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 2012

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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 2012, 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, November 2012

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS

SOCIAL SECURITY COMMISSION

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND

EMPLOYEES' COMPENSATION FUND

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AS AT 29 FEBRUARY 2012

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1. INTRODUCTION

The following have been audited for the year ended 29 February 2012.

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

5. AUDIT OPINION – SOCIAL SECURITY COMMISSION

The accounts of the Commission for the financial year ended 29 February 2012 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 29 February 2012 in accordance with the International Financial Reporting Standards.

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

The accounts of the Fund for the financial year ended 29 February 2012 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;
- Completeness, occurrence, measurement and accuracy of contributions income of the Fund as at 29 February 2012;
- Completeness, existence, accuracy, valuation, rights and obligations of benefits payable; and
- Completeness, occurrence, measurement and accuracy of the benefit expenses of the 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 29 February 2012 in accordance with the International Financial Reporting Standards.

7. AUDIT OPINION – EMPLOYEES' COMPENSATION FUND

The accounts of the Fund for the financial year ended 29 February 2012 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;
- Completeness, occurrence, measurement and accuracy of assessed income of the Employees' Compensation Fund;
- Completeness, existence, accuracy, valuation, rights and obligations of benefits payable;
- Completeness, occurrence, measurement and accuracy of the benefit expenses 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 29 February 2012 in accordance with the International Financial Reporting Standards.

8. AUDIT OPINION – DEVELOPMENT FUND

The accounts of the Fund for the financial year ended 29 February 2012 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 29 February 2012 in accordance with the International Financial Reporting Standards.

WINDHOEK, NOVEMBER 2012

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

The Commissioners 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 29 February 2012 are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 judgments 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 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 2013 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 his report is presented on page 4 to 7.

The financial statements set out on pages 8 to 176, which have been prepared on the going concern basis, were approved and authorized for issue by the Commissioners and were signed on its behalf by:

______________________________ ______________________________

Commissioner **Commissioner**

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Date

GENERAL INFORMATION & INDEX

COUNTRY OF DOMICILE	Namibia
NATURE OF BUSINESS	The Social Security Commission and Associated Funds principal activity is to contribute to the social and economic development of Namibia and promote and maintain the welfare of the people of Namibia.
Board of Commissioners	Mr B R R Kukuri (Chairperson) Mr A E Biwa Ms A Zamuee Ms C U Pandeni Mr D Wright Ms E Breuer Ms H Kapenda Mr H Shikongo Mr J T //Garoeb Ms O M L M Kutenda
AUDITOR	Auditor-General
REGISTERED OFFICE	Erf 2269 Khomasdal Windhoek Namibia

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SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	69 055 225	64 177 729
Investment property	4	7 150 000	6 400 000
Intangible Assets	5	1 436 992	964 816
Long term loan	6	3 032 802	1 274 693
		80 675 019	72 817 238
Current assets			
Investments	7	1 652 270 142	1 495 130 364
Trade and other receivables	8	16 790 726	22 666 973
Cash and cash equivalents	9	319 965 786	240 841 115
		1 989 026 654	1 758 638 452
Total assets		2 069 701 673	1 831 455 690
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		1 865 151 626	1 645 646 964
Non-current liabilities			
Provisions	10	77 438 000	78 825 000
Current liabilities			
Provisions	10	82 053 440	76 856 440
Trade and other payables	11	44 647 490	30 127 286
Bank overdraft	9	411 117	-
		127 112 047	106 983 726
Total funds and liabilities		2 069 701 673	1 831 455 690

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Revenue	12	338 859 652	325 425 654
Claims/direct expenses	13	(163 628 871)	(139 307 057)
Gross surplus		175 230 781	186 118 597
Other income		1 344 243	1 278 622
Operating expenses		(130 986 131)	(122 093 459)
Operating surplus	14	45 588 893	65 303 760
Investment income	15	173 915 769	153 496 283
Surplus for the year		219 504 662	218 800 043
Other comprehensive income		-	-
Total comprehensive income for the year		219 504 662	218 800 043

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
AS AT 29 FEBRUARY 2012

	Accumulated funds total N$
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
Total comprehensive income for the year	219 504 662
Balance as at 29 February 2012	1 865 151 626

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Cash flows from operating activities			
Cash generated from operations	16	73 034 409	93 309 834
Investment income		131 105 590	117 261 223
Net cash from operating activities		204 139 999	210 571 057
Cash flows from investing activities			
Long term loan issued		(1 758 109)	(690 373)
Purchases of property, plant and equipment		(8 077 982)	(5 364 548)
Proceeds on disposal of property, plant and equipment		335 438	2 971 007
Purchases of intangible assets		(846 193)	(905 750)
Purchases of financial assets		(115 079 599)	(224 595 041)
Net cash from investing activities		(125 426 445)	(228 584 705)
Net change in cash and cash equivalents		78 713 554	(18 013 648)
Cash and cash equivalents at the beginning of year		240 841 115	258 854 763
Cash and cash equivalents at the end of year	9	319 554 669	240 841 115

1. Accounting policies

1.1 Basic of presentation

The consolidated annual financial statements set out on pages 9 to 49 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:

1.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related to disclosures. Use of available information and the application of judgment 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 statement.

Significant judgments include:

Asset lives

Property, plant and equipment are depreciated over its useful life taking into account residual values appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

Impairment testing

The Fund reviews and tests carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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.

1. Accounting policies (Continued)

1.3 Revenue recognition

Contributions

Revenue from contributions is recognized 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.

Donations

Revenue from contributions are recognised when the donations are received and is recognized at the fair value of the donation.

Investment income

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

Rental income

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

1.4 Property, plant and equipment and depreciation

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

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

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

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

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

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

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation (Continued)

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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 accumulated funds.

1.5 Intangible assets

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

1.6 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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 Impairment of non-financial 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. Accounting policies (Continued)

1.9 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Fund considers whether a contract contains an embedded derivative when the Fund first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through surplus or deficit when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.
The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Fund of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has not designated any financial assets at fair value through profit or loss.
The Fund evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Fund is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Fund may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation
does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee' over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Where a current, legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Fund of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Subsequent measurement

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

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

Long term receivables

Long term receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Long term receivables are classified as loans and receivables.

Trade and other trade receivables

Trade receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Trade and other receivable are classified as loans and receivables.

Trade and other payables

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

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortized cost. Cash and cash equivalents have a maturity date of three months or less. Cash and cash equivalents are classified as loans and receivables.

Cash and cash equivalents stated in the statement of cash flows consist of cash and short-term deposits defined above, net of outstanding bank overdrafts.

1.10 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.

1.11 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.

1. Accounting policies (Continued)
1.11 Employee benefits (Continued)

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 Fund 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.

1.12 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.

1.13 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. Accounting policies (Continued)

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 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. New standards and interpretations

2.1 Standards and interpretation effective in the current year and adopted in the current year.

In the current year, the Fund has adopted the following standards and interpretation, except for IAS 24 that was early adopted in the prior year, that became effective for the current financial year and that are relevant to its operations.

- IFRS 1 Additional exemptions for first time adopters
- IFRS 2 Group cash settled share based payment arrangements
- IFRS 3R Business combinations
- IAS 27 Consolidated & separate financial statements
- IAS 32 Classification of rights issues
- IAS 39 Eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRS 7 Transfers of financial assets

- <u>2010 Improvements to IFRSs:</u>
- IFRS 1 Accounting policy changes in year of adoption; revaluation basis as deemed cost; and use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business combination -contingent consideration pre IFRS 3R
- IFRS 7 Clarification of disclosures
- IAS 1 Clarification of statement of changes in equity
- IAS 27 Consolidated & separate financial statements
- IAS 34 Significant events and transactions
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 1 Amendments to limited Exemption from Comparative IFRS 7 Disclosures
- IAS 24 Amendment Related Party Disclosures
- IFRIC 13 Customer loyalty programme

IAS 24 Related Party Transactions clarifies the definitions of a related party. The amendment also introduced a partial exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Disclosures are reflected in note 26.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt any of the following standards and interpretations, which have been issued and are effective for the Funds accounting years beginning on or after 01 April 2011 or in later years:

Effective for years commencing on or after 1 July 2011

- IFRS 7 Amendment of transfer of financial assets
  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The standard might lead to additional disclosures.

- IFRS 1 Hyperinflation and fixed dates
  The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The standard is not expected to have a significant impact on the entity.

Effective for years commencing on or after 1 January 2012

- IAS 12 Deferred taxes: Amendment to recovery of underlying assets
  The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The standard is not expected to have a significant impact on the entity as the Fund does not have investment properties.

Effective for years commencing on or after 1 July 2012

- IAS 1 Presentation of items of other comprehensive income
  The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into surplus or deficit at a future point in time, and those items that will never be recycled. The standard might lead to different presentation of items.

Effective for years commencing on or after 1 January 2013

- IFRS 10 Consolidated financial statements
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This standard will not have a significant impact on the entity.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.
  Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This standard will not have a significant impact on the entity.

- IFRS 12 Disclosure of interests in other entities
  The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. This standard is not expected to have an impact on the entity as it does not have interests in other entities.

- IFRS 13 Fair value measurement
  IFRS 13 describes *how* to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13. Under IFRS 13 fair value is presumed to be an 'exit price'.
  New disclosures related to fair value measurements are also introduced. This standard is not expected to have an impact on the entity, as no financial assets or liabilities are recognized at fair value.

- IAS 19 Employee benefits
  The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur. For defined benefit plans, the amounts recorded in surplus or deficit are limited to current and past service costs, gains and losses on settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The entity does not have defined benefit plans.

- IAS 27 Separate financial statements (consequential revision due to the issue of IFRS 10)
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The entity does not have any investments in subsidiaries, joint ventures or associates.

2. New standards and interpretations (Continued)
2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- IAS 28 Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

- IFRIC 20 Stripping cost in the production phase of a surface mine
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard might have a significant impact on the entity when it starts its mining operations.

- IFRS 7 Disclosures – offsetting financial assets and financial liabilities
  Provides additional disclosures (similar to current US GAAP requirements). This standard will lead to additional disclosures.

- <u>Improvements to IFRSs:</u>
- IFRS 1 First time adoption of IFRS – government loans
  Amendment deals with loans received from governments at a below market rate of interest, giving first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the Fund as the Fund already adopted IFRS in 2009 when the Fund was incorporated.

- IAS 1 Presentation of Financial statements – clarification of the requirements for comparative information. This standard might lead to different presentation of comparative information.
- IAS 16 Property, plant and equipment – classification of servicing equipment. This might lead to different classifications of equipment if service equipment is acquired in the future.
- IAS 32 Financial instruments: presentation – tax effect of distribution to holders of equity instruments. This might lead to a different tax effect on distribution to holders of equity instruments.
- IAS 34 Interim Financial Reporting – interim financial reporting and segment information for total assets and liabilities. The entity does not have interim or segment reporting.

Effective for years commencing on or after 1 January 2014

- IAS 32 Offsetting financial assets and financial liabilities
  The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). This standard is not expected to have a significant effect as no financial assets or liabilities are set off.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (continued)

Effective for years commencing on or after 1 January 2015

- IFRS 9 Financial instruments classification and measurement
  Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This standard might lead to additional disclosure requirements.

The application of these standards in future financial reporting years will not have a significant impact on the Fund's results, financial position and cash flows but might lead to additional disclosures.

3. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation	2012 Carrying value	Cost / Valuation	Accumulated depreciation	2011 Carrying value
	N$	N$	N$	N$	N$	N$
Land	8 359 937	-	8 359 937	7 008 498	-	7 008 498
Buildings	55 044 109	(5 463 540)	49 580 569	51 040 684	(4 392 315)	46 648 369
Furniture and fittings	4 312 272	(2 344 968)	1 967 304	3 926 752	(2 150 020)	1 776 732
Motor vehicles	5 092 536	(1 738 232)	3 354 304	4 673 742	(1 437 748)	3 235 994
Computer equipment	9 559 548	(5 804 989)	3 754 559	9 549 702	(5 839 986)	3 709 716
Office equipment	4 463 509	(2 424 957)	2 038 552	4 028 729	(2 230 309)	1 798 420
Total	86 831 911	17 776 686	69 055 225	80 228 107	(16 050 378)	64 177 729

Reconciliation of property, plant and equipment -2012

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	7 008 498	1 351 439	-	-	-	8 359 937
Buildings	46 648 369	4 003 425	-	-	(1 071 225)	4 9580 569
Furniture and fittings	1 776 732	442 117	(37 439)	-	(214 106)	1 967 304
Motor vehicles	3 235 994	773 208	(130 337)	-	(524 561)	3 354 304
Computer equipment	3 709 716	977 838	(193 659)	-	(739 336)	3 754 559
Office equipment	1 798 420	529 955	(51 484)	-	(238 339)	2 038 552
Total	64 177 729	8 077 982	(412 919)	-	(2 787 567)	69 055 225

3. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment -2011

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
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

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), Erf 1959 Otjiwarongo (1081 Square metres) and Erf 1965 Otjiwarongo (1310 Square metres).

4. Investment property

	2012		2011	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	7 150 000	7 150 000	6 400 000	6 400 000
Total	7 150 000	7 150 000	6 400 000	6 400 000

4. Investment property (Continued)

Reconciliation of investment propety -2012

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	6 400 000	-	-	750 000	-	7 150 000
Total	6 400 000	-	-	750 000	-	7 150 000

Reconciliation of investment propety -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

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

5. Intangible assets

	Cost/ valuation	Amortisation	2012 Carrying value	Cost/ valuation	Amortisation	2011 Carrying value
	N$	N$	N$	N$	N$	N$
Software license	2 122 938	685 946	1 436 992	1 276 744	(311 928)	964 816
Total	2 122 938	685 946	1 436 992	1 276 744	(311 928)	964 816

5. Intangible assets (Continued)

Reconciliation of intangible assets -2012

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Software license	964 816	846 193	-	(374 017)	-	1 436 992
Total	964 816	846 193	-	(374 017)	-	1 436 992

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

6. **Long term loan**	**2012** N$	**2011** N$
National Medical Benefit Fund (related party	975 006	-
National Pension Fund (related party)	2 057 7 96	1 274 693
	3 032 802	1 274 693

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

Study loans	220 775	-
Less provision for doubtful study loans	(220 775)	-
	-	-

Loans are repayable on completion of studies. The loan earns interest at 50% of the prime lending rate from the date of issue.

Non-current assets

Long term loan	3 032 802	3 032 802
Study loan	-	-
Total	3 032 802	3 032 802

7. **Investments**

Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	1 652 270 142	1 495 130 364
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	1 652 270 142	1 495 130 364
Current assets		
Held for trading at fair value through profit and loss	1 652 270 142	1 495 130 364
Total	1 652 270 142	1 714 200 114

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.

Fair values are determined annually at statement of financial position date.

8. Trade and other receivables	2012 N$	2011 N$
Gross trade debtors	109 515 053	100 627 240
Less: Debtors with credit balances	(41 013 394)	(32 260 870)
Less: Provision for bad debts	(53 626 563)	(45 849 845)
Net trade debtors	14 875 096	22 516 525
VAT receivable	120 637	-
Other debtors	1 794 993	150 448
	16 790 726	22 666 973

Refer to note 25 for the summary of inter-fund receivables and payables set-off during compilation of the consolidated annual financial statements.

The Fund's credit period on the contribution/assessment 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’s trade receivables are debtors with carrying amounts of N$ 11 243 425 (2011:N$ 17 673 481) 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 (2011: +120 days).

Ageing of past due but not impaired

	2012	2011
60 days	2 995 906	4 199 441
90 days	1 359 083	3 990 706
+120 days	6 888 436	9 483 334
Total	11 243 425	17 673 481

8. Trade and other receivables (Continued)	**2012**	**2011**
	N$	**N$**
Movement in the allowance for doubtful debts		
Balance at beginning of the year	45 849 845	39 574 349
Impairment losses recognized on receivables	7 776 718	6 275 496
Balance at year end	53 626 563	45 849 845
Ageing of impaired trade receivables		
60 days	1 821 465	-
90 days	678 339	6 760 908
+120 days	51 126 759	39 088 937
Total	53 626 563	45 849 845

9. Cash and cash equivalents

Cash and cash equivalents consist of		
Cash on hand	3 800	3 800
Bank balances	6 533 374	21 574 458
Bank overdraft	(411 117)	-
Short-term deposits	313 428 612	219 262 857
	319 554 669	240 841 115

Short term deposits
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.

Current assets		
Cash and cash equivalents	319 965 786	240 841 115
Current liabilities		
Bank overdraft	(411 117)	-

10. Provisions

Reconciliation of provisions -2012

	Opening Balance	Movement	Closing Balance
	N$	N$	N$
Unreported incurred claims	155 450 000	(1 392 000)	154 058 000
Legal costs	231 440	-	231 440
Provision for merit rebates	-	5 202 000	5 202 000
Total	155 681 440	3 810 000	159 491 440
Current	76 856 440	5 197 000	82 053 440
Unreported incurred claims	76 625 000	(5 000)	76 620 000
Legal costs	231 440	-	231 440
Provision for merit rebates	-	5 202 000	5 202 000
Non-current	78 825 000	(1 387 000)	77 438 000
Unreported incurred claims	78 825 000	(1 387 000)	77 438 000
Total	155 681 440	3 810 000	159 491 440

Reconciliation of provisions -2011

	Opening Balance	Movement	Closing Balance
	N$	N$	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)

Fair value determination of the claims

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

	2012	2011
	N$	N$
Category		
- Medical claims	9 037 000	8 786 000
- Permanent disability	1 973 000	2 657 000
- Temporary disabilities	1 634 000	2 808 000
- Burial and transport expenses	357 000	335 000
- Pension liabilities	67 950 000	67 106 000
- Death claims	583 000	610 000
- Maternity leave	15 327 000	15 203 000
- Retirement Benefits	2 233 000	2 392 000
- Sick leave	6 312 000	5 453 000
- Claims handling provision	39 202 000	40 453 000
- Data integrity provision	9 450 000	9 647 000
Total provisions for claims	154 058 000	155 450 000

The unreported incurred claims represent the management estimate as at 29 February 2012 based on actuarial valuation as at that date.

The unreported but incurred claims were determined based on basic chain ladder method. The method involves the following: The runoff claims for the 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; and
b. Past claims experience is a suitable guide to future claim experience.

10. Provisions (Continued)

Fair value determination of the claims (Continued)

i) Post retirement rate of interest

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

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

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.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 123% of the IBNR liability for the Employees' Compensation Fund (ECF) 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 and the ECF Fund the same as in previous actuarial valuation at 25% of the IBNR liability.

11. Trade and other payables

	2012 N$	2011 N$
Trade payables	25 041 447	18 700 867
Accruals	15 935 803	10 925 507
Unallocated deposits	23 435	110 728
Other payables	446 805	390 184
Training scheme accrual	3 200 000	-
	44 647 490	30 127 286

Refer to note 25 for the summary of inter-fund receivables and payables set-off during compilation of the consolidated annual financial statements.

12. Revenue

	2012 N$	2011 N$
Assessment income	69 800 488	61 208 875
Assessment penalties	1 945 008	1 155 080
Assessment interest	1 943 600	1 761 434
Administrative fees income – APF	1 881 000	3 452 154
Pension capitalized – APF	4 408 324	4 721 966
Contributions	252 393 144	236 361 633
Contributions interest	2 288 088	11 209 762
Government Grants	4 200 000	5 550 000
Registration fees	-	4 750
	338 859 652	325 425 654

13. Claims

	2012 N$	2011 N$
Medical expenses	7 050 629	5 763 863
Compensation payments	1 374 564	2 254 434
Capital pension paid - APF	4 693 416	4 987 327
Pension paid - APF	4 408 324	4 403 744
Maternity leave	102 673 659	88 840 895
Sick leave	16 868 916	14 571 246
Death benefits	7 574 571	7 280 686
Retirement benefit	11 329 114	9 919 613
Study Schemes	7 655 678	1 285 249
	163 628 871	139 307 057

14. Operating surplus

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

	2012 N$	2012 N$
Premises operating lease charges	1 256 446	1 038 595
Provision for bad debts	8 392 793	6 046 134
Rental income	(1 088 413)	(794 206)
Auditors' remuneration	397 457	417 365
Depreciation and amortization	3 161 584	3 033 550
Employee costs	86 894 128	74 025 527

15. Investment income

Fixed term deposits	15 818 977	13 437 774
Bank deposits	1 171 201	1 455 815
Accounts receivable	4 231 688	12 971 197
Investments recovered	-	6 900 000
Interest income excluding interest income from asset managers	21 221 866	34 764 786
Funds under asset management	156 175 591	136 064 332
Total investment income	177 397 457	170 829 118
Interest on debtors disclosed under revenue	(4 231 688)	(12 971 197)
Fair value adjustment to investment property	750 000	(4 361 638)
Interest income per statement of comprehensive income	173 915 769	153 496 283

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

Loans and receivables	21 221 866	34 764 786
Held for trading at fair value through profit and loss	156 175 591	136 064 332
Total investment income	177 397 457	170 829 118

16. Cash generated from operations

	2012	2011
	N$	N$
Surplus for the year	219 504 662	218 800 043
Adjustments for:		
Depreciation and amortization	3 161 584	3 033 550
Loss on disposal of fixed assets	77 480	-
Investment income	(131 105 590)	(117 261 223)
Unrealized (gain)/loss on funds under asset management	(42 060 179)	(40 596 698)
Investment property revaluation	(750 000)	4 361 638
Actuarial adjustment on IBNR claims provision	(1 392 000)	7 165 994
Changes in working capital:		
Trade and other receivables	5 876 247	12 655 955
Trade and other payables	14 520 205	5 321 424
Provisions	5 202 000	(170 849)
	73 034 409	93 309 834

17. Commitments

Authorized capital expenditure

Not yet contracted for but authorized	159 629 757	17 820 820

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 the Audit 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.

At 29 February 2012	**Total**	**Loans and receivables**	**Held at fair value through profit or loss**	**Financial liabilities at Amortized cost**
	N$	**N$**	**N$**	**N$**
Financial Assets				
Long term loans	3 032 802	3 032 802	-	-
Investments	1 652 270 142	-	1 652 270 142	-
Trade and other receivables	16 790 726	16 790 726	-	-
Cash and cash equivalents	319 965 786	319 965 786	-	-
Total financial Assets	1 992 059 456	339 789 314	1 652 270 142	-
Financial liabilities				
Trade and other payables	28 711 687			28 711 687
Bank Overdraft	411 117	-	-	411 117
Total financial liabilities	29 122 804	-	-	29 122 804

18. Financial risk management objectives and policies (Continued)

18.2 Interest rate risk management (Continued)

At 28 February 2011	Total	Loans and receivables	Held at fair value through profit or loss	Financial liabilities at Amortized cost
	N$	N$	N$	N$
Financial Assets				
Long term loans	1 274 693	1 274 693	-	-
Investments	1 495 130 364	-	1 495 130 364	-
Trade and other receivables	22 666 973	22 666 973	-	-
Cash and cash equivalents	240 841 115	240 841 115	-	-
Total financial Assets	1 759 913 145	264 782 781	1 495 130 364	-
Financial liabilities				
Trade and other payables	19 201 779	-	-	19 201 779
Total financial liabilities	19 201 779	-	-	19 201 779

18.2.1 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents affected. The impact is as follows:

	2012	2011
Effect on surplus before tax:	N$	N$
Increase / (decrease) of 0.5% in interest rates	1 681 727	1 317 540
Increase / (decrease) of 1% in interest rates	3 363 454	2 635 080

18.3 Equity price 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 32% for the domestic equities, on the funds held by asset managers.

18.3.1 Equity price sensitivity analysis

At 29 February 2012, the Fund's listed equities were recorded at their fair value of N$ 522.7 million (2011: N$ 447.4 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase profit before taxation by N$ 52.3 million (2011: N$ 44.7 million).

18. Financial risk management objectives and policies (Continued)

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:

- trade and other receivables
- investments and cash equivalents

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 8. The entity does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

Investments and cash equivalents

The Commission's cash equivalents, short deposits and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 9 and the carrying value of the investments in note 7. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

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 and creditors. 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 and other liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

18. Financial risk management objectives and policies (Continued)

18.5 Liquidity risk management (Continued)

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:

2012

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Long term loan	-	-	-	-	3 032 802	3 032 802
Funds at FVTPL	-	-	1 652 270 142	-	-	1 652 270 142
Trade and other receivables	10/20	-	16 790 726	-	-	16 790 726
Cash and cash equivalents	-	6 537 174	-	-	-	6 537 174
Short term deposit	5.94	55 086 314	258 342 298	-	-	313 428 612
Total financial assets		**61 623 488**	**1 927 403 166**	**-**	**3 032 802**	**1 992 059 456**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Bank overdraft	-	411 117	-	-	-	411 117
Trade and other payables		-	25 511 687	3 200 000	-	28 711 687
Total financial liabilities		**411 117**	**25 511 687**	**3 200 000**	**-**	**29 122 804**
Net amount		**61 212 371**	**1 901 891 479**	**(3 200 000)**	**3 032 802**	**1 962 936 652**

2011

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Long term loan	-	1 274 693	-	-	-	1 274 693
Funds at FVTPL	-	-	1 495 130 364	-	-	1 495 130 364
Trade and other receivables	10/20	-	22 666 973	-	-	22 666 973
Cash and cash equivalents	-	21 771 365	-	-	-	21 771 365
Short term deposit	5.68	36 253 643	182 816 107	-	-	219 069 750
Total financial assets		**59 299 701**	**1 700 613 444**	**-**	**-**	**1 759 913 145**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Trade and other payables	-	-	19 201 779	-	-	19 201 779
Total financial liabilities		**-**	**19 201 779**	**-**	**-**	**19 201 779**
Net amount		**59 299 701**	**1 681 411 665**	**-**	**-**	**1 740 711 366**

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.

	2012 N$	2011 N$
Financial assets	1 992 059 456	1 759 913 145
Held for trading (FVTPL)	1 652 270 142	1 495 130 364
Loans and receivables:		
- Long term loans	3 032 802	1 274 693
- Fixed deposits	313 428 612	219 069 750
- Trade and other receivables	16 790 726	22 666 973
- Cash and cash equivalents	6 537 174	21 771 365
Financial liabilities	29 122 804	185 808 726
- At amortized cost	29 122 804	185 808 726

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:

1. 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.

22. Contingent assets and liabilities (Continued)

2. A case involving a labour matter on unfair dismissal charges is pending at year end. A legal opinion was obtained in this regard from the lawyers of the Commission and further information is awaited on from the claimant's legal advisors. The amount involved is estimated to be in excess of one million Namibian Dollars.
3. A case brought against Avid Investments by the Commission who defrauded the Commission of its invested funds is still pending. The amount involved is estimated at thirty million Namibian Dollars.
4. A case, related to a labour matter was heard in the District Labour Court where the Commission was ordered by the Court to reinstate and compensate the claimant for his loss of income from date of dismissal up to date of reinstatement minus the income earned as an employee during this period. The Commission appealed the judgment made by the District Labour Court. The matter was postponed. The amount involved is estimated at three million Namibian Dollars.
5. A claim for defrauding of the Commission is pending. The Commission is represented by the State Prosecutor in this matter. The amount involved is fifty four thousand four hundred and thirty Namibian Dollars.
6. A claim for petrol card fraud was made against employees of the Commission. The commission will be presented by the State Prosecutor. The amount involved is seven thousand one hundred and fifty four Namibian Dollars.

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.

The Commission provides guarantees to Bank Windhoek Limited, First National Bank Limited, Standard bank Limited and National Housing Enterprise for loans granted to staff members.

Guarantees amounting to N$ 2 647 227 have been provided to the staff members of the Commission.

23. Commissioners' emoluments

	2012	2011
	N$	N$
Commissioners' emoluments were	739 555	417 080

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 fund 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 therefore accounted as if it is a defined contribution plan.

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

24. Defined benefit fund (Continued)

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 receivables and payables set-off during compilation of the consolidated annual financial statements.

Abbreviations:

MSD – Maternity Leave, Sick Leave and Death Benefit Fund
ECF – Employees' Compensation Fund
APF – Accident Pension Fund
DF – Development Fund
SSC – Social Security Commission

2012	**FUNDS**					
	MSD N$	**ECF N$**	**APF N$**	**DF N$**	**SSC N$**	**TOTAL N$**
Amount due from ECF to APF	-	(4 408 324)	4 408 324	-	-	-
Amount due from SSC to MSD	3 129 949	-	-	-	(3 129 949)	-
Amount due from SSC to ECF	-	2 385 836	-	-	(2 385 836)	-
Amount due from ECF to SSC	-	(2 789 176)	-	-	2 789 176	-
Amount due from MSD to SSC	(3 582 630)	-	-	-	3 582 630	-
Amount due from DF to SSC	-	-	-	(503 124)	503 124	-
Amount due from ECF to MSC	3 670	(3 670)	-	-	-	-
Amount due from MSC to ECF	(2 635 765)	2 635 765	-	-	-	
Amount due from MSC to DF	(49 237)	-	-	49 237	-	-
TOTAL	**(3 134 013)**	**(2 179 569)**	**4 408 324**	**(453 887)**	**1 359 145**	**-**

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)**	**-**

26. Related parties

Related parties

The Government of Namibia and entities related to the Government of Namibia.
The Government of Namibia and the entities related to the Government contribute the normal maternity leave, sick leave and death benefit contributions of 0.9% of the employees wage towards the fund limited to N$54 per employee. The Government of Namibia and the related entities are exempt from payments to the Employees' Compensation Fund. When a claim is lodged for a government institution, the local government is responsible for the payment of the claim and not the Employees' Compensation Fund. The administration of the claim is done by the Fund and the Fund is reimbursed for the administration cost involved in by the Government.

Related funds:

- National Pension Fund
- National Medical Benefit Fund

26. Related parties (Continued)

	2012 N$	2012 N$
Transaction for the year:		
Income	6 081 000	9 002 154
Contributions received towards the Development Fund	4 398 346	
Ministry of Labour and Social welfare	4 200 000	5 550 000
Administration cost incurred On behalf of Government to be reimbursed	1 881 000	3 452 154
Expenses incurred	1 758 109	690 373
National Pension Fund	783 103	690 373
National Medical Benefit Fund	975 006	-
Related party balances		
Amounts due from related parties at year end:	4 917 173	4 736 850
National Pension Fund	2 057 796	1 274 693
National Medical Benefit Fund	975 006	-
Government related entities	5 346 528	3 462 157
Provision for doubtful Government debts	(3 462 157)	-

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

GENERAL INFORMATION & INDEX

COUNTRY OF DOMICILE	Namibia
NATURE OF BUSINESS	The Social Security Commission's principal activity is to contribute to the social and economic development of Namibia. The Commission performs the administrative tasks of the Maternity, Sick and Death Benefit Fund, the Employers Compensation Fund and the Development Fund . The Commission was established under the Social Security Act 34 of 1994.
Board of Commissioners	Mr B R R Kukuri (Chairperson) Mr A E Biwa Ms A Zamuee Ms C U Pandeni Mr D Wright Ms E Breuer Ms H Kapenda Mr H Shikongo Mr J T //Garoeb Ms O M L M Kutenda
AUDITOR	Auditor-General
REGISTERED OFFICE	Erf 2269 Khomasdal Windhoek Namibia

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SOCIAL SECURITY COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 29 February 2012

	Notes	2012 N$	2011 N$
ASSETS			
Non-current assets			
Long term loan	3	3 032 802	1 274 693
Current assets			
Trade and other receivables	4	7 103 568	3 733 959
Cash and cash equivalents	5	19 045 482	21 729 683
		26 149 050	25 463 642
Total assets		29 181 852	26 738 335
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		23 151 869	22 036 746
Current liabilities			
Trade and other payables	6	6 029 983	4 701 589
Total funds and liabilities		29 181 852	26 738 335

SOCIAL SECURITY COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 February 2012

	Notes	2012 N$	2011 N$
Revenue	7	-	4 750
Gross surplus		-	4 750
Other income		116 946	187 695
Operating expenses		(196 059)	(184 632)
Operating surplus/(deficit)	8	(79 113)	7 813
Investment income	9	1 194 236	1 033 082
Surplus for the year		1 115 123	1 040 895
Other comprehensive income		-	-
Total comprehensive income for the year		1 115 123	1 040 895

SOCIAL SECURITY COMMISSION
STATEMENT OF CHANGES IN FUNDS
AS AT 29 February 2012

	Accumulated funds N$
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
Total comprehensive income for the year	1 115 123
Balance as at 29 February 2012	23 151 869

SOCIAL SECURITY COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 February 2012

	Notes	2012 N$	2011 N$
Cash flows from operating activities			
Cash generated from /(used in) operations	10	(2 120 328)	7 670 856
Investment income		1 194 236	1 033 082
Net cash from operating activities		(926 092)	8 703 938
Cash flows from investing activities			
Long term loan issued		(1 758 109)	(690 373)
Net cash from investing activities		(1 758 109)	(690 373)
Net change in cash and cash equivalents		(2 684 201)	8 013 565
Cash and cash equivalents at the beginning of year		21 729 683	13 716 118
Cash and cash equivalents at the end of year	5	19 045 482	21 729 683

1. Accounting policies

1.1 Basis of presentation

The annual financial statements set out on pages 50 to 72 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:

1.2 Significant accounting judgements, estimates and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related to disclosures. Use of available information and the application of judgment 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 statement.

Significant judgments include:

Impairment testing

The Commission reviews and tests carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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.

1. Accounting policies (Continued)

1.3 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.

Investment income

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.

Rental income

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

1.4 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.

1.5 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Commission considers whether a contract contains an embedded derivative when the Commission first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through surplus or deficit when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.
The Commission determines the classification of its financial assets at initial recognition.

1. **Accounting policies** (Continued)

1.5 **Financial instruments** (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For financial assets carried at amortized cost, the Commission first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Commission determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Commission of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Commission. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

1. Accounting policies (Continued)

1.5 Financial instruments(Continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Commission of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Commission retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through' arrangement; or
- the Commission has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Commission has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Commission's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee' over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Commission could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Where a current, legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

Impairment of financial assets

The Commission assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Commission of financial assets is impaired. A financial asset or a Commission of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the

Commission of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Commission of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1. Accounting policies (Continued)

1.5 Financial instruments (Continued)

Subsequent measurement

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

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

Long term loans

Long term loans are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Long term loans are classified as loans and receivables.

Trade and other trade receivables

Trade receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Trade and other receivable are classified as loans and receivables.

Trade and other payables

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

1. Accounting policies (Continued)

1.5 Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortized cost. Cash and cash equivalents have a maturity date of three months or less. Cash and cash equivalents are classified as loans and receivables.

Cash and cash equivalents stated in the statement of cash flows consist of cash and short-term deposits defined above, net of outstanding bank overdrafts.

1.6 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.

1.7 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.

1. Accounting policies (Continued)

1.7 Employee benefits (Continued)

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.

1.8 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.9 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. Accounting policies (Continued)

1.10 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.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standard and interpretation effective in the current year and adopted in the current year.

In the current year, the Commission has adopted the following standards and interpretation, except for IAS 24 that was early adopted in the prior year, that became effective for the current financial year and that are relevant to its operations.

- IFRS 1 Additional exemptions for first time adopters
- IFRS 2 Group cash settled share based payment arrangements
- IFRS 3 Business combinations
- IAS 27 Consolidated & separate financial statements
- IAS 32 Classification of rights issues
- IAS 39 Eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRS 7 Transfers of financial assets

- 2010 Improvements to IFRSs:
- IFRS 1 Accounting policy changes in year of adoption; revaluation basis as deemed cost; and use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business combination -contingent consideration pre IFRS 3R
- IFRS 7 Clarification of disclosures
- IAS 1 Clarification of statement of changes in equity
- IAS 27 Consolidated & separate financial statements
- IAS 34 Significant events and transactions
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 1 Amendments to limited Exemption from Comparative IFRS 7 Disclosures
- IAS 24 Amendment Related Party Disclosures
- IFRIC 13 Customer loyalty programme

IAS 24 Related Party Transactions clarifies the definitions of a related party. The amendment also introduced a partial exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Disclosures are reflected in note 16.

2.2 Standards and interpretations not yet effective

The Commission has chosen not to early adopt any of the following standards and interpretations, which have been issued and are effective for the Commissions accounting years beginning on or after 01 March 201 or in later years:

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 July 2011

- IFRS 7 Amendment of transfer of financial assets
  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The standard might lead to additional disclosures.

- IFRS 1 Hyperinflation and fixed dates
  The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The standard is not expected to have a significant impact on the entity.

Effective for years commencing on or after 1 January 2012

- IAS 12 Deferred taxes: Amendment to recovery of underlying assets
  The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The standard is not expected to have a significant impact on the entity as the Commission does not have investment properties.

Effective for years commencing on or after 1 July 2012

- IAS 1 Presentation of items of other comprehensive income
  The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into surplus or deficit at a future point in time, and those items that will never be recycled. The standard might lead to different presentation of items.

Effective for years commencing on or after 1 January 2013

- IFRS 10 Consolidated financial statements
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This standard will not have a significant impact on the entity.

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.
  Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This standard will not have a significant impact on the entity.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- IFRS 12 Disclosure of interests in other entities
  The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. This standard is not expected to have an impact on the entity as it does not have interests in other entities.

- IFRS 13 Fair value measurement
  IFRS 13 describes *how* to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13. Under IFRS 13 fair value is presumed to be an 'exit price'.
  New disclosures related to fair value measurements are also introduced. This standard is not expected to have an impact on the entity, as no financial assets or liabilities are recognized at fair value.

- IAS 19 Employee benefits
  The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur. For defined benefit plans, the amounts recorded in surplus or deficit are limited to current and past service costs, gains and losses on settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The entity does not have defined benefit plans.

- IAS 27 Separate financial statements (consequential revision due to the issue of IFRS 10)
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The entity does not have any investments in subsidiaries, joint ventures or associates.

- IAS 28 Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

- IFRIC 20 Stripping cost in the production phase of a surface mine
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard might have a significant impact on the entity when it starts its mining operations.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013

- IFRS 7 Disclosures – offsetting financial assets and financial liabilities
  Provides additional disclosures (similar to current US GAAP requirements). This standard will lead to additional disclosures.

- Improvements to IFRSs:
- IFRS 1 First time adoption of IFRS – government loans
  Amendment deals with loans received from governments at a below market rate of interest, giving first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the Commission as the Commission already adopted IFRS in 2009 when the Commission was incorporated.

- IAS 1 Presentation of Financial statements – clarification of the requirements for comparative information. This standard might lead to different presentation of comparative information.

- IAS 16 Property, plant and equipment – classification of servicing equipment. This might lead to different classifications of equipment if service equipment is acquired in the future.

- IAS 32 Financial instruments: presentation – tax effect of distribution to holders of equity instruments. This might lead to a different tax effect on distribution to holders of equity instruments.

- IAS 34 Interim Financial Reporting – interim financial reporting and segment information for total assets and liabilities. The entity does not have interim or segment reporting.

Effective for years commencing on or after 1 January 2014

- IAS 32 Offsetting financial assets and financial liabilities
  The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). This standard is not expected to have a significant effect as no financial assets or liabilities are set off.

Effective for years commencing on or after 1 January 2015

- IFRS 9 Financial instruments classification and measurement
  Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This standard might lead to additional disclosure requirements.

The application of these standards in future financial reporting years will not have a significant impact on the Commission's results, financial position and cash flows but might lead to additional disclosures.

3. Long term loan

	2012 N$	2011 N$
National Medical Benefit Fund (related party)	975 006	-
National Pension Fund (related party)	2 057 796	1 274 693
	3 032 802	1 274 693

The loans are repayable upon formation of the National Pension Fund and National Medical Benefit Fund respectively. There are no repayment terms, but repayment is not expected within the next twelve months. The loans are unsecured and bear no interest.

4. Trade and other receivables

	2012	2011
Amount due from ECF (related party)	2 789 176	1 534 500
Amount due from MSD (related party)	3 582 630	1 936 485
Amount due from DF (related party)	503 124	200 362
Other debtors	352 895	282 827
Impairment of other receivables	(244 894)	(220 215)
VAT receivable	120 637	-
	7 103 568	3 733 959

As at 29 February 2012, receivables with a nominal value of N$ 244 894 (2011: N$ 220 215) were impaired and fully provided for.

Related party balances are unsecured, interest free and have no fixed repayment terms.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	3 800	3 800
Bank balances	1 591 575	5 131 939
Short-term deposits	17 450 107	16 593 944
	19 045 482	21 729 683

Short term deposits are held with the financial institutions. The average investment period is 1 to 3 months from the statement of financial position date and the interest rate are between 5 % and 6 % per annum.

6. Trade and other payables	**2012**	**2011**
	N$	**N$**
Unallocated deposits	23 436	7 050
Amount due to ECF (related party)	2 385 836	2 174 245
Amount due to MSD (related party)	3 129 949	2 174 245
Other payables	70 887	109 221
Accruals	419 875	236 828
	6 029 983	4 701 589

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

7. Revenue

Registration fees	-	4 750

8. Operating surplus/(deficit)

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

Impairment of other debtors	7 824	220 215

9. Investment income

Fixed term deposits	899 392	653 718
Bank deposits	294 844	379 364
	1 194 236	1 033 082

10. Cash generated from operations

Surplus for the year	1 115 123	1 040 895
Adjustments for:		
Investment income	(1 194 236)	(1 033 082)
Changes in working capital:		
Trade and other receivables	(3 369 609)	3 968 532
Trade and other payables	1 328 394	3 694 511
	(2 120 328)	7 670 856

11. 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.

11. Financial risk management objectives and policies (Continued)

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.

At 29 February 2012	**Total**	**Loans and receivables**	**Financial liabilities at Amortized cost**
	N$	**N$**	**N$**
Financial Assets			
Long term loan	3 032 802	3 032 802	-
Trade and other receivables	7 103 568	7 103 568	-
Cash and cash equivalents	19 045 482	19 045 482	-
Total financial Assets	29 181 852	29 181 852	-
Financial liabilities			
Trade and other payables	5 610 108	-	5 610 108
Total financial liabilities	5 610 108	-	5 610 108
At 28 February 2011			
Financial Assets			
Long term loan	1 274 693	1 274 693	-
Trade and other receivables	3 733 959	3 733 959	
Cash and cash equivalents	21 729 683	21 729 683	-
Total financial Assets	26 738 335	26 738 335	-
Financial liabilities			
Trade and other payables	4 464 761	-	4 464 761
Total financial liabilities	4 464 761	-	4 464 761

11. Financial risk management objectives and policies (Continued)

11.1 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:

- Cash and cash 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 the Audit and Risk Committee. For each of the major components of market risk, described in more detail below, the management has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

11.2 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.

11.2.1 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents affected. The impact is as follows:

Effect on surplus for the year:	2012 N$	2011 N$
Increase / (decrease) of 0.5% in interest rates	95 227	108 648
Increase / (decrease) of 1% in interest rates	190 454	217 297

11.3 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:

- Trade and other receivables
- Short term deposits and cash equivalents

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 4. The entity does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

11. Financial risk management objectives and policies (Continued)

11.3 Credit risk management (Continued)

Investments and cash equivalents

The Commission's cash equivalents, short deposits and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 5. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

11.4 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 creditors. 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 liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

11.4.1 Liquidity and interest rate risk tables

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

		2012			
	Interest rate	**On demand**	**<3 Months**	**>1 Year**	**Total**
		%			
Financial assets					
Long term loans	-	-	-	3 032 802	3 032 802
Trade and other receivables	-	7 103 568	-	-	7 103 568
Cash and cash equivalents	-	1 593 375	-	-	1 593 375
Short term deposits	5.34	-	17 450 107	-	17 450 107
Total Financial assets		8 696 943	17 450 107	3 032 802	29 179 852
Financial liabilities					
Trade and other payables	-	5 539 221	70 887		5 610 108
Net amount	-	3 157 722	17 379 220	3 032 802	23 569 944

11. Financial risk management objectives and policies (Continued)

11.4.1 Liquidity and interest rate risk tables (Continued)

	Interest rate	2011 On demand	<3 Months	>1 Year	Total
	%				
Financial assets					
Long term loan	-	-	-	1 247 693	1 274 693
Trade and other receivables	-	3 671 347	62 612	-	3 733 959
Cash and cash equivalents	-	5 135 739	-	-	5 135 739
Short term deposits	5.37	-	16 593 944	-	16 593 944
Total Financial assets		8 807 086	16 656 556	1 247 693	26 738 335
Financial liabilities					
Trade and other payables	-	4 348 490	116 271	-	4 464 761
Net amount	-	4 458 593	16 540 285	1 274 693	22 273 571

12. Contingent assets and liabilities

The following legal matters were pending at year end:

1. 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.
2. A case involving a labour matter on unfair dismissal charges is pending at year end. A legal opinion was obtained in this regard from the lawyers of the Commission and further information is awaited on from the claimant's legal advisors. The amount involved is estimated to be in excess of one million Namibian Dollars.
3. A case, related to a labour matter was heard in the District Labour Court where the Commission was ordered by the Court to reinstate and compensate the claimant for his loss of income from date of dismissal up to date of reinstatement minus the income earned as an employee during this period. The Commission appealed the judgment made by the District Labour Court. The matter was postponed. The amount involved is estimated at three million Namibian Dollars.
4. A claim for defrauding of the Commission is pending. The Commission is represented by the State Prosecutor in this matter. The amount involved is fifty four thousand four hundred and thirty Namibian Dollars.
5. A claim for petrol card fraud was made against employees of the Commission. The commission will be presented by the State Prosecutor. The amount involved is seven thousand one hundred and fifty four Namibian Dollars.

12. Contingent assets and liabilities (Continued)

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.

13. Post statement of financial position events

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

14. Taxation

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

15. Defined benefit fund

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

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 therefore accounted 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.

16. Related parties

The Government of Namibia and entities related to the Government of Namibia.

Related Funds:

- Development Fund
- Maternity Leave, Sick Leave and Death Benefit Fund
- Employees' compensation Fund
- National Pension Fund
- National Medical Benefit Fund

Transactions for the year:	2012	2011
	N$	N$
Expenses incurred	1 758 109	690 373
National Pension Fund	783 103	690 373
National Medical Benefit Fund	975 006	-

Related party balances		**2012**		**2011**
		N$		**N$**
Amounts due to related parties at year end:		5 515 785		4 348 490
Maternity Leave, Sick Leave and Death Benefit Fund	3 129 949		2 174 245	
Employees' Compensation Fund		2 385 836		2 174 245
Amounts due from related parties at year end:		9 907 732		4 946 040
Maternity Leave, Sick Leave and Death Benefit Fund	3 582 630		1 936 485	
Employees' Compensation Fund		2 789 176		1 534 500
Development Fund		503 124		200 362
National Pension Fund		2 057 796		1 274 693
National Medical Benefit Fund		975 006		-

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

GENERAL INFORMATION & INDEX

COUNTRY OF DOMICILE	Namibia
NATURE OF BUSINESS	The Maternity Leave, Sick Leave and Death Benefit Fund's principal activity is to provide a short-term social insurance scheme for all persons who work and receive a basic wage in Namibia. The Fund was established under the Social Security Act 34 of 1994.
Board of Commissioners	Mr B R R Kukuri (Chairperson) Mr A E Biwa Ms A Zamuee Ms C U Pandeni Mr D Wright Ms E Breuer Ms H Kapenda Mr H Shikongo Mr J T //Garoeb Ms O M L M Kutenda
AUDITOR	Auditor-General
REGISTERED OFFICE	Erf 2269 Khomasdal Windhoek Namibia

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MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	33 243 150	29 626 520
Investment property	4	3 575 000	3 200 000
Intangible Assets	5	779 791	482 408
		37 597 941	33 308 928
Current assets			
Investments	6	1 306 728 820	1 182 503 002
Trade and other receivables	7	10 754 022	15 121 321
Cash and cash equivalents	8	97 436 961	80 611 008
		1 414 919 803	1 278 235 331
Total assets		1 452 517 744	1 311 544 259
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		1 356 442 598	1 233 151 392
Non-current liabilities			
Provisions	9	1 444 000	1 602 000
Current liabilities			
Provisions	9	52 561 436	50 706 436
Trade and other payables	10	42 069 710	26 084 431
		94 631 146	76 790 867
Total funds and liabilities		1 452 517 744	1 311 544 259

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Revenue	11	254 681 232	247 571 395
Claims	12	(138 446 258)	(120 612 440)
Gross surplus		116 234 974	126 958 955
Other income		964 888	417 944
Operating expenses		(98 839 392)	(75 243 912)
Operating surplus	13	18 360 470	52 132 987
Investment income	14	130 012 736	111 936 757
Surplus for the year		148 373 206	164 069 744
Other comprehensive income		-	-
Total comprehensive income for the year		148 373 206	164 069 744

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF CHANGES IN FUNDS
AS AT 29 FEBRUARY 2012

	Accumulated funds N$
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
Total comprehensive income for the year	148 373 206
Transfer to Development Fund	(25 082 000)
Balance as at 29 February 2012	1 356 442 598

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012	2011
		N$	**N$**
Cash flows from operating activities			
Cash generated from operations	15	43 009 803	72 302 766
Investment income		96 366 092	81 973 945
Net cash from operating activities		139 375 895	154 276 711
Cash flows from investing activities			
Purchases of property, plant and equipment		(6 252 610)	(2 548 361)
Proceeds on disposal of property, plant and equipment		335 439	1 351 591
Purchase of intangible assets		(596 597)	(452 875)
Purchases of financial assets		(90 954 174)	(175 687 678)
Net cash from investing activities		(97 467 942)	(177 337 323)
Cash flows from financing activities			
Contribution to Development Fund		(25 082 000)	(35 111 134)
Net cash from financing activities		(25 082 000)	(35 111 134)
Net change in cash and cash equivalents		16 825 953	(58 171 746)
Cash and cash equivalents at the beginning of year		80 611 008	138 782 754
Cash and cash equivalents at the end of year	8	97 436 961	80 611 008

1. Accounting policies

1.1 Basis of presentation

The annual financial statements set out on pages 74 to 109 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:

1.2 Significant accounting judgements, estimates and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related to disclosures. Use of available information and the application of judgment 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 statement.

Significant judgments include:

Asset lives

Property, plant and equipment are depreciated over its useful life taking into account residual values appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

Impairment testing

The Fund reviews and tests carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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.

1. Accounting policies (Continued)

1.3 Revenue recognition

Contributions

Revenue from contributions is recognized 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.

Investment income

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

Rental income

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

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.

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation (Continued)

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.

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 accumulated funds.

1.5 Intangible assets

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

1.6 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

1. Accounting policies (Continued)

1.6 Investment Property (Continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

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 Impairment of non-financial 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. Accounting policies (Continued)

1.9 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Fund considers whether a contract contains an embedded derivative when the Fund first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through surplus or deficit when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Fund of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has not designated any financial assets at fair value through profit or loss.
The Fund evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Fund is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Fund may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation
does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee' over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Where a current, legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Fund of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Subsequent measurement

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

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

Trade and other trade receivables

Trade receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Trade and other receivable are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortized cost. Cash and cash equivalents have a maturity date of three months or less. Cash and cash equivalents are classified as loans and receivables.

Cash and cash equivalents stated in the statement of cash flows consist of cash and short-term deposits defined above, net of outstanding bank overdrafts.

1.10 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.

1. Accounting policies (Continued)

1.10 Provisions and contingencies (Continued)

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.

1.11 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.

1. Accounting policies (Continued)

1.11 Employee benefits (Continued)

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.

1.12 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.

1.13 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 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

2. New standards and interpretations

2.1 Standards and interpretation effective in the current year and adopted in the current year.

In the current year, the Fund has adopted the following standards and interpretation, except for IAS 24 that was early adopted in the prior year, that became effective for the current financial year and that are relevant to its operations.

- IFRS 1 Additional exemptions for first time adopters
- IFRS 2 Group cash settled share based payment arrangements
- IFRS 3R Business combinations
- IAS 27 Consolidated & separate financial statements
- IAS 32 Classification of rights issues
- IAS 39 Eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRS 7 Transfers of financial assets

- <u>2010 Improvements to IFRSs:</u>
- IFRS 1 Accounting policy changes in year of adoption; revaluation basis as deemed cost; and use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business combination -contingent consideration pre IFRS 3R
- IFRS 7 Clarification of disclosures
- IAS 1 Clarification of statement of changes in equity
- IAS 27 Consolidated & separate financial statements
- IAS 34 Significant events and transactions
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 1 Amendments to limited Exemption from Comparative IFRS 7 Disclosures
- IAS 24 Amendment Related Party Disclosures
- IFRIC 13 Customer loyalty programme

IAS 24 Related Party Transactions clarifies the definitions of a related party. The amendment also introduced a partial exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Disclosures are reflected in note 19.

2.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt any of the following standards and interpretations, which have been issued and are effective for the Funds accounting years beginning on or after 01 April 2011 or in later years:

Effective for years commencing on or after 1 July 2011

- IFRS 7 Amendment of transfer of financial assets
  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The standard might lead to additional disclosures.

- IFRS 1 Hyperinflation and fixed dates
  The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The standard is not expected to have a significant impact on the entity.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2012

- IAS 12 Deferred taxes: Amendment to recovery of underlying assets
  The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The standard is not expected to have a significant impact on the entity as the Fund does not have investment properties.

Effective for years commencing on or after 1 July 2012

- IAS 1 Presentation of items of other comprehensive income
  The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into surplus or deficit at a future point in time, and those items that will never be recycled. The standard might lead to different presentation of items.

Effective for years commencing on or after 1 January 2013

- IFRS 10 Consolidated financial statements
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This standard will not have a significant impact on the entity.

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.
  Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This standard will not have a significant impact on the entity.

- IFRS 12 Disclosure of interests in other entities
  The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. This standard is not expected to have an impact on the entity as it does not have interests in other entities.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

IFRS 13 Fair value measurement
IFRS 13 describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13. Under IFRS 13 fair value is presumed to be an 'exit price'.

New disclosures related to fair value measurements are also introduced. This standard is not expected to have an impact on the entity, as no financial assets or liabilities are recognized at fair value.

- IAS 19 Employee benefits
  The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur. For defined benefit plans, the amounts recorded in surplus or deficit are limited to current and past service costs, gains and losses on settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The entity does not have defined benefit plans.

- IAS 27 Separate financial statements (consequential revision due to the issue of IFRS 10)
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The entity does not have any investments in subsidiaries, joint ventures or associates.

- IAS 28 Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.
-
- IFRIC 20 Stripping cost in the production phase of a surface mine
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard might have a significant impact on the entity when it starts its mining operations.

- IFRS 7 Disclosures – offsetting financial assets and financial liabilities
  Provides additional disclosures (similar to current US GAAP requirements). This standard will lead to additional disclosures.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- Improvements to IFRSs:
- IFRS 1 First time adoption of IFRS – government loans
  Amendment deals with loans received from governments at a below market rate of interest, giving first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the Fund as the Fund already adopted IFRS in 2009 when the Fund was incorporated.

- IAS 1 Presentation of Financial statements – clarification of the requirements for comparative information. This standard might lead to different presentation of comparative information.

- IAS 16 Property, plant and equipment – classification of servicing equipment. This might lead to different classifications of equipment if service equipment is acquired in the future.
- IAS 32 Financial instruments: presentation – tax effect of distribution to holders of equity instruments. This might lead to a different tax effect on distribution to holders of equity instruments.

- IAS 34 Interim Financial Reporting – interim financial reporting and segment information for total assets and liabilities. The entity does not have interim or segment reporting.

Effective for years commencing on or after 1 January 2014

- IAS 32 Offsetting financial assets and financial liabilities
  The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). This standard is not expected to have a significant effect as no financial assets or liabilities are set off.

Effective for years commencing on or after 1 January 2015

- IFRS 9 Financial instruments classification and measurement
  Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This standard might lead to additional disclosure requirements.

The application of these standards in future financial reporting years will not have a significant impact on the Fund's results, financial position and cash flows but might lead to additional disclosures

3. Property, plant and equipment

	2012 Cost / Valuation	2012 Accumulated depreciation	2012 Carrying value	2011 Cost / Valuation	2011 Accumulated depreciation	2011 Carrying value
	N$	N$	N$	N$	N$	N$
Land	3 935 596	-	3 935 596	2 854 444	-	2 854 444
Buildings	26 422 520	(2 612 173)	23 810 347	23 219 781	(1 755 194)	21 464 587
Furniture and fittings	2 349 563	(1 244 931)	1 104 632	2 045 906	(1 063 601)	982 305
Motor vehicles	2 615 887	(839 691)	1 776 196	2 336 871	(569 802)	1 767 069
Computer equipment	4 994 923	(3 228 000)	1 766 923	5 159 128	(3 303 319)	1 855 809
Office equipment	2 125 356	(1 275 900)	849 456	1 787 585	(1 085 279)	702 306
Total	42 443 845	9 200 695	33 243 150	37 403 715	(7 777 195)	29 626 520

Reconciliation of property, plant and equipment -2012

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	2 854 444	1 081 152	-	-	-	3 935 596
Buildings	21 464 587	3 202 740	-	-	(856 980)	23 810 347
Furniture and fittings	982 305	327 448	(37 439)	-	(167 682)	1 104 632
Motor vehicles	1 767 069	559 112	(130 337)	-	(419 648)	1 776 196
Computer equipment	1 855 809	696 207	(193 659)	-	(591 434)	1 766 923
Office equipment	702 306	385 951	(51 485)	-	(187 316)	849 456
Total	29 626 520	6 252 610	(412 920)	-	(2 223 060)	33 243 150

3. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment -2011

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
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

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), Erf 1959 Otjiwarongo (1081 Square metres) and Erf 1965 Otjiwarongo (1310 Square metres).

4. Investment property

	2012		2011	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	3 575 000	3 575 000	3 200 000	3 200 000
Total	3 575 000	3 575 000	3 200 000	3 200 000

4. Investment property (Continued)

Reconciliation of investment properly -2012

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	3 200 000	-	-	375 000	-	3 575 000
Total	3 200 000	-	-	375 000	-	3 575 000

Reconciliation of investment properly -2011

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	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

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

5. Intangible assets

	Cost/ valuation	Amortisation	2012 Carrying value	Cost/ valuation	Amortisation	2011 Carrying value
	N$	N$	N$	N$	N$	N$
Software license	1 315 327	(535 536)	779 791	638 372	(155 964)	482 408
Total	1 315 327	(535 536)	779 791	638 372	(155 964)	482 408

5. **Intangible assets** (Continued)

Reconciliation of intangible assets -2012

	Opening Balance	Additions	Disposals	Amortisation	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Software license	482 408	596 597	-	(299 214)	-	779 791
Total	482 408	596 597	-	(299 214)	-	779 791

Reconciliation of intangible assets -2011

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

6. Investments

	2012	2011
	N$	N$
Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	1 306 728 820	1 182 503 002
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	1 306 728 820	1 182 503 002
Current assets		
Held for trading at fair value through profit and loss	1 306 728 820	1 182 503 002
Total	1 306 728 820	1 182 503 002

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.

Fair values are determined annually at statement of financial position date.

7. Trade and other receivables

	2012	2011
Gross trade debtors	68 128 081	63 074 332
Less: Debtors with credit balances	(32 471 455)	(25 645 976)
Less: Provision for bad debts	(29 580 727)	(24 630 312)
Net trade debtors	6 075 899	12 798 044
Amount due from ECF (related party)	3 670	-
Amount due from SSC (related party)	3 129 949	2 174 245
Other debtors	1 544 504	149 032
	10 754 022	15 121 321

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.

7. Trade and other receivables (Continued)

Included in the Fund's trade receivables are debtors with carrying amounts of N$ 2 658 549 (2011: N$ 7 354 661) 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 (2011: +60/+90 days).

	2012 N$	2011 N$
Ageing of past due but not impaired		
60 days	2 658 549	3 765 318
90 days	-	3 589 343
+120 days	-	-
Total	2 658 549	7 354 661
Movement in the allowance for doubtful debts		
Balance at beginning of the year	24 630 312	20 047 505
Impairment losses recognized on receivables	4 950 415	4 582 807
Amounts written off as uncollectible	-	-
Balance at year end	29 580 727	24 630 312
Ageing of impaired trade receivables		
60 days	1 821 465	-
90 days	678 339	6 760 908
+120 davs	27 080 923	17 869 404
Total	29 580 727	24 630 312

8. Cash and cash equivalents

	2012 N$	2011 N$
Cash and cash equivalents consist of		
Bank balances	4 278 202	10 957 757
Short term deposits	93 158 759	69 353 251
	97 436 961	80 611 008

Short term deposits are held with the financial institutions. The average investment period is 1 to 3 months from the statement of financial position date and the interest rates are between 5.0% and 6.0% per annum.

9. Provisions

Reconciliation of provisions -2012

	Opening Balance	Movement	Closing Balance
	N$	N$	N$
Unreported incurred claims	52 158 000	1 697 000	53 855 000
Legal costs	150 436	-	150 436
Total	52 308 436	1 697 000	54 005 436
Current	50 706 436	1 855 000	52 561 436
Unreported incurred claims	50 556 000	1 855 000	52 411 000
Legal costs	150 436	-	150 436
Non-current	1 602 000	(158 000)	1 444 000
Unreported incurred claims	1 602 000	(158 000)	1 444 000
Total	52 308 436	1 697 000	54 005 436

Reconciliation of provisions -2011

	Opening Balance	Movement	Closing Balance
	N$	N$	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)

Fair value determination of the unreported incurred claims

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

	2012	2011
	N$	N$
Category		
- Death claims	583 000	610 000
- Maternity leave	15 327 000	15 203 000
- Retirement Benefits	2 233 000	2 392 000
- Sick leave	6 312 000	5 453 000
- Claims handling provision	23 200 000	22 500 000
- Data integrity provision	6 200 000	6 000 000
Total provisions for claims	53 855 000	52 158 000

The unreported incurred claims represent the management estimate as at 29 February 2012 based on actuarial valuation as at that date.

The unreported but incurred claims were determined based on basic chain ladder method. The method involves the following:

The runoff claims for the Maternity Leave, Sick Leave and Death Benefit Fund (MSD) have been grouped into the following subgroups:

i. Death;
ii. Maternity Leave;
iii. Sick Leave;
iv. Retirement benefits.

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

a. The claim development factors will remain stable;
b. Past claims experience is a suitable guide to future 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 2012 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 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.

9. Provisions (Continued)

Fair value determination of the unreported incurred claims *(Continued)*

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

	2012	2011
	N$	N$
Trade payables	24 441 105	17 024 394
Accruals	11 322 819	6 871 300
Unallocated deposits	-	110 728
Amount owed to SSC (related party)	3 582 630	1 936 485
Amount owed to ECF (related party)	2 635 765	-
Amount owed to DF (related party)	49 237	-
Other payables	38 154	141 524
	42 069 710	26 084 431

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

11. Revenue

Contributions	252 393 144	236 361 633
Contributions interest	2 288 088	11 209 762
	254 681 232	247 571 395

12. Claims

Maternity leave benefits	102 673 659	88 840 895
Sick leave benefits	16 868 916	14 571 246
Death benefits	7 574 571	7 280 686
Retirement benefit	11 329 112	9 919 613
	138 446 258	120 612 440

13. Operating surplus

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

Premises operating lease charges	1 006 419	675 087
Provision for bad debts	5 135 236	4 582 806
Rental income	(872 062)	(397 103)
Auditors' remuneration	317 965	271 287
Depreciation and amortization	2 522 274	1 291 265
Employee costs	70 018 375	47 788 712

14. Investment income

	2012 N$	2011 N$
Fixed term deposits	5 629 173	5 838 603
Bank deposits	480 833	548 533
Accounts receivable	2 288 088	11 209 762
Interest income excluding interest income from asset managers	8 398 094	17 596 898
Funds under asset management	123 527 730	107 730 440
Total investment income	131 925 824	125 327 338
Less:		
Interest on debtors disclosed under revenue	(2 288 088)	(11 209 762)
Fair value adjustment to investment property	375 000	(2 180 819)
Interest income per statement of comprehensive income	130 012 736	111 936 757

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

	2012 N$	2011 N$
Loans and receivables	8 398 094	17 596 898
Held for trading at fair value through profit and loss	123 527 730	107 730 440
Total investment income	131 925 824	125 327 338

15. Cash generated from operations

	2012 N$	2011 N$
Surplus for the year	148 373 206	164 069 744
Adjustments for:		
Depreciation and amortization	2 522 274	1 414 767
Loss on disposal of fixed assets	77 480	-
Investment income (excl unrealized (gain)/loss)	(96 366 092)	(81 973 945)
Unrealized (gain)/loss on funds under asset management	(33 271 644)	(32 143 631)
Investment property revaluation	(375 000)	2 180 819
Actuarial adjustment on IBNR claims provision	1 697 000	10 251 304
Changes in working capital:		
Trade and other receivables	4 367 299	7 321 443
Trade and other payables	15 985 280	1 293 317
Provisions	-	(111 052)
	43 009 803	72 302 766

16. Commitments

	2012 N$	2011 N$
Authorized capital expenditure		
Not yet contracted for but authorized	127 703 806	8 910 410

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.

At 29 February 2012	**Total**	**Loans and receivables**	**Held at fair value through profit or loss**	**Financial liabilities at Amortized cost**
	N$	**N$**	**N$**	**N$**
Financial Assets				
Investments	1 306 728 820	-	1 306 728 820	-
Trade and other receivables	10 754 022	10 754 022	-	-
Cash and cash equivalents	97 436 961	97 436 961	-	-
Total financial Assets	1 414 919 803	108 190 983	1 306 728 820	-
Financial liabilities				
Trade and other payables	30 746 891	-	-	30 746 891
Total financial liabilities	30 746 891	-	-	30 746 891

17. Financial risk management objectives and policies (Continued)

At 28 February 2011	Total	Loans and receivables	Held at fair value through profit or loss	Financial liabilities at Amortized cost
	N$	N$	N$	N$
Financial Assets				
Investments	1 182 503 002	-	1 182 503 002	-
Trade and other receivables	15 121 321	15 121 321	-	-
Cash and cash equivalents	80 611 008	80 611 008	-	-
Total financial Assets	1 278 235 331	95 732 329	1 182 503 002	-
Financial liabilities				
Trade and other payables	19 213 131	-	-	19 213 131
Total financial liabilities	19 213 131	-	-	19 213 131

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 the Audit 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. Financial risk management objectives and policies (Continued)

17.2 Interest rate risk management (Continued)

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:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents affected. The impact is as follows:

	2012	2011
Effect on surplus for the year:	**N$**	**N$**
Increase / (decrease) of 0.5% in interest rates	540 955	403 055
Increase / (decrease) of 1% in interest rates	1 081 910	806 110

17.3 Equity price 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 32 % for the domestic equities on the funds held by asset managers.

17.3.1 Equity price sensitivity analysis

At 29 February 2012, the Fund's listed equities were recorded at their fair value of N$ 418.2 million (2011: N$ 358 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N$ 41.8 million (2011: N$ 35.8 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:

- trade and other receivables
- investments and cash equivalents

17. Financial risk management objectives and policies (Continued)

17.4 Credit risk management (Continued)

Trade and other receivables
The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 7. The entity does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

Investments and cash equivalents

The Commission's cash equivalents, short deposits and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 8 and the carrying value of the investments in note 6. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good

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. Financial risk management objectives and policies (Continued)

17.5 Liquidity risk management (Continued)

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:

2012

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVTPL	-	-	1 306 728 820	-	-	1 306 728 820
Trade and other receivables	20.00	3 133 619	7 620 402	-	-	10 754 022
Cash and cash equivalents	Prime-4.75	4 278 202	-	-	-	4 278 202
Short term deposits	6.91	-	93 158 759	-	-	93 158 759
Total financial assets		**7 411 821**	**1 407 507 982**	**-**	**-**	**1 414 919 803**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Trade and other payables	-	6 267 632	24 479 259	-	-	30 746 891
Total financial liabilities	**-**	**6 267 632**	**24 479 259**	**-**	**-**	**30 746 891**
Net amount	**-**	**1 144 189**	**1 383 028 723**	**-**	**-**	**1 384 172 912**

2011

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVTPL	-	-	1 182 503 002	-	-	1 182 503 002
Trade and other receivables	20.00	2 174 245	12 947 076	-	-	15 121 321
Cash and cash	Prime-4.75	10 957 757	-	-	-	10 957 757
Short term deposits	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$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Trade and other payables	-	1 936 485	17 276 646	-	-	19 213 131
Total financial liabilities		**1 936 485**	**17 276 646**	**-**	**-**	**19 213 131**
Net amount		**11 195 517**	**1 247 826 683**	**-**	**-**	**1 259 022 200**

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.

	2012 N$	2011 N$
Financial assets	1 414 919 803	1 278 235 331
Held for trading (FVTPL)	1 306 728 820	1 182 503 002
Loans and receivables:		
- Fixed deposits	93 158 759	69 653 251
- Trade and other receivables	10 754 022	15 121 321
- Cash and cash equivalents	4 278 202	10 957 757
Financial liabilities	30 746 891	19 213 131
At amortized cost	30 746 891	19 213 131

19. Related parties

The Government of Namibia and entities related to the Government of Namibia. The Government of Namibia and the entities related to the Government contribute at the normal maternity leave, sick leave and death benefit contributions of 0.9% of the employees wage towards the Fund limited to N$54 per employee.

Related funds:

- Social Security Commission
- Development Fund
- Employees' compensation Fund

	2012 N$	2011 N$
Amounts due to related parties at year end:	6 267 632	1 936 485
Social Security Commission	3 582 630	1 936 485
Employees' Compensation Fund	2 635 765	-
Development Fund	49 237	-
Amounts due from related parties at year end:	3 133 619	2 174 245
Social Security Commission	3 129 949	2 174 245
Employees' Compensation Fund	3 670	-

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

Transactions for the year:	25 082 000	35 111 134
Transfer of reserves to Development Fund	25 082 000	35 111 134

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 (MSD)

1. 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.
2. A case involving a labour matter on unfair dismissal charges is pending at year end. A legal opinion was obtained in this regard from the lawyers of the Commission and further information is awaited on from the claimant's legal advisors. The amount involved is estimated to be in excess of one million Namibian Dollars.
3. A case, related to a labour matter was heard in the District Labour Court where the Commission was ordered by the Court to reinstate and compensate the claimant for his loss of income from date of dismissal up to date of reinstatement minus the income earned as an employee during this period. The Commission appealed the judgment made by the District Labour Court. The matter was postponed. The amount involved is estimated at three million Namibian Dollars.
4. A claim for defrauding of the Commission is pending. The Commission is represented by the State Prosecutor in this matter. The amount involved is fifty four thousand four hundred and thirty Namibian Dollars.
5. A claim for petrol card fraud was made against employees of the Commission. The commission will be presented by the State Prosecutor. The amount involved is seven thousand one hundred and fifty four Namibian Dollars.

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.

The Commission provides guarantees to Bank Windhoek Limited, First National Bank Limited, Standard bank Limited and National Housing Enterprise for loans granted to staff members.

Guarantees amounting to N$ 2 117 782 have been provided to the staff members of the Commission.

23. Commissioners' emoluments	**2012**	**2011**
	N$	**N$**
Commissioners' emoluments were	591 644	271 102

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 fund 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 therefore accounted 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.

GENERAL INFORMATION & INDEX

COUNTRY OF DOMICILE	Namibia
NATURE OF BUSINESS	The Employees' Compensation Fund's principal activity is to compensate for disablement caused by accidents to or industrial diseases contracted by employees in the course of their employment or for death resulting from such accidents or diseases. The Fund was established under the Employees' Compensation Act 30 of 1941.
Board of Commissioners	Mr B R R Kukuri (Chairperson) Mr A E Biwa Ms A Zamuee Ms C U Pandeni Mr D Wright Ms E Breuer Ms H Kapenda Mr H Shikongo Mr J T //Garoeb Ms O M L M Kutenda
AUDITOR	Auditor-General
REGISTERED OFFICE	Erf 2269 Khomasdal Windhoek Namibia

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EMPLOYEES' COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

	Notes	2012	2011
		N$	N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	35 797 078	34 527 522
Investment property	4	3 575 000	3 200 000
Intangible Assets	5	657 202	482 408
		40 029 280	38 209 930
Current assets			
Investments	6	345 541 322	312 627 362
Trade and other receivables	7	18 371 613	16 600 859
Cash and cash equivalents	8	72 126 985	36 441 462
		436 039 920	365 669 683
Total assets		476 069 200	403 879 613
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		358 556 661	288 780 998
Non-current liabilities			
Provisions	9	75 994 000	77 223 000
Current liabilities			
Provisions	9	29 492 004	26 150 004
Trade and other payables	10	12 026 535	11 725 611
		41 518 539	37 875 615
Total funds and liabilities		476 069 200	403 879 613

EMPLOYEES' COMPENSATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Revenue	11	79 978 420	72 299 509
Claims	12	(17 526 935)	(17 409 368)
Gross surplus		62 451 485	54 890 141
Other income		262 407	672 983
Operating expenses		(29 650 136)	(46 123 328)
Operating surplus	13	33 063 756	9 439 796
Investment income	14	36 711 907	29 401 141
Surplus for the year		69 775 663	38 840 937
Other comprehensive income		-	-
Total comprehensive income for the year		69 775 663	38 840 937

EMPLOYEES' COMPENSATION FUND
STATEMENT OF CHANGES IN FUNDS
AS AT 29 FEBRUARY 2012

	Accident pension fund	Employees' compensation fund	Accumulated funds total
	N$	**N$**	**N$**
Balance as at 28 February 2010	2 353 959	247 586 102	249 940 061
Total comprehensive income for the year	6 567 814	32 273 123	38 840 937
Balance as at 28 February 2011	8 921 773	279 859 225	288 780 998
Total comprehensive income for the year	7 049 055	62 726 608	69 775 663
Balance as at 29 February 2012	15 970 828	342 585 833	358 556 661

EMPLOYEES' COMPENSATION FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Cash flows from operating activities			
Cash generated from operations	15	34 337 544	9 376 607
Investment income		27 548 373	23 128 893
Net cash from operating activities		61 885 917	32 505 500
Cash flows from investing activities			
Purchases of property, plant and equipment		(1 825 372)	(2 816 187)
Proceeds on disposal of property, plant and equipment		-	1 619 416
Purchases of intangible assets		(249 597)	(452 875)
Purchases of financial assets		(24 125 425)	(48 912 902)
Net cash from investing activities		(26 200 394)	(50 562 548)
Net change in cash and cash equivalents		35 685 523	(18 057 048)
Cash and cash equivalents at the beginning of year		36 441 462	54 498 510
Cash and cash equivalents at the end of year	8	72 126 985	36 441 462

1. Accounting policies

1.1 Basis of preparation

The annual financial statements set out on pages 111 to 146 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:

1.2 Significant accounting judgements, estimates and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related to disclosures. Use of available information and the application of judgment 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 statement.

Significant judgments include:

Asset lives

Property, plant and equipment are depreciated over its useful life taking into account residual values appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

Impairment testing

The Fund reviews and tests carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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.

1. Accounting policies (Continued)

1.3 Revenue recognition

Assessment income

Revenue from assessment income is recognized 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.

Investment income

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

Rental income

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

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.

1. Accounting policies (Continued)

1.4 Property, plant and equipment and depreciation (Continued)

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 accumulated funds.

1.5 Intangible assets

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

1.6 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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 Impairment of non-financial 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. Accounting policies (Continued)

1.9 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Fund considers whether a contract contains an embedded derivative when the Fund first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through surplus or deficit when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Fund of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

1. **Accounting policies** (Continued)

1.9 **Financial instruments** (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has not designated any financial assets at fair value through profit or loss.
The Fund evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Fund is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Fund may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation
does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee' over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Where a current, legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Fund of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1. Accounting policies (Continued)

1.9 Financial instruments (Continued)

Subsequent measurement

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

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

Trade and other trade receivables

Trade receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Trade and other receivable are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortized cost. Cash and cash equivalents have a maturity date of three months or less. Cash and cash equivalents are classified as loans and receivables.

Cash and cash equivalents stated in the statement of cash flows consist of cash and short-term deposits defined above, net of outstanding bank overdrafts.

1.10 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.

1. Accounting policies (Continued)

1.10 Provisions and contingencies (Continued)

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.

1.11 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.

1. Accounting policies (Continued)

1.11 Employee benefits (Continued)

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.

1.12 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.

1.13 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 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. New standards and interpretations

2.1 Standards and interpretation effective in the current year and adopted in the current year.

In the current year, the Fund has adopted the following standards and interpretation, except for IAS 24 that was early adopted in the prior year, that became effective for the current financial year and that are relevant to its operations.

- IFRS 1 Additional exemptions for first time adopters
- IFRS 2 Group cash settled share based payment arrangements
- IFRS 3R Business combinations
- IAS 27 Consolidated & separate financial statements
- IAS 32 Classification of rights issues
- IAS 39 Eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRS 7 Transfers of financial assets

- <u>2010 Improvements to IFRSs:</u>
- IFRS 1 Accounting policy changes in year of adoption; revaluation basis as deemed cost; and use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business combination -contingent consideration pre IFRS 3R
- IFRS 7 Clarification of disclosures
- IAS 1 Clarification of statement of changes in equity
- IAS 27 Consolidated & separate financial statements
- IAS 34 Significant events and transactions
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 1 Amendments to limited Exemption from Comparative IFRS 7 Disclosures
- IAS 24 Amendment Related Party Disclosures
- IFRIC 13 Customer loyalty programme

IAS 24 Related Party Transactions clarifies the definitions of a related party. The amendment also introduced a partial exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Disclosures are reflected in note 19.

2.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt any of the following standards and interpretations, which have been issued and are effective for the Funds accounting years beginning on or after 01 April 2011 or in later years:

Effective for years commencing on or after 1 July 2011

- IFRS 7 Amendment of transfer of financial assets
  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The standard might lead to additional disclosures.

- IFRS 1 Hyperinflation and fixed dates
  The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The standard is not expected to have a significant impact on the entity.

2. New standards and interpretations (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2012

- IAS 12 Deferred taxes: Amendment to recovery of underlying assets
  The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The standard is not expected to have a significant impact on the entity as the Fund does not have investment properties.

Effective for years commencing on or after 1 July 2012

- IAS 1 Presentation of items of other comprehensive income
  The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into surplus or deficit at a future point in time, and those items that will never be recycled. The standard might lead to different presentation of items.

Effective for years commencing on or after 1 January 2013

- IFRS 10 Consolidated financial statements
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This standard will not have a significant impact on the entity.

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.
  Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This standard will not have a significant impact on the entity.

- IFRS 12 Disclosure of interests in other entities
  The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. This standard is not expected to have an impact on the entity as it does not have interests in other entities.

2. New standards and interpretations (Continued)

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2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- IFRS 13 Fair value measurement
  IFRS 13 describes <u>*how*</u> to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13. Under IFRS 13 fair value is presumed to be an 'exit price'.

  New disclosures related to fair value measurements are also introduced. This standard is not expected to have an impact on the entity, as no financial assets or liabilities are recognized at fair value.

- IAS 19 Employee benefits
  The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur. For defined benefit plans, the amounts recorded in surplus or deficit are limited to current and past service costs, gains and losses on settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The entity does not have defined benefit plans.

- IAS 27 Separate financial statements (consequential revision due to the issue of IFRS 10)
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The entity does not have any investments in subsidiaries, joint ventures or associates.

- IAS 28 Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

- IFRIC 20 Stripping cost in the production phase of a surface mine
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard might have a significant impact on the entity when it starts its mining operations.

- IFRS 7 Disclosures – offsetting financial assets and financial liabilities
  Provides additional disclosures (similar to current US GAAP requirements). This standard will lead to additional disclosures.

2. New standards and interpretations (Continued)

2. 2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- Improvements to IFRSs:
- IFRS 1 First time adoption of IFRS – government loans
  Amendment deals with loans received from governments at a below market rate of interest, giving first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the Fund as the Fund already adopted IFRS in 2009 when the Fund was incorporated.

- IAS 1 Presentation of Financial statements – clarification of the requirements for comparative information. This standard might lead to different presentation of comparative information.

- IAS 16 Property, plant and equipment – classification of servicing equipment. This might lead to different classifications of equipment if service equipment is acquired in the future.
- IAS 32 Financial instruments: presentation – tax effect of distribution to holders of equity instruments. This might lead to a different tax effect on distribution to holders of equity instruments.

- IAS 34 Interim Financial Reporting – interim financial reporting and segment information for total assets and liabilities. The entity does not have interim or segment reporting.

Effective for years commencing on or after 1 January 2014

- IAS 32 Offsetting financial assets and financial liabilities
  The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). This standard is not expected to have a significant effect as no financial assets or liabilities are set off.

Effective for years commencing on or after 1 January 2015

- IFRS 9 Financial instruments classification and measurement
  Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This standard might lead to additional disclosure requirements.

The application of these standards in future financial reporting years will not have a significant impact on the Fund's results, financial position and cash flows but might lead to additional disclosures.

3. Property, plant and equipment

	2012 Cost / Valuation	2012 Accumulated depreciation	2012 Carrying value	2011 Cost / Valuation	2011 Accumulated depreciation	2011 Carrying value
	N$	N$	N$	N$	N$	N$
Land	4 424 342	-	4 424 342	4 154 054	-	4 154 054
Buildings	28 621 588	(2 851 366)	25 770 222	27 820 903	(2 637 121)	25 183 782
Furniture and fittings	1 910 200	(1 052 779)	857 421	1 828 336	(1 043 657)	784 679
Motor vehicles	2 476 649	(898 540)	1 578 109	2 336 871	(867 946)	1 468 925
Computer equipment	4 564 624	(2 576 990)	1 987 634	4 390 574	(2 536 667)	1 853 907
Office equipment	2 291 553	(1 112 203)	1 179 350	2 194 544	(1 112 369)	1 082 175
Total	44 288 956	(8 491 878)	35 797 078	42 725 282	(8 197 760)	34 527 522

Reconciliation of property, plant and equipment -2012

	Opening Balance	Additions	Disposals	Adjustments	Depreciation	Closing Balance
	N$	N$	N$	N$	N$	N$
Land	4 154 054	270 288	-	-	-	4 424 342
Buildings	25 183 782	800 685	-	-	(214 245)	25 770 222
Furniture and fittings	784 679	114 668	-	-	(41 926)	857 421
Motor vehicles	1 468 925	214 096	-	-	(104 912)	1 578 109
Computer equipment	1 853 907	281 632	-	-	(147 905)	1 987 634
Office equipment	1 082 175	144 003	-	-	(46 828)	1 179 350
Total	34 527 522	1 825 372	-	-	(555 816)	35 797 078

3. Property, plant and equipment (Continued)

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

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), Erf 1 610 Keetmanshoop (1 186 square metres without improvements), Erf 1959 Otjiwarongo (1081 square metres) and Erf 1965 Otjiwarongo (1310 square metres).

4. Investment property

	2012		2011	
	Cost/ Valuation	Carrying value	Cost/ Valuation	Carrying value
	N$	N$	N$	N$
Land and buildings	3 575 000	3 575 000	3 200 000	3 200 000
Total	3 575 000	3 575 000	3 200 000	3 200 000

4. Investment property (Continued)

Reconciliation of investment properly -2012

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	N$	N$	N$	N$
Land and buildings	3 200 000	-	-	375 000	-	3 575 000
Total	3 200 000	-	-	375 000	-	3 575 000

Reconciliation of investment properly -2011

	Opening Balance	Additions	Disposals	Fair value Adjustments	Other	Closing Balance
	N$	N$	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

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

5. Intangible assets

	2012			2011		
	Cost/ valuation	Amortisation	Carrying value	Cost/ valuation	Amortisation	Carrying value
	N$	N$	N$	N$	N$	N$
Software license	807 611	(150 409)	657 202	638 372	(155 964)	482 408
Total	807 611	(150 409)	657 202	638 372	(155 964)	482 408

5. Intangible assets (Continued)

Reconciliation of intangible assets -2012

	Opening Balance	Additions	Disposals	Amortisation	Closing Balance
	N$	N$	N$	N$	N$
Software license	482 408	249 597	-	(74 803)	657 202
Total	482 408	249 597	-	(74 803)	657 202

Reconciliation of intangible assets -2011

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

6. Investments

	2012 N$	2011 N$
Held for trading at fair value through profit and loss		
Funds held with the professional asset managers	345 541 322	312 627 362
Funds held with the professional managers are fair valued by the managers as at year end.		
Total investments	345 541 322	312 627 362
Current assets		
Held for trading at fair value through profit and loss	345 541 322	312 627 362
Total	345 541 322	312 627 362

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.

Fair values are determined annually at statement of financial position date.

7. Trade and other receivables

	2012 N$	2011 N$
Gross trade debtors	41 386 972	37 270 081
Less: Debtors with credit balances	(8 541 939)	(6 614 894)
Less: Provision for bad debts	(24 045 836)	(20 999 318)
Net trade debtors	8 799 197	9 655 869
Amount due from ECF to APF (related party)	4 408 324	4 721 966
Amount due from MSD (related Party)	2 635 765	-
Amount due from SSC (related party)	2 385 836	2 221 608
Other debtors	142 491	1 416
	18 371 613	16 600 859

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

The Fund's credit period on the assessment income is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of 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.

7. Trade and other receivables (Continued

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

Included in the Fund's trade receivables are debtors with carrying amounts of N$8 584 876 (2011:N$10 318 820) 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 (2011: +120 days).

Ageing of past due but not impaired	2012 N$	2011 N$
60 days	337 357	434 123
90 days	1 359 083	401 363
+120 days	6 888 436	9 483 334
Total	8 584 876	10 318 820

Movement in the allowance for doubtful debts		
Balance at beginning of the year	20 999 318	19 526 844
Impairment losses recognized on receivables	3 046 518	1 472 474
Movement out of provision	-	-
Balance at year end	24 045 836	20 999 318

Ageing of impaired trade receivables		
60 days	-	-
90 days	-	-
+120 davs	24 045 836	20 999 318
Total	24 045 836	20 999 318

8. Cash and cash equivalents

Cash and cash equivalents consist of		
Bank balances	663 596	4 764 540
Short term deposits	71 463 389	31 676 922
	72 126 985	36 441 462

Short term deposits
Short 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.

9. Provisions

Reconciliation of provisions -2012

	Opening Balance	Movement	Closing Balance
	N$	N$	N$
Compensation claims	103 292 000	(3 089 000)	100 203 000
Legal costs	81 004	-	81 004
Merit rebates	-	5 202 000	5 202 000
Total	103 373 004	2 113 000	105 486 004
Current	26 150 004	3 342 000	29 492 004
Compensation claims	26 069 000	(1 860 000)	24 409 000
Legal costs	81 004	-	81 004
Merit rebates	-	5 202 000	5 202 000
Non-current	77 223 000	(1 229 000)	75 994 000
Compensation claims	77 223 000	(1 229 000)	75 994 000
	103 373 004	2 113 006	105 486 004

Reconciliation of provisions -2011

	Opening Balance	Movement	Closing Balance
	N$	N$	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)

Fair value determination of the compensation claims

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

	2012	2011
	N$	N$
Category		
- Medical claims	9 037 000	8 786 000
- Permanent disability	1 973 000	2 657 000
- Temporary disabilities	1 634 000	2 808 000
- Burial and transport expenses	357 000	335 000
- Pension liabilities	67 950 000	67 106 000
- Claims handling provision	16 002 000	17 953 000
- Data integrity provision	3 250 000	3 647 000
Total provisions for claims	100 203 000	103 292 000

The unreported incurred claims represent the management estimate as at 29 February 2012 based on actuarial valuation as at that date.

The unreported but incurred claims were determined based on basic chain ladder method. The method involves the following:

The runoff claims for the 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.

9. Provisions (Continued)

i. Post retirement rate of interest (Continued)

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

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 Employees' Compensation Fund (ECF) 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 ECF Fund the same as in previous actuarial valuation at 25% of the IBNR liability.

11. Revenue

	2012 N$	2011 N$
Assessment interest	1 943 600	1 761 434
Assessment income	69 800 488	61 208 875
Assessment penalties	1 945 008	1 155 080
Administrative fees income – APF	1 881 000	3 452 154
Pension capitalized – APF	4 408 324	4 721 966
	79 978 420	72 299 509

12. Claims

	2012 N$	2011 N$
Medical expenses	7 050 629	5 763 863
Compensation payments	1 374 565	2 254 434
Capital pension paid - APF	4 693 417	4 987 327
Pension paid - APF	4 408 324	4 403 744
	17 526 935	17 409 368

13. Operating surplus

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

Premises operating lease charges	250 028	363 508
Provision for bad debts	3 048 768	1 463 328
Rental income	(216 351)	(397 103)
Auditors' remuneration	79 491	146 078
Depreciation and amortization	630 619	1 609 863
Employee costs	15 524 779	25 732 384

14. Investment income

	2012 N$	2011 N$
Fixed term deposits	3 313 500	2 753 370
Bank deposits	375 546	494 698
Accounts receivable	1 943 600	1 761 435
Interest income excluding interest income from asset managers	5 632 646	5 009 503
Funds under asset management	32 647 861	28 333 892
Total investment income	38 280 507	33 343 395
Less:		
Interest on debtors disclosed under revenue	(1 943 600)	(1 761 435)
Fair value adjustment to investment property	375 000	(2 180 819)
Interest income per statement of comprehensive income	36 711 907	29 401 141

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

Loans and receivables	5 632 646	5 009 503
Held for trading at fair value through profit and loss	32 647 861	28 333 892
Total investment income	38 280 507	33 343 39

15. Cash generated from operations

	2012 N$	2011 N$
Surplus for the year	69 775 663	38 840 937
Adjustments for:		
Depreciation and amortization	630 619	1 609 863
Investment income	(27 548 373)	(23 128 893)
Unrealized (gain)/loss on funds under asset management	(8 788 535)	(8 453 067)
Investment property revaluation	(375 000)	2 180 819
Actuarial on IBNR claims provision	(3 089 000)	(3 085 310)
Changes in working capital:		
Trade and other receivables	(1 770 754)	(637 741)
Trade and other payables	300 924	2 109 796
Provisions	5 202 000	(59 797)
	34 337 544	9 376 607

16. Commitments

	2012 N$	2011 N$
Authorized capital expenditure		
Not yet contracted for but authorized	31 925 951	8 910 410

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)

At 29 February 2012	Total	Loans and receivables	Held at fair value through profit or loss	Financial liabilities at Amortized cost
	N$	N$	N$	N$
Financial Assets				
Investments	345 541 322	-	345 541 322	-
Trade and other receivables	18 371 613	18 371 613	-	-
Cash and cash equivalents	72 126 985	72 126 985	-	-
Total financial Assets	436 039 920	90 498 598	345 541 322	-
Financial liabilities				
Trade and other payables	8 139 278	-	-	8 139 278
Total financial liabilities	8 139 278	-	-	8 139 278
At 28 February 2011				
Financial Assets				
Investments	312 627 362	-	312 627 362	-
Trade and other receivables	16 600 859	16 600 859	-	-
Cash and cash equivalents	36 441 462	36 441 462	-	-
Total financial Assets	365 669 683	53 042 321	312 627 362	-
Financial liabilities				
Trade and other payables	8 025 680	-	-	8 025 680
Total financial liabilities	8 025 680	-	-	8 025 680

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 the Audit 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. Financial risk management objectives and policies (Continued)

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents affected. The impact is as follows:

	2012	2011
Effect on surplus for the year:	**N$**	**N$**
Increase / (decrease) of 0.5% in interest rates	452 493	265 212
Increase / (decrease) of 1% in interest rates	904 986	530 424

17.3 Equity price 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 32% for the domestic equities on the funds held by asset managers.

17.3.1 Equity price sensitivity analysis

At 29 February 2012, the Fund's listed equities were recorded at their fair value of N$ 104.5 million (2011: N$ 89 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N$ 10.45 million (2011: N$ 8.9 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:

- trade and other receivables
- investments and cash equivalents

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 7. The entity does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

17. Financial risk management objectives and policies (Continued)

17.4 Credit risk management (Continued)

Investments and cash equivalents

The Commission's cash equivalents, short deposits and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 8 and the carrying value of the investments in note 6. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

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:

2012

Financial assets	Int rate %	On demand N$	<3 mnths N$	3-12 mnths N$	1-5 years N$	Total N$
Funds at FVTPL	-	-	345 541 322	-	-	345 541 322
Trade and other receivables	10	9 429 925	2 053 252	6 888 436	-	18 371 613
Cash	-	663 596	-	-	-	663 596
Short term deposits	6.43	-	71 463 389	-	-	71 463 389
Total financial assets		**10 093 521**	**419 057 963**	**6 888 436**	**-**	**436 039 920**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Trade and other payables	-	7 201 170	938 108	-	-	8 139 278
Total financial liabilities		**7 201 170**	**938 108**	**-**	**-**	**8 139 278**
Net amount		**2 892 351**	**418 119 855**	**6 888 436**	**-**	**427 900 642**

17. Financial risk management objectives and policies (Continued)

17.5 Liquidity risk management (Continued)

17.5.1 Liquidity and interest rate risk tables (Continued)

2011

Financial assets	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Funds at FVTPL	-	-	312 627 362	-	-	312 627 362
Trade and other receivables	10.00	6 943 574	9 657 285	-	-	16 600 859
Cash and cash equivalents	-	4 764 540	-	-	-	4 764 540
Loans and receivables	5.68	-	31 676 922	-	-	31 676 922
Total financial assets		**11 708 114**	**353 961 569**	**-**	**-**	**365 669 683**
Financial liabilities	**Int rate %**	**On demand N$**	**<3 mnths N$**	**3-12 mnths N$**	**1-5 years N$**	**Total N$**
Trade and other payables	-	6 303 829	1 721 851	-	-	8 025 680
Total financial liabilities		**6 303 829**	**1 721 851**	**-**	**-**	**8 025 680**
Net amount		**5 404 285**	**352 239 718**	**-**		**357 644 003**

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.

	2012 N$	**2011 N$**
Financial assets	436 039 920	365 669 683
Held for trading (FVTPL)	345 541 322	312 627 362
Loans and receivables:		
- Fixed deposits	71 463 389	31 676 922
- Trade and other receivables	18 371 613	16 600 859
- Cash and cash equivalents	663 596	4 764 540
Financial liabilities	8 139 278	8 025 680
- At amortized cost	8 139 278	8 025 680

19. Related parties

	2012 N$	2011 N$

Related parties

The Government of Namibia and entities related to the Government of Namibia. The Government of Namibia and the related entities are exempt from payments to the Employees' Compensation Fund. When a claim is lodged for a government institution, the local government is responsible for the payment of the claim and not the Employees' Compensation Fund. The administration of the claim is done by the Fund and the Fund is reimbursed for the administration cost involved in by the Government.

Related funds:

- Social Security Commission
- Development Fund
- Maternity Leave, Sick Leave and Death Benefit Fund
- Accident Pension Fund

Transaction for the year

	2012 N$	2011 N$
Administration cost incurred		
On behalf of Government to be reimbursed	1 881 000	3 452 154

Related party balances

	2012 N$	2011 N$
Amounts due to related parties at year end:	7 201 170	6 303 829
Social Security Commission	2 789 176	1 581 863
Maternity Leave, Sick Leave and Death Benefit Fund	3 670	-
Amounts owed to Accident Pension Fund	4 408 324	4 721 966
Amounts due from related parties at year end:	11 314 296	10 405 731
Social Security Commission	2 385 836	2 221 608
Maternity Leave, Sick Leave and Death Benefit Fund	2 635 765	-
Amounts owed by Accident Pension Fund	4 408 324	4 721 966
Government Related entities	5 346 528	3 462 157
Provision for doubtful Government Debts	(3 462 157)	-

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

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

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. 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.
3. A case involving a labour matter on unfair dismissal charges is pending at year end. A legal opinion was obtained in this regard from the lawyers of the Commission and further information is awaited on from the claimant's legal advisors. The amount involved is estimated to be in excess of one million Namibian Dollars.
4. A case, related to a labour matter was heard in the District Labour Court where the Commission was ordered by the Court to reinstate and compensate the claimant for his loss of income from date of dismissal up to date of reinstatement minus the income earned as an employee during this period. The Commission appealed the judgment made by the District Labour Court. The matter was postponed. The amount involved is estimated at three million Namibian Dollars.
5. A claim for defrauding of the Commission is pending. The Commission is represented by the State Prosecutor in this matter. The amount involved is fifty four thousand four hundred and thirty Namibian Dollars.
6. A claim for petrol card fraud was made against employees of the Commission. The commission will be presented by the State Prosecutor. The amount involved is seven thousand one hundred and fifty four Namibian Dollars.

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.

The Commission provides guarantees to Bank Windhoek Limited, First National Bank Limited, Standard bank Limited and National Housing Enterprise for loans granted to staff members.

Guarantees amounting to N$ 529 445 have been provided to the staff members of the Commission.

23. Commissioners' emoluments	**2012**	**2011**
	N$	**N$**
Commissioners' emoluments were	147 911	145 978

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 fund 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 therefore accounted as if it is a defined contribution plan.

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

GENERAL INFORMATION & INDEX

COUNTRY OF DOMICILE	Namibia
NATURE OF BUSINESS	The Development Fund's principal activity is to contribute to the social and economic development of Namibia. The Fund conducts training schemes and employment schemes for the benefit of socio-economically disadvantaged persons. The Fund also grants bursaries, loans and other forms of finance to students enrolled at any recognized technical and academic institution of higher learning. The Fund was established under the Social Security Act 34 of 1994.
Board of Commissioners	Mr B R R Kukuri (Chairperson) Mr A E Biwa Ms A Zamuee Ms C U Pandeni Mr D Wright Ms E Breuer Ms H Kapenda Mr H Shikongo Mr J T //Garoeb Ms O M L M Kutenda
AUDITOR	Auditor-General
REGISTERED OFFICE	Erf 2269 Khomasdal Windhoek Namibia

CONTENTS

DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
ASSETS			
Non-current assets			
Property, plant and equipment	3	14 996	23 687
Long term receivable	4	-	-
		14 996	23 687
Current assets			
Trade and other receivables	6	49 237	-
Cash and cash equivalents	7	131 356 357	102 058 962
		131 405 594	102 058 962
Total assets		131 420 590	102 082 649
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		127 000 498	101 677 828
Current liabilities			
Trade and other payables	8	4 008 975	404 821
Bank overdraft	7	411 117	-
		4 420 092	404 821
Total funds and liabilities		131 420 590	102 082 649

DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Revenue	9	29 282 000	40 661 134
Direct expenses	10	(7 655 678)	(1 285 249)
Gross surplus		21 626 322	39 375 885
Operating expenses		(2 300 543)	(541 587)
Operating surplus	11	19 325 779	38 834 298
Investment income	12	5 996 891	11 125 303
Surplus for the year		25 322 670	49 959 601
Other comprehensive income		-	-
Total comprehensive income for the year		25 322 670	49 959 601

DEVELOPMENT FUND
STATEMENT OF CHANGES IN FUNDS
AS AT 29 FEBRUARY 2012

	Accumulated funds N$
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
Total comprehensive income for the year	25 322 670
Balance as at 29 February 2012	127 000 498

DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	2012 N$	2011 N$
Cash flows from operating activities			
Cash generated from operations	13	22 889 387	39 070 739
Investment income		5 996 891	11 125 303
Net cash from operating activities		28 886 278	50 196 042
Cash flows from investing activities			
Purchases of financial assets - investments		-	-
Net cash from investing activities		-	-
Net change in cash and cash equivalents		28 886 278	50 196 042
Cash and cash equivalents at the beginning of year		102 058 962	51 863 920
Cash and cash equivalents at the end of year	7	130 945 240	102 058 962

1. Accounting policies

1.1 Basis of presentation

The annual financial statements set out on pages 148 to 173 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.

1.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related to disclosures. Use of available information and the application of judgment 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 statement.

Significant judgments include:

Asset lives

Property, plant and equipment are depreciated over its useful life taking into account residual values appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

Impairment testing

The Fund reviews and tests carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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.

1.3 Revenue recognition

Donations

Revenue from contributions are recognised when the donations are received and is recognized at the fair value of the donation.

1. Accounting policies (Continued)

1.3 Revenue recognition (Continued)

Investment income

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

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 accumulated funds.

1. Accounting policies (Continued)

1.5 Impairment of non-financial 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 surplus or deficit.

1.6 Financial instruments

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through surplus or deficit, directly attributable transaction costs. The Fund considers whether a contract contains an embedded derivative when the Fund first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through surplus or deficit when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the

1. Accounting policies (Continued)

1.6 Financial instruments (Continued)

Financial assets

asset in a Fund of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has not designated any financial assets at fair value through profit or loss.
The Fund evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Fund is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Fund may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

1. Accounting policies (Continued)

1.6 Financial instruments (Continued)

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through' arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee' over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Offsetting of financial instruments

Where a current, legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

1. Accounting policies (Continued)

1.6 Financial instruments (Continued)

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Fund of financial assets that
can be reliably estimated. Evidence of impairment may include indications that the debtors or a Fund of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Subsequent measurement

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

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

Long term receivables

Long term receivables are measured initially at fair value, and subsequently at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the surplus or deficit, when there's objective evidence that the asset is impaired. Significant financial difficulties of debtors, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments is considered indicators that the trade receivables are impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is recognized through the use of an allowance account, and the amount of the loss is recognized in the surplus and deficit within operating expenses. When trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the surplus or deficit.

Long term receivables are classified as loans and receivables.

1. Accounting policies (Continued)

1.6 Financial instruments (Continued)

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortized cost. Cash and cash equivalents have a maturity date of three months or less. Cash and cash equivalents are classified as loans and receivables.

Cash and cash equivalents stated in the statement of cash flows consist of cash and short-term deposits defined above, net of outstanding bank overdrafts.

Bank overdrafts and borrowings

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

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.

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. Accounting policies (Continued)

1.8 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)

1.9 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.

1.10 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.

1.11 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretation effective in the current year and adopted in the current year.

In the current year, the Fund has adopted the following standards and interpretation, except for IAS 24 that was early adopted in the prior year, that became effective for the current financial year and that are relevant to its operations.

- IFRS 1 Additional exemptions for first time adopters
- IFRS 2 Group cash settled share based payment arrangements
- IFRS 3R Business combinations
- IAS 27 Consolidated & separate financial statements
- IAS 32 Classification of rights issues
- IAS 39 Eligible hedged items
- IFRIC 17 Distribution of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers
- IFRS 7 Transfers of financial assets

- <u>2010 Improvements to IFRSs:</u>
- IFRS 1 Accounting policy changes in year of adoption; revaluation basis as deemed cost; and use of deemed cost for operations subject to rate regulation.
- IFRS 3 Business combination -contingent consideration pre IFRS 3R
- IFRS 7 Clarification of disclosures
- IAS 1 Clarification of statement of changes in equity
- IAS 27 Consolidated & separate financial statements
- IAS 34 Significant events and transactions
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 1 Amendments to limited Exemption from Comparative IFRS 7 Disclosures
- IAS 24 Amendment Related Party Disclosures
- IFRIC 13 Customer loyalty programme

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.1 Standards and interpretation effective in the current year and adopted in the current year. (Continued)

IAS 24 Related Party Transactions clarifies the definitions of a related party. The amendment also introduced a partial exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Disclosures are reflected in note 19.

2.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt any of the following standards and interpretations, which have been issued and are effective for the Funds accounting years beginning on or after 01 April 2011 or in later years:

Effective for years commencing on or after 1 July 2011

- IFRS 7 Amendment of transfer of financial assets
  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The standard might lead to additional disclosures.

Effective for years commencing on or after 1 July 2011

IFRS 1 Hyperinflation and fixed dates
The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The standard is not expected to have a significant impact on the entity.

Effective for years commencing on or after 1 January 2012

- IAS 12 Deferred taxes: Amendment to recovery of underlying assets
  The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted. The standard is not expected to have a significant impact on the entity as the Fund does not have investment properties.

Effective for years commencing on or after 1 July 2012

- IAS 1 Presentation of items of other comprehensive income
  The amendment to IAS 1 requires that items presented within OCI be grouped separately into those items that will be recycled into surplus or deficit at a future point in time, and those items that will never be recycled. The standard might lead to different presentation of items.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

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2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013

- IFRS 10 Consolidated financial statements
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This standard will not have a significant impact on the entity

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'.
  Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - joint operation – by showing the investor's interest/ relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. This standard will not have a significant impact on the entity.

- IFRS 12 Disclosure of interests in other entities
  The new standard applies to entities that have in interest in subsidiaries, joint arrangements, associates and/ or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. This standard is not expected to have an impact on the entity as it does not have interests in other entities.

  IFRS 13 Fair value measurement
  IFRS 13 describes *how* to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13. Under IFRS 13 fair value is presumed to be an 'exit price'.
  New disclosures related to fair value measurements are also introduced. This standard is not expected to have an impact on the entity, as no financial assets or liabilities are recognized at fair value.

- IAS 19 Employee benefits
  The 'corridor approach' currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in OCI when they occur. For defined benefit plans, the amounts recorded in surplus or deficit are limited to current and past service costs, gains and losses on settlements and interest income/ expense. The distinction between short-term and other long term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The entity does not have defined benefit plans.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- IAS 27 Separate financial statements (consequential revision due to the issue of IFRS 10)
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The entity does not have any investments in subsidiaries, joint ventures or associates.

- IAS 28 Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates

- IFRIC 20 Stripping cost in the production phase of a surface mine
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset to be depreciated on a unit of production basis unless another method is more appropriate. This standard might have a significant impact on the entity when it starts its mining operations.

- IFRS 7 Disclosures – offsetting financial assets and financial liabilities
  Provides additional disclosures (similar to current US GAAP requirements). This standard will lead to additional disclosures.

Improvements to IFRSs:

- IFRS 1 First time adoption of IFRS – government loans
  Amendment deals with loans received from governments at a below market rate of interest, giving first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the Fund as the Fund already adopted IFRS in 2009 when the Fund was incorporated.

- IAS 1 Presentation of Financial statements – clarification of the requirements for comparative information. This standard might lead to different presentation of comparative information.

2. NEW STANDARDS AND INTERPRETATIONS (Continued)

2.2 Standards and interpretations not yet effective (Continued)

Effective for years commencing on or after 1 January 2013 (continued)

- Improvements to IFRSs: (continued)
- IAS 16 Property, plant and equipment – classification of servicing equipment. This might lead to different classifications of equipment if service equipment is acquired in the future.
- IAS 32 Financial instruments: presentation – tax effect of distribution to holders of equity instruments. This might lead to a different tax effect on distribution to holders of equity instruments.

- IAS 34 Interim Financial Reporting – interim financial reporting and segment information for total assets and liabilities. The entity does not have interim or segment reporting.

Effective for years commencing on or after 1 January 2014

- IAS 32 Offsetting financial assets and financial liabilities
  The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). This standard is not expected to have a significant effect as no financial assets or liabilities are set off.

Effective for years commencing on or after 1 January 2015

- IFRS 9 Financial instruments classification and measurement
  Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This standard might lead to additional disclosure requirements.

The application of these standards in future financial reporting years will not have a significant impact on the Fund's results, financial position and cash flows but might lead to additional disclosures

3. Property, plant and equipment

	2012			2011		
	Cost/ valuation	*Accumulated* depreciation	*Carrying* value	*Cost/* valuation	*Accumulated* depreciation	*Carrying* value
	N$	N$	N$	N$	N$	N$
Furniture and fittings	52 510	(47 259)	5 251	52 510	(42 762)	9 748
Office equipment	46 600	(36 855)	9 745	46 600	(32 661)	13 939
Total	99 110	(84 114)	14 996	99 110	(75 423)	23 687

Reconciliation of property, plant and equipment - 2012

	Opening Balance	*Additions*	*Disposals*	*Adjustment*	*Depreciation*	*Closing* balance
	N$	N$	N$	N$	N$	N$
Furniture and fittings	9 748	-	-	-	(4 497)	5 251
Office equipment	13 939	-	-	-	(4 194)	9 745
Total	23 687	-	-	-	(8 691)	14 996

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

4. Long term receivables

	2012	2011
	N$	N$
Study Loans	200 965	-
Less provision for doubtful study loans	(200 965)	-
	-	-

Loans are repayable on completion of studies.
The loan earns interest at 50 % of the prime rate
lending from the date of issue.

	2012 N$	2011 N$
5. Investments		
Loans and receivables		
Funds held with the professional asset managers	23 112 236	23 112 236
Funds held with the professional managers are valued by the managers as at year end.		
Sub-total	23 112 236	23 112 236
Impairments on investments	(23 112 236)	(23 112 236)
Total investments	-	-

6. Trade and other receivables

	2012 N$	2011 N$
Amount due from MSD	49 237	-
	49 237	-

Related party balances are unsecured, interest free and have no fixed repayment terms.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012 N$	2011 N$
Bank balances	-	720 222
Short term deposits	131 356 357	101 338 740
Bank Overdraft	(411 117)	-
	130 945 240	102 058 962

Short term deposits are held with the financial institutions. The average investment period is 1 to 3 months from the statement of financial position date and the interest rates are between 5.0% and 6.0%.
per annum.

	2012 N$	2011 N$
Current assets		
Cash and cash equivalents	131 356 357	102 058 962
Current liabilities		
Bank overdraft	(411 117)	-

8. Trade and other payables	**2012 N$**	**2011 N$**
Amount due to SSC (related party)	503 124	200 362
Trade payables	37 271	87 011
Accruals	268 580	117 448
Training Scheme accrual	3 200 000	-
	4 008 975	404 821

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

9. Revenue

Contributions from MSD	25 082 000	35 111 134
Government Grants	4 200 000	5 550 000
	29 282 000	40 661 134

10. Direct expenses

Study Schemes	7 655 678	1 285 249
	7 655 678	1 285 249

11. Operating surplus

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

Depreciation on property, plant and equipment	8 691	8 920
Employee costs	1 351 013	504 431

12. Investment income

Fixed term deposits	5 976 912	4 192 083
Bank deposits	19 979	33 220
Investments recovered	-	6 900 000
	5 996 891	11 125 303

13. Cash generated from operations

	2012	2011
	N$	N$
Surplus for the year	25 322 670	49 959 601
Adjustments for:		
Depreciation	8 691	8 920
Investment income	(5 996 891)	(11 125 303)
Changes in working capital:		
Trade and other receivables	(49 237)	7 644
Trade and other payables	3 604 154	219 877
	22 889 387	39 070 739

14. 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.

At 29 February 2012		**Total**	**Loan and receivables**	**Financial liabilities at amortized cost**
		N$	**N$**	**N$**
Financial Assets				
Cash and cash equivalents	131 356 357	131 356 357		-
Total financial Assets		131 356 357	131 356 357	-
Financial liabilities				
Trade and other payables		3 740 395	-	3 740 395
Bank overdraft		411 117	-	411 117
Total financial liabilities		4 151 512	-	4 151 512

14. Financial risk management objectives and policies (Continued)

At 29 February 2011	**Total**	**Loan and receivables**	**Financial liabilities at amortized cost**
	N$	**N$**	**N$**
Financial Assets			
Cash and cash equivalents	102 058 962	102 058 962	-
Total financial Assets	102 058 962	102 058 962	-
Financial liabilities			
Trade and other payables	287 373	-	287 373
Total financial liabilities	287 373	-	287 373

14.1 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:

-Cash and cash 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 the Audit 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.

14.2 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.

14. Financial risk management objectives and policies (Continued)

14.2 Interest rate risk management (Continued)

14.2.1 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on cash and cash equivalents and the bank overdraft affected. The impact is as follows:

Effect on surplus for the year:	**2012** **N$**	**2011** **N$**
Increase / (decrease) of 0.5% in interest rates	654 726	510 295
Increase / (decrease) of 1% in interest rates	1 309 452	1 020 590

14.3 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:
- Trade and other receivables
- Investments and cash equivalents

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 6. The entity does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

Investments and cash equivalents

The Commission's cash equivalents, short deposits and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 7 and the carrying value of the investments in note 5. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.
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 other registered Funds.

14.4 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.

14. Financial risk management objectives and policies (continued)

14.4 Liquidity risk management (Continued)

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

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

14.4.1 Liquidity and interest rate risk tables

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

			2012		
	Interest rate %	**On demand**	**<3 Months**	**<1 Year**	**Total**
Financial assets					
Trade and other receivables	-	49 237	-	-	49 237
Long term receivable	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-
Short term deposits	5.2%	55 086 314	76 270 043	-	131 356 357
Total Financial assets	-	55 135 551	76 270 043	-	131 405 594
Financial liabilities					
Bank overdraft	-	(411 117)	-	-	(411 117)
Trade and other payables	-	(540 395)	-	(3 200 000)	(3 740 395)
	-	(951 512)	-	(3 200 000)	(4 151 512)
Net amount	-	54 184 039	76 270 043	(3 200 000)	127 254 082

14. Financial risk management objectives and policies (Continued)

14.4 Liquidity risk management (Continued)

14.4.1 Liquidity and interest rate risk tables (Continued)

			2011	
	Interest rate %	**On demand**	**<3 Months**	**Total**
Financial assets				
Cash and cash equivalents	-	720 222	-	720 222
Investments	5.2%	36 253 643	65 085 097	101 338 740
Total Financial assets		36 973 865	65 085 097	102 058 962
Financial liabilities				
Trade and other payables	-	(200 362)	(204 459)	(404 821)
Net amount	-	36 773 503	64 880 638	101 654 141

15. 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 costs for the aforementioned have been provided for and the outcome of the matter is not yet known. The related financial implication to the Commission can therefore not be determined with sufficient reliability.

16. Post statement of financial position events

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

17. Taxation

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

18. Defined benefit fund

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

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 therefore accounted as if it is a defined contribution plan.

18. Defined benefit fund (Continued)

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.

19. Related parties

Related parties

The Government of Namibia and entities related to the Government of Namibia.

Related funds:
- Social Security Commission
- Maternity Leave, Sick Leave and Death Benefit Fund
- Employees' Compensation Fund

Transaction for the year:	2012 N$	2011 N$
Contributions received	29 282 000	40 661 134
Ministry of Labour and Social welfare	4 200 000	5 550 000
Maternity Leave, Sick Leave and Death Benefit fund	25 082 000	35 111 134
Study scheme expense	5 700 000	-
Commonwealth Youth Credit Initiative – related to Ministry of Youth, National Service, Sport and Culture	5 700 000	-

Related party balances

	2012 N$	2011 N$
Amounts due to related parties at year end:	503 124	200 362
Social Security Commission	503 124	200 362
Amount due from related parties at year end:	49 237	-
Maternity Leave, Sick Leave and Death Benefit fund	49 237	-

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