REPUBLIC OF NAMIBIA

THE PURPOSE AND FUNCTIONS OF THE FUND ARE TO-
(A)DESIGN, DEVELOP, PROMOTE AND IMPLEMENT MOTOR VEHICLE ACCIDENT AND INJURY PREVENTION MEASURES;
(B) FAIRLY AND REASONABLY PROVIDE ASSISTANCE AND BENEFITS TO A PERSON WHO IS INJURED IN A MOTOR VEHICLE ACCIDENT;

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MOTOR VEHICLE ACCIDENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

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REPUBLIC OF NAMIBIA

TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Motor Vehicle Accident Fund for the financial year ended 31 March 2010, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, September 2010

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE MOTOR VEHICLE ACCIDENT FUND
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010**

1. INTRODUCTION

The accounts of the Motor Vehicle Accident Fund (the Fund) for the year ended 31 March 2010 are being reported in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Motor Vehicle Accident Fund Act, 2007 (Act 10 of 2007) herein after called the Act.

The firm Grand Namibia has been appointed by the Auditor-General under the provisions of section 26(2) of the State Finance Act, 1991, to audit the accounts of the Fund on his behalf and under his supervision. Figures in the report are rounded off to the nearest Namibia dollar.

2. ESTABLISHMENT

The Motor Vehicle Accident Fund was established in terms of section 2 of the Act. The Act provides for the establishment, management and administration of the Fund, payment of compensation to victims of motor vehicle accidents and incidental matters.

3. FINANCIAL STATEMENTS

The Fund's statements of account referred to in section 7(3) of the Act and other statements in respect of the financial year were audited in terms of section 7(4) of the Act and are filed in the Office of the Auditor-General. Those published in this report are:

Annexure A:	Report of the Directors
Annexure B:	Balance sheet
Annexure C:	Income statement
Annexure D:	Statement of Changes in Equity
Annexure E:	Cash flow statement
Annexure F:	Notes to the financial statements

4. SCOPE OF THE AUDIT

The Accounting Officer of the Fund is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm included:

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

b) assessment of the significant estimates and judgement made by the Accounting Officer of the Fund in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed; and

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

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

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended, and
- the financial transactions conform to the authorities, which govern them.

5. AUDIT OBSERVATIONS

5.1 Going concern

At balance sheet date the Fund's liabilities exceeded assets by N$ 505 206 656 (2009: N$ 458 341 362). Measures introduced during the previous financial year are not yet yielding satisfactory results and need to be revisited. The following initiatives are in the process of being pursued:

- Amendments to the MVA Fund Act, which will seek to remove the general damages/injury grant. Savings of N$ 40 million is expected to be generated by this initiative.
- Obtaining approval from the line Ministry to implement measures to seek alternative funding sources.
- Actively pursuing fuel levy increases in line with the recommendation made by the actuaries. In the 2010 actuarial report, the recommendation has been made that the fuel levy of 31,6 cents will be required to cover claims. A total fuel levy of 53,0 cents will be required to meet the expected cash flow over the next financial year in respect of current liabilities.

6. ACKNOWLEDGEMENT

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

7. QUALIFIED AUDIT OPINION

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 March 2010 have been audited in accordance with the provisions of section 25(1)(b) of the State Finance Act, 1991, read with section 7(4) of the Motor Vehicle Accidents Fund Act, 2007 (Act 10 of 2007).

My opinion has been qualified due to the going-concern status of the Fund, which to my disappointment has not improved (refer to paragraph 5.1).

Except for the remark made above, in my opinion these financial statements fairly present the net assets of the Motor Vehicle Accident Fund at 31 March 2010, its net costs of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

WINDHOEK, September 2010

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

MOTOR VEHICLE ACCIDENT FUND

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

REPORT OF THE DIRECTORS

The Directors present their annual report, which forms part of the audited financial statements of the Fund for the year ended 31 March 2010.

ACTIVITIES OF THE FUND

The Fund has been established to pay compensation to a person who has suffered loss or damages as a result of a motor vehicle accident and incidental matters.

STATE OF AFFAIRS AND FINANCIAL RESULTS

The state of affairs and full details of financial results are dealt with in the annual financial statements and can be summarised as follows:

	2010	**2009**
	N$	N$
Fuel levy income	234 376 096	161 252 859
Interest income	1 049 017	2 990 757
Sundry income	1 724 744	360 197
Claim expenses	154 345 832	103 965 256
Movement in claims provision and reserves	69 280 761	319 512 533

Analytical review of the Fund's operations and state of affairs

The fuel levy rate increased from 0.217 to 0.32 per litre of petrol and diesel.

Following the Actuarial Valuation performed at the reporting date, provisions for claims and related expenditure were charged to income in the current year, with the following effect:

	2010	**2009**
	N$	N$
Total assets	136 767 564	92 637 356
Total liabilities	641 974 220	550 978 718
Fund deficit	(505 206 656)	(458 341 362)
Ratio of total assets to Fund deficit	0.27:1	0.20:1
Ratio of total assets to Fund deficit %	27%	20%

MOTOR VEHICLE ACCIDENT FUND

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

REPORT OF THE DIRECTORS (continued)

	2010	2009
	N$	N$
Fuel sales in litres		
Diesel	498 743 110	484 910 167
Petrol	348 439 331	308 565 691
	847 182 441	**793 475 858**
Increase/(decrease) in litres sold	**53 706 583**	**16 759 348**

CASH AND INVESTMENTS

Surplus cash and part of investment returns invested at various financial institutions comprise:

	2010	2009
	N$	N$
Short term investments – held to Maturity	17 817 686	977 052
Call account investments	3 746 823	11 797 205
Total short-term cash investments	**21 564 509**	**12 774 257**
Bank balances	16 385 512	-
Overdraft facility - current account	(668 518)	(3 656 972)
Cash on hand	13 302	12 914
Total cash and cash equivalents as per statements	**37 294 805**	**9 130 199**
Total cash and Investments	**37 294 805**	**9 130 199**

STAFF COSTS

Staff costs increased by 2% in the current financial year.

MOTOR VEHICLE ACCIDENT FUND

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

REPORT OF THE DIRECTORS (continued)

POST BALANCE SHEET EVENTS AND CONTINGENCIES

There are no post balance sheet events that materially affect the financial year under review.

DIRECTORATE

The following directors served during the financial year under review:

Dr . Z . Erkana (Chairman, Namibian)	Reappointed, 01 October 2007
P . Amunyela (Vice-Chairman, Namibian)	Reappointed, 01 October 2007
W. Enssle (Namibian)	Reappointed, 01 October 2007
M. Nangombe (Namibian)	Reappointed, 01 October 2007
C. Kavendjii (Namibian)	Appointed, 01 April 2008

WINDHOEK, September 2010

ANNEXURE B

MOTOR VEHICLE ACCIDENT FUND

BALANCE SHEET AS AT 31 MARCH

	Notes	2010	2009
ASSETS		N$	N$
Current assets		83 055 889	36 436 416
Accounts receivable	5	45 092 567	23 649 245
Cash and cash equivalents	6	20 145 636	11 810 119
Investments	7	17 817 686	977 052
Non-current assets			
Property, plant and equipment	4	53 711 675	56 200 940
Total assets		**136 767 564**	**92 637 356**
LIABILITIES AND EQUITY			
Current liabilities		26 385 978	16 034 831
Accounts payable	8	8 311 388	9 594 496
Long-term borrowings due within one year	9.1	16 301 971	1 581 090
HP lease borrowings due within one year	9.2	1 104 102	1 202 273
Bank overdraft	6	668 517	3 656 972
Non-current liabilities		615 588 242	534 943 887
Long-term borrowings	9.1	77 110 258	26 327 583
Claim provisions and reserves	11	523 429 000	506 239 000
HP – lease borrowings	9.2	503 705	1 777 304
Severance benefit obligation	10	885 000	600 000
Deferred income	12	13 660 279	-
Funds and reserves			
Accumulated (deficit)/funds		(505 206 656)	(458 341 362)
Total equity and liabilities		**136 767 564**	**92 637 356**

ANNEXURE C

MOTOR VEHICLE ACCIDENT FUND

INCOEM STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2010	2009
		N$	N$
Income		**244 659 208**	**164 953 695**
Fuel levy revenue		234 376 096	161 252 859
Interest received		1 049 017	2 990 757
(Loss)/profit on sale of assets		(209 635)	(7 068)
Rental income		1 255 440	356 950
Sundry income		1 724 744	360 197
Government grant - released		6 463 546	-
Expenditure		**291 524 502**	**482 020 615**
Claims paid		154 345 832	103 965 256
General administrative expenses		67 612 909	57 942 826
Severance pay IAS 19 provision	10	285 000	600 000
Movement in claims provision	11	69 280 761	319 512 533
(DEFICIT)/SURPLUS FOR THE YEAR		**(46 865 294)**	**(317 066 920)**

ANNEXURE D

MOTOR VEHICLE ACCIDENT FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	2010	**2009**
	N$	N$
ACCUMULATED FUNDS		
Balance at the beginning of the year	(458 341 362)	(141 274 442)
Net (deficit)/surplus for the year	(46 865 294)	(317 066 920)
Balance at the end of the year	**(505 206 656)**	**(458 341 362)**

ANNEXURE E

MOTOR VEHICLE ACCIDENT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2010	2009
		N$	N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		222 376 504	168 393 487
Cash payments		(260 553 215)	(197 893 336)
Cash generated/(utilized) by operations	12	(38 176 711)	(29 499 849)
Investment income	2	(8 592 251)	604 710
Net cash flow from operating activities		(46 768 962)	(28 895 139)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(2 936 295)	(36 049 896)
Proceeds from disposal of asset		77 798	518 587
Movement in short-term investments		(16 840 634)	24 379 585
Net cash flow from investing activities		(19 699 131)	(11 151 724)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term borrowings raised/(repaid) – vehicles		(1 371 770)	1 054 573
Long-term borrowings raised/(repaid) – buildings		(1 736 166)	27 908 673
Long-term borrowings raised – Government		67 239 722	-
Increase – Deferred income		13 660 279	-
Net cash flow from financing activities		77 792 065	28 963 246
Net increase/(decrease) in cash and cash equivalents		11 323 972	(11 083 617)
Cash and cash equivalents at the beginning of the year		8 153 147	19 236 764
Cash and cash equivalents at the end of the year	6	**19 477 119**	**8 153 147**

MOTOR VEHICLE ACCIDENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The Funds' financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Committee ("IFRIC") of the IASB. The financial statements are prepared on a historical cost basis, except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted.

Significant judgement

In preparing the financial statements, management is required to make estimates and assumptions that effect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formation of estimates. Actual results in the future could differ from those estimates, which may be material to the financial statements.

Significant judgements include:

- *Trade receivables*

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

- *Asset lives*

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

- *Residual values*

The residual values of property, plant and equipment are reviewed at each balance sheet date. The residual values are based on the assessment of the useful lives and other available information.

- *Outstanding claims provision*

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date is the Fund's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Fund will ultimately pay for such claims. The provision for outstanding claims is actuarially determined on an annual basis. The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. More details on the actuarial assumptions can be found in note 11.

1.2 Underlying concepts

The financial statements are prepared on the going-concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset and the net amount reported only when a currently legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standard. If no such guidance is given, they are applied retrospectively, unless it is impractical to do so, in which case they are applied prospectively.

Changes in accounting estimates are recognised in profit or loss.

Prior period errors are retrospectively restated unless it is impractical to do so, in which case they are applied prospectively.

Accounting policies are not applied when the effect of applying them is immaterial.

1.3 Recognition of assets and liabilities

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

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

Financial instruments are recognized when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities as a result of firm commitments are only recognized when one of the parties has performed under the contract.

1.4 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

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

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

1.5 Property, plant, equipment and depreciation

All property, plant and equipment are shown at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over the estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Fund.

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

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

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Motor vehicles	2 - 4 years
Office furniture & equipment	7 - 10 years
Computer equipment	3 years
Buildings	50 years

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

1.6 Impairment of assets

At each reporting date the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.7 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, that is when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Fund expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when it is virtually certain.

Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current markets assessments of the time value of money and the risk specific to the liability.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

A liability is recognized for the amount expected to be paid under bonus plans if the Fund has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

1.8 Financial instruments

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

Investments

Investments in debt and equity securities are classified in the following four categories: available-for-sale, held-to-maturity, loans and receivables and at fair value through profit and loss. The classification is dependant on the purpose for which the investments were acquired. Management determines the classification on its investments at the time of purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investments for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments include unlisted shares.

Held-to-maturity investments

Investments with a fixed-maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets except for maturities within twelve months from the balance sheet date which are classified as current assets. Held-to-maturity investments include government stock, debentures and treasury bills.

Loans and receivables

Money, goods or services provided to a debtor by the Fund that creates a financial asset in the Fund is classified as loans and receivables. Loans and receivables include mortgages, loans and receivables and staff bonds.

Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Recognition and measurement

Financial instrument purchases and disposals are initially measured at cost which includes transaction costs and are recognised using trade date accounting. The trade date is the date that the Fund commits to purchase or sell the asset. Subsequently to initial measurement available-for-sale investments are carried at fair value while originated loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest yield method. Financial liabilities are measured at amortised cost.

Gains and losses

Realised and unrealised gains and losses arising from changes in the fair value of investments are included in the income statement in the period in which they arise. Gains and losses on available-for-sale assets are recorded directly to equity.

Fair value

The fair value of unlisted investments is the amount that could be realised in an arms length transaction, between willing and knowledgeable parties. Where no active market exists, unlisted investments are valued at directors' valuation.

Off-set

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

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

1.10 Leased assets

Leases of property, plant and equipment where the Fund assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the lesser of the useful life of the assets or the lease term of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.11 Government grants

Government grants are recognized when there is reasonable assurance that:

- the Fund will comply with the conditions attaching to them; and
- the grants will be received.

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

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognized as a government grant.

1.12 Revenue recognition

Revenue comprises mainly fuel levies and investment income and is recognized as follows:

Fuel levies

The main income received by the Fund is a levy that is based on fuel sale, known as the Motor Vehicle Accident Fund Levy. The Motor Vehicle Accident Fund Levy is a charge levied on fuel throughout the country and the quantum of the Fund Levy per litre is determined by the Ministry of Mines and Energy.

The Fund recognizes revenue from the fuel levies when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Fund.

Revenue is measured at the fair value of the consideration received or receivable.

Investment income

Investment income comprises interest income on funds invested. Interest income for financial assets not classified as at fair value through profit or loss is recognized on a time-proportion basis, using the effective interest method.

1.13 Post balance sheet events

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

1.14 Expenses

All expenses are accounted for as incurred. Appropriate portions of expenses are allocated to underwriting expenses, claims incurred and investment expenses.

1.15 Actuarial gains and losses

The company has elected to apply the corridor method relating to the severance benefit obligation in terms of which the portion of actuarial gains and losses recognized is the excess over the greater of:

(i) 10% of the present value of the defined benefit obligation at the end of the previous reporting period (before deducting plan assets) and;
(ii) 10% of the fair value of any plan assets at the same date.

1.16 New and Revised International Financial Reporting Standards

International Financial Reporting Standards and amendments issued, but not effective for March 2010 year-end, which might have an impact on the financial statements of the Fund in future.

Number	Title	Effective date
IAS 8	Accounting policies, changes in accounting estimates and errors	01 January 2009
IAS 16	Property, plant and equipment	01 January 2009
IAS 23	Borrowing costs (Revised)	01 January 2009
IAS 32	Financial instruments: Presentation (Revised)	01 January 2009
IAS 36	Impairment of Assets (Revised)	01 January 2009
IAS 27	Consolidated and Separate Financial Statements: Amendment of determining cost of investment in the separate financial statements on first time adoption.	01 January 2009
IAS 28	Investments in Associate – Consolidated and Separate Financial Statements (Amended)	01 July 2009
IAS 31	Interest in Joint Ventures – Consolidated and Separate Financial Statements (Amended)	01 July 2009
IAS 39	Financial instruments: Recognition and Measurement – for eligible hedged items (Revised)	01 July 2009
IFRS 2	Share-based Payment: Vesting conditions and Cancellations (Amended)	01 January 2009
IFRS 3	Business Combinations (Revised)	01 July 2009
IFRS 7	Reclassification of Financial Assets (Amended)	01 July 2009
IFRS 8	Operating Segments	01 January 2009
IFRIC 13	Customer loyalty Programmes	01 July 2009
IFRIC 15	Agreements for the Construction of Real Estates	01 January 2009
IFRIC 16	Hedges of Net Investment in a Foreign Operation	01 October 2008

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

2. INVESTMENT INCOME

	2010 N$	2009 N$
Interest received	1 049 017	2 990 757
Interest paid on short-term borrowings	(9 641 268)	(2 386 047)
	(8 592 251)	**604 710**

3. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include the following:	2010 N$	2009 N$
Depreciation of fixed assets	5 018 425	2 738 449
Auditors' remuneration		
- Previous year	643 783	454 582
Staff costs	30 663 182	29 747 718
Remuneration for managerial, technical, administrative or secretarial services other than to bona fide employees	2 104 322	2 572 239

4. PROPERTY, PLANT AND EQUIPMENT

31 March 2010	Land and buildings N$	Motor vehicles N$	Office equipment & furniture N$	Computer equipment N$	TOTAL N$
Opening net book value	**41 468 041**	**3 161 487**	**10 049 531**	**1 521 881**	**56 200 940**
- Cost	41 468 041	3 710 156	12 066 808	3 640 198	60 885 203
- Accumulated depreciation	-	(548 669)	(2 017 277)	(2 118 317)	(4 684 263)
Additions	2 615 218	-	112 607	208 470	2 936 295
Depreciation	(829 632)	(859 553)	(2 674 813)	(654 427)	(5 018 425)
Prior year adjustment on cost	(28 349)	-	(340 392)	249 039	(119 702)
Disposals	**-**	**(271 107)**	**(16 326)**	**-**	**(287 433)**
- Cost	-	(498 520)	(27 359)	-	(525 879)
- Accumulated depreciation	-	227 413	11 033	-	238 446
Closing net book value	**43 225 278**	**2 030 827**	**7 130 445**	**1 325 125**	**53 711 675**
- Cost	44 054 910	3 211 636	11 811 664	4 097 707	63 175 917
- Accumulated depreciation	(829 632)	(1 180 809)	(4 681 219)	(2 772 582)	(9 464 242)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

31 March 2009	Land and buildings N$	Motor vehicles N$	Office equipment & furniture N$	Computer equipment N$	TOTAL N$
Opening net book value	**18 121 317**	**1 954 806**	**2 732 272**	**606 754**	**23 415 149**
- Cost	18 121 317	2 022 851	3 291 147	2 090 827	25 526 142
- Accumulated depreciation	-	(68 045)	(558 875)	(1 484 073)	(2 110 993)
Additions	23 346 724	2 273 956	8 879 845	1 549 371	36 049 896
Depreciation	-	(599 688)	(1 504 517)	(634 244)	(2 738 449)
Disposals	**-**	**(467 587)**	**(58 069)**	**-**	**(525 656)**
- Cost	-	(586 651)	(104 184)	-	(690 835)
- Accumulated depreciation	-	119 064	46 115	-	165 179
Closing net book value	**41 468 041**	**3 161 487**	**10 049 531**	**1 521 881**	**56 200 940**
- Cost	41 468 041	3 710 156	12 066 808	3 640 198	60 885 203
- Accumulated depreciation	-	(548 669)	(2 017 277)	(2 118 317)	(4 684 263)

Land and buildings consist of:
- Erf 6325, measuring 2795m², situated in the municipal area of Ongwediva
- Erf 8495, measuring 5768m², situated in the municipal area of Windhoek

5. ACCOUNTS RECEIVABLE	2010 N$	2009 N$
Fuel levies receivable	43 377 498	21 432 105
Staff loans	564 403	747 837
Customer Control Account	1 124 398	1 439 465
Deposits	26 268	29 838
	45 092 567	**23 649 245**

Trade and other receivables past due but not impaired

At 31 March 2010, N$ 45 092 567 (2009: N$ 23 649 245) were past due, but not impaired. The ageing of amounts past due, but not impaired are as follows:

	2010 N$	2009 N$
Less than 1 year	44 634 849	23 350 110
2-3 years	457 718	299 135
	45 092 567	**23 649 245**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

6. CASH AND CASH EQUIVALENTS

	2010 N$	2009 N$
Standard Bank		
- Current account	7 407 812	(3 025 261)
- Call account Serial 1	2 702 499	135 735
- Call account Serial 2	209 609	10 964 274
Bank Windhoek		
- Current account	8 977 700	-
First National Bank		
- Call account	3 216	2 206
- Current account	(668 517)	(631 711)
- Current account – Xupifa	831 498	694 990
- Petty cash	1 937	2 049
Petty cash	-	7 865
Cash on hand	11 365	3 000
	19 477 119	**8 153 147**

7. SHORT-TERM INVESTMENTS

Nampost	1 055 058	977 052
Bank Windhoek – Fixed deposit	9 211 391	-
Standard Bank – Fixed deposit	7 551 237	-
	17 817 686	**977 052**

8. ACCOUNTS PAYABLE

Accrued expenses	4 579 410	6 933 820
Suppliers Control Account	1 704 432	1 820 761
Other payables	1 310 774	140 759
VAT	716 772	699 156
	8 311 388	**9 594 496**

	2010 N$	2009 N$
9. LONG-TERM BORROWINGS		
9.1 MVA FUND – WINDHOEK DEVELOPMENT		
On 24 February 2009, a building loan of N$ 21 million was extended by First National Bank, which financed the construction of MVA Fund Service Centre in Windhoek. The loan is for a period of 10 years and is payable on a monthly basis, starting 31 March 2009. The interest rate on this loan is prime rate less 2%. At 31 March 2010, the prime rate was 11.25%. First National Bank holds a bond on the property at Erf 8495, Windhoek.	19 629 380	20 931 505
On 24 February 2009, a building loan of N$ 7 million was extended by First National Bank, which financed the construction of MVA Fund Service Centre in Ongwediva. The loan is for a period of 10 years and is payable on a monthly basis, starting 31 March 2009. The interest rate on this loan is prime rate less 2%. At 31 March 2010, the prime rate was 11.25%. First National Bank holds a bond on the property at Erf 6325, Windhoek.	6 543 127	6 977 168
The Fund requested a further fuel levy advance from the Ministry of Mines and Energy to cover operational expenditure and future fund obligations. The loan is interest-free and repayable as follows: - up to 30 June 2010 – N$ 200 000 per month - after 01 July 2010 – N$ 2 500 000 per month.	67 239 722	-
The loan was initially measured at its fair value. The interest rate will be the average borrowing rate of the Fund, currently 9.25%.		
	93 412 229	27 908 673
Less: Installments payable within 1 year: - transferred to current liabilities	(16 301 971)	(1 581 090)
Total long-term liabilities	**77 110 258**	**26 327 583**

9.2 HP LEASE BORROWINGS		
Secured loans bearing interest at 13.25% p.a., repayable in annual instalments of N$ 959 977, commenced on April 2008. Secured by motor vehicles with a book value of N$ 3 105 489.	1 607 807	2 979 577
Less: Installments payable within 1 year: - transferred to current liabilities	(1 104 102)	(1 202 273)
	503 705	**1 777 304**

10. SEVERANCE BENEFIT OBLIGATION

The defined obligation consists of Severance pay benefit which is governed by Section 35 (1) of the Namibia Labour Act of 2007, which came into effect 01 November 2008. In terms of the Act the Severance benefits are payable to an employee for one (1) week's wages for each completed year of service if the employee is dismissed; dies while employed; or resigns or retire on reaching the age of 65 years.

The Severance benefit obligation has been determined through Actuarial valuation

	2010	2009
Carrying value	N$	N$
(Liability)/asset at the beginning of the year	(600 000)	-
Net (expense)/income recognized	(285 000)	(600 000)
(Liability)/asset at the end of the year	(885 000)	(600 000)
Analyzed as:		
Present value of the Defined Benefit Obligation:		
- wholly unfunded	(816 000)	(600 000)
Fair value of Plan assets	-	-
Surplus/(deficit)	(816 000)	(600 000)
Unrecognized net actuarial (gain)/loss	(69 000)	-
Unrecognized past service cost	-	-
(Liability)/asset recognized	(885 000)	(600 000)
Net expenses recognized		
Current service cost	212 000	81 000
Interest cost	73 000	22 000
Amortization		
- Unrecognized past service cost	-	497 000
Total expenses recognized at the end of the year	285 000	600 000

10. SEVERANCE BENEFIT ……… (continued)

Key assumptions used	2010 N$	2009 N$
Assumptions used in the valuation:		
Discount rate	9.00%	9.25%
Inflation rate	6.75%	7.00%
Salary increase rate	7.75%	8.25%
Number of employees	77	77
Salary weighted average age	36.4 years	35.5 years
Average service	3.7 years	2.7 years
Total annual salaries	22 347 000	22 080 000

The liability has been calculated using the Projected Unit Credit Method, which accrues uniformity, whilst the member is in service. The normal retirement age for all employees is 60 years.

11. CLAIM PROVISIONS AND RESERVES

11.1 Methodology used in determining the provision for outstanding claims

The following methodology was used to estimate the outstanding claim provision:

	2010 N$	2009 N$
Outstanding reported claims	149 528 000	127 688 000
Claims undertakings	179 100 000	204 448 000
Claims handling expenses	8 972 000	7 661 000
Contingency Reserve	39 464 000	30 000 000
Belgium doctor's claim	100 259 000	136 442 000
Claims in litigation	46 106 000	-
	523 429 000	**506 239 000**

The carrying amount of provision and reserves can be reconciled as follows:

Opening balance	506 239 000	227 058 000
Movement for the year	69 280 761	319 512 533
Paid during the year	(52 090 761)	(40 331 533)
Closing Balance	**523 429 000**	**506 239 000**

The Provision for Outstanding claims includes **(1)**.
Notified Outstanding Claims Reserve (NOCR) and **(2).**
Claims incurred but not Reported Reserve (IBNR)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

12. DEFERRED INCOME	**Notes**	**2010** N$	**2009** N$
Deferred income realized as a result of an interest-free loan granted by the Government of the Republic of Namibia to the Fund. Interest-free loans are recognized as a form of Government assistance and are recognized as the difference between the initial carrying amount of the loan and the actual proceeds received from the Government.			
Deferred income – Government Grant		13 660 279	-

13. CASH GENERATED/(UTILISED) BY OPERATIONS

	Notes		
(Deficit)/ Net Surplus for the year		(46 865 294)	(317 066 920)
Adjusted for:			
Profit on disposal of asset		209 635	7 068
Severance pay expense		285 000	600 000
Depreciation		5 018 425	2 738 449
Investment Income	2	8 592 251	(604 710)
Movement in claims provisions		17 190 000	279 181 000
Other non-cash flow item		119 702	-
Changes in working capital		(22 726 430)	5 645 264
Increase/(decrease) in Accounts Payable		(1 283 108)	(778 217)
(Increase)/decrease in Accounts Receivable		(21 443 322)	6 423 481
Cash generated/(utilised) by operations		**(38 176 711)**	**(29 499 849)**

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets	Available for sale N$	Held to maturity N$	Loans and receivables N$	Fair value through profit and loss N$
Cash and cash equivalents	-	-	-	20 145 636
Trade and other receivables	-	-	45 092 567	-
Investments	-	-	-	17 817 686
Total	-	-	45 092 567	37 963 322

Financial liabilities	Others N$	Fair value through profit and loss N$
Trade and other payables	8 311 388	-
Current portion on borrowings	17 406 073	
Bank overdraft	-	668 517
Long-term borrowings	77 110 258	-
HP lease borrowings	503 705	-
Severance benefit obligations	885 000	-
Total	104 216 424	668 517

15. CAPITAL COMMITMENTS

	2010 N$	2009 N$
Authorized by the Board but not yet contracted:		
Property, plant and equipment	5 500 000	4 500 000

16. FINANCIAL RISK MANAGEMENT

Overview

The Fund is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk (which comprises of interest rate risk, currency risk and other price risks). The risks that the Fund primarily faces due to the nature of its assets and liabilities are liquidity risk, interest risk, currency risk and insurance risk.

Credit risk

The Fund has exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Key areas where the Fund is exposed to credit risk are:

- Amounts due within respect of motor finance scheme loans
- Amounts due from fuel levy debtor (Income receivable).

Management manages the credit risk as follows:

The debtors of the Fund's motor vehicle scheme are at executive and management levels. The Fund is the registered titleholder to all the vehicles involved and all the vehicles are comprehensively insured. Monthly installments are deducted directly from payroll.

The provision of the Petroleum Act does not allow the Fund to collect fuel levies directly from the different fuel companies, but instead awards receipt of the levy through the Ministry of Mines and Energy. The Fund is constantly communicating with the Ministry, through the office of the Minister and the Permanent Secretary, to find ways to reduce the period of payment.

Liquidity risk

The Fund has exposure to liquidity risk, which is the risk that the Fund will encounter difficulty in meeting its obligations associated with financial liabilities.

Ultimately responsibility for liquidity risk management rests within the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the MVA's short-, medium- and long-term funding and liquidity management requirements.

The Fund manages liquidity risk by preparing cash flow projections on a monthly basis to ensure adequate funding is available to meet its obligations. Furthermore, the Fund invests surplus funds on a short-term basis.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed to foreign currency risk arising from Belgium doctor's claims, which is denominated in Euro currency. The responsibility for the foreign exchange risk management rests within the board of directors, which has built an appropriate risk management framework.

Liquidity risk analysis – 2010

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest-bearing:				
Long-term borrowings	-	-	77 110 258	77 110 258
Severance benefit obligation	-	-	885 000	885 000
HP lease borrowings	-	-	503 705	503 705
Current portion on borrowings	-	17 406 073	-	17 406 073
Bank overdraft	668 517	-	-	668 517
Total	668 517	17 406 073	78 498 963	96 573 553
Non-interest-bearing:				
Trade and other payables	-	8 311 388	-	8 311 388
Financial assets				
Cash and cash equivalents	20 145 636	-	-	20 145 636
Investments	17 817 686	-	-	17 817 686
Trade and other receivables	45 092 567	-	-	45 092 567
Total	83 055 889	-	-	83 055 889

Liquidity risk analysis – 2009

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest-bearing:				
Long-term borrowings	-	-	26 327 583	26 327 583
Severance benefit obligation	-	-	600 000	600 000
HP lease borrowings	-	-	1 777 304	1 777 304
Current portion on borrowings	-	2 783 363	-	2 783 363
Bank overdraft	3 656 972	-	-	3 656 972
Total	3 656 972	2 783 363	28 704 887	35 145 222
Non-interest-bearing:				
Trade and other payables	-	9 594 496	-	9 594 496
Financial assets				
Cash and cash equivalents	11 810 119	-	-	11 810 119
Investments	977 052	-	-	977 052
Trade and other receivables	23 350 110	-	299 135	23 649 245
Total	36 137 281	-	299 135	36 436 416

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates. Interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, within acceptable parameters, while optimizing the return on risk.

The Fund's activities expose it primarily to the financial risks of changes in interest rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk as it invests funds in the money market at a floating interest rate.

All liquid funds are invested within registered Namibian banking institutions with maturities of 90 days or less, thereby minimizing interest rate risk.

Insurance risk

Contracts, under which the Fund accepts significant insurance risk from another party, i.e. (the claimant) by agreeing to compensate the claimant if a specified uncertain future event (the insured event) adversely affects the claimant, are classified as insurance contracts.

The Fund accepts insurance risk as it is mandated by the legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

Insurance risk is significant if, and only if, an insured event could cause the Fund to pay significant additional benefits once a contract is classified as an insurance contract until all rights and obligations are extinguished or expire.

Claims incurred

Claims incurred comprise claims and related expenses incurred during the year and changes in the provisions for outstanding claims, including provision for claims incurred but not reported and related external expenses, together with any other adjustments to claims from previous years.

Management manages the Insurance risk as follows:

The fund has approached reinsurers to negotiate reinsurance to cover medical claims incurred by the Fund. This is in line with the provisions of the new MVA Fund Act, which came into operation as from 02 May 2008. Initial proposals received indicated that reinsurance will not be cost effective and to the benefit of the Fund, thus the Fund has resolved to put the reinsurance option on hold.

356 KEY MANAGEMENT PERSONNEL

The following members held office as executive management during the year under review:

Mr. J. Muadinohamba (CEO)
Mr. S. Tjiuoro (Chief Operations Officer)
Mrs. R. M. Hausiku (Chief Corporate Affairs)
Mr. M. Spraggon (Chief Corporate Services)
Mr. F. Uugwanga (Chief Risk Officer)

	2010	2009
	N$	N$
Remuneration paid to management	9 573 002	9 149 253

17. BOARD MEMBERS EMOLUMENTS

	2010	2009
	N$	N$
P. Amunyela	33 000	19 400
Dr. Z. Erkana	40 000	9 100
N. Nangombe	30 000	21 200
C. Kavendjii	27 000	15 900
W. Enssle	33 000	21 200
Total income	**163 000**	**86 800**

ANNEXURE G

MOTOR VEHICLE ACCIDENT FUND

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

DETAILED INCOME STATEMENT

	2010	2009
	N$	N$
INCOME		
Fuel levy revenue	234 376 096	161 252 859
Interest received	1 049 017	2 990 757
Profit/(loss) on sale of assets	(209 635)	(7 068)
Rental income	1 255 440	356 950
Government grant released	6 463 546	-
Sundry income	1 724 744	360 197
Total income	**244 659 208**	**164 953 695**
EXPENDITURE		
Claims paid	**154 345 832**	**103 965 255**
Compensation payments	51 674 167	45 364 372
Hospital & Medical fees	61 127 456	48 106 751
Other payments i.r.o. claims	34 478 032	5 176 839
Medical management	1 643 616	1 751 859
Accident & injury prevention	3 607 936	2 540 475
Public education	1 814 625	1 024 959

ANNEXURE G

MOTOR VEHICLE ACCIDENT FUND

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

EXPENDITURE	**2010**	**2009**
	N$	**N$**
General expenses	**37 234 727**	**28 795 109**
Audit fees	643 783	454 582
Actuarial fees	769 189	456 567
Bank charges	344 459	276 846
Bursaries	1 335 396	646 318
Cleaning expenses	399 745	265 327
Computer expenses	468 165	1 340 864
Consulting fees	1 335 133	2 572 239
Courier and postage	165 981	117 826
Corporate communications	3 575 033	3 886 775
Corporate social investments	2 975 054	913 301
Depreciation	5 018 425	2 738 449
Directors fees	586 758	795 008
Electricity and water	541 169	368 013
Entertainment expenses	39 801	36 028
Insurance and licenses	654 801	550 188
Interest paid	9 641 268	2 386 047
Leasing charges	213 734	589 325
Legal fees	1 889 737	3 156 647
License fees TV	43 123	11 056
Membership fees	38 160	241 501
Motor vehicle expenses	539 149	768 773
Pest control	-	165
Plants and decorations	77 228	72 354
Refuse removal	8 765	-
Relocation of office	12 533	41 245
Rent - premises	288 967	920 455
Repairs and maintenance	302 339	346 853
Security costs	361 677	274 258
Stationary and printing	349 562	564 311
Subscriptions	158 222	209 437
Telecommunication costs	1 510 545	1 431 414
Traveling and accommodation	2 946 826	2 362 937
Salary costs	**30 663 182**	**29 747 718**
Payroll costs	29 045 778	27 198 187
Severance pay (IAS 19 provision)	285 000	600 000
Training expenses	448 342	322 470
Staff Welfare	607 402	803 261
Leave pay provision	276 660	823 800
Total expenditure	**222 243 741**	**162 508 082**
Movement in capital and reserves	**69 280 761**	**319 512 533**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**(46 865 294)**	**(317 066 920)**