Consolidated statement of comprehensive income

for the year ended 30 June

N$'000	Note	2011	2010
Continuing operations			
Interest and similar income	2	1 414 755	1 387 482
Interest expense and similar charges	2	(575 315)	(629 850)
Net interest income before impairment of advances		839 440	757 632
Impairment reversal / (recognition) for losses on advances	13	12 398	(12 960)
Net interest income after impairment of advances		851 838	744 672
Non interest income	3	653 365	574 310
Net insurance premium income	4	71 935	56 226
Net claims and benefits paid	5	(41 437)	(38 302)
Fair value adjustment to financial liabilities	27	(716)	(2 307)
Income from operations		1 534 985	1 334 599
Operating expenses	6	(817 422)	(718 703)
Net income from operations		717 563	615 896
Share of profit from associates	16.4	4 951	5 189
Income before tax		722 514	621 085
Indirect tax	7.1	(17 019)	(16 048)
Profit before tax		705 495	605 037
Direct tax	7.2	(241 242)	(201 910)
Profit for the year from continuing operations		464 253	403 127
Discontinued operations			
Profit attributable to discontinued operations	21	74 792	55 768
Profit for the year		539 045	458 895
Other comprehensive income			
Continuing operations			
Gain on available-for-sale financial assets		480	7 672
Income tax relating to other comprehensive income	19	162	(1 831)
Discontinued operations			
Loss on available-for-sale financial assets relating to non current assets held for sale		(253)	
Other comprehensive income for the year		389	5 841
Total comprehensive income for the year		539 434	464 736
Profit for the year attributable to:			
Equity holders of the parent		496 298	429 278
Non-controlling interests		42 747	29 617
Profit for the year		539 045	458 895
Total comprehensive income for the year attributable to:			
Equity holders of the parent		496 811	435 119
Non-controlling interests		42 623	29 617
Total comprehensive income for the year		539 434	464 736
Earnings per share (cents)			
Basic and diluted earnings per share (cents)			
From continuing operations	8.2	177.1	154.4
From discontinued operations	8.2	14.7	11.7
		191.8	166.1

Consolidated statement of financial position

as at 30 June

N$'000	Note	2011	2010
Assets			
Cash and short term funds	10.1	428 054	455 215
Due from banks and other financial institutions	10.2	763 051	851 182
Derivative financial instruments	11	24 161	57 119
Advances	12	12 464 342	11 226 660
Investment securities	14	1 643 526	2 799 659
Accounts receivable	15	135 118	117 610
Investments in associates	16	24 696	22 594
Property and equipment	17	279 335	267 024
Intangible assets	18	17 115	56 360
Deferred tax asset	19	2 378	5 885
Policy loans on investments contracts			26 931
Reinsurance assets	20	425	50 080
Non current assets and disposal group held for sale	21	1 381 729	753
Total assets		17 163 930	15 937 072
Equity and liabilities			
Liabilities			
Deposits and current accounts	22.1	13 305 607	12 045 869
Due to banks and other financial institutions	22.2	43 910	54 346
Short trading positions	23	51 889	
Derivative financial instruments	11	21 743	58 019
Creditors and accruals	24	319 885	261 450
Gross outstanding claims		7 047	7 695
Gross unearned premium		22 058	20 127
Provision for unintimated claims	25	4 918	3 876
Tax liability		24 309	32 001
Post-employment benefit liabilities	26	34 583	31 302
Deferred tax liability	19	3 473	
Long term liabilities	27	264 491	263 505
Policyholder liabilities under insurance contracts	28		963 968
Policyholder liabilities under investment contracts	29		43 831
Liabilities directly associated with non current assets classified as held for sale	21	1 074 169	
Total liabilities		15 178 082	13 785 989
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	30	1 294	1 291
Share premium	30	187 898	191 695
Reserves		1 630 930	1 758 631
Capital and reserves attributable to the group's ordinary equity holders		1 820 122	1 951 617
Non-controlling interests		165 726	199 466
Total equity		1 985 848	2 151 083
Total equity and liabilities		17 163 930	15 937 072

Consolidated statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium
Balance at 30 June 2009	1 291	195 066	196 357
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income for the year			
Staff share option transactions			
BEE Consortium share option transactions			
Ordinary dividends			
Transfer to / (from) contingency reserves			
Effective change of shareholding in subsidiaries			
Consolidation of shares held by FNB Namibia share trusts		(3 371)	(3 371)
Balance at 30 June 2010	1 291	191 695	192 986
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income for the year			
Staff share option transactions			
Ordinary dividends			
Transfer to / (from) contingency reserves			
Transfer of vested equity options			
Effective change of shareholding in subsidiaries			
Consolidation of shares held by FNB Namibia share trusts	3	(3 797)	(3 794)
Balance at 30 June 2011	1 294	187 898	189 192

Share-based payment reserve	Available-for-sale reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity holders	Non-controlling interests	Total equity
10 105	5 461	2 446	1 426 126	1 444 138	121 825	1 762 320
	5 841		429 278	435 119	29 617	464 736
			429 278	429 278	29 617	458 895
	5 841			5 841		5 841
1 170				1 170		1 170
1 199				1 199		1 199
			(152 502)	(152 502)		(152 502)
		1 611	(1 611)			
			29 507	29 507	48 024	77 531
						(3 371)
12 474	11 302	4 057	1 730 798	1 758 631	199 466	2 151 083
	513		496 298	496 811	42 623	539 434
			496 298	496 298	42 747	539 045
	513			513	(124)	389
2 123				2 123		2 123
			(626 206)	(626 206)	(75 950)	(702 156)
		1 472	(1 472)			
(6 569)			6 569			
			(429)	(429)	(413)	(842)
						(3 794)
8 028	11 815	5 529	1 605 558	1 630 930	165 726	1 985 848

Consolidated statement of cash flows

for the year ended 30 June

N$'000	Note	2011	Restated 2010
Cash flows from operating activities from continuing operations			
Cash receipts from customers	33.2	2 114 739	2 011 240
Cash paid to customers, suppliers and employees	33.3	(1 364 087)	(1 310 221)
Cash flows from operating activities	33.1	750 652	701 019
Increase in income earning assets	33.4	(1 292 397)	(1 679 399)
Increase in deposits and other liabilities	33.5	1 402 245	1 452 179
Net cash generated from operations		860 500	473 799
Tax paid	33.6	(258 889)	(216 910)
Net cash flow from operating activities from continuing operations		601 611	256 889
Net cash flow from operating activities from discontinued operations	21.1	153 544	3 914
Cash flows from investing activities from continuing operations			
Purchase of property and equipment	33.7	(53 742)	(58 029)
Purchase of software			(27 162)
Proceeds from the disposal of property and equipment		553	376
Proceeds from the disposal of non current asset held for sale		1 496	5 500
Net reduction in investment in associates	33.8		726
Dividends from associate company		2 849	3 333
Proceeds from the sale of shares in Momentum Namibia	33.9		76 339
Net cash flow from investing activities from continuing operations		(48 844)	1 083
Net cash outflow from investing activities from discontinuing operations	21.1	(1 433)	(7 472)
Cash flows from financing activities from continuing operations			
Purchase of shares for share trusts		(3 794)	(3 371)
Dividends paid	33.10	(626 206)	(152 502)
Dividends paid non-controlling interests		(2 450)	
Net cash outflow from financing activities from continuing operations		(632 450)	(155 873)
Net cash outflow from financing activities from discontinuing operations	21.1	(73 500)	
Net increase / (decrease) in cash and cash equivalents		(1 072)	98 541
Cash and cash equivalents at the beginning of the year*		455 215	356 674
Cash and cash equivalent acquired**	36.7	5	
Transfer to non current assets held for sale	21.1	(26 094)	
Cash and cash equivalents at the end of the year*	10.1	428 054	455 215

*Includes mandatory reserve deposits with central bank.

** Cash and cash equivalent acquired relate to cash held by subsidiary acquired during the year.

Notes to the consolidated annual financial statements
for the year ended 30 June

1 Accounting policies
The accounting policies of the group are set out on pages 44 to 65.

2 Analysis of interest income and interest expenditure.

N$'000	Fair value	Amortised cost	Non financial assets and liabilities	Total 2011
Interest and similar income	84 662	1 330 093		1 414 755
- Advances		1 234 942		1 234 942
- Cash and short term funds		63 193		63 193
- Investment securities	84 662	9 238		93 900
- Unwinding of discounted present value on non performing loans		8 763		8 763
- Unwinding of discounted present value on off-market advances		5 930		5 930
- On impaired advances		(394)		(394)
- Net release of deferred fee and expenses		8 421		8 421
Interest expense and similar charges	23 554	551 456	305	575 315
- Deposits from banks and financial institutions		927		927
- Current accounts		278 264		278 264
- Savings deposits		5 098		5 098
- Term deposits		119 855		119 855
- Negotiable certificates of deposit		147 312		147 312
- Long term liabilities	23 554			23 554
- Other			305	305

N$'000	Fair value	Amortised cost	Non financial assets and liabilities	Total 2010
Interest and similar income	75 708	1 311 774		1 387 482
- Advances		1 203 858		1 203 858
- Cash and short term funds		79 400		79 400
- Investment securities	75 708	17 166		92 874
- Unwinding of discounted present value on non performing loans		9 992		9 992
- Unwinding of discounted present value on off-market advances		5 967		5 967
- On impaired advances		(12 039)		(12 039)
- Net release of deferred fee and expenses		7 430		7 430
Interest expense and similar charges	23 794	605 574	482	629 850
- Deposits from banks and financial institutions		1 635		1 635
- Current accounts		278 301		278 301
- Savings deposits		5 577		5 577
- Term deposits		144 413		144 413
- Negotiable certificates of deposit		175 648		175 648
- Long term liabilities	23 794			23 794
- Other			482	482

Notes to the consolidated annual financial statements

for the year ended 30 June

3 Non interest income

N$'000	2011	2010
Fee and commission income:		
- Banking fee and commission income	539 768	456 270
- Card commissions	53 681	48 070
- Cash deposit fees	73 446	63 987
- Commissions: bills, drafts and cheques	15 567	20 538
- Service fees	215 667	179 850
- Fiduciary service fees	7 687	7 024
- Other commissions	173 720	136 801
- Broking commission income	20 599	19 391
- Unit trust and related fees	11 288	8 690
- Reinsurance commission received by insurance companies	2 752	2 173
Fee and commission income	574 407	486 524
Fee and commission income, by category		
- Instruments at amortised cost	532 081	449 246
- Non financial assets and liabilities	42 326	37 278
Fee and commission income	574 407	486 524

Non banking fee and commission earned relate to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.

N$'000	2011	2010
Fair value income:		
- Foreign exchange trading	62 449	66 525
- Treasury trading operations	3 140	10 418
- debt instruments trading	3 766	3 102
- derivatives revaluation	(626)	7 316
Fair value income	65 589	76 943
Portfolio analysis for fair value income		
Held for trading	65 589	76 943
Fair value income	65 589	76 943

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities.

Interest rate instruments includes the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

3 Non interest income continued

N$'000	2011	2010
Gains less losses from investing activities		
- Gains on investment securities designated at fair value through profit or loss	2 880	1 208
- Gains on realisation of available-for-sale financial assets	484	42
- Dividends received	2 393	1 647
- Listed shares	124	65
- Unit trusts	2 269	1 582
- Share of profit from associates (note 16.4)	4 951	5 189
Gross gains less losses from investing activities	10 708	8 086
Less: Share of profit from associates (disclosed separately on face of the statement of comprehensive income)	(4 951)	(5 189)
Gains less losses from investing activities	5 757	2 897
Other non interest income		
- Gain on sale of property and equipment	574	1 296
- Rental income	1 818	2 095
- Other income	5 220	4 555
Other non interest income	7 612	7 946
Other non interest income, by category		
- Non financial assets and liabilities	7 612	7 946
	7 612	7 946
Total non interest income	653 365	574 310

4 Net insurance premium income

N$'000	2011	2010
Short term insurance contracts		
Personal lines premium	87 834	69 931
Insurance premiums ceded to reinsurers	(13 724)	(11 513)
Change in unearned premium provision	(2 175)	(2 192)
Net insurance premium income	71 935	56 226

5 Net claims and benefits paid

	2011	2010
Short term insurance contracts		
Personal lines claims	43 038	39 546
Transfer to provision for unintimated claims (note 25)	1 042	1 136
Gross claims and benefits paid on insurance contracts	44 080	40 682
Insurance benefits recovered from reinsurers	(2 643)	(2 380)
Net claims and benefits paid	41 437	38 302

Notes to the consolidated annual financial statements
for the year ended 30 June

6 Operating expenses

N$'000	2011	2010
Fee and commission expense: insurance related	3 143	2 552
Auditors' remuneration		
- Audit fees	4 287	3 921
- Fees for other services	54	96
- Prior year under provision		39
Auditors' remuneration	4 341	4 056
Amortisation of intangible assets		
- Trademarks	4 036	18 059
- Software	10 158	8 937
Amortisation of intangible assets (note 18)	14 194	26 996
Depreciation		
- Freehold property	1 791	
- Leasehold property	5 913	5 234
- Equipment	26 319	16 586
- Computer equipment	12 642	5 614
- Furniture and fittings	7 244	6 707
- Motor vehicles	224	193
- Office equipment	6 209	4 072
Depreciation (note 17)	34 023	21 820
Operating lease charges		
- Property	11 561	9 055
- Equipment	4 183	2 908
Operating lease charges	15 744	11 963
Professional fees		
- Asset management fees	3 329	813
- Other	3 801	2 729
Professional fees	7 130	3 542
BEE consortium share option cost (note 32)		1 199
Direct staff costs		
- Salaries, wages and allowances	312 816	285 274
- Off-market staff loans amortisation	5 930	5 967
- Contributions to employee benefit funds	69 643	49 430
- Defined contribution schemes: pension	34 176	30 103
- Defined contribution schemes: medical	35 467	19 327
- Retirement fund surplus recognised	(4 719)	(34 019)
- Post retirement medical expense	3 514	7 418
- Severance pay provision: death in service	1 123	3 069
- Social security levies	1 219	1 022
- Share-based payments (note 32)	5 077	3 441
Direct staff costs	394 603	321 602
- Other staff related costs	13 129	13 625
Total staff costs	407 732	335 227
Total directors' remuneration (note 6.1.3)	5 153	5 078

6 Operating expenses continued

N$'000	2011	2010
Other operating costs		
- Insurance	12 989	8 546
- Advertising and marketing	46 339	43 597
- Property and maintenance related expenses	34 423	30 865
- Legal and other related expenses	4 464	3 877
- Postage	4 964	5 716
- Stationery and printing	11 703	10 833
- Telecommunications	12 439	14 664
- Conveyance of cash	4 062	4 843
- Travel and accommodation	10 836	8 343
- Computer and processing related costs	117 578	126 973
- Other operating expenditure	66 165	48 013
Other operating costs	325 962	306 270
Total operating expenses	817 422	718 703

Notes to the consolidated annual financial statements

for the year ended 30 June

6.1 Directors emoluments

Emoluments paid to directors of the group are set out below:

N$'000

	Salary	Bonus	Contributions to pension & medical	Other allowance	Total
6.1.1 Executive director:					
2011					
VR Rukoro	1 437	1 392	274	319	3 422
	1 437	1 392	274	319	3 422
2010					
VR Rukoro	1 386	1 288	256	319	3 249
	1 386	1 288	256	319	3 249

6.1.2 Non-executive directors:

Non-executive independent directors:	Fees as directors 2011	Fees as directors 2010
CJ Hinrichsen (Chairman)	260	109
HWP Böttger (retired November 2010)	198	358
CLR Haikali	265	245
SH Moir	434	366
MN Ndilula	127	127
PT Nevonga	51	57
H-D Voigts (retired November 2010)	188	357
II Zaamwani-Kamwi	208	210
	1 731	1 829
Other non-executive directors :		
JR Khethe		
JK Macaskill		

Executive directors and directors appointed by the main shareholder do not receive directors fees for services.

6.1.3 Total directors' remuneration and fees:

	2011	2010
- Executive director	3 422	3 249
- Non-executive directors	1 731	1 829
	5 153	5 078

Directors are not subject to service contracts which determine a fixed service period.

6.1 Directors emoluments continued

6.2 Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 32 for the description of terms of the share trusts.

N$'000	Opening balance	Granted during the year	Strike price	Expiry date	Taken up this year (number of shares)	Closing balance (number of shares)	Benefit derived (N$'000)
Executive director:							
VR Rukoro							
FNB Namibia Holdings Ltd shares	487 700	65 000	5.17 - 12.26	Jun 2010 - Feb 2016	(66 633)	486 067	514
FirstRand Ltd shares	619 620		15.80 - 18.70	Nov 2013 - Nov 2014		619 620	
Non-executive directors:							
FNB Namibia Holdings Ltd shares							
II Zaamwani-Kamwi	37 500		5.17	June 2010	(37 500)		240
PT Nevonga	37 500		5.17	June 2010		37 500	

6.3 Directors' holdings in shares:

	2011		2010	
	Number of ordinary shares held	Percentage holding	Number of ordinary shares held	Percentage holding
Names:				
Directly:				
HWP Böttger (retired November 2010)	4 667	0.002%	4 667	0.002%
SH Moir	6 000	0.002%	6 000	0.002%
PT Nevonga	38 026	0.014%	38 026	0.014%
VR Rukoro	94 443	0.035%	47 274	0.018%
H-D Voigts (retired November 2010)	12 049	0.005%	11 806	0.004%
II Zaamwani-Kamwi	54 463	0.020%	34 783	0.013%
Indirectly:				
CLR Haikali	3 011 899	1.126%	2 151 357	0.804%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula	5 749 989	2.149%	4 107 135	1.535%

Notes to the consolidated annual financial statements
for the year ended 30 June

7 Tax

N$'000	2011	2010
7.1 Indirect tax		
Value-added tax (net)	12 724	11 412
Stamp duties	4 295	4 636
Total indirect tax	17 019	16 048
7.2 Direct tax		
Normal tax		
- Current	234 100	227 208
Current year	234 100	228 683
Prior year adjustments		(1 475)
- Deferred	7 142	(25 298)
Current year	7 142	(25 008)
Tax rate change		(290)
Total direct tax	241 242	201 910
Tax rate reconciliation - normal tax	%	%
Effective rate of tax	34	33
Total tax has been affected by:		
Non-taxable income		1
Standard rate of tax	34	34

The rate of corporate tax was changed from 35% to 34% by the Ministry of Finance during the prior year.

8 Earnings and dividends per share

8.1 Headline earnings per share

Headline earnings per share is calculated by dividing the group's attributable earnings to ordinary equity holders after excluding identifiable remeasurements, net of tax and non-controlling interest, by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Headline earnings (N$'000)	495 599	428 395
Weighted average number of ordinary shares in issue	258 699 215	258 470 862
Headline earnings per share (cents)	191.6	165.7

	2011			
	Banking	Insurance	Other	Total
Earnings attributable to ordinary equity holders of the group	434 047	44 492	17 759	496 298
Profit on sale of property and equipment			(380)	(380)
Realised gains from available-for-sale financial assets	(319)			(319)
Headline earnings	433 728	44 492	17 379	495 599

	2010			
	Banking	Insurance	Other	Total
Earnings attributable to ordinary equity holders of the group	370 152	34 274	24 852	429 278
Profit on sale of property and equipment			(856)	(856)
Realised gains from available-for-sale financial assets	(27)			(27)
Headline earnings	370 125	34 274	23 996	428 395

Notes to the consolidated annual financial statements
for the year ended 30 June

8 Earnings and dividends per share continued

8.2 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the group, obtained from the profit and loss component of the statement of comprehensive income, by the weighted average number of ordinary shares in issue during the year.

	2011	2010
From continuing operations (N$'000)	458 154	399 147
From discontinued operations (N$'000)	38 144	30 131
Earnings attributable to ordinary shareholders (N$'000)	496 298	429 278
Weighted average number of ordinary shares in issue	258 699 215	258 470 862
From continuing operations (cents)	177.1	154.4
From discontinued operations (cents)	14.7	11.7
Basic earnings per share (cents)	191.8	166.1
Basic earning per share equals diluted earning per share as there are no potential dilutive ordinary shares in issue.		
Actual number of shares:		
Opening balance shares in issue as at 1 July	267 593 250	267 593 250
Closing balance shares in issue as at 30 June	267 593 250	267 593 250
Less shares held in FNB Namibia share trusts	(8 804 597)	(9 091 565)
Number of shares in issue (after elimination of shares in FNB Namibia share trusts)	258 788 653	258 501 685
Weighted number of shares:		
Actual number of shares in issue as at 1 July	267 593 250	267 593 250
Less weighted shares held in FNB Namibia share trusts	(8 894 035)	(9 122 388)
Weighted average number of shares in issue	258 699 215	258 470 862

8 Earnings and dividends per share continued

8.3 Dividend information

	2011 Cents	2011 N$'000	2010 Cents	2010 N$'000
A final dividend (dividend no.30) of 28 cents per share was declared on 19 August 2009 in respect of the six months ended 30 June 2009 and paid on 28 October 2009.			28	72 350
An interim dividend (dividend no.31) of 31 cents per share was declared on 3 February 2010 for the six months ended 31 December 2009 and paid on 8 April 2010.			31	80 152
A final dividend (dividend no. 32) of 36 cents per share was declared on 17 August 2010 in respect of the six months ended 30 June 2010 and paid on 28 October 2010.	36	93 295		
An interim dividend (dividend no. 33) of 36 cents per share was declared on 2 February 2011 for the six months ended 31 December 2010 and paid on 8 April 2011.	36	93 295		
A special dividend (dividend no.34) of 170 cents per share was declared on 4 April 2011 and paid on 27 May 2011	170	439 616		
	242	626 206	59	152 502

A final dividend of 41 cents (2010: 36 cents) was declared subsequent to year-end (Refer to the Directors' report).

The dividend in the current year and the prior year takes into account the elimination of the dividends to the share trusts, which are consolidated on a group level.

Notes to the consolidated annual financial statements

for the year ended 30 June

9 Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on page 44 to page 65 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

		2011						
N$'000	Note	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets								
Cash and short term funds	10.1			428 054				428 054
Due from banks and other financial institutions	10.2			763 051				763 051
Derivative financial instruments	11	24 161						24 161
Advances	12			12 464 342				12 464 342
Investment securities	14	64 319	38 255	53 626	1 487 326			1 643 526
Accounts receivable	15			135 118				135 118
Investments in associates	16						24 696	24 696
Property and equipment	17						279 335	279 335
Intangible assets	18						17 115	17 115
Deferred tax asset	19						2 378	2 378
Reinsurance assets	20						425	425
Non current assets and disposal group held for sale	21						1 381 729	1 381 729
Total assets		88 480	38 255	13 844 191	1 487 326		1 705 678	17 163 930
Liabilities								
Deposits and current accounts	22.1					13 305 607		13 305 607
Due to banks and other financial institutions	22.2					43 910		43 910
Short trading positions	23	51 889						51 889
Derivative financial instruments	11	21 743						21 743
Creditors and accruals	24		6 127			313 758		319 885
Gross outstanding claims							7 047	7 047
Gross unearned premium							22 058	22 058
Provision for unintimated claims	25						4 918	4 918
Tax liability							24 309	24 309
Post-employment benefit liabilities	26						34 583	34 583
Deferred tax liability	19						3 473	3 473
Long term liabilities	27		264 491					264 491
Liabilities directly associated with non current assets classified as held for sale	21						1 074 169	1 074 169
Total liabilities		73 632	270 618			13 663 275	1 170 557	15 178 082

9 Analysis of assets and liabilities continued

N$'000		Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
				2010				
Assets								
Cash and short term funds	10.1			455 215				455 215
Due from banks and other financial institutions	10.2			851 182				851 182
Derivative financial instruments	11	57 119						57 119
Advances	12			11 226 660				11 226 660
Investment securities	14	1 039 018	60 009	535 316	1 165 316			2 799 659
Accounts receivable	15			117 610				117 610
Investments in associates	16						22 594	22 594
Property and equipment	17						267 024	267 024
Intangible assets	18						56 360	56 360
Deferred tax asset	19						5 885	5 885
Policy loans on investments contracts				26 931				26 931
Reinsurance assets	20						50 080	50 080
Non current assets held for sale	21						753	753
Total assets		1 096 137	60 009	13 212 914	1 165 316		402 696	15 937 072
Liabilities								
Deposits and current accounts	22.1					12 045 869		12 045 869
Due to banks and other financial institutions	22.2					54 346		54 346
Derivative financial instruments	11	58 019						58 019
Creditors and accruals	24		6 127			255 323		261 450
Gross outstanding claims							7 695	7 695
Gross unearned premium							20 127	20 127
Provision for unintimated claims	25						3 876	3 876
Tax liability							32 001	32 001
Post-employment benefit liabilities	26						31 302	31 302
Long term liabilities	27		263 505					263 505
Policyholder liabilities under insurance contracts	28						963 968	963 968
Policyholder liabilities under investment contracts	29		43 831					43 831
Total liabilities		58 019	313 463			12 355 538	1 058 969	13 785 989

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for the year ended 30 June

10 Short term funds

10.1 Cash and short term funds

N$'000	2011	2010
Coins and bank notes	213 376	205 788
Balances with central bank	198 678	194 883
Balances with other banks	16 000	54 544
Cash and short term funds	428 054	455 215
The carrying value approximates the fair value.		
Mandatory reserve balances included in above:	148 787	128 968

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear little or no interest.

10.2 Due by banks and other financial institutions

N$'000	2011	2010
Due by banks and financial institutions		
- In the normal course of business	763 051	851 182
	763 051	851 182
The carrying value approximates the fair value.		
Geographical split:		
Namibia	100 494	92
South Africa	30 406	663 229
North America	554 439	126 687
Europe	77 072	61 137
Other	640	37
	763 051	851 182

11 Derivative financial instruments

Use of derivatives
Derivative contracts are not entered into for speculative purposes by the group. For accounting purposes, derivative instruments are classified as held for trading. The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risks.

The group's derivative activities do not give rise to significant open positions in portfolios of derivatives. Positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Banking group
Interest rate derivatives comprising mainly of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to reduce the risk that the group faces due to volatile interest rates.

As mentioned above, derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

11 Derivative financial instruments continued

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, overtime.

The group uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report on pages 172 to 179 of the Annual Report ("the Risk Report").

Refer to note 37 for information on how the fair value of derivatives is determined.

	2011			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	594 980	18 362	512 119	16 355
- Forward rate agreements	396 511	10 556	313 650	8 549
- Options	198 469	7 806	198 469	7 806
Interest rate derivatives				
- Swaps	305 000	5 799	394 610	5 388
Total held for trading	899 980	24 161	906 729	21 743

	2010			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	445 862	47 486	457 737	54 625
- Forward rate agreements	440 348	38 391	452 223	45 530
- Options	5 514	9 095	5 514	9 095
Interest rate derivatives				
- Swaps	349 800	9 633	112 122	3 394
Total held for trading	795 662	57 119	569 859	58 019

Notes to the consolidated annual financial statements
for the year ended 30 June

12 Advances

N$'000	2011	2010
Sector analysis		
Agriculture	452 244	475 816
Banks and financial services	211 964	198 135
Building and property development	2 222 506	2 279 184
Government and public authorities	107 101	293 157
Individuals	7 207 518	6 397 357
Manufacturing and commerce	1 416 952	1 364 276
Mining	193 903	58 126
Transport and communication	217 072	170 620
Other services	692 676	291 445
Notional value of advances	12 721 936	11 528 116
Contractual interest suspended	(45 966)	(54 771)
Gross advances	12 675 970	11 473 345
Impairment of advances (note 13)	(211 628)	(246 685)
Net advances	12 464 342	11 226 660
Geographic analysis (based on credit risk)		
Namibia	12 464 342	11 226 660
Category analysis		
Overdrafts and managed accounts	1 507 856	1 303 790
Loans to other financial institutions	286 121	283 217
Card loans	89 319	81 184
Instalment sales	1 838 370	1 667 693
Lease payments receivable	89 757	80 621
Home loans	6 568 820	5 988 951
Term loans	1 912 394	1 756 922
Assets under agreement to resell	52 757	
Other	376 542	365 738
Notional value of advances	12 721 936	11 528 116
Contractual interest suspended	(45 966)	(54 771)
Gross advances	12 675 970	11 473 345
Impairment of advances (note 13)	(211 628)	(246 685)
Net advances	12 464 342	11 226 660

All advances are classified as loans and receivables.

Fair value of advances is disclosed in note 37.

12 **Advances** continued

N$'000	Within 1 year	Between 1 and 5 years	Total
Analysis of instalment sales and lease payments receivable			
2011			
Lease payments receivable	50 022	51 676	101 698
Suspensive sale instalments receivable	997 983	1 119 740	2 117 723
Sub total	1 048 005	1 171 416	2 219 421
Less: Unearned finance charges	(173 171)	(118 123)	(291 294)
Total	874 834	1 053 293	1 928 127
2010			
Lease payments receivable	34 021	58 026	92 047
Suspensive sale instalments receivable	760 655	1 196 240	1 956 895
Sub total	794 676	1 254 266	2 048 942
Less: Unearned finance charges	(142 592)	(158 036)	(300 628)
Total	652 084	1 096 230	1 748 314

The group has not sold or pledged any advances to third parties.

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

Unearned finance charges analysis comparative figures have been restated to reflect the changes in presentation in the current year.

Credit risk mitigation

Collateral is an important mitigant of credit risk. In accordance with the group credit risk management strategy the following principle types of collateral are held as security for monies lent by the group:

– Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and has either signed a voluntary notice of surrender or the bank has obtained judgement against the customer.
– Property finance: Collateral consists of first and second mortgages over property, as well as personal guarantees.
– Personal loans and overdrafts exposures are generally secured via cession of call deposits, investment policies, debtors and personal guarantees.
– Credit card exposures are generally unsecured.
– Agricultural finance: Collateral consist of first and second covering bonds over the farms.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non performing loan or when the group is to sell the asset on auction. Collateral is valued frequently.

The valuation at inception is based on physical inspection.

Notes to the consolidated annual financial statements
for the year ended 30 June

13 Impairment of advances

N$'000	2011 Overdrafts and managed accounts
Analysis of movement in impairment of advances per class of advance	
Opening balance	78 640
Amounts written off	(3 804)
Unwinding of discounted present value on non performing loans	(1 798)
Net new impairments created / released	(9 767)
Closing balance	63 271
New and increased provision	(9 767)
Recoveries of bad debts previously written off	(619)
Impairment (release) / loss recognised in the statement of comprehensive income	(10 386)

N$'000	2010 Overdrafts and managed accounts
Opening balance	97 823
Amounts written off	(2 238)
Unwinding of discounted present value on non performing loans	(1 084)
Net new impairments created / released	(15 861)
Closing balance	78 640
New and increased provision	(15 861)
Recoveries of bad debts previously written off	(9 936)
Impairment (release) / loss recognised in the statement of comprehensive income	(25 797)

Significant loans and advances are monitored by the credit division and are impaired according to the group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset is impaired:

- the estimated amount of collateral held against the loans and advances;
- breaches of loan covenants and conditions;
- the time period of overdue contractual payments;
- loss given default (LGD), probability of default (PD) and exposure at default (EAD);
- actuarial credit models;
- loss of employment or death of the borrower; and
- the probability of liquidation of the customer.

Where objective evidence of impairment exists impairment testing is performed based on the loss given default ("LGD"), probability of default ("PD") and exposure at default ("EAD").

2011						
Card loans	Instalment sales	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
4 458	39 466	53 925	70 196	246 685	99 700	146 985
(822)	(7 635)	(2 889)	(4 012)	(19 162)	(19 162)	
		(6 573)	(392)	(8 763)	(8 763)	
(1 086)	972	1 242	1 507	(7 132)	(7 132)	
2 550	32 803	45 705	67 299	211 628	64 643	146 985
(1 086)	972	1 242	1 507	(7 132)	(7 132)	
(48)	(3 412)	(904)	(283)	(5 266)	(5 266)	
(1 134)	(2 440)	338	1 224	(12 398)	(12 398)	

2010						
Card loans	Instalment sales	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
5 085	36 502	70 973	42 940	253 323	101 198	152 125
(409)	(7 176)	(1 709)	(1 635)	(13 167)	(13 167)	
		(8 731)	(177)	(9 992)	(9 992)	
(218)	10 140	(6 608)	29 068	16 521	21 661	(5 140)
4 458	39 466	53 925	70 196	246 685	99 700	146 985
(218)	10 140	(6 608)	29 068	16 521	21 661	(5 140)
1 446	6 022	1 143	(2 236)	(3 561)	(3 561)	
1 228	16 162	(5 465)	26 832	12 960	18 100	(5 140)

Notes to the consolidated annual financial statements
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13 Impairment of advances continued

N$'000	2011 Total value including interest in suspense	Security held	Specific impairments	Contractual interest suspended
Non performing lendings by sector				
Agriculture	13 783	10 470	1 018	1 643
Banks and financial services	1 717		1 230	243
Building and property development	52 792	18 858	15 252	10 842
Government and public authorities				
Individuals	145 370	79 681	36 077	23 896
Manufacturing and commerce	6 468	1 020	2 739	960
Mining	467		348	59
Transport and communication	1 395		910	247
Other	35 940	13 990	7 069	8 076
Total non performing lendings	257 932	124 019	64 643	45 966
Non performing lendings by category				
Overdrafts and managed accounts	30 059	7 940	9 900	8 004
Card loans	3 610		2 009	801
Instalment sales	20 465	1 061	10 653	3 727
Lease payments receivable	6 019	2 510	2 453	528
Home loans	174 365	102 006	34 175	28 297
Term loans	15 639	10 502	5 300	4 051
Other	7 775		153	558
Total non performing lendings	257 932	124 019	64 643	45 966
Non performing lendings by geographical area				
Namibia	257 932	124 019	64 643	45 966
Net recoverable amount of non performing loans:	124 019			

13 Impairment of advances continued

N$'000	Total value including interest in suspense (2010)	Security held (2010)	Specific impairments (2010)	Contractual interest suspended (2010)
Non performing lendings by sector				
Agriculture	8 223	7 363	759	1 156
Banks and financial services	2 561	1 820	532	365
Building and property development	75 921	36 405	24 457	15 621
Government and public authorities	1 060	27	659	375
Individuals	157 364	92 945	57 357	34 098
Manufacturing and commerce	26 074	11 674	12 514	2 068
Mining	365		360	4
Transport and communication	5 109	1 765	2 015	666
Other	2 951	1 517	1 047	418
Total non performing lendings	279 628	153 516	99 700	54 771
Non performing lendings by category				
Overdrafts and managed accounts	81 660	32 988	41 085	14 847
Card loans	3 458		3 917	468
Instalment sales	27 964	1 220	18 355	6 115
Lease payments receivable	7 506	1 769	1 414	415
Home loans	133 173	109 071	27 080	26 808
Term loans	25 867	8 468	7 849	6 118
Total non performing lendings	279 628	153 516	99 700	54 771
Non performing lendings by geographical area				
Namibia	279 628	153 516	99 700	54 771
Net recoverable amount of non performing loans:	153 516			

Notes to the consolidated annual financial statements
for the year ended 30 June

14 Investment securities

N$'000	Held for trading (2011)	Designated at fair value through profit or loss (2011)	Available-for-sale (2011)	Loans and receivables (2011)	Total (2011)
Total					
Equities		1 382	12 273		13 655
Negotiable certificates of deposit				53 626	53 626
Treasury bills	2 990		1 079 098		1 082 088
Other government and government guaranteed stock	61 329		311 963		373 292
Other dated securities			57 161		57 161
Unit trust investments		36 873	26 831		63 704
Total	64 319	38 255	1 487 326	53 626	1 643 526
Listed					
Equities		1 382	12 273		13 655
Other government and government guaranteed stock	61 329		311 963		373 292
Other dated securities			7 350		7 350
	61 329	1 382	331 586		394 297
Unlisted					
Negotiable certificates of deposit				53 626	53 626
Treasury bills	2 990		1 079 098		1 082 088
Other dated securities			49 811		49 811
Unit trust investments		36 873	26 831		63 704
	2 990	36 873	1 155 740	53 626	1 249 229

14 Investment securities continued

N$'000	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
	2010				
Total					
Equities	364 459	1 257	11 591		377 307
Negotiable certificates of deposit				247 105	247 105
Treasury bills	51 720		603 414		655 134
Other government and government guaranteed stock			243 303		243 303
Other dated securities			285 322		285 322
Unit trust investments		58 752	21 686		80 438
RMB Asset Management Namibia managed portfolio	622 736				622 736
Other and money market investments	103			288 211	288 314
Total	1 039 018	60 009	1 165 316	535 316	2 799 659
Listed					
Equities	364 459	1 257	11 591		377 307
Other government and government guaranteed stock			243 303		243 303
Other dated securities			7 088		7 088
	364 459	1 257	261 982		627 698
Unlisted					
Negotiable certificates of deposit				247 105	247 105
Treasury bills	51 720		603 414		655 134
Other dated securities			278 234		278 234
Unit trust investments		58 752	21 686		80 438
RMB Asset Management Namibia managed portfolio	622 736				622 736
Other and money market investments	103			288 211	288 314
	674 559	58 752	903 334	535 316	2 171 961

Notes to the consolidated annual financial statements
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14 Investment securities continued

Analysis of investment securities

N$'000	2011	2010
Listed		
Equities	13 655	377 307
Debt	380 642	250 391
	394 297	627 698
Unlisted		
Debt	1 249 229	2 171 961
Total	1 643 526	2 799 659
Valuation of investments		
Market value of listed investments	394 297	627 698
Directors valuation of unlisted investments	1 249 229	2 172 966
Total valuation	1 643 526	2 800 664

The directors' valuation of unlisted investments is considered to approximate fair value.

Refer to note 37 on fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators requirements. The total liquid asset portfolio is N$1 609 million (2010: N$1 455 million).

15 Accounts receivable

N$'000	2011	2010
Accounts receivable		
- Items in transit	71 852	27 043
- Deferred staff cost	39 128	38 931
- Premium debtors	1 392	24 465
- Other accounts receivable	22 746	27 171
Accounts receivable	135 118	117 610

Information about the credit quality of the above balances is set out in the risk management note 41.

The carrying value of accounts receivable approximates the fair value.

16 Investments in associates

16.1 Details of investments in associates

All associate companies are unlisted.	Nature of business	Issued ordinary share capital N$	Number of ordinary shares held 2011	Number of ordinary shares held 2010	Year end
Avril Payment Solutions (Pty) Ltd	Payroll administrators	10 000	1 000	1 000	28 February
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance brokers	5	2	2	30 June
Namclear (Pty) Ltd	Interbank clearing house	4	1	1	31 December

16.2 Effective holdings and carrying amounts in associate companies

	Effective holding %		Group carrying amount		Group costs less amounts written off	
N$'000	2011	2010	2011	2010	2011	2010
Avril Payment Solutions (Pty) Ltd	10	10	578	468	1	1
FNB Insurance Brokers (Namibia) (Pty) Ltd	40	40	22 298	19 558	17 702	17 702
Namclear (Pty) Ltd	25	25	1 820	2 568	1 154	1 154
RMB Asset Management (Namibia) (Pty) Ltd*		50				
Total			24 696	22 594	18 857	18 857

16.3 Detail information of associate companies

N$'000	2011	2010
Carrying value at beginning of the year	22 594	21 464
Net reduction in investment in associates		(726)
Share of associate earnings	4 951	5 189
Dividends received	(2 849)	(3 333)
Carrying value	24 696	22 594
Valuation		
Unlisted investments at directors' valuation	24 696	22 594

Notes to the consolidated annual financial statements

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16 Investments in associates continued

16.4 Summarised financial information of associate companies

	Total		Avril Payment Solutions (Pty) Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd		RMB Asset Management (Namibia) (Pty) Ltd	
N$'000	2011	2010	Audited Feb 2011	Audited Feb 2010	Un-audited Jun 2011	Audited Jun 2010	Un-audited Jun 2011	Un-audited Jun 2010	2011	Audited June 2010
Statement of financial position										
Non-current assets	20 149	22 657	90	201	16 085	18 447	3 974	3 991	n/a	18
Current assets	71 678	56 577	7 095	5 066	48 419	34 943	16 164	14 139	n/a	2 429
Current liabilities	(56 608)	(50 764)	(460)	(1 232)	(44 823)	(39 839)	(11 325)	(6 404)	n/a	(3 289)
Non-current liabilities	(31)	(1 164)	(31)	(63)				(1 101)	n/a	
Equity	35 188	27 306	6 694	3 972	19 681	13 551	8 813	10 625		(842)
Share of profits from associates										
After tax profit attributable to the group	4 951	5 189	1 958	1 111	2 740	3 887	253	191		

Refer note 36.3 for details on loans to / (from) related parties.

*Momentum Life Assurance Namibia Ltd acquired 100% shareholding in RMB Asset Management (Namibia) (Pty) Ltd during the year.

The most recent audited annual financial statements of associates are used by the group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the group. In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the group, the effect of such events are adjusted for, where material. Where the last financial statement date of an associate was more than three months before the financial statement date of the group, the group uses the unaudited management accounts of the associate. The group has applied this principle consistently since adopting the equity accounting method for associates.

17 Property and equipment

N$'000	2011 Cost	2011 Accumulated depreciation and impairments	2011 Carrying amount	2010 Cost	2010 Accumulated depreciation and impairments	2010 Carrying amount
Property						
Freehold land and buildings	191 241	(33 972)	157 269	180 775	(33 382)	147 393
Leasehold property	30 869	(21 428)	9 441	28 218	(15 546)	12 672
	222 110	(55 400)	166 710	208 993	(48 928)	160 065
Equipment						
Computer equipment	84 085	(52 220)	31 865	80 722	(41 404)	39 318
Furniture and fittings	90 041	(36 067)	53 974	79 331	(31 055)	48 276
Motor vehicles	6 263	(2 758)	3 505	8 188	(3 788)	4 400
Office equipment	50 166	(26 885)	23 281	36 889	(21 924)	14 965
	230 555	(117 930)	112 625	205 130	(98 171)	106 959
Total	452 665	(173 330)	279 335	414 123	(147 099)	267 024

Movement in property and equipment - carrying amount

	Freehold land and buildings	Leasehold property	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Carrying amount at 30 June 2009	138 848	11 498	29 875	40 951	4 065	11 169	236 406
Additions	36 362	27	15 168	3 871	945	2 784	59 157
Depreciation charge (continuing operations)		(5 234)	(5 614)	(6 707)	(193)	(4 072)	(21 820)
Depreciation charge (discontinued operations)			(187)	(111)	(352)	(57)	(707)
Transfer between classes	(22 315)	6 381	138	10 623		5 173	
Transfer to repairs and maintenance	(5 502)						(5 502)
Disposals			(62)	(351)	(65)	(32)	(510)
Carrying amount at 30 June 2010	147 393	12 672	39 318	48 276	4 400	14 965	267 024
Additions	33 702	4	5 163	4 351	722	9 800	53 742
Acquisitions of subsidiaries			1	17			18
Transfer to non current assets held for sale			(263)	(712)	(1 164)	(227)	(2 366)
Depreciation charge	(1 791)	(5 913)	(12 642)	(7 244)	(224)	(6 209)	(34 023)
Transfer between classes	(17 685)	2 678	496	9 530		4 981	
Transfer to repairs and maintenance	(4 338)						(4 338)
Disposals	(12)		(208)	(244)	(229)	(29)	(722)
Carrying amount at 30 June 2011	157 269	9 441	31 865	53 974	3 505	23 281	279 335

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17 Property and equipment continued

The useful life of each asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful life of the individual assets:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property	
- Buildings and structures	50 years
- Mechanical and electrical	20 years
- Components	20 years
- Sundries	20 years
Computer equipment (including atm's)	3 - 5 years
Furniture and fittings	3 - 10 years
Motor vehicles	5 years
Office equipment	3 - 6 years

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information will be open for inspection in terms of the provisions of section 120 of the Companies Act, 2004.

No assets were encumbered at 30 June 2011 nor 30 June 2010.

18 Intangible assets

N$ '000	2011 Cost	2011 Accumulated amortisation and impairments	2011 Carrying amount	2010 Cost	2010 Accumulated amotisation and impaiments	2010 Carrying amount
Trademarks	88 308	(84 289)	4 019	111 768	(93 658)	18 110
Goodwill	100		100	100		100
Software	34 016	(21 020)	12 996	34 016	(10 862)	23 154
Agency force				1 893	(1 893)	
Value of in-force business				28 883	(13 887)	14 996
Total	122 424	(105 309)	17 115	176 660	(120 300)	56 360

Movement in intangibles - carrying amount

	Trademarks	Goodwill	Software	Value of in-force business	Total
Carrying amount at 30 June 2009	39 520	100	4 929	14 397	58 946
Additions			27 162	6 344	33 506
Amortisation charge (continuing operations) (note 6)	(18 059)		(8 937)		(26 996)
Amortisation charge (discontinued operations)	(3 351)			(5 745)	(9 096)
Carrying amount at 30 June 2010	18 110	100	23 154	14 996	56 360
Additions					
Amortisation charge (note 6)	(4 036)		(10 158)		(14 194)
Transfer to non current assets held for sale	(10 055)			(14 996)	(25 051)
Carrying amount at 30 June 2011	4 019	100	12 996		17 115

The useful life of each intangible asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful lives of the individual intangible assets.

Software	3 years
Trademarks	10 - 20 years
Other	3 - 10 years

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for the year ended 30 June

18 Intangible assets continued

Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.

The CGU's to which the goodwill balance as at 30 June 2011 and 30 June 2010 relates to is FNB Namibia Unit Trust Company Ltd.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

The group assessed the recoverable amount of goodwill, and determined that no write down of the carrying amount was necessary.

	Discount rate		Growth rate	
	2011	2010	2011	2010
FNB Namibia Unit Trusts Limited	15.00%	15.50%	8%	8%

19 Deferred tax

N$'000	2011	2010
19.1 The movement on the deferred tax account is as follows:		
Deferred tax liability		
Opening balance	117 918	140 770
- Tax rate adjustment		(4 022)
- Charge to profit and loss component of the statement of comprehensive income	5 449	(16 999)
- Deferred tax on amounts charged directly to other comprehensive income	162	(1 831)
Total credit balance	123 529	117 918
Deferred tax asset		
Opening balance	(123 803)	(122 680)
- Tax rate adjustment		4 312
- Charge to profit and loss component of the statement of comprehensive income	3 747	(5 435)
Total debit balance	(120 056)	(123 803)
Net balance for the year for entities with deferred tax (assets) / liabilities	3 473	(5 885)
Deferred tax liability		
Opening balance		5
- Tax rate adjustment		
- Charge to profit and loss component of the statement of comprehensive income	73	(5)
Total credit balance	73	
Deferred tax asset		
Opening balance		(513)
- Charge to profit and loss component of the statement of comprehensive income	(2 451)	513
- Deferred tax on amounts charged directly to other comprehensive income		
Total debit balance	(2 451)	
Net balance for the year for entities with deferred tax assets	(2 378)	
Total net deferred tax balance	1 095	(5 885)

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is a legal right to set-off.

Notes to the consolidated annual financial statements
for the year ended 30 June

19 Deferred tax continued

19.2 Deferred tax assets and liabilities and deferred tax charge / (credit) in the comprehensive income are attributable to the following items:

N$'000	2011 Opening balance	2011 Originating /(reversing) differences	2011 Closing balance	2010 Opening balance	2010 Originating /(reversing) differences	2010 Closing balance
Deferred tax liabilities						
Instalment credit agreements	(48 820)	(2 921)	(51 741)	(75 747)	26 927	(48 820)
Accruals	(21 094)	(1 356)	(22 450)	(26 082)	4 988	(21 094)
Deferred staff costs	(15 183)	1 879	(13 304)	(15 629)	446	(15 183)
Property and equipment	(29 979)	(3 375)	(33 354)	(22 091)	(7 888)	(29 979)
Fair value adjustments of financial instruments	(2 842)	162	(2 680)	(1 011)	(1 831)	(2 842)
Other				(210)	210	
Total net deferred tax liabilities	(117 918)	(5 611)	(123 529)	(140 770)	22 852	(117 918)
Deferred tax assets						
Provision for loan impairment	37 481		37 481	39 933	(2 452)	37 481
Post retirement benefits	10 583	1 195	11 778	7 573	3 010	10 583
Other	75 739	(4 942)	70 797	75 174	565	75 739
Total net deferred tax asset	123 803	(3 747)	120 056	122 680	1 123	123 803
Net deferred tax (liabilities) / assets	5 885	(9 358)	(3 473)	(18 090)	23 975	5 885
Deferred tax liabilities						
Property and equipment		(73)	(73)	(5)	5	
Other		2 451	2 451	513	(513)	
Total net deferred tax liabilities		2 378	2 378	508	(508)	
Net deferred tax assets		2 378	2 378	508	(508)	
Total deferred tax (liabilities) / asset	5 885	(6 980)	(1 095)	(17 582)	23 467	5 885
Charge through profit and loss		7 142			(25 298)	
Deferred tax on other comprehensive income		(162)			1 831	
		6 980			(23 467)	

20 Reinsurance assets

N$'000	2011	2010
Short term reinsurance contracts	425	642
Long term reinsurance contracts		49 438
Total reinsurance contracts	425	50 080

Information about the credit quality of the above balances is provided in the risk management note 41.

21 Non current assets and disposal group held for sale

21.1 Disposal group held for sale and discontinued operations relating to the sale of Momentum Namibia

During the current financial year, the group took a decision to sell its shareholding in Momentum Namibia.

The pending transaction resulted in FNB Namibia classifying Momentum Namibia as a disposal group held for sale in line with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). The assets and liabilities attributable to Momentum Namibia, classified as held for sale, have been separately disclosed on the statement of financial position. In addition, Momentum Namibia qualifies as a discontinued operation as it is a component of FNB Namibia that has been classified as held for sale and represents a separate major line of business. In line with the requirements of IFRS 5, the income and expenses relating to Momentum Namibia have been presented in the statement of comprehensive income as a single amount relating to the after tax profit and other comprehensive income relating to discontinued operations.

It is anticipated that the sale transaction will be completed by the end of November 2011.

Discontinued operations

Income and expenses recognised in the statement of comprehensive income relating to the discontinued operations of Momentum Namibia:

N$'000	2011	2010
Interest and similar income	62 962	50 592
Net interest income	62 962	50 592
Non interest income	98 615	70 104
Net insurance premium income	197 348	165 056
Net claims and benefits paid	(117 956)	(100 597)
Increase in value of policyholder liabilities: insurance contracts	(6 517)	(38 040)
Fair value adjustment of policyholder liabilities: investment contracts	(40 266)	2 525
Income from operations	194 186	149 640
Operating expenses	(107 583)	(84 381)
Income before tax	86 603	65 259
Indirect tax	(4 130)	(3 552)
Profit before tax	82 473	61 707
Direct tax	(7 681)	(5 939)
Profit after tax	74 792	55 768
Other comprehensive income		
Loss on available-for-sale financial assets	(253)	
Total comprehensive income for the year	74 539	55 768

At the date that Momentum Namibia was classified as held for sale, its fair value less cost to sell exceeded its consolidated carrying value and no gain or loss was recognised on the classification date.

N$'000	2011	2010
Cash flow information		
Net cash flow from operating activities	153 544	3 914
Net cash flow from investing activities	(1 433)	(7 472)
Net cash flow from financing activities	(73 500)	
Total cash flow	78 611	(3 558)

Notes to the consolidated annual financial statements
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21 Non current assets and disposal group held for sale continued

Statement of financial position of Momentum Namibia group held for sale

N$'000	2011	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities
Assets							
Cash and short term funds	26 094			26 094			
Investment securities	1 256 870	1 054 919			201 951		
Accounts receivable	37 594			37 594			
Property and equipment	2 919						2 919
Intangible assets	16 015						16 015
Policy loans on investments contracts	24 617			24 617			
Reinsurance assets	17 620						17 620
Total assets classified as disposal group held for sale	1 381 729	1 054 919		88 305	201 951		36 554
Liabilities							
Creditors and accruals	38 434					38 434	
Gross outstanding claims	2 354						2 354
Tax liability	1 232						1 232
Post-employment benefit liabilities	286						286
Policyholder liabilities under insurance contracts	937 369						937 369
Policyholder liabilities under investment contracts	94 494		94 494				
Total liabilities classified as disposal group held for sale	1 074 169		94 494			38 434	941 241
Net assets of disposal group held for sale	307 560						

For additional information on how the fair value of financial instruments designated at fair value through profit or loss has been determined, refer to note 37.

Refer to notes 28 and 29 for additional information on the measurement of policyholder liabilities under insurance and investment contracts.

21.2 Non current assets held for sale

N$'000	2011	2010
Land and buildings		
Property and equipment (classified as held for sale in 2009)		753

The property held for sale at the end of last year was sold during the year, and consisted of surplus office buildings. No impairment loss was recognised on the reclassification of the properties held for sale. The properties were part of the banking operations segment.

22 Deposits

22.1 Deposits and current accounts

N$'000	2011 At amortised cost	2010 At amortised cost
From customers	10 615 999	9 908 575
- Current accounts	8 258 650	7 346 552
- Savings accounts	355 308	318 915
- Term deposits	2 002 041	2 243 108
Other deposits		
- Negotiable certificates of deposit	2 689 608	2 137 294
Total deposits and current accounts	13 305 607	12 045 869

The fair values of deposits and current accounts are disclosed in note 37.

Geographical split: Namibia	13 305 607	12 045 869

22.2 Due to banks and other financial institutions

N$'000	2011 At amortised cost	2010 At amortised cost
To banks and financial institutions		
- In the normal course of business	43 910	54 346
Fair value of balance disclosed	43 910	54 346
Geographical split:		
Namibia	43 910	54 346

Notes to the consolidated annual financial statements
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23 Short trading positions

N$'000	2011	2010
Government and government guaranteed stock	51 889	
Short trading securities	51 889	

Short trading positions are carried at fair value.

24 Creditors and accruals

N$'000	2011	2010
Accounts payable and accrued liabilities	194 317	211 349
Items in transit	119 441	43 932
Preference dividends payable		42
Short term portion of long term liabilities (note 27)	6 127	6 127
Creditors and accruals	319 885	261 450

The carrying value of creditors and accruals approximates the fair value.

25 Provision for unintimated claims

N$'000	2011	2010
Opening balance	3 876	2 740
Charge to the statement of comprehensive income (note 5)	1 042	1 136
Closing balance	4 918	3 876

This provision is raised for possible claim incidents incurred before year-end but only reported there-after, relating to the short term insurance industry.

26 Post-employment benefit liabilities

1) The group has a liability to subsidise the post retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

The actuarial method used to value the liabilities is the project unit credit method prescribed by IAS 19 *Employee Benefits.* The liability is measured as the present value of the group share of contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2) A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if they die while employed.

The severance pay liability is unfunded and is valued using the project unit credit method prescribed by IAS 19 *Employee Benefits.*

The actuarial valuations are done on an annual basis.

	2011			2010		
N$ '000	Medical	Severance Pay	Total	Medical	Severance Pay	Total
Present value of unfunded liabilities	30 016	4 200	34 216	28 455	3 156	31 611
Unrecognised actuarial losses / (gains)	367		367	(309)		(309)
Post-employment benefit liabilities	30 383	4 200	34 583	28 146	3 156	31 302
The amounts recognised in the statement of comprehensive income are as follows:						
Current service cost	170	919	1 089	4 322	214	4 536
Past service cost	1 137	4	1 141		2 906	2 906
Interest cost	2 541	283	2 824	2 389	296	2 685
Net actuarial (gains) / losses recognised	(418)		(418)	759	(260)	499
Total included in staff costs (including discontinued operations)	3 430	1 206	4 636	7 470	3 156	10 626
Movement in post-employment liabilities						
Present value at the beginning of the year	28 146	3 156	31 302	21 671		21 671
Amounts recognised in the profit and loss as above	3 430	1 206	4 636	7 470	3 156	10 626
Transfer to non current liabilities held for sale	(87)	(87)	(174)			
Benefits paid	(1 106)	(75)	(1 181)	(995)		(995)
Present value at the end of the year	30 383	4 200	34 583	28 146	3 156	31 302
Expected amounts to be recognised in the statement of comprehensive income in following financial year	1 258	703	1 961	1 866	517	2 383
The principal actuarial assumptions used for accounting purposes were:						
Discount rate (%)	8.51%	8.51%		9.04%	8.94%	
Medical aid inflations (%)	7.51%			8.02%		
Salary inflations (%)		7.01%			7.44%	

Notes to the consolidated annual financial statements
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26 Post-employment benefit liabilities continued

The effects of a 1% movement in the assumed costs were as follows:

	Health costs	Salary cost	Health costs	Salary cost
Increase of 1%				
Effect on the aggregate of the current service cost and interest cost	426	81	388	84
Effect on the defined benefit obligation	4 429	419	3 942	318
Decrease of 1%				
Effect on the aggregate of the current service cost and interest cost	340	70	313	72
Effect on the defined benefit obligation	3 555	370	3 193	279
Mortality rate The average life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:				
Male	19	n/a	20	n/a
Female	23	n/a	19	n/a
Employees covered	129	1 732	131	1 791

Five year analysis on post retirement medical plans (projected)

	N$'000
As at 30 June 2012	31 643
As at 30 June 2013	32 967
As at 30 June 2014	34 369
As at 30 June 2015	35 817
As at 30 June 2016	37 355

26.2 Defined contribution pension fund

N$'000	2011	2010
Employer contribution to pension fund	35 440	31 106
Employer contribution to pension fund - executive director	274	256
Total employer contributions to pension fund (including discontinued operations)	35 714	31 362
Employees contribution to pension fund	15 762	12 338
Total contributions	51 476	43 700
Number of employees covered	1 803	1 746

The group provides for retirement benefits by making payments to a pension fund, which is independent of the group and was registered in Namibia in 1995 in accordance with the requirements of the Pension Funds' Act. The fund is a defined contribution fund and is subject to the Pension Funds' Act (No 24 of 1956). The last valuation was performed for the year ended 30 June 2010 and indicated that the fund was in a sound financial position.

During the year, the group recognised the pension fund surplus attributable to the employer as approved by the Registrar of Pension Fund, amounting to N$ 4.9 million (2010: N$35 million), including amounts relating to discontinued operations. The surplus was utilised to fund the employer contributions to the pension fund.

The pension fund is a related party to the group.

27 Long term liabilities

N$'000	2011	2010
FNB 17 fixed rate notes	260 000	260 000
Accrued interest	6 227	5 957
	266 227	265 957
Fair value adjustment (financial liability elected fair value)	4 391	3 675
Fair value	270 618	269 632
Less portion payable within 12 months transferred to current liabilities (note 24)	(6 127)	(6 127)
	264 491	263 505
Fair value adjustment for the year	(716)	(2 307)

On 29 March 2007, First National Bank of Namibia Limited issued N$260 million subordinated, unsecured callable notes, with a maturity date of 29 March 2017. The notes are callable by First National Bank of Namibia Limited on 29 March 2012. The coupon rate is fixed at 9.15% per annum, payable semi annually on 29 March and 29 September, until the optional redemption date 29 March 2012. Should the notes not be redeemed, then interest is payable thereafter at the floating rate of Namibian 3 months Treasury Bill rate + 1.5%.

These notes are listed on the Namibian Stock Exchange. The fair value is calculated based on quoted market prices.

An accounting mismatch would arise if the debt securities in issue were accounted for at amortised cost, because the related derivative, an interest rate swap, is measured at fair value with movements in the fair value taken through the statement of comprehensive income. By designating the long term debt at fair value, the movement in the fair value of the long term debt will be recorded in the profit or loss section of the statement of comprehensive income.

The fair value movement of the bond attributable to changes in credit risk is N$ Nil (2010: N$ Nil) for the group. The change in fair value of the designated financial liability attributable to changes in credit risk has been calculated by reference to the change in credit risk implicit in the market value of the bond.

The amount that would contractually be paid at maturity for financial liabilities designated at fair value through profit and loss for the group is N$260 million (2010: N$260 million), N$ 4.4 million (2010: N$3.7 million) lower than the carrying amount.

Refer to note 37, fair value of financial instruments for the methodologies used to determine the fair value of long term liabilities.

Notes to the consolidated annual financial statements
for the year ended 30 June

28 Policyholder liabilities under insurance contracts

N$'000	2011	2010
Balance at the beginning of the year	963 968	927 304
- Increase in retrospective liabilities (discontinued operation)	6 517	38 040
- Unwind of discount rate	8 955	23 802
- New business	30 554	35 400
- Change in economic assumptions	(1 302)	(5 913)
- Expected cash flows	(12 859)	(56 113)
- Expected release of margins	(100 678)	(61 850)
- Expected variances	(83 238)	50
Premiums received on insurance contracts	192 817	182 710
Policyholder benefits on insurance contracts	(111 649)	(107 961)
Fair value adjustments on insurance contracts	83 917	27 915
Reinsurance (net)		(1 376)
Transfer between investment contracts	(33 116)	
Transfer to non current assets held for sale (note 21.1)	(937 369)	
Balance at the end of the year		963 968
Insurance contracts with discretionary participation features		488 470
Insurance contracts without discretionary participation features		426 060
Net policyholder liabilities under insurance contracts		914 530
Actuarial liabilities under unmatured policies comprise the following:		
Linked (market related) business - Individual life		116 145
Smoothed bonus business - Individual life		398 735
Annuities business		310 026
Life business		
- Individual life		89 624
		914 530

The amounts above are based on the actuarial valuations of Momentum Life Assurance Namibia Limited at 30 June 2011. Below are the main assumptions that were used in determining the liabilities in respect of insurance contracts as at 30 June 2011 (note 21.1).

Best estimate valuation assumptions

Economic assumptions

Risk-free return

The ten-year zero-coupon risk-free yield, derived from S.A. government bonds, is used as the starting point to determine the gross valuation interest rate for Namibian Dollar (NAD) denominated business.

	2011	2010
ZAR ten-year zero-coupon risk-free yield	8.51%	8.94%

Valuation interest rate

The gross valuation interest rate of 8.30% (2010: 10.50%) per annum for NAD denominated business was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities and bonds.

	2011	2010
Notional portfolio used as at 30 June:		
- Equities	20%	60%
- Government bonds	80%	40%
Assumed performance of other asset classes relative to government bonds:		
- Equities (including overseas equities)	+3.5% p.a	+3.5% p.a

Rounding to the nearest 0,25% was performed.

28 Policyholder liabilities under insurance contracts continued

Inflation

An expense inflation rate of 6.58% (2010: 6.56%) per annum for NAD denominated business was used to project future renewal expenses. The NAD inflation rate was derived by deducting the 10-year real return on CPI-linked R197 government bonds of 2.52% (2010: 2.98%) from the risk-free rate.

Tax

To provide for tax, the gross valuation interest rate expected to be earned in future was reduced appropriately for taxable business and retirement annuity business. These reductions in the investment return represent the expected tax payable on the assumed investment return on the notional policyholders' portfolio.

Mortality, morbidity and terminations

Demographic assumptions, such as those in respect of future mortality, disability and persistency rates are set based by calibrating standard tables to internal experience investigations. The investigations are performed and assumptions set for individual product lines, but ensuring that assumptions are consistent where experience is not expected to deviate between product lines.

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in July 2010. The investigations covered a period of five years, from 2004 to 2009. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance notes PGN 102 (Mar 1995): Life Offices - HIV/AIDS and PGN 105 (Mar 2007): Recommended AIDS extra mortality bases, issued by the Actuarial Society of South Africa.

Expenses

The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2011. The allocation distinguished between renewal and acquisition costs.

Expenses expected to be once-off in nature or not relating to long-term insurance business were removed from the actual expenses.

Asset management expenses were expressed as an annual percentage of assets under management.

Policyholder bonuses

Future additions of discretionary bonuses to smoothed bonus (universal life) policies have been projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and tax.

On conventional policies, it is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

Notes to the consolidated annual financial statements
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28 Policyholder liabilities under insurance contracts continued

N$'000

Compulsory margins

The compulsory margins to best-estimate assumptions are detailed in actuarial professional guidance note PGN104 and are intended to provide a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely. The following prescribed margins were applied to the best estimate assumptions applicable to individual life business:

Assumption	Margin	
- Mortality	7.5%	- increase to assumption for assurance
- Morbidity	10%	- increase to best-estimate assumption
- Medical	15%	- increase to best-estimate assumption
- Lapses	25%	(e.g. if best estimate is 10%, the margin is 2.5%) - increase or decrease, depending on which alternative increases liabilities
- Surrenders	10%	- increase or decrease, depending on which alternative increases liabilities
- Terminations for disability	10%	- decrease to best-estimate assumption
- Income benefits in payment	10%	- decrease to best-estimate assumption
- Expenses	10%	- increase to best-estimate assumption
- Expense inflation	10%	(of estimated escalation rate) - increase to best-estimate assumption
- Charge against investment return	- 25 basis points	reduction in the management fee or an equivalent asset-based or investment performance-based margin;
	- 25 basis points	reduction in the management fee or an equivalent asset-based or investment performance-based margin;

Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature capitalisation of profit. The specific discretionary margins that are added to the best-estimate assumptions are as follows:

An additional HIV/AIDS reserve equal to 15% of mortality reserves are held to protect against an unanticipated worsening of mortality experience due HIV/AIDS experience.

An additional data reserve equal to 15% of the value of the investment units held by policyholders are held to protect against possible losses due to data discrepancies.

An investment stabilisation reserve is held for protection against negative movements in the market. Its level remained unchanged over the valuation period.

29 Policyholder liabilities under investment contracts

N$'000	2011	2010
Balance at the beginning of the year	43 831	36 066
Fair value adjustment to policyholder liabilities under investment contracts (discontinued operation)	40 266	(2 525)
Deposits received on investment contracts	28 167	17 655
Withdrawals on investment contracts	(13 289)	(3 547)
Fees on investment contracts	(4 481)	(3 818)
Transfer to non current assets held for sale (note 21.1)	(94 494)	
Balance at the end of the year		43 831
Investment contracts with discretionary participation features		43 831
Total policyholder liabilities under investment contracts		43 831

2010	Total	Shorter than 1 year	Between 1 and 5 years
Linked (market related) business			
- Individual life	27 658	2 957	24 701
Smoothed bonus business			
- Individual life	16 173	3 928	12 245
Total policyholder liabilities under investment contracts	43 831	6 885	36 946

Notes to the consolidated annual financial statements
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30 Share capital and share premium

N$'000	2011	2010
Authorised		
990 000 000 (2010: 990 000 000) ordinary shares with a par value of 0.5 cents per share	4 950	4 950
10 000 000 (2010: 10 000 000) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	50	50
	5 000	5 000
Issued		
267 593 250 (2010: 267 593 250) ordinary shares with a par value of 0.5 cents per share	1 338	1 338
2 (2010: 2) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share		
Elimination		
- shares held by FNB Namibia share trusts	(44)	(47)
	1 294	1 291
Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.		
Share premium	187 898	191 695

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity. The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

31 Other reserves

N$'000	2011	2010
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	5 529	4 057
	5 529	4 057

A detailed reconciliation of the movements in the respective reserve balances is set out in the statement of changes in equity.

32 Remuneration schemes

	2011	2010
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Share Incentive Trust	2 831	2 083
BEE Staff Incentive Scheme		65
Total of share trusts	2 831	2 148
Employees with FirstRand share options and share appreciation rights	2 246	1 293
Charge against staff costs (note 6)	5 077	3 441
BEE consortium share option cost (note 6)		1 199
Charge to statement of comprehensive income	5 077	4 640

Share option schemes
FNB Namibia Holdings Ltd options are equity settled, except for the FirstRand Limited share appreciation scheme which is cash settled. The following is a summary of the share incentive schemes:

FNB and FirstRand Share Incentive Scheme
The purpose of this scheme is to provide a facility to employees of the FNB Namibia Holdings Group to acquire shares in FNB Namibia Holdings Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain employees within the FNB Namibia Holdings Group.

For options allocated, delivery may only be taken by the participant 3, 4 and 5 years after the option is exercised at a rate of 33.3% per annum.

The group does not have a exposure to market movement on its own shares as all options are hedged through a share incentive trust that houses the shares until the options are exercised or expires.

BEE Share Incentive Scheme
The group is firmly committed to the process of achieving transformation in Namibia. The group specifically wishes to ensure that the long-term benefits of the BEE transaction reach the widest possible community of black Namibians.

FirstRand Bank Holdings Ltd made available 13 379 663 shares, representing 5% of its investment in FNB Namibia Holdings Ltd at the time, to a BEE transaction. Of this total number, 4% was allocated to BEE partners and 1% was allocated to black employees and black non-executive directors. The 1% allocation to staff includes a number of shares to be put separately into a trust of which the dividend income is to support educational needs of such staff members and their family members. The rest of the 1% allocation is used, through a trust, to allocate options to staff members.

Vesting conditions as follows:
- Black staff and black non-executive directors:

50% after year 3 and 25% per year in years 4 and 5 respectively.

- BEE Partners:

Upon meeting certain performance criteria, share options will vest 1/5th every year over a minimum period of 5 years. The fourth and fifth tranche vested and was exercised during the year.

Valuation methodology

Share incentive scheme
Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

Market data consists of the following:
- Volatility is the expected volatility over the period of the option. In the absence of other available date, historical volatility can be used as a proxy for expected volatility.
- The interest rate is the risk-free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

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32 Remuneration schemes continued

Dividend data of the following:

- The last dividend paid is the N$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 expenses for the year under review are:

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2011	2010	2011	2010
Weighted average share price (N$)	517 - 1226	517 - 1180	700	700
Expected volatility (%)	4 - 17	4 - 17	7	7
Expected option life (years)	5	5	5	5
Expected risk free rate (%)	7.05 - 9.47	7.05 - 9.47	9	9

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2011	2010	2011	2010
Share option schemes				
Number of options in force at the beginning of the year ('000)	9 797	7 726	446	892
Granted at prices ranging between (cents)	517 - 1155	517 - 1155	517	517
Number of options granted during the year ('000)	2 296	2 829		
Granted at prices ranging between (cents)	1226	1180		
Number of options exercised/released during the year ('000)	(1 294)	(586)	(384)	(446)
Market value range at the date of exercise/release (cents)	517-1226	1180	1226	1180
Number of options cancelled/lapse during the year ('000)	(595)	(172)		
Granted at prices ranging between (cents)	517 - 1226	517 - 1180		
Number of options in force at the end of the year ('000)	10 204	9 797	62	446
Granted at prices ranging between (cents)	517 - 1226	517 - 1180	517	517
Options are execercisable over the following periods: (first date able to release)				
Financial year 2011		1 533		446
Financial year 2012	2 396	2 351	62	
Financial year 2013	2 738	2 815		
Financial year 2014	2 003	2 155		
Financial year 2015	1 606	943		
Financial year 2016	726			
Financial year 2017	735			
Total	10 204	9 797	62	446

33 Cash flow information

N$'000	2011	2010
33.1 Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	705 495	605 037
Adjusted for:		
- Share of earnings from associate companies after impairment losses	(4 951)	(5 189)
- Amortisation of intangibles	14 194	26 996
- Depreciation of property and equipment	34 023	21 820
- Transfer from revaluation reserve: available-for-sale financial asset	(484)	(42)
- Transfer of work in progress to repairs and maintenance	4 338	5 502
- Share-based payment expenses	5 077	4 640
- Impairment losses of advances	(12 398)	12 960
- Provision for post-employment benefit obligations	3 530	9 492
- Other employment accruals	2 222	1 041
- Creation and revaluation of derivative financial instruments	(3 318)	15 757
- Policyholders fund and insurance fund transfers	2 175	2 192
- Transfer to provisions for unintimated claims	1 042	1 136
- Fair value adjustment to financial liabilities	716	2 307
- Non cash flow movements in interest accrual on financial liabilities	(270)	40
- Unwinding of discounted present value on non-performing loan	(8 763)	(9 992)
- Unwinding of discounted present value on off-market loans	(5 930)	(5 967)
- Net release of deferred fee and expenses	(8 421)	(7 430)
- Off-market staff loans amortisation	5 930	5 967
- Profit on sale of property and equipment	(574)	(1 296)
- Indirect tax	17 019	16 048
Cash flows from operating activities	750 652	701 019
33.2 Cash receipts from customers		
Interest and similar income	1 391 641	1 364 093
Other non interest income	648 988	588 729
Net insurance premium received	74 110	58 418
	2 114 739	2 011 240
33.3 Cash paid to customers, suppliers and employees		
Interest expense and similar charges	(575 584)	(629 810)
Net claims and benefits paid	(40 395)	(37 166)
Total other operating expenses	(748 108)	(643 245)
	(1 364 087)	(1 310 221)
33.4 Increase in income earning assets		
Due from banks and other financial institutions	88 131	(371 926)
Advances	(1 202 170)	(729 796)
Investment securities	(132 136)	(572 212)
Accounts receivable and similar accounts	(46 439)	(6 721)
Reinsurance assets	217	1 256
	(1 292 397)	(1 679 399)
33.5 Increase in deposits and other liabilities		
Deposits	1 259 738	1 445 189
Due to banks and other financial institutions	(10 436)	31 614
Short trading positions	51 889	
Accounts payable and similar accounts	101 054	(24 624)
	1 402 245	1 452 179

Notes to the consolidated annual financial statements
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33 Cash flow information continued

N$'000	2011	2010
33.6 Tax paid		
Amounts payable at beginning of the year	(39 818)	(13 472)
Indirect tax	(17 019)	(16 048)
Current tax charge	(234 100)	(227 208)
Amounts payable at end of the year	32 048	39 818
Total tax paid	(258 889)	(216 910)
33.7 Capital expenses to maintain operations (including discontinued operations)		
Purchase of property and equipment, settled in cash	(53 742)	(58 029)
33.8 Net reduction / (increase) in investment in associates		
FNB Insurance Brokers (Namibia) (Pty) Ltd ("FNBIBN")		
The group made an additional contribution to maintain its 40% interest in FNBIBN, during the prior year.		(2 274)
Namclear (Pty) Ltd		
Namclear (Pty) Ltd reduced its share premium during the prior year, and paid out to all its shareholders. The group's shareholding remained 25%.		3 000
Net cash received from investment in associates		726
33.9 Sale of shares in subsidiary		
Momentum Life Assurance Namibia Limited		
The group sold an additional 14% interest in Momentum Life Assurance Namibia Limited to Momentum Group Limited on 30 September 2009.		76 339
33.10 Dividends paid		
Dividends approved and recognised in the group statement of changes in equity.	(626 206)	(152 502)
Total dividends paid	(626 206)	(152 502)

34 Contingent liabilities and capital commitments

N$'000	2011	2010
Contingencies		
Guarantees *	722 290	654 104
Letters of credit	47 756	33 959
Total contingencies	770 046	688 063
Irrevocable unutilised facilities	434 880	311 754
Total contingencies and commitments	1 204 926	999 817

* Guarantees consist predominantly of endorsements and performance guarantees.
The fair value of guarantees approximates the face value as disclosed.

Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

Commitments:

Commitments in respect of capital expenditure and long-term investments approved by directors:

	2011	2010
- Contracted for	9 727	10 871

Comprising of:

- Capital commitments contracted for at the reporting date but not yet incurred are as follows:

	2011	2010
- Property and equipment	9 727	10 871

Funds to meet these commitments will be provided from group resources.

Group leasing arrangements:

	2011			2010	
	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year
Office premises	12 233	19 774	1 042	13 262	18 838
Equipment	27			60	8
	12 260	19 774	1 042	13 322	18 846

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2010: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

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35 Collateral held

Under the standard terms for certain of the securities lending arrangements that the group enters into, the recipient of collateral has an unrestricted right to sell or repledge the assets in the absence of default but subject to the group returning equivalent securities on settlement of the transaction.

Collateral the group holds that it has the ability to sell or repledge in the absence of default by the owner of the collateral:

N$'000	2011 Fair value of collateral obtained	2011 Fair value of collateral sold or re-pledged	2010 Fair value of collateral obtained	2010 Fair value of collateral sold or re-pledged
Investment securities	52 757			
Total	52 757			

When the group takes possession of collateral that is not cash or not readily convertible into cash the group determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount.

Where the group is unable to obtain the pre-set sale amount in an auction, the group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

N$'000	2011	2010
Collateral taken possession of and recognised on the statement of financial position:		
Property	1 906	3 320
Total	1 906	3 320

36 Related parties

The group defines related parties as :

(i) The parent company
(ii) Subsidiary and fellow subsidiaries
(iii) Associate companies
(iv) Associates and joint ventures of other members of the group
(v) Post retirement benefit funds (Pension Funds);
(vi) Key management personnel being the FNB Namibia Holdings Limited board of directors and the group executive committee; and
(vii) Close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the group. These may include entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii). FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2010: 59.4%) owned by FirstRand Bank Holdings Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

36.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 36.6.

36.2 Associates

Details of investments in associate companies are disclosed in note 16.

36.3 Details of transactions with relevant related parties appear below:

	FirstRand Bank Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
N$'000	2011	2010	2011	2010	2011	2010
Loans and advances						
Balance 1 July	816 217	104 372				
Issued during year		711 845				
Repayments during year	(732 069)					
Balance 30 June	84 148	816 217				
Derivative instrument: assets	8 085	11 146				
Deposits						
Balance 1 July	(52 496)	(19 386)	(32 949)	(23 867)	(11 155)	(19 440)
Received during year		(33 110)	(14 408)	(9 082)		
Repaid during year	20 406				8 013	8 285
Balance 30 June	(32 090)	(52 496)	(47 357)	(32 949)	(3 142)	(11 155)
Derivative instrument: liabilities	(18 930)	(40 884)				
Interest received	54 721	74 425				
Interest paid			(1 901)	(1 223)	(175)	(441)
Dividends paid	(381 271)	(94 096)				

Notes to the consolidated annual financial statements

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36 Related parties continued

	Total		FirstRand Bank Ltd		Momentum Group Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Non interest income										
Commission	2 428	2 510	2 177	2 385			251	125		
Rental income	757	670							757	670
	3 185	3 180	2 177	2 385			251	125	757	670
Non interest expenditure										
Reinsurance premium	19 744	17 339			19 744	17 339				
Computer and processing related costs	70 410	60 491	70 410	60 491						
Internal audit and compliance	1 371	1 273	1 371	1 273						
Insurance	4 946	4 695	4 946	4 695						
ATM processing costs	2 136	1 996	2 136	1 996						
Payroll processing	2 965	1 382	2 965	1 382						
Management fees	13 002	5 981	8 755	4 295	4 247	1 686				
Administration fee: OUTsurance SA	15 018	9 566	15 018	9 566						
Other sundry	10 877	3 985	10 877	3 985						
Clearing cost	5 290	5 939							5 290	5 939
	145 759	112 647	116 478	87 683	23 991	19 025			5 290	5 939

36 Related parties continued

36.4 Transactions with key management personnel:

N$'000	2011	2010
Advances		
Balance 1 July	42 397	45 524
Issued during year	16 292	9 793
Repayments during year	(26 018)	(16 760)
Interest earned	4 138	3 840
Balance 30 June	36 809	42 397

No impairment has been recognised for loans granted to key management (2010: nil).
Mortgage loans are repayable monthly over 20 years.

N$'000	2011	2010
Current and credit card accounts		
Credit balance 1 July	(11 284)	(8 689)
Net deposits and withdrawals	(3 357)	(4 077)
Net service fees and bank charges	1 090	1 418
Interest income	356	449
Interest expense	(806)	(385)
Balance 30 June	(14 001)	(11 284)
Instalment finance		
Balance 1 July	3 676	3 600
Issued during year	2 174	3 377
Repayments during year	(1 856)	(3 879)
Interest earned	303	578
Balance 30 June	4 297	3 676
Life and disability insurance		
Aggregate insured cover	10 310	6 352
Premiums received	101	64
Investment products		
Opening balance	24 470	3 055
Deposits and withdrawals	(4 098)	18 601
Net investment return	1 657	2 816
Commission and other transaction fees	(8)	(2)
Fund closing balance	22 021	24 470

Shares and share options held
Directors holding in shares is disclosed in note 6.

N$'000	2011	2010
Aggregate details		
Share options held	3 044	2 856
Key management compensation		
Salaries and other short-term benefits	19 948	16 899
Contribution to defined contribution schemes	2 603	2 165
Share based payments	1 741	1 038
Total compensation	24 292	20 102

A listing of the board of directors of the group is detailed on pages 4 and 5 of the annual report.

36.5 Post-employment benefit plans

Refer to note 26.1 on detailed disclosure of the movement on the post-employment benefit liability.

Notes to the consolidated annual financial statements

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36 Related parties continued

36.6 Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2011	Effective holding % 2010
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June.						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	1 Jun 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 Jul 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
Momentum Life Assurance Namibia Ltd*	Life assurance company	1 Jul 2003	Namibia	10,000,000 of N$1 each	51	51
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 Jul 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
First National Asset Management & Trust Company of Namibia (Pty) Ltd	Estate and trust services	1 Oct 1996	Namibia	200 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts company	1 Jan 2006	Namibia	4,000,000 of N$1 each	100	100
RMB Asset Management Namibia (Pty) Ltd**	Asset manager	1 Jul 2010	Namibia	20,000 of N$1 each	51	
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 Mar 1988	Namibia	100 of N$1each	100	100

*Momentum Life Assurance Namibia Limited is classified as non current asset held for sale.

**Momentum Life Assurance Namibia Limited acquired a 100% interest in RMB Asset Management Namibia (Pty) Ltd during the year under review.

36 Related parties continued

N$ '000	Aggregate income of subsidiaries (before tax) 2011	2010	Total investment (Total Indebtedness) 2011	2010
First National Bank of Namibia Ltd	608 666	507 442	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	65 846	63 769		
Momentum Life Assurance Namibia Ltd*	80 187	61 707	79 276	79 276
OUTsurance Insurance Company of Namibia Ltd	18 462	11 571	6 298	6 298
First National Asset Management and Trust Company of Namibia (Pty) Ltd	1 223	1 671		
FNB Namibia Unit Trusts Ltd	2 340	3 522	5 475	5 475
RMB Asset Management (Pty) Ltd**	3 904			
Talas Properties (Windhoek) (Pty) Ltd	20 800	13 799	2 967	2 967
	801 428	663 481	1 236 808	1 236 808

36.7 Acquisition and disposal of subsidiaries and associates

RMB Asset Management (Namibia) (Pty) Limited

On 1 July 2010, the group, through Momentum Namibia , acquired 100% of RMB Asset Management (Namibia) (Pty) Ltd ("RMBAMN"). The group previously held 50% shareholding and the other 50% was held by Momentum Group Limited (SA). The primary reason for the shareholding restructuring was to align the Namibian group to the shareholding of the ultimate holding companies.

RMBAMN is an asset manager and is incorporated in the Republic of Namibia. RMBAMN contributed N$2.7 million profit after tax to the group for the year ended 30 June 2011.

This transaction was accounted for as a common control transaction, as these entities were ultimately controlled by the same party, FirstRand Ltd, before and after the transaction. RMBAMN was previously accounted as an associate and was disposed of at its consolidated carrying value. The consideration received was equal to the net consolidated carrying value. The transaction was accounted for at the consolidated carrying value in line with the group's policy for common control transactions.

The details of the recognised amounts of assets and liabilities assumed at the acquisition date are set out below:

Identifiable assets acquired and liabilities assumed

N$'000	2011
Assets	
Cash and short term funds	5
Accounts receivable	1 423
Amounts due by fellow subsidiary companies	1 000
Property and equipment	18
Total assets acquired	2 446
Liabilities	
Creditors and accruals	429
Amounts due to fellow subsidiary companies	2 859
Total liabilities acquired	3 288
Net identifiable asset value as at date of acquisition	(842)
Non-controlling interest at acquisition	(413)
Loss on acquisition	(429)
Net identifiable asset value as at date of acquisition	(842)

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37 Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable willing parties. When determining fair value it is presumed that the entity is a going concern and is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

When determining the fair value of a financial instrument, preference is given to prices quoted in an active market. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

If a particular instrument is not traded in an active market the group uses a valuation technique to determine the fair value of the financial instrument. The valuation techniques employed by the group include, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

The objective of using a valuation technique is to determine what the transaction price would have been at the measurement date. Therefore maximum use is made of inputs that are observable in the market and entity-specific inputs are only used when there is no market information available. All valuation techniques take into account the relevant factors that other market participants would have considered in setting a price for the financial instrument and are consistent with accepted methodologies for pricing financial instruments.

The group classifies instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used. The group's fair value hierarchy has the following levels:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Fair value is determined using a valuation technique and inputs that are not based on observable market data (i.e. unobservable inputs).

The specific valuation methodologies/techniques, per significant instrument type, can be summarised as follows:

Investments securities

Unlisted equities
The fair value of unlisted equities is determined using a price earnings (P/E) model.
The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

Negotiable certificates of deposit
Where market prices are not available for a specific instrument fair value is determined using discounted cash flow techniques. Inputs to these models include as far as possible information which is consistent with similar market quoted instruments.

Treasury Bills
Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using Namibian money market dealers closing mark to market bond yield.

Government, public and utility stocks
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Other dated securities
Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

37 Fair value of financial instruments

Derivatives

Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount. Market prices are obtained from applicable trading exchanges.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaplet is determined in terms of legal documents pertaining to the swap.

Deposits and current accounts

Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioral aspects into account as these are considered to have an immaterial impact on the economic value of the instruments.

Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments.

Fair valuation will only be applied to deposits having a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal the amortised cost.

Short trading positions

The fair value of listed short trading positions is their market quoted prices. The fair value of unlisted short trading positions are based on the directors' valuation using suitable valuation methods.

Loans and advances to customers

The fair value of advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for the credit spreads where necessary.

Projected cash flows, taking into account behavior, loss given default and probability of default are grouped according to their maturity dates.

The discount rate for fixed interest rate instruments is adjusted by an appropriate risk premium while floating rate cash flows are discounted by means of a yield curve which represents the projected cash flows.

Long term liabilities

Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

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37 Fair value of financial instruments continued

N$'000	Level 1	Level 2	Level 3	2011 Total
Assets				
Available-for-sale financial assets				
Investment securities (note 14)	12 273	1 475 053		1 487 326
Financial assets designated at fair value through profit or loss				
Investment securities (note 14)	1 382	36 873		38 255
Financial assets held for trading				
Derivative financial instruments (note 11)		24 161		24 161
Investment securities (note 14)		64 319		64 319
Total financial assets	13 655	1 600 406		1 614 061
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Long term liabilities (note 27)		264 491		264 491
Long term liabilities (current portion) (note 27)		6 127		6 127
Financial liabilities held for trading				
Short trading position (note 23)	51 889			51 889
Derivative financial instruments (note 11)		21 743		21 743
Total financial liabilities	51 889	292 361		344 250

N$'000	Level 1	Level 2	Level 3	2010 Total
Assets				
Available-for-sale financial assets				
Investment securities (note 14)	11 591	1 153 725		1 165 316
Financial assets designated at fair value through profit or loss				
Investment securities (note 14)	1 257	58 752		60 009
Financial assets held for trading				
Derivative financial instruments (note 11)		57 119		57 119
Investment securities (note 14)	540 762	498 256		1 039 018
Total financial assets	553 610	1 767 852		2 321 462
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Long term liabilities (note 27)		263 505		263 505
Long term liabilities (current portion) (note 27)		6 127		6 127
Policyholder liabilities under investment contracts (note 29)		36 466	7 365	43 831
Financial liabilities held for trading				
Derivative financial instruments (note 11)		58 019		58 019
Total financial liabilities		364 117	7 365	371 482

37 Fair value of financial instruments continued

During the reporting period ending 30 June 2011 (30 June 2010), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Changes in level 3 fair value instruments

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

	Fair value on June 2010	Gains or losses recognised in profit and loss (discontinued operations)	Discontinued operations	Fair value on June 2011
Liabilities				
Policyholder liabilities under investment contracts	7 365	4 011	(11 376)	
Total financial liabilities classified at level 3	7 365	4 011	(11 376)	

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$7 293 (2010: N$5 342) and using more negative reasonable possible assumptions to N$15 218 (2010: N$9 463). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

	2011		
	Gains or losses recognised in profit and loss (discontinued operations)	Gains or losses recognised in other comprehensive income	Total gains or loss
Liabilities			
Policyholder liabilities under investment contracts	4 011		4 011
Total financial liabilities classified at level 3	4 011		4 011

	2010		
	Gains or losses recognised in profit and loss (discontinued operations)	Gains or losses recognised in other comprehensive income	Total gains or loss
Liabilities			
Policyholder liabilities under investment contracts	2 981		2 981
Total financial liabilities classified at level 3	2 981		2 981

Notes to the consolidated annual financial statements
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37 Fair value of financial instruments continued

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

	2011		2010	
N$'000	Carrying value	Fair value	Carrying value	Fair value
Assets				
Total advances at amortised cost (note 12)	12 464 342	12 479 661	11 226 660	11 380 538
Total investments at amortised cost (note 14)	53 626	53 626	535 316	536 321
Total financial assets at amortised cost	12 517 968	12 533 287	11 761 976	11 916 859
Liabilities				
Total deposits and current accounts at amortised cost (note 22)	13 305 607	13 177 916	12 045 869	11 289 748
Total financial liabilities at amortised cost	13 305 607	13 177 916	12 045 869	11 289 748

38 Segment information

38.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank	Corporate and retail banking	Comprehensive banking packages for individuals and corporate
	WesBank	Motor vehicle and instalment finance	
Long term insurance	Momentum	Provides long term risk and investment products	Life insurance, investment products
Short term insurance	OUTsurance	Short term insurance	Short term insurance

Major customers

In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

Geographical segments

The group operates within the borders of Namibia, and no segment operations are outside Namibia.

Notes to the consolidated annual financial statements
for the year ended 30 June

38 Segment information continued

38.2 Reportable segments continued

Statement of comprehensive income for the year ended 30 June

N$'000	Group 2011	Group 2010
Continuing operations		
Net interest income	839 440	757 632
Net interest income - external	839 440	757 632
Net interest income - internal		
Impairment reversal / (recognition) losses on advances	12 398	(12 960)
Net interest income after impairment of advances	851 838	744 672
Non interest income	653 365	574 310
Net insurance premium income	71 935	56 226
Net claims and benefits paid	(41 437)	(38 302)
Fair value adjustment to financial liabilities	(716)	(2 307)
Income from operations	1 534 985	1 334 599
Operating expenses	(817 422)	(718 703)
Net income from operations	717 563	615 896
Share of profit from associates	4 951	5 189
Income before tax	722 514	621 085
Indirect tax	(17 019)	(16 048)
Profit before tax	705 495	605 037
Direct tax	(241 242)	(201 910)
Profit for the year from continuing operations	464 253	403 127
Discontinued operations		
Profit attributable to discontinued operations	74 792	55 768
Profit for the year	539 045	458 895
Other comprehensive income		
Gain on available-for-sale financial assets	227	7 672
Income tax effect on other comprehensive income	162	(1 831)
Other comprehensive income for the year	389	5 841
Total comprehensive income for the year	539 434	464 736
Attributable to:		
Equity holders of the parent	496 298	429 278
Non-controlling interests	42 747	29 617
Profit for the year	539 045	458 895
Attributable to:		
Equity holders of the parent	496 811	435 119
Non-controlling interests	42 623	29 617
Total comprehensive income for the year	539 434	464 736
Headline earnings (note 8)	495 599	428 395
Other information		
Depreciation and amortisation	(58 152)	(58 619)
Rental income		
Rental expense		
Capital expenditure	55 175	92 663

	Banking operations		Long term insurance		Short term insurance		Other	
	2011	2010	2011	2010	2011	2010	2011	2010
	840 258	760 043			2 500	1 963	(3 318)	(4 374)
	839 440	778 195						
	818	(18 152)			2 500	1 963	(3 318)	(4 374)
	12 398	(12 960)						
	852 656	747 083			2 500	1 963	(3 318)	(4 374)
	628 391	553 564			6 067	5 290	18 907	15 456
					71 935	56 226		
					(41 437)	(38 302)		
	(716)	(2 307)						
	1 480 331	1 298 340			39 065	25 177	15 589	11 082
	(802 675)	(725 501)			(20 654)	(13 606)	5 907	20 404
	677 656	572 839			18 411	11 571	21 496	31 486
	253	191					4 698	4 998
	677 909	573 030			18 411	11 571	26 194	36 484
	(16 883)	(15 591)					(136)	(457)
	661 026	557 439			18 411	11 571	26 058	36 027
	(226 979)	(187 287)			(5 964)	(3 448)	(8 299)	(11 175)
	434 047	370 152			12 447	8 123	17 759	24 852
			74 792	55 768				
	434 047	370 152	74 792	55 768	12 447	8 123	17 759	24 852
	480	7 672	(253)					
	162	(1 831)						
	642	5 841	(253)					
	434 689	375 993	74 539	55 768	12 447	8 123	17 759	24 852
	434 047	370 152	38 144	30 131	6 348	4 143	17 759	24 852
			36 648	25 637	6 099	3 980		
	434 047	370 152	74 792	55 768	12 447	8 123	17 759	24 852
	434 689	375 993	38 015	30 131	6 348	4 143	17 759	24 852
			36 524	25 637	6 099	3 980		
	434 689	375 993	74 539	55 768	12 447	8 123	17 759	24 852
	433 728	370 125	38 144	30 131	6 348	4 143	17 379	23 996
	(60 984)	(74 402)	(9 935)	(9 097)	(44)	(84)	12 811	24 964
	871	879					8 947	7 838
	(8 947)	(7 838)	(871)	(879)	(71)	(95)		
	53 506	89 624	1 433	1 129			236	1 910

Notes to the consolidated annual financial statements
for the year ended 30 June

38 Segment information (continued)

Statement of financial position as at 30 June

	Group	
N$'000	2011	2010
Assets		
Cash and short term funds	428 054	455 215
Due from banks and other financial institutions	763 051	851 182
Derivative financial instruments	24 161	57 119
Advances	12 464 342	11 226 660
Investment securities	1 643 526	2 799 659
Investments in associates	24 696	22 594
Other assets	434 371	523 890
Non current assets and disposal group held for sale	1 381 729	753
Total assets	17 163 930	15 937 072
Equity and liabilities		
Liabilities		
Deposits and current accounts	13 305 607	12 045 869
Due to banks and other financial institutions	43 910	54 346
Short trading positions	51 889	
Derivative financial instruments	21 743	58 019
Other liabilities	416 273	1 364 250
Long term liabilities	264 491	263 505
Liabilities directly associated with non current assets classified as held for sale	1 074 169	
Total liabilities	15 178 082	13 785 989
Equity		
Capital and reserves attributable to ordinary equity holders		
Ordinary shares	1 294	1 291
Share premium	187 898	191 695
Reserves	1 630 930	1 758 631
Capital and reserves attributable to ordinary equity holders	1 820 122	1 951 617
Non-controlling interests	165 726	199 466
Total equity	1 985 848	2 151 083
Total equity and liabilities	17 163 930	15 937 072

	Banking operations		Long term insurance		Short term insurance		Other	
	2011	2010	2011	2010	2011	2010	2011	2010
	412 913	402 129		18 704	41 950	34 382	(26 809)	
	763 051	851 182						
	24 161	57 119						
	12 538 500	11 311 742					(74 158)	(85 082)
	1 578 439	1 492 893		1 275 508	26 831	21 687	38 256	9 571
	1 820	2 566					22 876	20 028
	594 286	558 321		126 783	4 608	3 764	(164 523)	(164 978)
		753	1 381 729					
	15 913 170	14 676 705	1 381 729	1 420 995	73 389	59 833	(204 358)	(220 461)
	13 356 400	12 068 023					(50 793)	(22 154)
	43 910	53 346						1 000
	51 889							
	21 743	58 019						
	391 365	317 931		1 037 132	48 075	39 987	(23 167)	(30 800)
	264 491	263 505						
			1 074 169					
	14 129 798	12 760 824	1 074 169	1 037 132	48 075	39 987	(73 960)	(51 954)
	1	1	10 000	10 000	4 000	4 000	(12 707)	(12 710)
	1 142 791	1 142 791	185 368	185 368			(1 140 261)	(1 136 464)
	640 580	773 089	112 192	188 495	21 314	15 846	856 844	781 201
	1 783 372	1 915 881	307 560	383 863	25 314	19 846	(296 124)	(367 973)
							165 726	199 466
	1 783 372	1 915 881	307 560	383 863	25 314	19 846	(130 398)	(168 507)
	15 913 170	14 676 705	1 381 729	1 420 995	73 389	59 833	(204 358)	(220 461)

Notes to the consolidated annual financial statements
for the year ended 30 June

39 Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

39.1 Credit impairment losses on loans and advances

The group assesses its credit portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

(a) Performing loans

The performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and WesBank portfolios the account status, namely arrears versus non arrears status, is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of high risk accounts, based on internally assigned risk ratings and management judgement, are used, while the Wholesale portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

A portfolio specific impairment ("PSI") calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so called incurred but not reported ("IBNR") provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 - 12 months.

(b) Non performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay its obligations in full. WesBank's loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case by case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 13 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

39.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. Note 36 provides additional details on the calculation of fair value of financial instruments not quoted in active markets and an analysis of the effect of changes in managements' estimates on the fair value of financial instruments.

39 Critical accounting estimates and judgements in applying accounting policies continued

39.3 Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and recognised as such in profit or loss, when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

39.4 Income taxes

There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Refer to note 7 and 19 for more information regarding the direct and deferred tax charges, assets and liabilities.

39.5 Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ("CGU") has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 18.

39.6 Employee benefit liabilities

The cost of the benefits and the present value of the severance pay (death in service) and post retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

Additional information is provided in the note 26.

39.7 Share-based payments

Share based payment transactions of the group are classified as either cash settled or equity settled. The amounts recognised in respect of these share based payment transactions are determined by applying valuation techniques that are based on various assumptions and estimates that require judgment in their application. These assumptions and estimates include expected volatility, expected dividend yield, the discount rate and the expected forfeit or lapse rate. The expected volatility assumption is determined based on a ruling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on zero coupon government bonds and have terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Refer to note 32 for the detailed information regarding the share based payment expense and the assumptions used in determining the expense, liability and reserve.

39.8 Valuation of policyholders liabilities under insurance contracts

The actuarial value of policyholder liabilities arising from long term insurance contracts is determined using the Financial Soundness Valuation method as described in the actuarial guidance note PGN 104 of the Actuarial Society of South Africa.

The method requires the following assumptions:
- The best estimate for a particular assumption is determined;
- Prescribed margins are then applied, as required by the Long term Insurance Act; and
- Discretionary margins may be applied, as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risk inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used that may vary at each end of reporting date. A margin for adverse deviations is included in the assumptions. Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

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40 Standards and interpretations issued but not yet effective

The group will comply with the following new standards and interpretations from the stated effective date.

IFRIC 14 (amended)	**IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes a voluntary early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is not expected to have an impact on the group.	Annual periods commencing on or after 1 January 2011
IAS 1 (amended)	**Presentation of Items of Other Comprehensive Income** This amendment was issued to eliminate inconsistencies in the presentation of items in the statement of other comprehensive income. The amendment requires an entity to group the items of other comprehensive income on the basis of whether the amounts will subsequently be reclassified to profit or loss or not i.e. the statement of comprehensive income should be split between items that will be reclassified to profit or loss and items that will not be reclassified to profit or loss. This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact of the revised disclosure is not expected to be significant.	Annual periods commencing on or after 1 January 2012
IAS 12 (amended)	**Income Taxes** IAS 12 requires that deferred tax assets is measured based on whether the entity expects to recover the carrying amount of the asset through use or through sale. This assessment of the method of recovery may be difficult to assess for investment property measured using the fair value model. The amendment provides a practical solution by introducing a presumption that the carrying amount of such investment property will normally be recovered through sale. As a result of the amendment, SIC 12 Income Taxes - Recovery of Revalued Non-Depreciable Assets has been withdrawn. This amendment is not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2012
IAS 19 (revised)	**Employee Benefits** The main changes include the removal of the corridor approach, which allowed entities the option to defer the recognition of actuarial gains and losses on defined benefit plans. The revised standard requires that all remeasurement arising from defined benefit plans be presented in other comprehensive income. It also includes enhanced disclosure requirements for defined benefits plans. The group is in the process of assessing the impact the revised IAS 19 would have on the financial statements.	Annual periods commencing on or after 1 January 2013
IAS 24 (amended)	**Related Party Disclosures** The amendment removes certain of the disclosure requirements for government related entities, clarifies the definition of a related party and introduces a requirement for entities to disclose commitments to related parties. This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact of the revised disclosure is not expected to be significant.	Annual periods commencing on or after 1 January 2011
IAS 27 (amended)	**Separate Financial Statements** IAS 27 removes the accounting and disclosure requirements for consolidated financial statements as a result of the issue of IFRS 10 and IFRS 12, which establish new consolidation and disclosure standards.	Annual periods commencing on or after 1 January 2013

40 Standards and interpretations issued but not yet effective continued

IAS 27 (amended)	**Separate Financial Statements** continued IAS 27 (amended) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. This amendment is not expected to have a significant impact on the group's results.	Annual periods commencing on or after 1 January 2013
IAS 28 (amended)	**Investments in Associates and Joint ventures** IAS 28 Investments in Associates and Joint Ventures (amended) supersedes IAS 28 Investments in Associates as a result of the issue of IFRS 11 and IFRS 12.The new IAS 28 prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The disclosure requirements relating to these investments are now contained in IFRS 12. This amendment is not expected to have a significant impact on the group's results.	Annual periods commencing on or after 1 January 2013
IFRS 1 (amended)	**First-time Adoption of International Financial Reporting Standards** The amendments to IFRS 1 are set out in Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. The first amendment replaces references to a fixed transition date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments will not have an impact on the group as it has already adopted IFRS.	Annual periods commencing on or after 1 July 2011
IFRS 7 (amended)	**Transfers of Financial Assets** The amendments to IFRS 7 requires additional disclosure for financial assets transferred but not derecognised and for financial assets that are derecognised, but the entity retains some form of continuing involvement after the transaction. This amendment will result in additional disclosures in the annual financial statements and will not affect recognition and measurement.	Annual periods commencing on or after 1 July 2011
IFRS 9	**Financial Instruments** IFRS 9 is the first phase in the IASB's three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. This phase deals with the classification and measurement of financial assets and financial liabilities. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities can also be classified as financial liabilities at amortised cost or fair value in line with the existing requirements of IAS 39. If an entity elects to measure its financial liabilities at fair value, it should present the portion of the change in fair value due to changes in its own credit risk in other comprehensive income. The group is in the process of assessing the impact that IFRS 9 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 9.	Annual periods beginning on or after 1 January 2013

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40 Standards and interpretations issued but not yet effective continued

IFRS 10	**Consolidated Financial Statements** IFRS 10 establishes a new control model for determining which entities should be consolidated. The standard also provides guidance on how to apply the principle of control to specific situations in order to identify whether an investor controls an investee. IFRS 10 supersedes a portion of IAS 27 Separate and Consolidated Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The group is in the process of assessing the impact that IFRS 10 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 10.	Annual periods commencing on or after 1 January 2013
IFRS 11	**Joint Arrangements** The standard supersedes IAS 31 Joint Ventures and aims to improve on IAS 31 by establishing accounting principles that are applicable to all joint arrangements. The standard distinguishes between two types of joint arrangements, joint operations and joint ventures. The accounting for joint operations remains unchanged from IAS 31 and all joint ventures should be equity accounted in the financial statements of the venturer. The standard is not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2013
IFRS 12	**Disclosure of Interests in Other Entities** The standard aims to provide consistent disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. IFRS 12 requires disclosure of information that will enable users to evaluate the nature of the risks associated with the interest and the effect of the interest on the financial position, performance and cash flows of the reporting entity. This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The group is still in the process of assessing the impact of the revised disclosure.	Annual periods commencing on or after 1 January 2013
IFRS 13	**Fair Value Measurement** IFRS 13 was issued in order to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that currently exist under the different IFRSs that require or permit fair value measurement. It provides a fair value hierarchy, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The group is in the process of assessing the impact that IFRS 13 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 13.	Annual periods commencing on or after 1 January 2013
Annual	**Improvements to IFRS** As part of its annual improvements projects, the IASB has issued its 2010 annual improvement project. The annual improvement project's aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. There are no significant changes in the improvement projects that are expected to affect the group.	Annual periods commencing on or after 1 January 2011 except for the improvements to IFRS 3 and IAS 27 that are effective for annual periods commencing on or after 1 July 2010

41 Risk management

The risk report of the group appears on page 172 to 179 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The main financial risk that the business is exposed to are detailed in this note.

41.1 Maximum exposure to credit risk

Total exposure (items where credit risk exposure exist)

N$'000	2011	2010
Cash and short term funds	214 678	249 427
- Balances with other banks	16 000	54 544
- Balances with central bank	198 678	194 883
Due from banks and other financial institutions	763 051	851 182
Advances	12 464 342	11 226 660
- Overdraft and managed accounts	1 722 703	1 493 520
- Card loans	85 968	76 258
- Instalment sales	1 801 840	1 622 112
- Lease payments receivables	89 229	80 206
- Home loans	6 494 818	5 908 218
- Term loans	1 841 043	1 680 608
- Other	428 741	365 738
Derivatives	24 161	57 119
Debt investment securities	1 629 871	2 422 352
- Listed investment securities	380 642	250 391
- Unlisted investment securities	1 249 229	2 171 961
Accounts receivable	95 990	78 679
Reinsurance assets	425	50 080
Amounts not recognised on the statement of financial position	1 204 926	999 817
Guarantees	722 290	654 104
Letters of credit	47 756	33 959
Irrevocable commitments	434 880	311 754
Total	16 397 444	15 935 316

41.2 FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 28 to FR 100, with the FR 28 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and the associated probability of default ("PD") reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term of average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

FR Rating	Mid point PD	International scale mapping*
FR 28 - 91	3.73%	AAA to B-
Above FR 92		Below B-

* Indicative mapping to international rating scale of Fitch and Standard and Poor's.

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41 Risk management continued

41.3 Credit quality continued

N$'000 Age analysis	2011 Neither past due nor impaired	Renegotiated but current	Past due but not impaired 1 - 30 days	 31 - 60 days	 61 - 90 days	Impaired	Total
Advances							
- Overdraft and managed accounts	1 776 237					22 055	1 798 292
- Card loans	85 845			29	635	2 809	89 318
- Instalment sales and lease payments receivables	1 885 790		13 013	5 900	1 195	22 229	1 928 127
- Home loans	6 308 097		107 851	25 733	17 928	146 068	6 605 677
- Term loans	1 791 918		55 005	3 420	2 075	11 588	1 864 006
- Other	429 299					7 217	436 516
	12 277 186		175 869	35 082	21 833	211 966	12 721 936
Accounts receivable							
- Items in transit	71 852						71 852
- Deferred staff cost	39 128						39 128
- Other accounts receivable	24 138						24 138
	135 118						135 118
Reinsurance assets	425						425
Total	12 412 729		175 869	35 082	21 833	211 966	12 857 479

41 Risk management continued

41.3 Credit quality continued

N$'000	2010						
			Past due but not impaired				
Age analysis	Neither past due nor impaired	Renegotiated but current	1 - 30 days	31 - 60 days	61 - 90 days	Impaired	Total
Advances							
- Overdraft and managed accounts	1 505 348					66 813	1 572 161
- Card loans	73 725		397	146	3 458	2 990	80 716
- Instalment sales and lease payments receivables	1 675 995		8 909	5 836	22 104	28 940	1 741 784
- Home loans	5 681 274		50 789	45 459	78 256	106 365	5 962 143
- Term loans	1 698 291			20 847	11 916	19 749	1 750 803
- Other	365 738						365 738
	11 000 371		60 095	72 288	115 734	224 857	11 473 345
Accounts receivable							
- Items in transit	27 043						27 043
- Deferred staff cost	38 931						38 931
- Other accounts receivable	51 636						51 636
	117 610						117 610
Policy loans on investments contracts	26 931						26 931
Reinsurance assets	50 080						50 080
Total	11 194 992		60 095	72 288	115 734	224 857	11 667 966

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products, and personal loans.

The assets in the wholesale segment and commercial segment are generally not managed with reference to monthly payments in arrears as these assets are reviewed on an individual portfolio basis.

Advances age analysis comparative figures have been restated to reflect the changes in presentation in the current year.

Notes to the consolidated annual financial statements

for the year ended 30 June

41 Risk management continued

41.3 Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances. (refer to note 41.2 for the FR rating mapping to international and national rating scales):

N$'000	2011 Total neither past due nor impaired	Ovedraft and Managed accounts	Card loans	Instalment sales	Home loans	Term loans	Other
FR 28 - 91	11 381 315	1 232 293	81 632	1 723 549	6 151 822	1 762 720	429 299
Above FR 92	895 871	543 944	4 213	162 241	156 275	29 198	
Total	12 277 186	1 776 237	85 845	1 885 790	6 308 097	1 791 918	429 299

N$'000	2010 Total neither past due nor impaired	Ovedraft and Managed accounts	Card loans	Instalment sales	Home loans	Term loans	Other
FR 28 - 91	10 911 786	1 498 859	70 586	1 675 193	5 604 523	1 696 887	365 738
Above FR 92	88 585	6 489	3 139	802	76 751	1 404	
Total	11 000 371	1 505 348	73 725	1 675 995	5 681 274	1 698 291	365 738

N$'000	2011 Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Total
Credit quality of financial assets other than advances neither past due nor impaired					
International scale mapping (National equivalent):					
AAA to BB- (A to BBB)	1 566 167	5 135	214 679	765 022	2 551 003
Unrated	63 704	19 026			82 730
Total	1 629 871	24 161	214 679	765 022	2 633 733

N$'000	2010 Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Total
Credit quality of financial assets other than advances neither past due nor impaired					
International scale mapping (National equivalent):					
AAA to BB- (A to BBB)	2 053 703	7 632	249 427	851 182	3 161 944
Unrated	368 649	49 487			418 136
Total	2 422 352	57 119	249 427	851 182	3 580 080

41 Risk management continued

41.4 Liquidity cash flow analysis (undiscounted cash flow)

Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

N$'000	2011 Total	2011 Term to maturity Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits and current accounts	13 809 709	10 804 719	2 225 816	779 174
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	319 885	235 365	74 699	9 821
Long term liabilities	283 790		23 790	260 000
Financial liabilities	14 530 926	11 157 626	2 324 305	1 048 995
Off statement of financial position				
Financial and other guarantees	770 047	579 022	166 001	25 024
Facilities not drawn	2 657 626	2 657 626		

N$'000	2010 Total	2010 Term to maturity Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits and current accounts	12 103 818	10 065 915	1 990 460	47 443
Due to banks and other financial institutions	54 346	54 346		
Derivative financial instruments	58 019	58 019		
Creditors and accruals	261 450	214 156	40 982	6 312
Long term liabilities	307 580		23 790	283 790
Policyholder liabilities under investment contracts	43 831	5 223	1 662	36 946
Financial liabilities	12 829 044	10 397 659	2 056 894	374 491
Off statement of financial position				
Financial and other guarantees	688 063	531 144	54 707	102 212
Facilities not drawn	1 871 678	1 871 678		

Notes to the consolidated annual financial statements
for the year ended 30 June

41 Risk management continued

41.4 Liquidity cash flow analysis (discounted cash flow)

The table below represents the contractual discounted cash flows of assets and liabilities.

	2011			
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and short term funds	428 054	428 054		
Due from banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	12 464 342	1 845 790	473 373	10 145 179
Investment securities	1 643 526	777 359	482 163	384 004
Accounts receivable	135 118	92 357	4 807	37 954
Financial assets	15 458 252	3 930 772	960 343	10 567 137
Non-financial assets	1 705 678			
Total assets	17 163 930			
Liabilities				
Deposits and current accounts	13 305 607	10 711 751	2 050 853	543 003
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	319 885	235 365	74 699	9 821
Long term liabilities	264 491			264 491
Financial liabilities	14 007 525	11 064 658	2 125 552	817 315
Non-financial liabilities	1 170 557			
Total liabilities	15 178 082			
Total equity	1 985 848			
Total equity and liabilities	17 163 930			
Net liquidity gap		(7 133 886)	(1 165 209)	9 749 822
Cumulative liquidity gap		(7 133 886)	(8 299 095)	1 450 727

41 Risk management continued

41.4 Liquidity cash flow analysis (discounted cash flow) continued

The table below represents the contractual discounted cash flows of assets and liabilities.

		2010		
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and short term funds	455 215	455 215		
Due from banks and other financial institutions	851 182	851 182		
Derivative financial instruments	57 119	57 119		
Advances	11 226 660	2 211 999	515 314	8 499 347
Investment securities	2 799 659	2 329 809	226 498	243 352
Accounts receivable	117 610	58 013	42 011	17 586
Policy loans on investments contracts	26 931	26 931		
Financial assets	15 534 376	5 990 268	783 823	8 760 285
Non-financial assets	402 696			
Total assets	15 937 072			
Liabilities				
Deposits and current accounts	12 045 869	10 084 539	1 918 263	43 067
Due to banks and other financial institutions	54 346	54 346		
Derivative financial instruments	58 019	58 019		
Creditors and accruals	261 450	214 156	40 982	6 312
Long term liabilities	263 505			263 505
Policyholder liabilities under investment contracts	43 831	5 223	1 662	36 946
Financial liabilities	12 727 020	10 416 283	1 960 907	349 830
Non-financial liabilities	1 058 969			
Total liabilities	13 785 989			
Total equity	2 151 083			
Total equity and liabilities	15 937 072			
Net liquidity gap		(4 426 015)	(1 177 084)	8 410 455
Cumulative liquidity gap		(4 426 015)	(5 603 099)	2 807 356

The table above represents the contractual discounted cash flows of assets and liabilities. Relying solely on the contractual liquidity mismatch when looking at a bank's maturity analysis would overstate the risk, since this represents the absolute worst case maturity analysis. As an industry phenomenon in Namibia, banks are particularly negatively gapped (contractually) in the shorter term due to the country's structural liquidity position. This implies that more short term obligations are due than short term assets maturing, hence the group's calculation of an adjusted liquidity mismatch analysis, applying the methodology of business under normal circumstances and a framework to manage this mismatch.

Notes to the consolidated annual financial statements

for the year ended 30 June

41 Risk management continued

Liquidity mismatch analysis

The purpose of liquidity mismatch is to anticipate the maturities in the statement of financial position when business is done under normal conditions, i.e. applying behaviorally adjusted assumptions. This analysis disregards the overstated liquidity risk reflected in the contractual mismatch, when business as usual applies. Through analysis of various products and segments on the statement of financial position the "business as usual" liquidity gap is derived. It describes the liquidity gap of the bank after taking into account product behavioral assumptions for rolling of maturities and days to realise assets. For example , a cheque account deposit which has an ambiguous maturity classified as having a maturity profile on demand. The behavior (under normal circumstances and on an going concern basis) of such an account is, however, of a long term nature when assuming reinvestment takes place. Similarly the wholesale call loan book has a contractual maturity on call, but a portion of the wholesale book may not be called upon, due to customer relationship repercussions or other incentives.

41.5 Repricing profile

	2011				
N$'000	Carrying amount	Within 3 months	After 3 months, but within 6 months	After 12 months	Non rate sensitive
Total assets	17 163 930	14 006 332	583 240	335 557	2 238 801
Total equity and liabilities	17 163 930	11 754 768	1 593 903	267 309	3 547 950
Net repricing gap		2 251 564	(1 010 663)	68 248	(1 309 149)
Cumulative repricing gap		2 251 564	1 240 901	1 309 149	

	2010				
N$'000	Carrying amount	Within 3 months	After 3 months, but within 6 months	After 12 months	Non rate sensitive
Total assets	15 937 072	13 921 565	633 954	429 594	951 959
Total equity and liabilities	15 937 072	10 549 381	1 549 270	265 069	3 573 352
Net repricing gap		3 372 184	(915 316)	164 525	(2 621 393)
Cumulative repricing gap		3 372 184	2 456 868	2 621 393	

41 Risk management continued

41.6 Foreign currency risk

The group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the groups assets and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

	2011				
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and short term funds	428 054	390 320	29 344	6 936	1 454
Due from banks and other financial institutions	763 051	131 050	554 438	22 886	54 677
Derivative financial instruments	24 161	5 814	15 771	2 576	
Advances	12 464 342	12 464 342			
Investment securities	1 643 526	1 631 253	12 273		
Accounts receivable	135 118	135 118			
Financial assets	15 458 252	14 757 897	611 826	32 398	56 131
Non-financial assets	1 705 678	1 705 678			
Total assets	17 163 930	16 463 575	611 826	32 398	56 131
Liabilities					
Deposits and current accounts	13 305 607	12 739 704	512 144	53 081	678
Due to banks and other financial institutions	43 910	43 910			
Short trading positions	51 889	51 889			
Derivative financial instruments	21 743	5 394	13 963	2 386	
Creditors and accruals	319 885	319 885			
Long term liabilities	264 491	264 491			
Financial liabilities	14 007 525	13 425 273	526 107	55 467	678
Non-financial liabilities	1 170 557	1 170 557			
Total liabilities	15 178 082	14 595 830	526 107	55 467	678
Total equity	1 985 848	1 985 848			
Total equity and liabilities	17 163 930	16 581 678	526 107	55 467	678

Notes to the consolidated annual financial statements
for the year ended 30 June

41 Risk management continued

41.6 Foreign currency risk continued

	2010				
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and short term funds	455 215	402 179	47 927	4 187	922
Due from banks and other financial institutions	851 182	663 321	126 687	58 683	2 491
Derivative financial instruments	57 119	9 633	2 095	39 688	5 703
Advances	11 226 660	11 226 660			
Investment securities	2 799 659	2 728 099	71 560		
Accounts receivable	117 610	117 610			
Policy loans on investments contracts	26 931	26 931			
Financial assets	15 534 376	15 174 433	248 269	102 558	9 116
Non-financial assets	402 696	402 696			
Total assets	15 937 072	15 577 129	248 269	102 558	9 116
Liabilities					
Deposits and current accounts	12 045 869	11 877 691	117 971	50 207	
Due to banks and other financial institutions	54 346	54 346			
Derivative financial instruments	58 019	3 394	2 411	39 197	13 017
Creditors and accruals	261 450	261 450			
Long term liabilities	263 505	263 505			
Policyholder liabilities under investment contracts	43 831	43 831			
Financial liabilities	12 727 020	12 504 217	120 382	89 404	13 017
Non-financial liabilities	1 058 969	1 058 969			
Total liabilities	13 785 989	13 563 186	120 382	89 404	13 017
Total equity	2 151 083	2 151 083			
Total equity and liabilities	15 937 072	15 714 269	120 382	89 404	13 017

41 Risk management continued

41.7 Average balances and effective interest rates

N$'000	2011 Average balance N$'000	2011 Average rate %	2011 Interest income/ expense N$'000	2010 Average balance N$'000	2010 Average rate %	2010 Interest income/ expense N$'000
Assets						
Cash and short term funds, balance with banks	1 935 163	3.3	63 193	1 813 319	4.4	79 707
Advances	11 841 980	10.6	1 257 662	10 695 543	11.4	1 215 208
Investment securities	1 490 476	6.3	93 900	2 338 994	6.1	143 159
Interest-earning assets	15 267 619	9.3	1 414 755	14 847 856	9.7	1 438 074
Non-interest-earning assets	1 921 782			764 722		
Total assets	17 189 401	8.2	1 414 755	15 612 578	9.2	1 438 074
Liabilities						
Deposits and current accounts, balance due to banks	13 148 568	4.2	551 456	11 952 129	5.1	605 574
Long term liabilities	273 866	8.6	23 554	267 809	8.9	23 794
Other interest			305			482
Interest-earning liabilities	13 422 434	4.3	575 315	12 219 938	5.2	629 850
Non-interest-earning bearing liabilities	1 534 303			1 409 647		
Total liabilities	14 956 737	3.8	575 315	13 629 585	4.6	629 850
Total equity	2 232 664			1 982 993		
Total equity and liabilities	17 189 401	3.3	575 315	15 612 578	4.0	629 850

Notes to the consolidated annual financial statements
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41 Risk management continued

41.8 Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 100 basis point increase in all yield curves would increase the forecast net interest income for the next year by N$46.3 million (2010: N$40 million), while a parallel decrease in all yield curves would decrease the forecast income by N$46.3 million (2010: N$46 million).

Equity price risk sensitivity

The table below illustrates the market sensitivity for all non-trading equity investments assuming a 10% shift in the fair value, the analysis is before tax.

	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
	2011		2010	
	N$'000	N$'000	N$'000	N$'000
Impact on equity (available-for-sale-reserve)	1 227	(1 227)	1 159	(1 159)

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group does not ordinarily hold open exposures in respect of the banking book of any significance. All gains and losses on foreign exposures and derivatives are reported in profit and loss.

Insurance risk sensitivity

The results of the sensitivity testing in the table below illustrate that the assumptions regarding future mortality and morbidity experience have an impact on the actuarial liability. This is to be expected given the nature of the business (risk insurance). This implies that future trends in mortality and morbidity experience, whether positive or negative, will impact on profits in the future. The sensitivities provided, in isolation, are not amounts that can be simply extrapolated to determine prospective earnings forecasts.

		2011	2010
		N$'000	N$'000
Policyholders liabilities under Insurance Contracts			963 968
Change in liability			
Worse mortality	10%	6 455	3 093
Worse morbidity	10%	2 348	492
Worse PI inception rates	10%		
Lower investment returns	-1%	18 860	23 144
Worse terminations	-10%	5 312	5 026
Worse expenses	10%	5 402	8 864
Worse expenses inflation	10%	11 288	13 794

41 Risk management continued

41.8 Sensitivity analysis continued

Market risk sensitivity on insurance business

The table below shows the result of sensitivity testing on the group's profit or loss (before tax) and equity for reasonable possible changes in the risk variables. The sensitivity analysis indicates the effect of changes in the risk factors arising from the impact of the changes in these factors on the group's financial assets and liabilities.The sensitivity analysis does not take into consideration that the group's assets and liabilities are actively managed.

		2011	
		Impact on profit/(loss) N$'000	Impact on equity N$'000
Interest rate risk			
Local government bonds			
Lower limit	7.76%	(918)	(173)
Upper limit	9.26%	918	179
Cash			
Lower limit	7.76%	(986)	(424)
Upper limit	7.26%	986	424
Equity price risk			
Lower limit	10.01%	(1 767)	(6 454)
Upper limit	14.01%	1 767	6 454

		2010	
		Impact on profit/(loss) N$'000	Impact on equity N$'000
Interest rate risk			
Local government bonds			
Lower limit	8.19%	(187)	(261)
Upper limit	9.69%	187	270
Cash			
Lower limit	6.19%	(2 467)	(343)
Upper limit	7.69%	2 467	343
Equity price risk			
Lower limit	10.44%	(1 451)	(5 213)
Upper limit	14.44%	1 451	5 213

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42 Reclassification of prior year numbers

Statement of comprehensive income 30 June 2010

N$'000	Amount as previously reported	Amount as reclassified	Reclassi-fications	Explanation
Interest and similar income	1 438 074	1 387 482	50 592	Momentum Namibia reclassified as a discontinued operation in terms of IFRS 5.
Interest expense and similar charges	(629 850)	(629 850)		
Net interest income before impairment of advances	808 224	757 632	50 592	
Impairment losses of advances	(12 960)	(12 960)		
Net interest income after impairment of advances	795 264	744 672	50 592	
Non interest income	644 414	574 310	70 104	
Net insurance premium income	225 100	56 226	168 874	
Net claims and benefits paid	(142 717)	(38 302)	(104 415)	
Fair value adjustment to financial liabilities	(2 307)	(2 307)		
(Increase) / decrease in value of policyholder liabilities: insurance contracts	(38 040)		(38 040)	
Fair value adjustment of policyholder liabilities: investment contracts	2 525		2 525	
Income from operations	1 484 239	1 334 599	149 640	
Operating expenses	(803 084)	(718 703)	(84 381)	
Net income from operations	681 155	615 896	65 259	
Share of profit from associates	5 189	5 189		
Income before tax	686 344	621 085	65 259	
Indirect tax	(19 600)	(16 048)	(3 552)	
Profit before tax	666 744	605 037	61 707	
Direct tax	(207 849)	(201 910)	(5 939)	
Profit for the year from continuing operations	458 895	403 127	55 768	
Discontinued operations				
Profit attributable to discontinued operations		55 768	(55 768)	Reclassification had no impact on profit for the year
Profit for the year	458 895	458 895	(0)	

Statement of cash flows

As a consequence of the above reclassifications, the statement of cash flows has been accordingly restated.

COMPANY FINANCIAL STATEMENTS

FNB Namibia Holdings Limited

Company statement of comprehensive income for the year ended 30 June

N$'000	Note	2011	2010
Interest and similar income	2	916	298
Interest expense and similar charges	2		(367)
Net interest expense		916	(69)
Non interest income			
- gains less losses from investing activities	3	653 856	165 128
Income from operations		654 772	165 059
Operating expenses	4	(1 181)	(2 230)
Income before tax		653 591	162 829
Indirect tax	5	(9)	(239)
Profit before tax		653 582	162 590
Direct tax	5	(324)	1 235
Total comprehensive income for the year		653 258	163 825
Attributable to:			
Equity holders of the company		653 258	163 825

Company statement of financial position as at 30 June

N$'000	Note	2011	2010
Assets			
Accounts receivable		2 103	4 682
Loan to group company	7	4 771	3 627
Investment securities	8	9 153	1 257
Investments in associates	9	17 965	17 965
Investments in subsidiaries	10	1 157 532	1 236 808
Non current asset held for sale	10	79 276	
Total assets		1 270 800	1 264 339
Equity and liabilities			
Liabilities			
Tax liability		33	101
Creditors and accruals		889	42
Total liabilities		922	143
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Reserves		987 730	982 048
Capital and reserves attributable to ordinary equity holders		1 269 878	1 264 196
Total equity and liabilities		1 270 800	1 264 339

FNB Namibia Holdings Limited

Company statement of changes in equity for the year ended 30 June

N$'000	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2009	1 338	280 810	5 370	969 534	1 257 052
Total comprehensive income for the year				163 825	163 825
BEE consortium share option costs			1 199		1 199
Ordinary dividends				(157 880)	(157 880)
Balance at 30 June 2010	1 338	280 810	6 569	975 479	1 264 196
Total comprehensive income for the year				653 258	653 258
Transfer of vested equity options			(6 569)	6 569	
Ordinary dividends				(647 576)	(647 576)
Balance at 30 June 2011	1 338	280 810		987 730	1 269 878

FNB Namibia Holdings Limited

Company statement of cash flows for the year ended 30 June

N$'000	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations*		653 466	109 294
Working capital changes			
- Increase/decrease in accounts receivable		2 579	(2 492)
- Increase/decrease in accounts payable		847	(2 106)
Net cash generated from operations		656 892	104 696
Indirect tax paid	5	(9)	(239)
Tax (paid) / refund**		(392)	1 615
Net cash flow from operating activities		656 491	106 072
Cash flows from investing activities			
Net increase in loans to group company		(1 144)	(21 157)
Purchase of investment securities		(7 771)	(1 100)
Proceeds on sale of shares in subsidiary			76 339
Increase in investment in associate	9		2 274
Net cash flow from investing activities		(8 915)	51 808
Cash flows from financing activities			
Dividends paid		(647 576)	(157 880)
Net cash flow from financing activities		(647 576)	(157 880)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			
*** Reconciliation of income before tax to cash generated by operations**			
Income before tax		653 591	162 829
Adjusted for:			
- Revaluation of investment securities		(125)	(157)
- Profit on sale of shares in subsidiary			(54 577)
- Share-based payment cost			1 199
		653 466	109 294
****Tax paid**			
Amounts payable/ (receivable) at beginning of the year		(101)	279
Current tax per comprehensive income		(324)	1 235
Amounts payable at end of the year		33	101
Total tax paid / (refund)		(392)	1 615

FNB Namibia Holdings Limited

Notes to the company annual financial statements for the year ended 30 June

N$'000	2011	2010
1 Accounting policies		
The financial statements of FNB Namibia Holdings Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FNB Namibia group. For detailed accounting policies refer to pages 44 to 65 of this annual report.		
2 Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group company	916	298
Interest paid: loan account with group company		(367)
3 Non interest income		
Gains less losses from investing activities		
- Dividends received		
- Subsidiaries	651 110	106 739
- Associates	1 850	3 477
- Unit trust investments	771	178
- Revaluation of investment securities through profit or loss	125	157
- Net profit realised on sale of interest in subsidiary		54 577
The company sold an additional 14% interest in Momentum Life Assurance Namibia Limited to Momentum Group Limited on 30 September 2009. The company's shareholding reduced to 51%.		
Gross gains less losses from investing activities	653 856	165 128
4 Operating expenses		
Auditors' remuneration		
- Audit fees	949	914
Professional fees		111
BEE consortium share option expenses		1 199
Other operating costs		
- Other operating expenses	232	6
Total operating expenses	1 181	2 230

FNB Namibia Holdings Limited

Notes to the company annual financial statements for the year ended 30 June

N$'000	2011	2010
5 Tax		
Indirect Tax		
Value added tax	9	239
Total indirect tax	9	239
Direct Tax		
Namibian normal tax		
- Current year	(324)	(101)
- Prior year		1 336
	(324)	1 235

The company provided for tax at 34% (2010: 34%) of the taxable income (interest income). The effective tax rate is 0.05% (2010: -1%). During 2010, Inland Revenue finalised the tax assessments for the period 2001, 2002, 2003 and 2007, as objected by the company. The final tax outcome being a refund in the 2010 period.

N$'000	2011	2010
6 Dividends		
A final dividend (dividend no. 30) of 28 cents per share was declared on 19 August 2009 in respect of the six months ended 30 June 2009 and paid on 28 October 2009.		74 926
An interim dividend (dividend no. 31) of 31 cents per share was declared on 3 February 2010 for the six months ended 31 December 2009 and paid on 8 April 2010.		82 954
A final dividend (dividend no. 32) of 36 cents per share was declared on 17 August 2010 in respect of the six months ended 30 June 2010 and paid on 28 October 2010.	96 334	
An interim dividend (dividend no. 33) of 36 cents per share was declared on 2 February 2011 for the six months ended 31 December 2010 and paid on 8 April 2011.	96 334	
A special dividend (dividend no.34) of 170.0 cents per share was declared on 4 April 2011 and paid on 27 May 2011	454 908	
	647 576	157 880

Final dividend of 41 cents (2010: 36 cents) per share was declared subsequent to year-end.

N$'000	2011	2010

7 Loan to / (from) group company

Balances with Talas Properties (Windhoek) (Pty) Ltd

	2011	2010
Balance at 1 July	3 627	(17 530)
Repaid / received during the year	1 144	21 157
Balance at 30 June	4 771	3 627

Refer to note 2 for on the interest received and paid

8 Investment securities

	2011	2010
Listed		
Equities	1 382	1 257
Unlisted		
Unit trust investments	7 771	
Total	9 153	1 257

8.1 Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 37 of the group financial statements.

	Level 1	Level 2	Level 3	2011 Total
Financial assets designated at fair value through profit or loss				
Investment securities	1 382	7 771		9 153

	Level 1	Level 2	Level 3	2010 Total
Financial assets designated at fair value through profit or loss				
Investment securities	1 257			1 257

9 Investments in associates

	2011	2010
Unlisted investments		
Carrying value at beginning of the year	17 965	15 691
The company made an additional contribution to maintain its 40% interest in FNBIBN, during the prior year.		2 274
Carrying value at end of the year	17 965	17 965
The list of associates are:		
Avril Payment Solutions (Pty) Ltd	263	263
FNB Insurance Brokers (Namibia) (Pty) Ltd	17 702	17 702

Refer to note 16 in the group financial statements for full details of associates.
Refer to note 36 in the group financial statements for full related party transactions and balances.

FNB Namibia Holdings Limited

Notes to the company annual financial statements for the year ended 30 June

N$'000	2011	2010
10 Investments in subsidiaries		
Unlisted investments		
Carrying value at beginning of the year	1 236 808	1 258 570
Decrease in investment in Momentum Life Assurance Namibia Limited		(21 762)
Investment in Momentum Life Assurance Namibia Limited classified as non current held for sale	(79 276)	
Carrying value at end of the year	1 157 532	1 236 808
The list of subsidiaries are:		
First National Bank of Namibia Ltd	1 142 792	1 142 792
Swabou Investments (Pty) Ltd		
First National Asset Management and Trust Company (Pty) Ltd		
Talas Properties (Windhoek) (Pty) Ltd	2 967	2 967
Momentum Life Assurance Namibia Limited**		79 276
OUTsurance Insurance Company of Namibia Ltd	6 298	6 298
FNB Namibia Unit Trust Ltd	5 475	5 475
	1 157 532	1 236 808
**Momentum Life Assurance Namibia Limited is classified as non current asset held for sale.	79 276	

The following share trusts are controlled by FNB Namibia Holdings Limited:
FNB Namibia incentive share trust
FNB Namibia staff assistance trust

The carrying amount of these investment is N$ nil.

Refer to note 21 in the group financial statements for full details of non current asset held for sale.

Refer to note 36.6 in the group financial statements for full details of investment in subsidiaries.

Refer to note 36.3 in the group financial statements for full related party transactions and balances.

N$'000	2011	2010
11 Share capital		
Authorised		
990 000 000 (2010: 990 000 000) ordinary shares with a par value of 0.5 cents per share	4 950	4 950
10 000 000 (2010: 10 000 000) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	50	50
	5 000	5 000
Issued		
267 593 250 (2010: 267 593 250) ordinary shares with a par value of 0.5 cents per share 2 (2010: 2) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	1 338	1 338
	1 338	1 338
Share premium	280 810	280 810

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short term insurance business.

The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

12 Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia.

13 Related party transactions

During the year and the prior year, the company entered into transactions with its subsidiaries, disclosed in detail in the relevant notes of the company financial statements.

Refer to note 36 in the group financial statements for full related party transactions and balances.