REPUBLIC OF NAMIBIA

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MOTOR VEHICLE ACCIDENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

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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 2011, 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, December 2011

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 2011

1. INTRODUCTION

The accounts of the Motor Vehicle Accident Fund (the Fund) for the year ended 31 March 2011 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 NC Tromp 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: Statement of Financial Position
Annexure C: Statement of Comprehensive Income
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

As per my 2009/10 report, a recommendation for the fuel levy to be set at 53 cents per litre was not fully implemented. Only a fuel levy increase of 3 cents was granted with effect from 16 February 2011. The delay in implementing the fuel levy and the increase in the level of claims contributed to the increase in the deficit of the Fund from N$ 505 206 656 to N$ 542 952 573.

As a strategy to eliminate the deficit, MVA Fund is still pursuing legislative amendments that will see the following being implemented:

1. Removal of injury grant. N$ 40 million expected to be saved by this initiative will be channelled towards medical claim costs.

2. Reduce the heavy dependence on fuel levy by introducing surcharges on foreign vehicles entering Namibia and local vehicles. These surcharges will ensure that drivers take up adequate insurance in case of an accident and as such MVA Fund is adequately funded to cover all people injured or killed in Motor Vehicle Accident Fund.

3. The above initiatives together with an active management of costs have been incorporated in the "Quantum Leap" that Management have put in place to ensure that MVA Fund will be out of an accumulated deficit position within the next 4 financial years. The success on the Quantum Leap is depended on the Legislative amendments and the awarding of fuel levy as recommended by actuaries therefore, I advise the authorities to consider this recommendation in assisting MVA Fund to become self-sustainable.

Actuaries have revised the recommended fuel levy from 53 cents to 51.8 cents which will enable MVA Fund to cover annual projected expenses and projected annual claims costs arising from accidents from accidents after the valuation date, and to liquidate the deficit over a period of 10 years.

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 2011 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).

Due to the going concern status of the fund (as in 2009/2010) which to my disappointment has not improve, my opinion has again been qualified (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 2011, its net costs of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

WINDHOEK, December 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
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 2011.

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:

	2011	2010
	N$	N$
Fuel levy income	285 593 680	234 376 096
Discount received	37 540	-
Interest income	1 794 038	1 049 017
Sundry income	258 331	1 724 744
Claim expense	148 970 676	154 345 832
Movement in claims provision and reserves	104 183 411	69 280 761

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

The fuel levy rate increased from 32,7 cents to 35,7 cents 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:

	2011	2010
	N$	N$
Total assets	140 760 282	136 767 564
Total liabilities	683 711 630	641 974 220
Fund deficit	(542 951 348)	(505 206 656)
Ratio of total assets to Fund deficit	0.26:1	0.27:1
Ratio of total assets to Fund deficit %	26%	27%

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
REPORT OF THE DIRECTORS (continued)

	2011	2010
	N$	N$
Fuel sales in litres		
Diesel	517 432 379	498 743 110
Petrol	349 440 954	348 439 331
	866 873 333	**847 182 441**
Increase in litres sold	**19 690 892**	**53 706 583**

CASH AND INVESTMENTS

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

	2011	2010
	N$	N$
Short term investments - held to Maturity	15 806 155	17 817 686
Call account investments	2 107 212	3 746 823
Total short-term cash investments	**17 913 367**	**21 564 509**
Bank balances	1 665 035	16 385 512
Overdraft facility - current account	-	(668 518)
Cash on hand	20 862	13 302
Total cash and cash equivalents as per statements	**1 685 897**	**15 730 296**
Total cash and Investments	**19 599 264**	**37 294 804**

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:

P. Amunyela	Namibian		Reappointed, 01 October 2010
Dr. Z. Erkana	Namibian	Chairperson	Reappointed, 01 October 2010
W. Enssle	Namibian		Reappointed, 01 October 2010
M. Nangombe	Namibian		Reappointed, 01 October 2010
C. Kavendjii	Namibian	Vice Chairperson	Reappointed, 01 October 2010

WINDHOEK, May 2011

ANNEXURE B

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

	Note	2011 N$	2010 N$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	**4**	58 972 045	53 711 675
		58 972 045	53 711 675
CURRENT ASSETS			
Trade and other receivables	**5**	49 983 596	45 092 567
Work in progress	**6**	12 205 378	-
Bank and cash	**7**	3 793 109	20 145 636
Investments	**8**	15 806 155	17 817 686
		81 788 237	83 055 889
TOTAL ASSETS		140 760 282	136 767 564
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated deficit		(542 951 348)	(505 206 656)
		(542 951 348)	(505 206 656)
NON-CURRENT LIABILITIES			
Long-term liabilities	**10.1**	48 110 810	77 110 258
Claim provisions and reserves	**12**	568 606 000	523 429 000
HP - lease borrowings	**10.2**	-	503 705
Severance benefit obligations	**11**	1 201 000	885 000
Deferred income	**13**	52 380 700	13 660 278
		670 298 510	615 588 241

CURRENT LIABILITIES

Trade and other payables	**9**	10 500 103	8 311 388
Long-term borrowings due within one year	**10.1**	2 557 822	16 301 971
HP lease borrowings due within one year	**10.2**	355 195	1 104 102
Bank overdraft	**7**	-	668 518
		13 413 120	26 385 979
TOTAL FUNDS AND LIABILITIES		140 760 282	136 767 564

ANNEXURE C

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 N$	2010 N$
INCOME		**290 764 515**	**244 659 208**
Fuel levy revenue		285 593 680	234 376 096
Discount received		37 540	-
Interest received		1 794 038	1 049 017
Profit/(Loss) on sale of fixed assets		102 769	(209 635)
Rental income		856 613	1 255 440
Sundry income		258 331	1 724 744
Government grant - released		2 121 544	6 463 546
EXPENDITURE		**328 509 207**	**291 524 502**
Claims paid		148 970 676	154 345 832
General administrative expenses		75 209 454	67 612 909
Severance pay IAS 19 provision		145 666	285 000
Movement in claims provisions		104 183 411	69 280 761
DEFICIT FOR THE YEAR		**(37 744 692)**	**(46 865 294)**

ANNEXURE D

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	N$	N$
ACCUMULATED FUNDS		
Balance at the beginning of the year	(505 206 656)	(458 341 362)
Net deficit surplus for the year	(37 744 692)	(46 865 294)
Balance at the end of the year	(542 951 348)	(505 206 656)

MOTOR VEHICLE ACCIDENT FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 N$	2010 N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		290 764 515	222 376 504
Cash paid to suppliers		(307 436 733)	(260 553 215)
Cash utilised by operations	**14**	(16 672 218)	(38 176 711)
Investment income		(510 091)	(8 592 251)
Net cash flow from operating activities		(17 182 308)	(46 768 962)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(10 356 298)	(2 936 295)
Proceeds from disposal of asset		625 797	77 798
Movement in short-term investments		2 011 531	(16 840 634)
Net cash flow from investing activities		(7 718 970)	(19 699 131)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term borrowings repaid - vehicles		(503 705)	(1 371 770)
Long-term borrowings repaid - buildings		(2 023 175)	(1 736 166)
Long-term borrowings raised - Government		(26 976 274)	67 239 722
Increase - Deferred income		38 720 422	13 660 279
		9 217 268	77 792 065
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(15 684 010)	11 323 972
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		19 477 119	8 153 147
CASH AND CASH EQUIVALENTS - END OF YEAR	**7**	3 793 109	19 477 119

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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 affect the amount 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 assets.

- *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 provisions 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 note12.

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 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 of 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 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 and 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 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 and 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 exist, the recoverable amount of the assets 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 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 of 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 estimated 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 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 recognised 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 dependent 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 holdings the investments for less that 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 included 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 included 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 instruments purchased and disposals are initially measured at cost which included 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 statements 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 arm's length transaction, between willing and knowledge 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 in hand, deposits held at call with banks, and investments in money market instruments. Bank overdrafts are included in current liabilities on balance sheet.

1.10 Leased assets

Lease 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 interest element of the obligations, net of finance charge, are included in other long-term payables. The interest element of the finance charges 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 recognised 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 recognised 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 comprise 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 sales, 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 that 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 recognised 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 2011 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 Measurements - for eligible hedged items (Revised)	01 July 2009
IFRS 2	Share -based Payment: Vesting condition 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 Investments in a Foreign Operation	01 October 2008

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	N$	N$

2. FINANCE COST

	2011 N$	2010 N$
Interest received	1 794 038	1 049 017
Interest paid on short- and long term borrowings	(4 425 673)	(9 641 268)
	(2 631 635)	**(8 592 251)**

3. GENERAL ADMINISTATIVE EXPENSES

General administrative expenses include the following:

	2011 N$	2010 N$
Depreciation of fixed assets	4 572 900	5 018 425
Auditor's remuneration		
- current year	877 864	643 783
Staff costs	40 758 845	30 663 182
Remuneration for managerial, technical, administrative or secretarial services other than to bona fide employees	1 937 991	2 104 322

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value
2011 YEAR	**N$**	**N$**	**N$**
Land and buildings	49 163 040	1 741 669	47 421 371
Motor vehicles	2 981 404	1 372 045	1 609 359
Office equipment and furniture	13 480 133	6 462 450	7 017 683
Computer equipment	6 481 842	3 558 210	2 923 632
	72 106 419	**13 134 374**	**58 972 045**
2010 YEAR			
Land and buildings	44 054 910	829 632	43 225 278
Motor vehicles	3 211 636	1 180 809	2 030 827
Office equipment and furniture	11 811 664	4 681 219	7 130 445
Computer equipment	4 097 707	2 772 582	1 325 125
	63 175 917	**9 464 242**	**53 711 675**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

4. PROPERTY, PLANT AND EQUIPMENT (continued)

THE CARRYING VALUES OF PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS:

	Carrying value - Beginning of year N$	Disposals N$	Additions N$	Depreciation N$	Carrying value - End of year N$
Land and buildings	43 225 278	-	5 108 130	(912 037)	47 421 371
Motor vehicles	2 030 827	470 148	898 942	(850 262)	1 609 359
Office equipment and furniture	7 130 445	52 096	1 885 161	(1 945 827)	7 017 683
Computer equipment	1 325 125	784	2 464 065	(864 774)	2 923 632
	53 711 675	**523 028**	**10 356 298**	**(4 572 900)**	**58 972 045**

Land and buildings of:
- Erf 7494, measuring 2795 m², situated in the municipal area of Ongwediva
- Erf 8596, measuring 5768 m², situated in the municipal area of Windhoek

5. TRADE AND OTHER RECEIVABLES

	2011 N$	2010 N$
Fuel levies receivable	49 012 345	43 377 498
Staff loans	282 647	564 403
Customer Control Account	669 335	1 124 398
Deposits	19 268	26 268
	49 983 596	**45 092 567**

Trade and other receivables past due not impaired

At 31 March 2011, N$ 49 983 595 (2010: N$ 45 092 567) were past due, but not impaired. The ageing of amounts past due, but not impaired are as follows:

Less than 1 year	49 012 345	44 634 849
2 - 3 years	971 251	457 718
	49 983 596	**45 092 567**

6. WORK IN PROGRESS

Project Liseli - new database/accounting system - at cost	**12 205 378**	**-**

The total value of the project to be finished in the next 2 financial years amount to N$ 24 million

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

	2011	**2010**
	N$	**N$**

7. CASH AND BANK BALANCES

Standard Bank		
- Current account	1 045 881	7 407 812
- Call account Serial 1	698 502	2 702 499
- Call account Serial 2	247 714	209 609
Bank Windhoek		
- Current account	319 117	8 977 700
First National Bank		
- Call account	293 429	3 216
- Current account	634 963	(668 518)
- Current account - Xupifa	867 568	831 498
Salary account	60 476	-
- Petty cash	2 997	1 937
Clearing account	(395 403)	-
Cash on hand	17 865	11 365
	3 793 109	**19 477 118**

8. SHORT-TERM INVESTMENTS

Nampost	1 328 408	1 055 058
Bank Windhoek - Fixed deposit	8 105 211	9 211 391
Standard Bank - Fixed deposit	6 372 536	7 551 237
Total	**15 806 155**	**17 817 686**

9. TRADE AND OTHER PAYABLES

Trade payables	1 203 462	1 704 432
Accrued expenses	8 220 764	4 579 410
Other payables	1 062 011	1 310 774
VAT	13 865	716 772
	10 500 103	**8 311 388**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

		2011	2010
		N$	**N$**
10.	**LONG-TERM LIABILITIES**		
10.1	**MVA FUND - WINDHOEK AND ONGWEDIVA DEVELOPMENTS**		
	On 24 February 2009, a building loan of N$ 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 2011, the prime rate was 10.75%. First National Bank holds a bond on the property at Erf 8596, Windhoek.	18 111 999	19 629 380
	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 less 2%. At 31 March 2011, the prime rate was 10.75%. First National Bank holds a bond on the property at Erf 7494, Ongwediva.	6 037 333	6 543 127
	In September 2009, 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: - repayable at N$ 200 000 per month - interest free	26 519 300	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%.		
		50 668 632	93 412 229
	Less: Instalments payable within 1 year: - transferred to current liabilities	(2 557 822)	(16 301 971)
	Total long-term liabilities	**48 110 810**	**77 110 258**

10.2	**HP LEASE BORROWINGS**		
	Secured loans bearing interest at 10.25% p.a., repayable in monthly instalments of N$ 36 125 repayable within the next year. Secured by motor vehicles with a book value of N$ 1 609 359.	355 195	1 607 807
	Less: Instalments payable within 1 year: - transferred to current liabilities	(355 195)	(1 104 102)
		-	**503 705**

11. 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	**2011** **N$**	**2010** **N$**
Carrying value		
Liability at the beginning of the year	(885 000)	(600 000)
Net expense recognised	(316 000)	(285 000)
	(1 201 000)	**(885 000)**
Analysed as:		
Present value of the Defined Benefit Obligation:		
- wholly unfunded	(1 244 000)	(816 000)
Fair value of Plan assets	-	-
Surplus/(deficit)	(1 244 000)	(816 000)
Unrecognized net actuarial (gain)/loss	43 000	(69 000)
Unrecognized past service cost	-	-
	(1 201 000)	**(885 000)**
Net expenses recognized		
Current service cost	223 000	212 000
Interest cost	93 000	73 000
Amortization	-	-
- Unrecognized past service cost	-	-
Total expenses recognized at the end of the year	**316 000**	**285 000**
Key assumptions used		
Assumptions used in the valuation:		
Discount rate	9.00%	9.00%
Inflation rate	5.75%	6.25%
Salary increase rate	6.75%	7.25%
Number of employees	117	77
Salary weighted average age	35.8 years	36.4 years
Average service	3.8 years	3.7 years
Total annual salaries	2 771 000	2 347 000

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

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	N$	**N$**

12. CLAIM PROVISIONS AND RESERVES

Methodology used in determining the provision for outstanding claims

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

	2011 N$	2010 N$
Outstanding reported claims	72 319 000	149 528 000
Claims undertakings	353 289 000	179 100 000
Claims handling expenses	7 902 000	8 972 000
Contingency Reserve	32 738 000	39 464 000
Belgium doctor's claim	90 387 000	100 259 000
Claims in litigation	11 971 000	46 106 000
	568 606 000	**523 429 000**

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

	2011 N$	2010 N$
Opening balance	523 429 000	506 239 000
Movement for the year	91 954 170	69 280 761
Paid during the year	(46 777 170)	(52 090 761)
Closing balance	-	-
	568 606 000	**523 429 000**

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

13. DEFERRED INCOME

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.

	2011 N$	2010 N$
Deferred income - Government Grant	**52 380 700**	**13 660 278**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		N$	N$
14. CASH UTILISED BY OPERATIONS			
Deficit for the year		(37 744 692)	(46 865 294)
Adjustments for:			
- (Profit)/loss on disposal of asset		(102 769)	209 635
- Severance pay expense		316 000	285 000
- Depreciation		4 572 900	5 018 425
- Investment income		510 091	8 592 251
- Movement in claims provisions		45 177 000	17 190 000
- Other non-cash flow item		-	119 702
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		12 728 529	(15 450 281)
CHANGES IN WORKING CAPITAL			
Decrease in trade and other receivables		(4 891 029)	(21 443 322)
Increase in work in progress		(12 205 378)	-
Decrease in trade and other payables		(12 304 341)	(1 283 108)
CASH UTILISED BY OPERATIONS		**(16 672 218)**	**(38 176 711)**

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets	**Available for sale**	**Held to maturity**	**Loans and receivables**	**Fair value through profit and loss**
	N$	**N$**	**N$**	**N$**
Cash and cash equivalents	-	-	-	3 793 109
Trade and other receivables	-	-	49 983 596	-
Investments	-	-	-	15 806 155
Total	**-**	**-**	**49 983 596**	**19 599 264**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

Financial liabilities	**Other**	**Fair value through profit and loss**
	N$	**N$**
Trade and other payables	9 299 103	-
Current portion on borrowings	2 913 017	-
Bank overdraft	-	-
Long-term borrowings	48 110 810	-
HP lease borrowings	-	-
Severance benefit obligations	1 201 000	-
Total	**61 523 930**	**-**

	2011	**2010**
	N$	**N$**
16. CAPITAL COMMITMENTS		
Authorised by the Board but not yet contracted:		
Property, plant and equipment	**-**	**5 500 000**

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

17. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The provision of the Petroleum Act does not allow the Fund to collect fuel levies directly from the different fuel companies, but instead awards receipts 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 rest 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 or 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. An approval was granted by the Bank of Namibia for the Fund to open an euro denominated bank account whereby the fund will purchase euros which will be used to pay the Belgian doctors

Liquidity risk analysis - 2011

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest bearings:	N$	N$	N$	N$
Long-term borrowings	-	-	48 110 810	48 110 810
Severance benefit obligation	-	-	1 201 000	1 201 000
HP lease borrowings	-	355 195	-	355 195
Current portion on borrowings	-	2 557 822	-	2 557 822
Bank overdraft	-	-	-	-
Total	**-**	**2 913 017**	**49 311 810**	**52 224 827**
Non-interest-bearing:				
Trade and other payables	-	10 500 103	-	10 500 103
Financial assets				
Cash and cash equivalents	3 793 109	-	-	3 793 109
Investments	15 806 155	-	-	15 806 155
Trade and other receivables	49 983 596	-	-	49 983 596
Total	**69 582 859**	**-**	**-**	**69 582 859**

Liquidity risk analysis - 2010

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest bearings:	N$	N$	N$	N$
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**

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 optimising the return on risk.

The Fund's activities expose it primarily to the financial risks of change 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 minimising 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 provisions for claims incurred but not reported and related external expenses, together with any other adjustments to claims from previous year.

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.

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)

	2011	2010
	N$	N$
Remuneration paid to senior management	5 857 914	5 355 385

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

		2011	**2010**
		N$	**N$**
18.	**BOARD MEMBERS EMOLUMENTS**		
	P. Amunyela	11 000	33 000
	Dr. Z. Erkana	42 889	40 000
	N. Nangombe	27 807	30 000
	C. Kavendjii	30 807	27 000
	W. Enssle	17 000	33 000
	Total income	**129 503**	**163 000**

DETAILED INCOME STATEMENT

	2011	**2010**
	N$	**N$**
INCOME		
Fuel levy revenue	285 593 680	234 376 096
Discount received	37 540	-
Interest received	1 794 038	1 049 017
(Profit)/loss on sale of fixed assets	102 769	(209 635)
Rental income	856 613	1 255 440
Sundry income	258 331	1 724 744
Government grant - released	2 121 544	6 463 546
Total income	**290 764 515**	**244 659 208**
EXPENDITURE		
Claims paid	**148 970 676**	**154 345 832**
Compensation payments	41 807 034	51 674 167
Hospital and medical fees	72 866 717	61 127 456
Other payments i.r.o claims	19 219 656	34 478 032
Medical management	1 834 098	1 643 616
Accident and injury prevention	9 154 005	3 607 936
Public education	4 089 166	1 814 625

ANNEXURE G

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

EXPENDITURE

	2011	2010
	N$	N$
General expenses	**34 596 275**	**37 234 727**
Audit fees	877 864	643 783
Actuarial fees	175 158	769 189
Bad debts	86 903	-
Bank charges	212 826	344 459
Bursaries	-	1 335 396
Cleaning expenses	359 710	399 745
Computer expenses	1 163 321	468 165
Consulting fees	1 202 243	1 335 133
Courier and postage	199 745	165 981
Corporate communications	4 779 458	3 575 033
Corporate social investments	2 132 322	2 975 054
Depreciation	4 572 900	5 018 425
Directors fees and expenses	1 297 733	586 758
Electricity and water	814 900	541 169
Entertainment expenses and project Liseli expenses	291 156	39 801
Insurance and licences	613 648	654 801
Interest paid	4 425 673	9 641 268
Leasing charges	76 888	213 734
Legal fees	1 830 114	1 889 737
License fees TV	6 806	43 123
Membership fees	3 900	38 160
Motor vehicle expenses	656 049	539 149
Project fees	17 998	-
Plants and decorations	44 675	77 228
Refuse removal	4 383	8 765
Relocation of office	158 385	12 533
Rent - premises	418 392	288 967
Repairs and maintenance	849 930	302 339
Security expenses	356 526	361 677
Stationery and printing	533 121	349 562
Subscriptions	321 591	158 222
Telecommunication costs	1 351 617	1 510 545
Traveling and accommodation	4 760 339	2 946 826
Salary costs	**40 758 845**	**30 663 182**
Payroll costs	35 295 036	29 045 778
Severance pay (IAS 19 provision)	145 666	285 000
Training expenses	3 535 036	448 342
Staff welfare	959 558	607 402
Leave pay provision	823 549	276 660
Total expenditure	**224 325 796**	**222 243 741**
Movement in capital and reserves	**104 183 411**	**69 280 761**
NET DEFICIT FOR THE YEAR	**(37 744 692)**	**(46 865 294)**