	(1 619 416)	14 834 184	(639 478)	25 183 782
Furniture and fittings	796 746	112 583	-	-	(124 650)	784 679
Motor vehicles	911 881	733 414	-	-	(176 370)	1 468 925
Computer equipment	1 080 258	1 184 982	-	-	(411 333)	1 853 907
Office equipment	1 018 151	198 554	-	-	(134 530)	1 082 175
Total	34 817 112	2 816 187	(1 619 416)	-	(1 486 361)	34 527 522

3. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	NS	N$	N$	NS	NS
Land	8 157 734	10 830 504	-	-	-	18 988 238
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	-	-	(129 457)	1 018 151
Total	24 782 651	11 357 719	-	-	(1 323 258)	34 817 112

Land and buildings comprise Erf 119 Grootfontein (1 329 square metres, registration division f3), Erf 120 Grootfontein (1 377 Square metres with buildings thereon, registration division Q), Erf 2 269 Windhoek (1 430 square metres with buildings thereon), Erf 3 223 Walvis Bay (1 250 square metres with buildings thereon), Erf 1 589 Oshakati (3 515 square metres without improvements), Erf 3 223 Ongwediva (5 310 square metres) and Erf 1 610 Keetmanshoop (1 186 square metres without improvements).

4. Investment property

	2011		2010	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	3 200 000	3 200 000	5 380 819	5 380 819
Total	3 200 000	3 200 000	5 380 819	5 380 819

4. Investment property (Continued)

Reconciliation of investment properly -2011

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Land and buildings	5 380 819	-	-	(2 180 819)	-	3 200 000
Total	5 380 819	-	-	(2 180 819)	-	3 200 000

Reconciliation of investment properly -2010

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

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

5. Intangible assets

	2011			2010		
	Cost/ valuation	Amortisation	Carrying value	Cost/ valuation	Amortisation	Carrying value
	N$	N$	N$	N$	N$	N$
Software license	638 372	(155 964)	482 408	185 497	(32 462)	153 035
Total	638 372	(155 964)	482 408	185 497	(32 462)	153 035

5. Intangible assets (Continued)

Reconciliation of intangible assets -2011

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Software license	153 035	452 875	-	(123 502)	-	482 408
Total	153 035	452 875	-	(123 502)	-	482 408

Reconciliation of intangible assets -2010

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Software license	-	185 497	-	(32 462)	-	153 035
Total	-	185 497	-	(32 462)	-	153 035

6. **Investments**	**2011**	**2010**
	N$	**N$**
Loans and receivables		
Fixed term deposits	31 676 922	53 823 553
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the statement of financial position date and the interest rates are between 4.75% and 6.6% per annum.		
	31 676 922	53 823 553
Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	312 627 362	255 266 932
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	344 304 284	309 090 485
Current assets		
Loans and receivables	31 676 922	53 823 553
Held for trading at fair value through profit and loss	312 627 362	255 266 932
Total	344 304 284	309 090 485

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 statement of financial position date.

7. Trade and other receivables	2011 N$	2010 N$
Gross trade debtors	37 270 081	34 680 109
Less: Debtors with credit balances	(6 614 894)	(4 917 631)
Less: Provision for bad debts	(20 999 318)	(19 526 844)
Net trade debtors	9 655 869	10 235 634
Amount due from APF to ECF (related party)	-	2 576 422
Amount due from ECF to APF (related party)	4 721 966	-
Amount due from MSD (related Party)	-	-
Amount due from SSC (related party)	2 221 608	422 569
Other debtors	1 416	2 728 493
	16 600 859	15 963 118

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

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 for accounts receivable which are outstanding for 12 months or more 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$ 10 318 820 (2010:N$31 837 164) 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 are +120 days (2010: +120days).

Ageing of past due but not impaired

	2011 N$	2010 N$
60 days	434 123	1 520 995
90 days	401 363	601 942
+ 120 days	9 483 334	29 714 227
Total	10 318 820	31 837 164

7. Trade and other receivables (Continued)

	2011 N$	2010 N$
Movement in the allowance for doubtful debts		
Balance at beginning of the year	19 526 844	21 025 872
Impairment losses recognized on receivables	1 472 474	-
Movement out of provision	-	(1 499 028)
Balance at year end	20 999 318	19 526 844

Ageing of impaired trade receivables

	2011 N$	2010 N$
60 days	-	-
90 days	-	-
+120davs	20 999 318	19 526 844
Total	20 999 318	19 526 844

8. Cash and cash equivalents

	2011 N$	2010 N$
Cash and cash equivalents consist of		
Bank balances	4 764 540	674 957
Bank overdraft	-	(5 539)
	4 764 540	669 418

9. Provisions

Reconciliation of provisions -2011	**Opening Balance N$**	**Movement N$**	**Closing Balance N$**
Compensation claims	106 377 310	(3 085 310)	103 292 000
Legal costs	140 801	(59 797)	81 004
Total	106 518 111	(3 145 107)	103 373 004
Current	29 483 339	(3 333 335)	26 150 004
Compensation claims	29 342 538	(3 273 538)	26 069 000
Legal costs	140 801	(59 797)	81 004
Non-current	77 034 772	188 228	77 223 000
Compensation claims	77 034 772	188 228	77 223 000
Total	106 518 111	(3 145 107)	103 373 004

9. Provisions (Continued)

Reconciliation of provisions -2010	Opening Balance	Movement	Closing Balance
	N$	N$	N$
Compensation claims	105 036 009	1 341 301	106 377 310
Legal costs	318 725	(177 924)	140 801
Total	105 354 734	1 163 377	106 518 111
Current	105 354 734	(75 871 395)	29 483 339
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	-	1 163 377	106 518 111

Fair value determination of the compensation claims

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

	2011	2010
	N$	N$
Category		
- Medical claims	8 786 000	9 485 472
- Permanent disability	2 657 000	2 862 423
- Temporary disabilities	2 808 000	3 466 843
- Burial and transport expenses	335 000	409 037
- Pension liabilities	67 106 000	66 129 208
- Claims handling provision	17 953 000	19 968 383
- Date integrity provision	3 647 000	4 055 944
Total provisions for claims	103 292 000	106 377 310

The unreported incurred claims represent the management estimate as at 28 February 2011 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:

9. Provisions (Continued)

-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 claim experience.

The pension liability is 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 n 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.

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 disables person.

9. Provisions (Continued)

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 2011 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.

10. Trade and other payables

	2011 N$	2010 N$
Trade payables	1 589 462	318 785
Accruals	3 699 931	2 787 381
Amount owed by APF to ECF (related party)	-	2 576 422
Amount owed by ECF to APF (related party)	4 721 966	-
Amount owed to MSD by ECF (related party)	-	12 467
Amount owed to SSC (related party)	1 581 863	3 184 076
Amount owed to MSD by APF (related party)	-	32 174
Other payables	132 389	704 510
	11 725 611	9 615 815

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

11. Revenue

Assessment income	61 208 875	66 195 993
Administrative fees income – APF	3 452 154	2 541 488
Pension capitalized – APF	4 721 966	2 552 948
Interest and penalties on wage returns	2 916 514	-
	72 299 509	71 290 429

12. Claims

Medical expenses	7 609 314	7 419 091
Compensation payments	3 759 654	4 005 208
Capital pension paid - APF	4 721 966	2 552 948
Pension paid - APF	4 403 744	4 314 528
Actuarial adjustment on provision for incurred but not reported claims	(3 085 310)	1 341 301
	17 409 368	19 633 076

13. Operating surplus

	2011 N$	2010 N$
Operating surplus for the year is stated after accounting for the following:		
Premises operating lease charges	363 508	362 848
Rental income	(397 103)	(291 639)
Auditors' remuneration	146 078	(19 300)
Depreciation and amortization	1 609 863	1 355 720
Employee costs	25 732 384	22 674 270

14. Investment income

	2011 N$	2010 N$
Fixed term deposits	2 753 370	6 902 082
Bank deposits	494 698	391 410
Accounts receivable	1 761 435	787 511
Impaired accounts receivable	-	1 014 804
Interest income excluding interest income from asset managers	5 009 503	9 095 807
Funds under asset management	28 333 892	30 685 193
Total investment income	33 343 395	39 781 000
Less:		
Interest on debtors disclosed under revenue	(1 761 435)	(1 802 315)
Fair value adjustment to investment property	(2 180 819)	-
Interest income per statement of comprehensive income	29 401 141	37 978 685

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

	2011 N$	2010 N$
Loans and receivables	5 009 503	9 095 807
Held for trading at fair value through profit and loss	28 333 892	30 685 193
Total investment income	33 343 395	39 781 000

15. Cash generated from operations

	2011 N$	2010 N$
Surplus for the year	38 840 937	59 254 414
Adjustments for:		
Depreciation and amortization	1 609 863	1 355 720
Investment income	(29 401 141)	(48 132 388)
Unrealized (gain)/loss on funds under asset management	(8 453 067)	10 153 703
Investment property revaluation	2 180 819	-
Actuarial on IBNR claims provision	(3 085 310)	1 341 301
Changes in working capital:		
Trade and other receivables	(637 741)	(1 885 404)
Trade and other payables	2 109 796	(2 111 837)
Provisions	(59 797)	(2 723 898)
	3 104 359	17 251 611

16. Commitments

Authorized capital expenditure

	2011	2010
Not yet contracted for but authorized	8 910 410	29 432 000

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 risk management objectives and policies

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

Real return (i.e. returns in excess of inflation) is 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. Financial risk management objectives and policies (Continued)

17.1 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:

- Loans and receivables
- Held for trading at fair value through profit and loss (FVTPL)

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.

17.2 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.

17.2.1 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 amortized costs of these financial instruments:

Financial assets	**2011**	**2011**	**2010**	**2010**
	1 % increase	1 % decrease	1% increase	1 % decrease
	N$	**N$**	**N$**	**N$**
Investments	316 769	(316 769)	538 236	(538 236)
Cash and cash equivalents	-	-	-	-
Total financial assets	316 769	(316 769)	538 236	(538 236)

17. Financial risk management objectives and policies (Continued)

17.3 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 analyzed 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 is limited by parameters established by asset managers and statutory requirements. The Fund's exposure to movement in equities is 3% and 27% for the domestic and foreign equities, respectively, on the funds held by asset managers.

17.3.1 Equity price sensitivity analysis

At 28 February 2011, the Fund's listed equities were recorded at their fair value of NS 89 million (2010: NS 96 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase profit before taxation by NS 8.9 million (2010: N$ 9.6 million).

17.4 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 Woody, 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. Financial risk management objectives and policies (Continued)

17.4 Credit risk management (Continued)

17.4.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2011.

Financial Instrument

	Credit rating				
	AA	**A1+**	**BB**	**Not rated**	**Carrying value**
Trade and other receivables	-	-	-	312 627 362	312 627 362
Trade and other receivables	-	-	-	16 600 859	16 600 859
Cash and cash equivalents	-	4 764 540	-	-	4 764 540
Loans and receivables	-	31 676 922	-	24 322	31 676 922
Total	-	36 441 462	-	329 228 221	365 669 683

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 held for trading at FVTPL	-	-	-	255 266 932	255 266 932
Trade and other receivables	-	-	-	15 963 118	15 963 118
Cash and cash equivalents	-	674 957	-	-	674 957
Loans and receivables	-	53 799 231	-	24 322	53 823 553
Total	-	54 474 188	-	271 254 372	325 728 560

The carrying amount of assets included on the statement of financial position 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. Financial risk management objectives and policies (Continued)

17.5 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.

17.5.1 Liquidity and interest rate risk tables

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

2011

Financial assets	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Funds at FVPTL	-	-	312 627 362	-	-	312 627 362
Trade and other	10.00	6 943 574	9 657 285	-	-	16 600 859
Cash and cash	-	4 764 540	-	-	-	4 764 540
Loans and receivables	5.68	-	31 676 922	-	-	31 676 922
Total financial assets		**11 708 114**	**353 961 569**	**-**	**-**	**365 669 683**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	26 150 004	-	77 223 000	103 373 004
Trade and other payables	-	6 303 829	5 421 782	-	-	11 725 611
Total financial liabilities		**6 303 829**	**31 571 786**	**-**	**77 223 000**	**115 098 615**
Net amount		**5 404 285**	**322 389 783**	**-**	**(77 223 000)**	**250 571 068**

17. Financial risk management objectives and policies (Continued)

17.5 Liquidity risk management (Continued)

17.5.1 Liquidity and interest rate risk tables (Continued)

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	10.00	2 998 991	12 964 127	-	-	15 963 118
Cash and cash	-	674 957	-	-	-	674 957
Held to maturity investments	7.88	-	53 823 553	-	-	53 823 553
Total financial assets		**3 673 948**	**322 054 612**	**-**	**-**	**325 728 560**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	29 483 339	-	77 034 772	106 518 111
Trade and other payables	-	5 805 139	3 810 676	-	-	9 615 815
Total financial liabilities		**5 805 139**	**33 294 015**	**-**	**77 034 772**	**116 133 926**
Net amount		**(2 131 191)**	**288 760 597**	**-**	**(77 034 772)**	**209 594 634**

18. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

	2011 N$	2010 N$
Financial assets	365 669 683	325 728 560
Held for trading (FVTPL)	312 627 362	255 266 932
Loans and receivables:		
- Fixed deposits	31 676 922	53 823 553
- Trade and other receivables	16 600 859	15 963 118
- Cash and cash equivalents	4 764 540	674 957
Financial liabilities	115 098 615	116 133 926
- At amortized cost	115 098 615	116 133 926

19. Post statement of financial position events

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

20. Taxation

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

21. Contingent assets and liabilities

The following legal matters were pending at year end:

5. A case which concerned an appeal to the Labour Court against the decision of the Commission to reject a claim for compensation in terms of the Employees Compensation Act. The appeal was upheld and the Commission appealed to the Supreme Court against the decision of the Labour Court. The appeal was heard on 12 July 2011 and judgment was reserved i.e. the Court's decision is still pending in this matter. The fees payable in this matter were paid. However the matter was referred to the Master of the High Court for taxation.
6. Avid Investment Corporation cases – These are criminal fraud cases which are set to go on trial in 2012.
7. A case, related to a labour matter, is scheduled for hearing from 23 November 2011 to 2 December 2011 in the District Labour Court.
8. A case involving a former employee who defrauded the Commission and is currently serving a term in prison. The matter is finalized. There was an order for his pension to be paid to the Commission. However there are difficulties in this respect because it is not within the power of the Magistrate Court to make an order of this nature. In terms of GIPF's rules the employee must give written consent to the Commission to have his pension transferred to the Commission. He refused to give this permission and has now instructed a law firm to claim this money from the Commission. This could potentially result in legal proceedings against the Commission.

The costs for the aforementioned are not material and the outcome of the matters are not yet known. The related financial implication to the Commission can therefore not be determined with sufficient reliability.

22. Commissioners' emoluments

	2011 N$	2010 N$
Commissioners' emoluments were	145 978	173 890

23. 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 hind assets.

There is not sufficient information available to enable the entity to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the Commission is not clearly identified by the fund. The plan is there accounted for as if it is a defined contribution plan.

The value of the assets of G1PF 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. With reported actuarial value of liabilities and reserves of N$28.28 billion and assets of N$29.941 billion, funding level at valuation date was 105.9%.

The method used to place a value on the past service liabilities and the required future contribution rate is known as the projected unit credit method based on actuarial assumptions.

Based on the data disclosed by the actuarial valuation, the surplus is within an acceptable range to prevent a short-fall within the foreseeable future and therefore places no current obligation on the Commission to provide for.

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

DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	23 687	32 607
Current assets		102 058 962	51 870 564
Investments	4	101 338 740	50 895 524
Trade and other receivables		-	7 644
Cash and cash equivalents	5	720 222	967 396
Total assets		**102 082 649**	**51 903 171**
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		101 677 828	51 718 227
Current liabilities			
Trade and other payables	6	404 821	184 944
Total funds and liabilities		**102 082 649**	**51 903 171**

DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Revenue	7	40 661 134	23 820 180
Direct expenses	8	(1 285 249)	(1 148 471)
Gross surplus		39 375 885	22 671 709
Operating expenses		(541 587)	(491 324)
Operating surplus	9	38 834 298	22 180 385
Investment income	10	11 125 303	3 827 752
Surplus for the year		49 959 601	26 008 137
Total comprehensive income for the year		49 959 601	26 008 137

DEVELOPMENT FUND
CHANGES IN EQUITY
AS AT 28 FEBRUARY 2011

	Accumulated funds
	N$
Balance as at 1 March 2009	25 710 090
Total comprehensive income for the year	26 008 137
Balance as at 28 February 2010	51 718 227
Total comprehensive income for the year	49 959 601
Balance as at 28 February 2011	101 677 828

DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Cash flows from operating activities			
Cash generated from operations	11	39 070 739	21 653 249
Investment income		11 125 303	3 827 752
Net cash from operating activities		50 196 042	25 481 001
Cash flows from investing activities			
Purchases of financial assets - investments		(50 443 216)	(24 804 616)
Net cash from investing activities		(50 443 216)	(24 804 616)
Net change in cash and cash equivalents		(247 174)	676 385
Cash and cash equivalents at the beginning of year		967 396	291 011
Cash and cash equivalents at the end of year	5	720 222	967 396

1. Accounting policies

The annual financial statements set out on pages 2 to 19 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 recognized, in profit or loss, using the effective interest rate method.

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

1.2 Recognition of assets and liabilities

Assets are only recognized 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 recognized 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 recognized when the Commission becomes a party to the contractual provisions of the instrument.

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

1.3 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognized 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 derecognized if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognized only to the extent of the continuing involvement in those assets.

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

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

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation

The cost of an item of property, plant and equipment is recognized 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 recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized. Day to day repairs and maintenance to items of property, plant and equipment are not capitalized.

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 recognized 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 statement of financial position 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 recognized initially at fair value and subsequently measured at amortized 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 recognized in the statement of comprehensive income.

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 statement of financial position 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 amortization is recognized immediately in profit or loss.

1.8 Provisions and contingencies

Provisions are recognized 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 recognized 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 recognized for the reimbursement shall not exceed the amount of the provision.
Provisions are not be recognized for future operating losses.
If an entity has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision.

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 recognized as an interest expense.

1.9 Trade and other payables

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

1. Accounting policies (Continued)

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 recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized 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 recognized 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 statement of financial position date where the interim valuation is performed at an earlier date.
Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized 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 unrecognized 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 recognized in the statement of comprehensive income over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized 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 recognized 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 statement of comprehensive income, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

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

1. Accounting policies (Continued)

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 recognized on the Commission's statement of financial position when the Commission becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognized 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 recognized 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 recognized for assets carried at cost or amortized cost, other than impairment losses.

Assets carried at fair value: The change in fair value is recognized 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 amortized 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 amortized 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 recognized as follows:

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

Financial instruments carried on the statement of financial position include all financial assets and liabilities.

1. Accounting policies (Continued)

1.12 Post statement of financial position events

Recognized amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that proved evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position 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. There were no prior period error changes or change in the accounting policy in the current year.

1.14 Outstanding claims

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

1.15 Claims incurred

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

1.16 Significant judgments

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 are 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. Actuarial provisions were raised during the year.

Financial assets at amortized cost
The Commission assesses its trade receivables and investments for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the 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 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. New statements and interpretations

The fund has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the fund. They did however; give rise to additional disclosure, where applicable.

- IFRS 3 Business Combinations
- IAS 27 Consolidated and separate financial statements
- IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedge Instruments
- IFRIC 17 Distribution of Non-cash assets to Owners
- IFRIC 18 Transfer of Assets from Customers
- Annual Improvement project 2009
- IFRS 2 Share-based payments – Group cash settled share-based payment arrangements
- IAS 32 Classification of rights issue – Amendment to IAS 32

The following new or revised IFRS's and IFRIC interpretations have been issued with effective dates applicable to future annual financial statements of the fund:

Effective for periods commencing on or after 1 July 2010
- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRIC 19 Extinguishing financial liabilities with equity instruments

Effective for periods commencing on or after 1 January 2011
- IFRIC14 Prepayments of minimum funding requirement – Amendments to IFRIC14
- IAS 24 Related party disclosures
- Annual improvement project 2010

Effective for periods commencing on or after 1 July 2011
- IFRS 1 Severe hyper-inflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1
- IFRS 7 Disclosures – Transfers of financial assets (Amendments to IFRS 7)

Effective for periods commencing on or after 1 January 2012
- IAS 12 Deferred tax: Recovery of underlying assets – Amendments to IAS 12

Effective for periods commencing on or after 1 January 2013
- IFRS 9 Financial Instruments

The fund has not early adopted any of the above standards. The application of these standards in future financial reporting periods will not have a significant impact on the fund's results, financial position and cash flows.

3. Property, plant and equipment

			2011			2010
	Cost/ valuation	*Accumulated* depreciation	*Carrying* value	*Cost/* valuation	*Accumulated* depreciation	*Carrying* value
	N$	**N$**	**N$**	**N$**	**N$**	**N$**
Furniture and fittings	52 510	(42 762)	9 748	52 510	(38 036)	14 474
Office equipment	46 600	(32 661)	13 939	46 600	(28 467)	18 133
Total	99 110	(75 423)	23 687	99 110	(66 503)	32 607

Reconciliation of property, plant and equipment - 2011

	Opening Balance	*Additions*	*Disposals*	*Adjustment*	*Depreciation*	*Closing* balance
	N$	**N$**	**N$**	**N$**	**N$**	**N$**
Furniture and fittings	14 474	-	-	-	(4 726)	9 748
Office equipment	18 133	-	-	-	(4 194)	13 939
Total	32 607	-	-	-	(8 920)	23 687

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

4. Investments	**2011**	**2010**
	N$	**N$**
Fixed term deposits	101 338 740	50 895 524
Fixed term deposits are held with the Financial institutions. The average investment period is 1 to 4 months from the statement of financial position date and the interest rates are between 5.0% and 6.0%. per annum.		
Sub-total	101 338 740	50 895 524
	101 338 740	50 895 524
Funds held with the professional managers	23 112 236	30 012 236
Funds held with the professional managers are valued by the managers as at year end.		
Sub-total	23 112 236	30 012 236
Impairments on investments	(23 112 236)	(30 012 236)
Total investments	101 338 740	50 895 524
Current assets		
Loans and receivables	101 338 740	50 895 524

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	720 222	967 396

6. Trade and other payables

Amount due to SSC (related party)	200 362	86 229
Trade payables	87 011	98 715
Accruals	117 448	-
	404 821	184 944

The related party balance is interest free, unsecured and has no fixed terms of repayment.

	2011 N$	2011 N$
7. Revenue		
Contributions from MSD	35 111 134	14 320 130
Government Grants	5 550 000	9 500 000
	40 661 134	23 820 180
8. Direct expenses		
Training Schemes	-	1 107 000
Study Schemes	1 285 249	41 471
	1 285 249	1 148 471
9. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Depreciation on property, plant and equipment	8 920	-
Employee costs	504 431	466 849
10. Investment income		
Fixed term deposits	4 192 083	3 791 532
Bank deposits	33 220	36 220
Investments recovered	6 900 000	-
	11 125 303	3 827 752
11. Cash generated from operations		
Surplus for the year	49 959 601	26 008 137
Adjustments for:		
Depreciation and amortization	8 920	(5 251)
Investment income	(11 125 303)	(3 827 752)
Changes in working capital:		
Trade and other receivables	7 644	(4 508)
Trade and other payables	219 877	(517 377)
	39 070 739	21 653 249

12. Financial risk management objectives and policies

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

Real return (i.e. returns in excess of inflation) is 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.

12.1 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:

-Cask and each equivalents
- Loans and receivables

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.

12.2 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.

12.2.1 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 amortized costs of these financial instruments:

Financial assets	***2011***	***2011***	***2010***	***2010***
	1 % increase	1 % decrease	1% increase	1 % decrease
	N$	**N$**	**N$**	**N$**
Debt securities unquoted	1 013 387	1 013 387	508 955	(508 955)
Cash and cash equivalents	-	-	-	-
Total financial assets	1 013 387	1 013 387	508 955	(508 955)

12.3 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 rating 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 or the counterparty concerned.

12.3.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit rating as 28 February 2011.

Financial instrument

	Credit Rating			
	A1+	**BB/BBB**	**Not rated**	**Carrying value**
Cash and cash equivalents	-	-	720 222	720 222
Investments	-	-	101 338 740	101 338 740
	-	-	102 058 962	102 058 962

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

	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
Investments	25 382 340	-	25 513 184	50 895 524
	25 382 340	-	26 488 224	51 870 564

The carrying amount of assets included on the statement of financial position 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 as accounts receivable are spread among all registered companies.

12. Financial risk management objectives and policies (Continued)
12.4 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.

12.4.1 Liquidity and interest rate risk tables

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

		2011		
	Interest rate %	On demand	<3 Months	Total
Financial assets				
Cash and cash equivalents	-	720 222	-	720 222
Investments	5.2%	-	101 338 740	101 338 740
Total Financial assets		720 222	101 338 740	102 058 962
Financial liabilities				
Trade and other payables	-	200 362	204 459	404 821
Net amount	-	519 860	101 134 281	101 654 141

	Interest rate %	2010 On demand	<3 Months	Total
Financial assets				
Trade and other receivables	-	7 644	-	7 644
Cash and cash equivalents	-	967 396	-	967 396
Investments	7.88	-	50 895 524	50 895 524
Total Financial assets		975 040	50 895 524	51 870 564
Financial liabilities				
Trade and other payables	-	86 229	98 715	184 944
Net amount		888 811	50 796 809	51 685 620

13. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

	2011 N$	2010 N$
Financial assets	102 058 962	51 870 564
Loans and receivables:		
- Investments	101 338 740	50 895 524
- Trade and other receivables	-	7 644
- Cash and cash equivalents	720 222	967 396
Financial liabilities	404 821	184 944
At amortized cost	404 821	184 944

14. Contingent assets and liabilities

The following legal matter was pending at year end:

- Avid Investment Corporation cases – These are criminal fraud cases which are set to go on trial in 2012.

  The cost for the aforementioned has been provided for and the outcome of the matter is not yet known.

  The related financial implications to the Commission can therefore not be determine with sufficient reliability.

15. Post statement of financial position events

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

16. Taxation

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

17. 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 hind assets.

There is not sufficient information available to enable the entity to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the Commission is not clearly identified by the fund. The plan is there accounted for as if it is a defined contribution plan.

The value of the assets of G1PF 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. With reported actuarial value of liabilities and reserves of N$28.28 billion and assets of N$29.941 billion, funding level at valuation date was 105.9%.

The method used to place a value on the past service liabilities and the required future contribution rate is known as the projected unit credit method based on actuarial assumptions.

Based on the data disclosed by the actuarial valuation, the surplus is within an acceptable range to prevent a short-fall within the foreseeable future and therefore places no current obligation on the Commission to provide for. The performance of the Fund’s investments is benchmarked on a quarterly basis by its investment consultant, Humanity Employee Benefits Company (Pty) Ltd.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	29 626 520	29 721 015
Investment property	4	3 200 000	5 380 819
Intangible Assets	5	482 408	153 035
		33 308 928	35 254 869
Current assets			
Investments	6	1 252 156 253	1 111 297 475
Trade and other receivables	7	15 121 321	22 442 764
Cash and cash equivalents	8	10 957 757	2 156 972
		1 278 235 331	1 135 897 211
Total assets		1 311 544 259	1 171 152 080
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		1 233 151 392	1 104 192 782
Non-current liabilities			
Provisions	9	1 602 000	6 210 034
Current liabilities			
Provisions	9	50 706 436	35 958 150
Trade and other payables	10	26 084 431	24 791 114
		76 790 867	60 749 264
Total funds and liabilities		1 311 544 259	1 171 152 080

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 NS	2010 N$
Revenue	11	247 571 395	233 646 485
Claims	12	(120 612 440)	(96 996 509)
Gross surplus		126 958 955	136 649 976
Other income		417 944	352 920
Operating expenses		(75 243 912)	(64 358 046)
Operating surplus	13	52 132 987	72 644 850
Investment income	14	111 936 757	152 779 766
Surplus for the year		164 069 744	225 424 616
Other comprehensive income		-	-
Total comprehensive income for the year		164 069 744	225 424 616

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
CHANGES IN EQUITY
AS AT 28 FEBRUARY 2011

	Accumulated funds N$
Balance as at 1 March 2009	893 088 346
Total comprehensive income for the year	225 424 616
Transfer to Development Fund	(14 320 130)
Balance as at 28 February 2010	1 104 192 782
Total comprehensive income for the year	164 069 744
Transfer to Development Fund	(35 111 134)
Balance as at 28 February 2011	1 233 151 392

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011	2010
		NS	N$
Cash flows from operating activities			
Cash generated from operations	15	42 339 954	107 076 015
Investment income		111 936 757	152 779 766
Net cash from operating activities		154 276 711	259 855 781
Cash flows from investing activities			
Purchases of property, plant and equipment		(2 548 361)	(11 357 802)
Proceeds on disposal of property, plant and equipment		1 351 591	-
Purchases of investment property		-	(60 605)
Purchase of intangible assets		(452 875)	(185 497)
Purchases of financial assets		(108 715 147)	(238 059 312)
Net cash from investing activities		(110 364 792)	(249 663 216)
Cash flows from financing activities			
Contribution to Development Fund		(35 111 134)	(14 320 180)
Net cash from financing activities		(35 111 134)	(14 320 180)
Net change in cash and cash equivalents		8 800 785	(4 127 615)
Cash and cash equivalents at the beginning of year		2 156 972	6 284 587
Cash and cash equivalents at the end of year	8	10 957 757	2 156 972

1. Accounting policies

The annual financial statements set out on pages 2 to 31 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. Accounting policies (Continued)

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

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 Intangible assets

Intangible assets are amortised on a straight-line basis over 3 years. The directors assess the carrying value of each intangible asset annually and revisions are made where it is considered necessary.

1.6 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 valuators. 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.

1.7 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. Accounting policies (Continued)

1.7 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 statement of comprehensive income.

1.8 Installment 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.

1.9 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 120 days as potential bad debts. The amount of the provision is recognised in the statement of comprehensive income.

1.10 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. Accounting policies (Continued)

1.11 Impairment of assets

The Commission assesses at each statement of financial position 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.

1.12 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.

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.

1.13 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. Accounting policies (Continued)

1.14 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income, 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 statement of financial position 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. Accounting policies (Continued)

1.15 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 statement of financial position 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 statement of financial position include all financial assets and liabilities.

1. Accounting policies (Continued)

1.16 Post statement of financial position events

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

1.17 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.

1.18 Outstanding claims

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

1.19 Claims incurred

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

1.20 Significant judgments

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 are 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. Actuarial provisions were raised during the year.

Financial assets at amortised cost

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

1. Accounting policies (Continued)
1.20 Significant judgments (Continued)

Financial assets at amortised cost (Continued)
The impairment for trade receivables and 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. New statements and interpretations

The fund has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the fund. They did however; give rise to additional disclosure, where applicable.

- IFRS 3 Business Combinations
- IAS 27 Consolidated and separate financial statements
- IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedge Instruments
- IFRIC 17 Distribution of Non-cash assets to Owners
- IFRIC 18 Transfer of Assets from Customers
- Annual Improvement project 2009
- IFRS 2 Share-based payments – Group cash settled share-based payment arrangements
- IAS 32 Classification of rights issue – Amendment to IAS 32

The following new or revised IFRS's and IFRIC interpretations have been issued with effective dates applicable to future annual financial statements of the fund:

Effective for periods commencing on or after 1 July 2010
- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRIC 19 Extinguishing financial liabilities with equity instruments

Effective for periods commencing on or after 1 January 2011
- IFRIC14 Prepayments of minimum funding requirement – Amendments to IFRIC14
- IAS 24 Related party disclosures
- Annual improvement project 2010

Effective for periods commencing on or after 1 July 2011
- IFRS 1 Severe hyper-inflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1
- IFRS 7 Disclosures – Transfers of financial assets (Amendments to IFRS 7)

Effective for periods commencing on or after 1 January 2012
- IAS 12 Deferred tax: Recovery of underlying assets – Amendments to IAS 12

Effective for periods commencing on or after 1 January 2013
- IFRS 9 Financial Instruments

The fund has not early adopted any of the above standards. The application of these standards in future financial reporting periods will not have a significant impact on the fund's results, financial position and cash flows.

3. Property, plant and equipment

	2011			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N$	N$	N$	N$	N$	N$
Land	2 854 444	-	2 854 444	17 688 713	-	17 688 713
Buildings	23 219 781	(1 755 194)	21 464 587	9 418 358	(1 310 811)	8 107 547
Furniture and fittings	2 045 906	(1 063 601)	982 305	1 933 322	(938 950)	994 372
Motor vehicles	2 336 871	(569 802)	1 767 069	1 603 457	(393 433)	1 210 024
Computer equipment	5 159 128	(3 303 319)	1 855 809	3 974 146	(2 891 988)	1 082 158
Office equipment	1 787 585	(1 085 279)	702 306	1 588 949	(950 748)	638 201
Total	37 403 715	(7 777 195)	29 626 520	36 206 945	(6 485 930)	29 721 015

Reconciliation of property, plant and equipment -2011

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	NS	N$	N$	NS	NS
Land	17 688 713	-	-	(14 834 269)	-	2 854 444
Buildings	8 107 547	318 745	(1 351 591)	14 834 269	(444 383)	21 464 587
Furniture and fittings	994 372	112 584	-	-	(124 651)	982 305
Motor vehicles	1 210 024	733 414	-	-	(176 369)	1 767 069
Computer equipment	1 082 158	1 184 982	-	-	(411 331)	1 855 809
Office equipment	638 201	198 636	-	-	(134 531)	702 306
Total	29 721 015	2 548 361	(1 351 591)	-	(1 291 265)	29 626 520

3. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	NS	N$	N$	NS	NS
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)	1 210 034
Computer equipment	1 415 572	65 780	-	-	(399 194)	1 082 158
Office equipment	677 779	89 961	-	-	(129 539)	639 201
Total	19 525 478	11 357 802	-	-	(1 162 265)	29 721 015

Land and buildings comprise Erf 119 Grootfontein (1 329 square metres, registration division f3), Erf 120 Grootfontein (1 377 Square metres with buildings thereon, registration division Q), Erf 2 269 Windhoek (1 430 square metres with buildings thereon), Erf 3 223 Walvis Bay (1 250 square metres with buildings thereon), Erf 1 589 Oshakati (3 515 square metres without improvements), Erf 3 223 Ongwediva (5 310 square metres) and Erf 1 610 Keetmanshoop (1 186 square metres without improvements).

4. Investment property

	2011		2010	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	3 200 000	3 200 000	5 380 819	5 380 819
Total	3 200 000	3 200 000	5 380 819	5 380 819

4. Investment property (Continued)

Reconciliation of investment properly -2011

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Land and buildings	5 380 819	-	-	(2 180 819)	-	3 200 000
Total	5 380 819	-	-	(2 180 819)	-	3 200 000

Reconciliation of investment properly -2010

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

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

5. Intangible assets

	2011			2010		
	Cost/ valuation	Amortisation	Carrying value	Cost/ valuation	Amortisation	Carrying value
	N$	N$	N$	N$	N$	N$
Software license	638 372	(155 964)	482 408	185 497	(32 462)	153 035
Total	638 372	(155 964)	482 408	185 497	(32 462)	153 035

5. Intangible assets (Continued)

Reconciliation of intangible assets -2011

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Software license	153 035	452 875	-	(123 502)	-	482 408
Total	153 035	452 875	-	(123 502)	-	482 408

Reconciliation of intangible assets -2010

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Software license	-	185 497	-	(32 462)	-	153 035
Total	-	185 497	-	(32 462)	-	153 035

6. Investments

	2011 N$	2010 N$
Loans and receivables		
Fixed term deposits	69 653 251	136 625 782
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the statement of financial position date and the interest rates are between 4.75% and 6.00% per annum.		
	69 653 251	136 625 782
Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	1 182 503 002	974 671 693
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	1 252 156 253	1 111 297 475
Current assets		
Loans and receivables	69 653 251	136 625 782
Held for trading at fair value through profit and loss	1 182 503 002	974 671 693
Total	1 252 156 253	1 111 297 475

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 statement of financial position date.

7. Trade and other receivables

	2011 N$	2010 N$
Gross trade debtors	63 074 332	67 353 341
Less: Debtors with credit balances	(25 645 976)	(25 817 060)
Less: Provision for bad debts	(24 630 312)	(20 047 505)
Net trade debtors	12 798 044	21 488 776
Amount due front ECF (related party)	-	12 467
Amount due from APF (related party)	-	32 174
Amount due from SSC (related party)	2 174 245	395 488
Other debtors	149 032	513 859
	15 121 321	22 442 764

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

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 20% per annum on the outstanding balance. The Fund has a policy of providing for accounts receivable which are outstanding for 12 months or more 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$ 7 354 661 (2010: N$35 575 357) 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 +60/+90 days (2010: +120days).

Ageing of past due but not impaired

	2011	2010
60 days	3 765 318	3 311 228
90 days	3 589 343	2 140 033
+ 120 days	-	30 124 046
Total	7 354 661	35 575 30

7. Trade and other receivables (Continued)

	2011 N$	2010 N$
Movement in the allowance for doubtful debts		
Balance at beginning of the year	20 047 505	17 138 524
Impairment losses recognized on receivables	4 582 807	2 908 981
Amounts written off as uncollectible	-	-
Balance at year end	24 630 312	20 047 505

Ageing of impaired trade receivables

	2011 N$	2010 N$
60 days	-	-
90 days	6 760 908	-
+120davs	17 869 404	20 047 505
Total	24 630 312	20 047 505

8. Cash and cash equivalents

Cash and cash equivalents consist of

	2011 N$	2010 N$
Bank balances	10 957 757	2 156 972
	10 957 757	2 156 972

9. Provisions

Reconciliation of provisions -2011	Opening Balance N$	Movement N$	Closing Balance N$
Unreported incurred claims	41 906 696	10 251 304	52 158 000
Legal costs	261 488	(111 052)	150 436
Total	42 168 184	10 140 252	52 308 436
Current	35 958 150	14 748 286	50 706 436
Unreported incurred claims	35 696 662	14 859 338	50 556 000
Legal costs	261 488	(111 052)	150 436
Non-current	6 210 034	(4 608 034)	1 602 000
Unreported incurred claims	6 210 034	(4 608 034)	1 602 000
Total	42 168 184	10 140 252	52 308 436

9. Provisions (Continued)

Reconciliation of provisions -2010	**Opening Balance**	**Movement**	**Closing Balance**
	N$	**N$**	**N$**
Unreported incurred chins	34 078 227	7 828 469	41 906 696
Legal costs	591 918	(330 430)	261 488
Total	34 670 145	7 498 039	42 168 184
Current	34 670 145	1 288 005	35 958 150
Unreported incurred claims	34 078 227	1 618 435	35 696 662
Legal costs	591 918	(330 430)	261 488
Non-current	-	6 210 034	6 210 034
Unreported incurred claims	-	6 210 034	6 210 034
Total	51 176 073	9 808 093	60 984 171

Fair value determination of the unreported incurred claims

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

	2011	**2010**
	N$	**N$**
Category		
- Death claims	610 000	446 924
- Maternity leave	15 203 000	12 767 924
- Retirement Benefits	2 392 000	2 064 924
- Sick leave	5 453 000	3 826 924
- Claims handling provision	22 500 000	18 000 000
- Date integrity provision	6 000 000	4 800 000
Total provisions for claims	52 158 000	41 906 696

The unreported incurred claims represent the management estimate as at 28 February 2011 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:

9. **Provisions** (Continued)

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 claim experience.

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 2011 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 80% 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.

10. Trade and other payables

	2011 N$	2010 N$
Trade payables	17 024 394	14 877 463
Accruals	6 871 300	5 176 564
Unallocated deposits	110 728	194 673
Amount owed to SSC (related party)	1 936 485	4 076 020
Amount owed to ECF (related party)	-	-
Amount owed to APF (related party)	-	-
Other payables	141 524	466 394
	26 084 431	24 791 114

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

	2011 N$	2010 N$
11. Revenue		
Contributions	236 361 633	232 777 489
Contributions interest	11 209 762	868 996
	247 571 395	233 646 485
12. Claims		
Maternity leave	82 162 325	62 907 910
Sick leave	12 309 478	11 383 630
Death benefits	6 767 833	6 808 000
Retirement benefit	9 121 500	8 068 500
Actuarial adjustment on provision for incurred but not reported claims	10 251 304	7 828 469
	120 612 440	96 996 509

13. Operating surplus

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

	2011 N$	2010 N$
Premises operating lease charges	675 087	673 860
Rental income	(397 103)	(291 639)
Auditors' remuneration	271 287	(35 843)
Depreciation and amortization	1 291 265	1 194 727
Employee costs	47 788 712	42 109 358

	2011 N$	2010 N$

14. Investment income

	2011 N$	2010 N$
Fixed term deposits	5 838 603	17 509 818
Bank deposits	548 533	636 679
Accounts receivable	11 209 762	610 342
Impaired accounts receivable	-	258 654
Interest income excluding interest income from asset managers	17 596 898	19 015 493
Funds under asset management	107 730 440	134 633 269
Total investment income	125 327 338	153 648 762
Less:		
Interest on debtors disclosed under revenue	(11 209 762)	(868 996)
Fair value adjustment to investment property	(2 180 819)	-
Interest income per statement of comprehensive income	111 936 757	152 779 766

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

	2011 N$	2010 N$
Loans and receivables	17 596 898	19 015 493
Held for trading at fair value through profit and loss	107 730 440	134 633 269
Total investment income	125 327 338	153 648 762

15. Cash generated from operations

	2011 N$	2010 N$
Surplus for the year	164 069 744	225 424 616
Adjustments for:		
Depreciation and amortization	1 414 767	1 194 727
Investment income	(111 936 757)	(152 779 766)
Unrealized (gain)/loss on funds under asset management	(32 143 631)	42 759 989
Investment property revaluation	2 180 819	-
Actuarial on IBNR claims provision	10 251 304	7 828 469
Changes in working capital:		
Trade and other receivables	7 321 443	(19 492 654)
Trade and other payables	1 293 317	18 976 997
Provisions	(111 052)	(16 836 363)
	42 339 954	107 076 015

16. Commitments

Authorized capital expenditure

Not yet contracted for but authorized	8 910 410	29 432 000

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

17. Financial risk management objectives and policies

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

Real return (i.e. returns in excess of inflation) is 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. Financial risk management objectives and policies (Continued)

17.1 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:

- Loans and receivables
- Held for trading at fair value through profit and loss (FVTPL)

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.

17.2 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.

17.2.1 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 amortized costs of these financial instruments:

Financial assets	**2011**	**2011**	**2010**	**2010**
	1 % increase	1 % decrease	1% increase	1 % decrease
	N$	**N$**	**N$**	**N$**
Investments	696 533	(696 533)	1 366 258	(1 366 258)
Cash and cash equivalents	-	-	-	-
Total financial assets	696 533	(696 533)	1 366 258	(1 366 258)

17. Financial risk management objectives and policies (Continued)

17.3 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 analyzed 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 is limited by parameters established by asset managers and statutory requirements. The Fund's exposure to movement in equities is 3% and 27% for the domestic and foreign equities, respectively, on the funds held by asset managers.

17.3.1 Equity price sensitivity analysis

At 28 February 2011, the Fund's listed equities were recorded at their fair value of NS 358 million (2010: NS 366 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase profit before taxation by NS 35.8 million (2010: N$ 36.6 million).

17.4 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 Woody, 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. Financial risk management objectives and policies (Continued)

17.4 Credit risk management (Continued)

17.4.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2011.

Financial Instrument

	Credit Rating				
	A1+	**A1+**	**BB/BBB**	**Not rated**	**Carrying value**
Funds held for trading at FVTPL	-	-	-	1 182 503 002	1 182 503 002
Trade and other receivables	-	-	-	15 121 321	15 121 321
Cash and cash equivalents	-	10 957 757	-	-	10 957 757
Loans and receivables		69 653 251	-	-	69 653 251
TOTAL	-	80 611 008	-	1 197 624 323	1 278 235 331

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 held for trading at FVTPL	-	-	-	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
Loans and receivables		91 196 588	-	45 429 194	136 625 782
TOTAL	-	93 353 560	-	1 042 543 651	1 135 897 211

The carrying amount of assets included on the statement of financial position 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. Financial risk management objectives and policies (Continued)

17.5 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.

17.5.1 Liquidity and interest rate risk tables

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

2011

Financial assets	Int rate %	On demand N$	<3 months N$	3-12 months N$	1-5 years N$	Total N$
Funds at FVTPL	-	-	1 182 503 002	-	-	1 182 503 002
Trade and other	20.00	2 174 245	12 947 076	-	-	15 121 321
Cash and cash equivalents	Prime-4.75	10 957 757	-	-	-	10 957 757
Loans and receivables	5.38	-	69 653 251	-	-	69 653 251
Total financial assets		**13 132 002**	**1 265 103 329**	**-**	**-**	**1 278 235 331**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	50 706 436	-	1 602 200	52 308 636
Trade and other payables	-	1 936 485	24 147 946	-	-	26 084 431
Total financial liabilities		**1 936 485**	**74 854 382**	**-**	**1 602 000**	**78 393 067**
Net amount		**11 195 517**	**1 190 248 947**	**-**	**(1 602 000)**	**1 199 842 264**

17. Financial risk management objectives and policies (Continued)

17.5 Liquidity risk management (Continued)

17.5.1 Liquidity and interest rate risk tables (Continued)

2010

Financial assets	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Funds at FVTPL	-	-	974 671 693	-	-	974 671 693
Trade and other	20.00	440 129	22 002 635	-	-	22 442 764
Cash and cash equivalents	-	2 156 972	-	-	-	2 156 972
Loans and receivables	7.88	-	139 317 310	-	-	139 317 310
Total financial assets		**2 597 101**	**1 135 991 638**	**-**	**-**	**1 138 588 739**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	35 958 150	-	6 210 034	42 168 184
Trade and other payables	-	4 076 020	20 715 094	-	-	24 791 114
Total financial liabilities		**4 076 020**	**56 673 244**	**-**	**6 210 034**	**66 959 298**
Net amount		**(1 478 919)**	**1 079 318 394**	**-**	**(6 210 034)**	**1 071 629 441**

18. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

	2011 N$	**2010 N$**
Financial assets	1 278 235 331	1 138 588 739
Held for trading (FVTPL)	1 182 503 002	974 671 693
Loans and receivables:		
- Fixed deposits	69 653 251	139 317 310
- Trade and other receivables	15 121 321	22 442 764
- Cash and cash equivalents	10 957 757	2 156 972
Financial liabilities	78 393 067	66 959 298
At amortized cost	78 393 067	66 959 298

19. Post statement of financial position events

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

20. Taxation

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

21. Contingent assets and liabilities

The following legal matters were pending at year end:

9. A case which concerned an appeal to the Labour Court against the decision of the Commission to reject a claim for compensation in terms of the Employees Compensation Act. The appeal was upheld and the Commission appealed to the Supreme Court against the decision of the Labour Court. The appeal was heard on 12 July 2011 and judgment was reserved i.e. the Court's decision is still pending in this matter. The fees payable in this matter were paid. However the matter was referred to the Master of the High Court for taxation.
10. Avid Investment Corporation cases – These are criminal fraud cases which are set to go on trial in 2012.
11. A case, related to a labour matter, is scheduled for hearing from 23 November 2011 to 2 December 2011 in the District Labour Court.
12. A case involving a former employee who defrauded the Commission and is currently serving a term in prison. The matter is finalized. There was an order for his pension to be paid to the Commission. However there are difficulties in this respect because it is not within the power of the Magistrate Court to make an order of this nature. In terms of GIPF's rules the employee must give written consent to the Commission to have his pension transferred to the Commission. He refused to give this permission and has now instructed a law firm to claim this money from the Commission. This could potentially result in legal proceedings against the Commission.

The costs for the aforementioned are not material and the outcome of the matters are not yet known. The related financial implication to the Commission can therefore not be determined with sufficient reliability.

22. Commissioners' emoluments

	2011 NS	2010 N$
Commissioners' emoluments were	271 102	322 938

23. 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 hind assets.

There is not sufficient information available to enable the entity to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the Commission is not clearly identified by the fund. The plan is there accounted for as if it is a defined contribution plan.

The value of the assets of G1PF 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. With reported actuarial value of liabilities and reserves of N$28.28 billion and assets of N$29.941 billion, funding level at valuation date was 105.9%.

The method used to place a value on the past service liabilities and the required future contribution rate is known as the projected unit credit method based on actuarial assumptions.

Based on the data disclosed by the actuarial valuation, the surplus is within an acceptable range to prevent a short-fall within the foreseeable future and therefore places no current obligation on the Commission to provide for.

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

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2011

	Notes	2011	2010
		NS	N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	64 177 729	64 570 734
Investment property	4	6 400 000	10 761 638
Intangible Assets	5	964 816	306 070
Long term loan	6	1 274 693	584 320
		72 817 238	76 222 762
Current assets			
Investments	7	1 714 200 114	1 482 530 858
Trade and other receivables	8	22 666 973	35 322 928
Cash and cash equivalents	9	21 771 365	6 268 069
		1 758 638 452	1 524 121 855
Total assets		1 831 455 690	1 600 344 617
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		1 645 646 964	1 426 846 921
Non-current liabilities			
Provisions	10	78 825 000	83 244 806
Current liabilities			
Provisions	10	76 856 440	65 441 489
Trade and other payables	11	30 127 286	24 805 862
Bank overdraft	9	-	5 539
		106 983 726	89 955 890
Total funds and liabilities		1 831 455 690	1 600 344 617

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Revenue	12	325 425 654	314 444 224
Claims/direct expenses	13	(139 307 057)	(117 778 056)
Gross surplus		186 118 597	196 666 168
Other income		1 278 622	1 227 571
Operating expenses		(122 093 459)	(96 298 938)
Operating surplus	14	65 303 760	101 594 801
Investment income	15	153 496 283	195 550 238
Surplus for the year		218 800 043	297 145 039
Other comprehensive income		-	-
Total comprehensive income for the year		218 800 043	297 145 039

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED CHANGES IN EQUITY
AS AT 28 FEBRUARY 2011

	Accumulated funds total N$
Balance as at 1 March 2009	1 129 701 882
Total comprehensive income for the year	297 145 039
Balance as at 28 February 2010	1 426 846 921
Total comprehensive income for the year	218 800 043
Balance as at 28 February 2011	1 645 646 964

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Notes	2011 N$	2010 N$
Cash flows from operating activities			
Cash generated from operations	16	57 074 774	138 006 007
Investment income		153 496 283	195 550 238
Net cash from operating activities		210 571 057	333 556 245
Cash flows from investing activities			
Long term loan issued		(690 373)	(584 320)
Purchases of property, plant and equipment		(5 364 548)	(22 715 521)
Proceeds on disposal of property, plant and equipment		2 971 007	-
Purchases of investment property		-	(121 210)
Purchase of intangible assets		(905 750)	(370 994)
Purchases of financial assets		(191 072 558)	(313 179 701)
Net cash from investing activities		(195 062 222)	(336 971 746)
Net change in cash and cash equivalents		15 508 835	(3 415 501)
Cash and cash equivalents at the beginning of year		6 262 530	9 678 031
Cash and cash equivalents at the end of year	9	21 771 365	6 262 530

1. Accounting policies

The consolidated annual financial statements set out on pages 108 to 142 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated 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. Accounting policies (Continued)

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

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 Intangible assets

Intangible assets are amortised on a straight-line basis over 3 years. The directors assess the carrying value of each intangible asset annually and revisions are made where it is considered necessary.

1.6 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 valuators. 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.

1.7 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. Accounting policies (Continued)

1.7 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 statement of comprehensive income.

1.8 Installment 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.

1.9 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 120 days as potential bad debts. The amount of the provision is recognised in the statement of comprehensive income.

1.10 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. Accounting policies (Continued)

1.11 Impairment of assets

The Commission assesses at each statement of financial position 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.

1.12 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.

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.

1.13 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. Accounting policies (Continued)

1.14 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income, 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 statement of financial position 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. Accounting policies (Continued)

1.15 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 statement of financial position 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 statement of financial position include all financial assets and liabilities.

1. Accounting policies (Continued)

1.16 Post statement of financial position events

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

1.17 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.

1.18 Outstanding claims

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

1.19 Claims incurred

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

1.20 Significant judgments

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated 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. Actuarial provisions were raised during the year.

Financial assets at amortised cost

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

1. Accounting policies (Continued)

1.20 Significant judgments (Continued)

Financial assets at amortised cost (Continued)

The impairment for trade receivables and 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. New statements and interpretations

The fund has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the fund. They did however; give rise to additional disclosure, where applicable.

- IFRS 3 Business Combinations
- IAS 27 Consolidated and separate financial statements
- IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement of Eligible Hedge Instruments
- IFRIC 17 Distribution of Non-cash assets to Owners
- IFRIC 18 Transfer of Assets from Customers
- Annual Improvement project 2009
- IFRS 2 Share-based payments – Group cash settled share-based payment arrangements
- IAS 32 Classification of rights issue – Amendment to IAS 32

The following new or revised IFRS’s and IFRIC interpretations have been issued with effective dates applicable to future consolidated annual financial statements of the fund:

Effective for periods commencing on or after 1 July 2010
- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRIC 19 Extinguishing financial liabilities with equity instruments

Effective for periods commencing on or after 1 January 2011
- IFRIC14 Prepayments of minimum funding requirement – Amendments to IFRIC14
- IAS 24 Related party disclosures
- Annual improvement project 2010

Effective for periods commencing on or after 1 July 2011
- IFRS 1 Severe hyper-inflation and removal of fixed dates for first-time adopters – Amendments to IFRS 1
- IFRS 7 Disclosures – Transfers of financial assets (Amendments to IFRS 7)

Effective for periods commencing on or after 1 January 2012
- IAS 12 Deferred tax: Recovery of underlying assets – Amendments to IAS 12

2. New statements and interpretations (Continued)

Effective for periods commencing on or after 1 January 2013

- IFRS 9 Financial Instruments. The fund has not early adopted any of the above standards. The application of these standards in future financial reporting periods will not have a significant impact on the fund's results, financial position and cash.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N$	N$	N$	N$	N$	N$
Land	7 008 498	-	7 008 498	36 676 951	-	36 676 951
Buildings	51 040 684	(4 392 315)	46 648 369	23 437 839	(3 308 454)	20 129 385
Furniture and fittings	3 926 752	(2 150 020)	1 776 732	3 701 585	(1 895 993)	1 805 592
Motor vehicles	4 673 742	(1 437 748)	3 235 994	3 206 914	(1 085 009)	2 121 905
Computer equipment	9 549 702	(5 839 986)	3 709 716	7 179 738	(5 017 322)	2 162 416
Office equipment	4 028 729	(2 230 309)	1 798 420	3 631 539	(1 957 054)	1 674 485
Total	80 228 107	(16 050 378)	64 177 729	77 834 566	(13 263 832)	64 570 734

Reconciliation of property, plant and equipment -2011

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	NS	N$	N$	NS	NS
Land	36 676 951	-	-	(29 668 453)	-	7 008 498
Buildings	20 129 385	905 399	(2 971 007)	29 668 453	(1 083 861)	46 648 369
Furniture and fittings	1 805 592	225 167	-	-	(254 027)	1 776 732
Motor vehicles	2 121 905	1 466 828	-	-	(352 739)	3 235 994
Computer equipment	2 162 416	2 369 964	-	-	(822 664)	3 709 716
Office equipment	1 674 485	397 190	-	-	(273 255)	1 798 420
Total	64 570 734	5 364 548	(2 971 007)	-	(2 786 546)	64 177 729

3. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment -2010

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	15 015 860	21 661 091	-	-	-	36 676 951
Buildings	20 962 758	61 490	-	-	(894 863)	20 129 385
Furniture and fittings	1 343 672	681 458	-	-	(219 538)	1 805 592
Motor vehicles	2 435 643	-	-	-	(313 738)	2 121 905
Computer equipment	2 829 244	131 560	-	-	(798 388)	2 162 416
Office equipment	1 748 308	179 922	-	5 251	(258 996)	1 674 485
Total	44 335 485	22 715 521	-	5 251	(2 485 523)	64 570 734

Land and buildings comprise Erf 119 Grootfontein (1 329 square metres, registration division f3), Erf 120 Grootfontein (1 377 Square metres with buildings thereon, registration division Q), Erf 2 269 Windhoek (1 430 square metres with buildings thereon), Erf 3 223 Walvis Bay (1 250 square metres with buildings thereon), Erf 1 589 Oshakati (3 515 square metres without improvements), Erf 3 223 Ongwediva (5 310 square metres) and Erf 1 610 Keetmanshoop (1 186 square metres without improvements).

4. Investment property

	2011		2010	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	6 400 000	6 400 000	10 761 638	10 761 638
Total	6 400 000	6 400 000	10 761 638	10 761 638

4. Investment property (Continued)

Reconciliation of investment properly -2011

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	10 761 638	-	-	(4 361 638)	-	6 400 000
Total	10 761 638	-	-	(4 361 638)	-	6 400 000

Reconciliation of investment properly -2010

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	NS	N$	N$	N$	N$
Land and buildings	10 640 428	121 210	-	-	-	10 761 638
Total	10 640 428	121 210	-	-	-	10 761 638

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

5. Intangible assets

	2011			2010		
	Cost/ valuation	Amortisation	Carrying value	Cost/ valuation	Amortisation	Carrying value
	N$	N$	N$	N$	N$	N$
Software license	1 276 744	(311 928)	964 816	370 994	(64 924)	306 070
Total	276 744	(311 928)	964 816	370 994	(64 924)	306 070

5. Intangible assets (Continued)

Reconciliation of intangible assets -2011

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Software license	306 070	905 750	-	(247 004)	-	964 816
Total	306 070	905 750	-	(247 004)	-	964 816

Reconciliation of intangible assets -2010

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Software license	-	370 994	-	(64 924)	-	306 070
Total	-	370 994	-	(64 924)	-	306 070

6. Long term loan	**2011 N$**	**2010 N$**
National Pension Fund loan (related party)	1 274 693	584 320

The loan is repayable upon formation of the National Pension Fund. There are no repayment terms, but repayment is not expected within the next twelve months. The loan is unsecured and bears no interest.

7. Investments

	2011 N$	2010 N$
Loans and receivables		
Fixed term deposits	219 069 750	252 592 233
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 4 months from the statement of financial position date and the interest rates are between 4.75% and 6.6% per annum.		
	219 069 750	252 592 233
Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	1 495 130 364	1 229 938 625
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	1 714 200 114	1 482 530 858
Current assets		
Loans and receivables	219 069 750	252 592 233
Held for trading at fair value through profit and loss	1 495 130 364	1 229 938 625
Total	1 714 200 114	1 482 530 858

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 statement of financial position date.

8. Trade and other receivables	2011 N$	2010 N$
Gross trade debtors	100 627 240	102 389 616
Less: Debtors with credit balances	(32 260 870)	(30 734 691)
Less: Provision for bad debts	(45 849 845)	(39 574 349)
Net trade debtors	22 516 525	32 080 576
Other debtors	150 448	3 242 352
	22 666 973	35 322 928

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% (ECF) and at 20% (MSD) per annum on the outstanding balance. The Fund has a policy of providing for accounts receivable which are outstanding for 12 months or more 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$ 17 673 481 (2010:N$67 412 471) 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 (2010: +120days).

Ageing of past due but not impaired

	2011	2010
60 days	4 199 441	4 832 223
90 days	3 990 706	2 741 975
+ 120 days	9 483 334	59 838 273
Total	17 673 481	67 412 471

8. Trade and other receivables (Continued)

Movement in the allowance for doubtful debts

	2011 N$	2010 N$
Balance at beginning of the year	39 574 349	38 164 396
Impairment losses recognized on receivables	6 275 496	2 908 981
Movement out of provision	-	(1 499 028)
Balance at year end	45 849 845	39 574 349

Ageing of impaired trade receivables

	2011 N$	2010 N$
60 days	-	-
90 days	6 760 908	-
+120davs	39 088 937	39 574 349
Total	45 849 845	39 574 349

9. Cash and cash equivalents

	2011 N$	2010 N$
Cash and cash equivalents consist of		
Cash on hand	3 800	3 200
Bank balances	21 574 458	6 252 572
Bank overdraft	-	(5 539)
Short-term deposits	193 107	12 297
	21 771 365	6 262 530

10. Provisions

Reconciliation of provisions -2011	**Opening Balance** N$	**Movement** N$	**Closing Balance** N$
Unreported incurred claims	148 284 006	7 165 994	155 450 000
Legal costs	402 289	(170 849)	231 440
Total	148 686 295	6 995 145	155 681 440
Current	65 441 489	11 414 951	76 856 440
Unreported incurred claims	65 039 200	11 585 800	76 625 000
Legal costs	402 289	(170 849)	231 440
Non-current	83 244 806	(4 419 806)	78 825 000
Unreported incurred claims	83 244 806	(4 419 806)	78 825 000
Total	148 686 295	6 995 145	155 681 440

10. Provisions (Continued)

Reconciliation of provisions -2010	**Opening Balance**	**Movement**	**Closing Balance**
	N$	**N$**	**N$**
Unreported incurred claims	139 114 236	9 169 770	148 284 006
Legal costs	910 643	(508 354)	402 289
Total	140 024 879	8 661 416	148 686 295
Current	140 024 879	(74 583 390)	65 441 489
Unreported incurred claims	139 114 236	(74 075 036)	65 039 200
Legal costs	910 643	(508 354)	402 289
Non-current	-	83 244 806	83 244 806
Unreported incurred claims	-	83 244 806	83 244 806
Total	140 024 879	8 661 416	148 686 295

Fair value determination of the claims

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

	2011	**2010**
	N$	**N$**
Category		
- Medical claims	8 786 000	9 485 472
- Permanent disability	2 657 000	2 862 423
- Temporary disabilities	2 808 000	3 466 843
- Burial and transport expenses	335 000	409 037
- Pension liabilities	67 106 000	66 129 208
- Death claims	610 000	446 924
- Maternity leave	15 203 000	12 767 924
- Retirement Benefits	2 392 000	2 064 924
- Sick leave	5 453 000	3 826 924
- Claims handling provision	40 453 000	37 968 383
- Date integrity provision	9 647 000	8 855 944
Total provisions for claims	155 450 000	148 284 006

The unreported incurred claims represent the management estimate as at 28 February 2011 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:

10. Provisions (Continued)

-The runoff claims for the Social Security Commission and Associated Funds have been grouped into the following subgroups:

i. Burial and Transport;
ii. Medical Claims;
iii. Permanent Disability;
iv. Temporary Disability;
v. Death;
vi. Maternity Leave;
vii. Sick Leave and
viii. 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 claim experience.

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 n 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.

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 disables person.

10. 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 2011 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 80% of the IBNR liability for the Employees' Compensation Fund (ECF) fund and 95% of the IBNR liability for the Maternity leave, Sick leave and Death benefit fund (MSD) 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.

11. Trade and other payables

	2011 N$	2010 N$
Trade payables	18 700 867	15 294 963
Accruals	10 925 507	7 963 945
Unallocated deposits	110 728	194 673
Other payables	390 184	1 352 281
	30 127 286	24 805 862

12. Revenue

	2011 N$	2010 N$
Assessment income	61 208 875	66 195 993
Administrative fees income – APF	3 452 154	2 541 488
Pension capitalized – APF	4 721 966	2 552 948
Interest and penalties on wage returns	2 916 514	-
Contributions	236 361 633	232 777 489
Contributions interest	11 209 762	868 996
Government Grants	5 550 000	9 500 000
Registration fees	4 750	7 310
	325 425 654	314 444 224

13. Claims

	2011 N$	2010 N$
Medical expenses	7 609 314	7 419 091
Compensation payments	3 759 654	4 005 208
Capital pension paid - APF	4 721 966	2 552 948
Pension paid - APF	4 403 744	4 314 528
Maternity leave	82 162 325	62 907 910
Sick leave	12 309 478	11 383 630
Death benefits	6 767 833	6 808 000
Retirement benefit	9 121 500	8 068 500
Actuarial adjustment on provision for incurred but not reported claims	7 165 994	9 169 770
Training Schemes	-	1 107 000
Study Schemes	1 285 249	41 471
	139 307 057	117 778 056

14. Operating surplus

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

	2011 N$	2010 N$
Premises operating lease charges	1 038 595	1 036 708
Rental income	(794 206)	(583 278)
Auditors' remuneration	417 365	(55 143)
Depreciation and amortization	3 033 550	2 550 447
Employee costs	74 025 527	65 250 477

15. Investment income

	2011 N$	2010 N$
Fixed term deposits	13 437 774	28 822 677
Bank deposits	1 455 815	1 409 099
Accounts receivable	12 971 197	1 397 853
Impaired accounts receivable	-	1 273 458
Investments recovered	6 900 000	-
Interest income excluding interest income from asset managers	34 764 786	32 903 087
Funds under asset management	136 064 332	165 318 462
Total investment income	170 829 118	198 221 549
Interest on debtors disclosed under revenue	(12 971 197)	(2 671 311)
Fair value adjustment to investment property	(4 361 638)	-
Interest income per statement of comprehensive income	153 496 283	195 550 238

15. Investment income (continue)

	2011 N$	2010 N$
Investment revenue earned on financial assets, analyzed by category of asset is as follows:		
Loans and receivables	34 764 786	32 903 087
Held for trading at fair value through profit and loss	136 064 332	165 318 462
Total investment income	170 829 118	198 221 549

16. Cash generated from operations

	2011 N$	2010 N$
Surplus for the year	218 800 043	297 145 039
Adjustments for:		
Depreciation and amortization	3 033 550	2 550 447
Adjustment on property, plant & equipment	-	(5 251)
Investment income	(153 496 283)	(195 550 238)
Unrealized (gain)/loss on funds under asset management	(40 596 698)	52 913 692
Investment property revaluation	4 361 638	-
Actuarial on IBNR claims provision	7 165 994	9 169 770
Changes in working capital:		
Trade and other receivables	12 655 955	(12 857 439)
Trade and other payables	5 321 424	4 200 248
Provisions	(170 849)	(19 560 261)
	57 074 774	138 006 007

17. Commitments

Authorized capital expenditure

	2011 N$	2010 N$
Not yet contracted for but authorized	17 820 820	58 864 000

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

18. Financial risk management objectives and policies

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

Real return (i.e. returns in excess of inflation) is 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.

18. Financial risk management objectives and policies (Continued)

18.1 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:

- Loans and receivables
- Held for trading at fair value through profit and loss (FVTPL)

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.

18.2 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.

18.2.1 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 amortized costs of these financial instruments:

Financial assets	**2011**	**2011**	**2010**	**2010**
	1 % increase	1 % decrease	1% increase	1 % decrease
	N$	**N$**	**N$**	**N$**
Investments	2 190 698	(2 190 698)	2 525 923	(2 525 923)
Cash and cash equivalents	-	-	-	-
Total financial assets	2 190 698	(2 190 698)	2 525 923	(2 525 923)

18. Financial risk management objectives and policies (Continued)

18.3 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 analyzed 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 is limited by parameters established by asset managers and statutory requirements. The Fund's exposure to movement in equities is 3% and 27% for the domestic and foreign equities, respectively, on the funds held by asset managers.

18.3.1 Equity price sensitivity analysis

At 28 February 2011, the Fund's listed equities were recorded at their fair value of NS 447 million (2010: NS 462 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase profit before taxation by NS 44.7 million (2010: N$ 46.2 million).

18.4 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 Woody, 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.

18. Financial risk management objectives and policies (Continued)

18.4 Credit risk management (Continued)

18.4.1 Credit risk analysis

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings as 28 February 2011.

Financial Instrument	Credit rating				
	AA	A1+	BB	Not rated	Carrying value
Long term loan	-	-	-	1 274 693	1 274 693
Funds held for trading at FVTPL	-	-	-	1 495 130 364	1 495 130 364
Trade and other receivables	-	-	-	22 666 973	22 666 973
Cash and cash equivalents	-	21 771 365	-	-	21 771 365
Loans and receivables	-	219 069 750	-	-	219 069 750
Total	-	240 841 115	-	1 519 072 030	1 759 913 145

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
Long term loan	-	-		584 320	584 320
Funds held for trading at FVTPL	-	-	-	1 229 938 625	1 229 938 625
Trade and other receivables	-	-	-	35 322 928	35 322 928
Cash and cash equivalents	-	6 268 069	-	-	6 268 069
Loans and receivables		176 999 596	-	75 592 637	252 592 233
TOTAL	-	183 267 665	-	1 341 438 510	1 524 706 175

Long term loan	-	-	-	584 320	584 320
Funds held for trading at FVTPL	-	-	-	1 229 938 625	1 229 938 625
Trade and other receivables	-	-	-	35 322 928	35 322 928
Cash and cash equivalents	-	6 268 069	-	-	6 268 069
Loans and receivables	-	176 999 596	-	75 592 637	252 592 233
Total	-	183 267 665	-	1 341 438 510	1 524 706 175

The carrying amount of assets included on the statement of financial position 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.

18. Financial risk management objectives and policies (Continued)

18.5 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.

18.5.1 Liquidity and interest rate risk tables

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

2011

Financial assets	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Long term loan	-	1 274 693	-	-	-	1 274 693
Funds at FVPTL	-	-	1 495 130	-	-	1 495 130 364
Trade and other	10/20	-	22 666 973	-	-	22 666 973
Cash and cash equivalents	-	21 771 365	-	-	-	21 771 365
Loans and receivables	5.68	-	219 069 750	-	-	219 069 750
Total financial assets		**23 046 058**	**1 736 867 087**	**-**	**-**	**1 759 913 145**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	76 856 440	-	78 825 000	155 681 440
Trade and other payables	-	-	30 127 286	-	-	30 127 286
Total financial liabilities		**-**	**106 983 726**	**-**	**78 825 000**	**185 808 726**
Net amount		**23 046 058**	**1 629 883 361**	**-**	**(78 825 000)**	**1 574 104 419**

18. Financial risk management objectives and policies (Continued)

18.5 Liquidity risk management (Continued)

18.5.1 Liquidity and interest rate risk tables (Continued)

2010

Financial assets	Int rate %	On demand N$	<3 months N$	3-12 months N$	1-5 years N$	Total N$
Long term loan	-	584 320	-	-	-	584 320
Funds at FVPTL	-	-	1 229 938 625	-	-	1 229 938 625
Trade and other	10/20	-	35 322 928	-	-	35 322 928
Cash and cash equivalents	-	6 268 069	-	-	-	6 268 069
Loans and receivables	7.88	-	252 592 233	-	-	252 592 233
Total financial assets		**6 852 389**	**1 517 853 786**	**-**	**-**	**1 524 706 175**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 months N$**	**3-12 months N$**	**1-5 years N$**	**Total N$**
Provisions	-	-	65 441 489	-	83 244 806	148 686 295
Trade and other payables	-	-	24 805 862	-	-	24 805 862
Total financial liabilities		**-**	**90 247 351**	**-**	**83 244 806**	**173 492 157**
Net amount		**6 852 389**	**1 427 606 435**	**-**	**(83 244 806)**	**1 351 214 018**

19. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

	2011 N$	2010 N$
Financial assets	1 759 913 145	1 524 706 175
Held for trading (FVTPL)	1 495 130 364	1 229 938 625
Loans and receivables:		
- Long term loan	1 274 693	584 320
- Fixed deposits	219 069 750	252 592 233
- Trade and other receivables	22 666 973	35 322 928
- Cash and cash equivalents	21 771 365	6 268 069
Financial liabilities	185 808 726	173 492 157
- At amortized cost	185 808 726	173 492 157

20. Post statement of financial position events

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

21. Taxation

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

22. Contingent assets and liabilities

The following legal matters were pending at year end:

13. A case which concerned an appeal to the Labour Court against the decision of the Commission to reject a claim for compensation in terms of the Employees Compensation Act. The appeal was upheld and the Commission appealed to the Supreme Court against the decision of the Labour Court. The appeal was heard on 12 July 2011 and judgment was reserved i.e. the Court's decision is still pending in this matter. The fees payable in this matter were paid. However the matter was referred to the Master of the High Court for taxation.
14. Avid Investment Corporation cases – These are criminal fraud cases which are set to go on trial in 2012.
15. A case, related to a labour matter, is scheduled for hearing from 23 November 2011 to 2 December 2011 in the District Labour Court.
16. A case involving a former employee who defrauded the Commission and is currently serving a term in prison. The matter is finalized. There was an order for his pension to be paid to the Commission. However there are difficulties in this respect because it is not within the power of the Magistrate Court to make an order of this nature. In terms of GIPF's rules the employee must give written consent to the Commission to have his pension transferred to the Commission. He refused to give this permission and has now instructed a law firm to claim this money from the Commission. This could potentially result in legal proceedings against the Commission.

The costs for the aforementioned are not material and the outcome of the matters are not yet known. The related financial implication to the Commission can therefore not be determined with sufficient reliability.

23. Commissioners' emoluments

	2011 N$	2010 N$
Commissioners' emoluments were	417 080	496 828

24. 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 hind assets.

There is not sufficient information available to enable the entity to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the Commission is not clearly identified by the fund. The plan is there accounted for as if it is a defined contribution plan.

The value of the assets of G1PF 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. With reported actuarial value of liabilities and reserves of N$28.28 billion and assets of N$29.941 billion, funding level at valuation date was 105.9%.

The method used to place a value on the past service liabilities and the required future contribution rate is known as the projected unit credit method based on actuarial assumptions.

Based on the data disclosed by the actuarial valuation, the surplus is within an acceptable range to prevent a short-fall within the foreseeable future and therefore places no current obligation on the Commission to provide for.

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

25. Inter-fund account summary

Summary of inter-fund receivable and payables set-off during compilation of the consolidated annual financial statements.

Abbreviations:

MSD - Maternity Leave, Sick Leave and Death Benefit Fund
ECF - Employees’ Compensations Fund
APF - Accident Pension Fund
DF - Development Fund
SSC - Social Security Commission

25. Inter-fund account summary (Continued)

2011	**FUNDS**					
	MSD N$	**ECF N$**	**APF N$**	**DF N$**	**SSC N$**	**TOTAL N$**
Amount due from ECF to APF	-	(4 721 966)	4 721 966	-	-	-
Amount due from SSC to MSD	2 174 245	-	-	-	(2 174 245)	-
Amount due from SSC to ECF	-	2 221 608	-	-	(2 174 245)	47 363
Amount due from ECF to SSC	-	(1 581 863)	-	-	1 534 500	(47 363)
Amount due from MSD to SSC	(1 936 485)	-	-	-	1 936 485	-
Amount due from DF to SSC	-	-	-	(200 362)	200 362	-
TOTAL	**237 760**	**(4 082 221)**	**4 721 966**	**(200 362)**	**(677 143)**	**-**

2010	**FUNDS**					
	MSD N$	**ECF N$**	**APF N$**	**DF N$**	**SSC N$**	**TOTAL N$**
Amount due from APF FRM ECF	-	2 576 422	(2 576 422)	-	-	-
Amount due from APF to MSD	32 174	-	(32 174)	-	-	-
Amount due from ECF to MSD	12 467	(12 467)	-	-	-	-
Amount due from SSC to MSD	395 488	-	-	-	(395 488)	-
Amount due from SSC to ECF	-	422 569	-	-	(422 569)	-
Amount due from SSC to DF	-	-	-	7 644	(7 644)	-
Amount due from ECF to SSC	-	(3 184 076)	-	-	3 184 076	-
Amount due from MSD to SSC	(4 076 020)	-	-	-	4 076 020	-
Amount due from DF to SSC	-	-	-	(86 229)	86 229	-
TOTAL	**(3 635 891)**	**(197 552)**	**(2 608 596)**	**(78 585)**	**6 520 624**	**-**