REPUBLIC OF NAMIBIA

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MOTOR VEHICLE ACCIDENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

Published by authority

Price (Vat excluded) N$ 46.97
Report no: 97/2013

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 2012, 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.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, October 2013

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE MOTOR VEHICLE ACCIDENT FUND FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

---

1. INTRODUCTION

The accounts of the Motor Vehicle Accident Fund (the Fund) for the year ended 31 Mach 2012 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Motor Accident Fund Act, 2007 (Act 10 of 2007) herein after called the Act.

The firm NC Tromp & Co. of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the fund on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar and brackets in ....deficit.

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.

The financial statements also include:

Annexure A: Report of the Directors
Annexure B: Statement of Financial Position
Annexure C: Statement of Comprehensive Income
Annexure D: Statement of Change in Equity
Annexure E: Statement of Cash Flows
Annexure F: Notes to the Financial Statements

4. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

The Accounting Officer of the Fund is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements, plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. AUDIT OBSERVATION AND COMMENTS

5.1 Going concern

At balance sheet date the Fund's liabilities exceeded assets by N$ 531 010 765 (2011: N$ 542 952 573). Measures introduces 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 mil is expected to be generated by this initiative;

Obtaining approval from the line ministry to implement measures to seek alternative funding sources; and

Actively pursuing fuel levy increases in line with the recommendation made by the actuaries. In the 2011 actuarial report, the recommendation has been made that a fuel levy of 51,8 cents will be required to cover claims. In the 2012 actuarial report the actuaries recommend a levy of 55,6 cents to cover the expected cash flow 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 2012 have been audited in accordance with the provisions of section 25(1)(b) of the State Finance Act, 1991, read with section 4(4)(a) of the Motor Vehicle Accidents Fund Act, 2001 (Act 4 of 2001).

My opinion has been qualified due to the going-concern status of the Fund.

Expect 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 2012, its net costs of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

JUNIAS ETUNA KANDJEKE
WINDHOEK, October 2013 **AUDITOR-GENERAL**

ANNEXURE A

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
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 2012.

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:

	2012	**2011**
	N$	N$
Fuel levy income	344 154 673	285 593 680
Discount received	12 676	37 540
Interest income	1 417 756	1 794 038
Sundry income	933 902	258 331
Claim expense	189 419 247	148 970 676
Movement in claims provision and reserves	59 672 027	104 183 411

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

The fuel levy rate increased from 35,7 cents to 37,7 cents per litre for petrol and from 35,7 cents to 41,7 cents per litre for 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:

	2012	**2011**
	N$	N$
Total assets	206 186 818	140 760 282
Total liabilities	737 197 583	683 711 630
Fund deficit	(531 010 765)	(542 952 573)
Ratio of total assets to Fund deficit	0.39:1	0.26:1
Ratio of total assets to Fund deficit %	39%	26%

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
REPORT OF THE DIRECTORS (continued)

	2012	2011
	N$	N$
Fuel sales in litres		
Diesel	529 679 081	517 432 379
Petrol	358 969 064	349 440 954
	888 648 145	**866 873 333**
Increase in litres sold	**21 774 812**	**19 690 892**

CASH AND INVESTMENTS

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

	2012	2011
	N$	N$
Short term investments - held to Maturity	51 684 102	15 806 155
Call account investments	6 677 791	2 107 213
Total short-term cash investments	**58 361 894**	**17 913 368**
Bank balances	16 466 706	1 665 035
Cash on hand	26 404	20 862
Total cash and cash equivalents as per statements	**16 493 110**	**1 685 897**
Total cash and Investments	**74 855 004**	**19 599 264**

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
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:

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

WINDHOEK, October 2013

ANNEXURE B

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Note	2012	2011
		N$	N$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	**4**	73 431 950	58 972 045
		73 431 950	58 972 045
CURRENT ASSETS			
Trade and other receivables	**5**	56 452 172	49 983 596
Work in progress		1 447 692	12 205 378
Bank and cash	**6**	23 170 902	3 793 109
Investments	**7**	51 684 102	15 806 155
		132 754 868	81 788 237
TOTAL ASSETS		**206 186 818**	**140 760 282**
FUNDS AND LIABILITIES			
FUNDS AND RESERVES		(531 010 765)	(542 951 348)
Accumulated (deficit)/fund		(531 010 765)	(542 951 348)
NON-CURRENT LIABILITIES			
Long-term liabilities	**9.1**	46 803 750	48 110 810
Claim provisions and reserves	**11**	613 785 000	568 606 000
HP - lease borrowings	**9.2**	1 015 293	-
Severance benefit obligations	**10**	1 615 000	1 201 000
Deferred income	**12**	52 056 940	52 380 700
		715 275 985	670 298 510

CURRENT LIABILITIES			
Trade and other payables	**8**	17 725 604	10 500 103
Long-term borrowings due within one year	**9.1**	3 471 868	2 557 822
HP lease borrowings due to within one year	**9.2**	724 128	355 195
		21 921 600	13 413 121
TOTAL FUNDS AND LIABILITIES		**206 186 818**	**140 760 282**

ANNEXURE C

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
		N$	N$
INCOME		**350 187 356**	**290 764 515**
Fuel levy revenue		344 194 673	285 593 680
Discount received		12 676	37 540
Interest received		1 417 756	1 794 038
Loss on sale of fixed assets		112 333	102 769
Rental income		1 458 497	856 613
Sundry income		933 902	258 331
Government grant - released		2 057 520	2 121 544
EXPENDITURE		**338 246 773**	**328 509 207**
Claims paid		189 419 247	148 970 676
General administrative expenses		88 741 499	75 209 454
Severance pay IAS 19 provision		414 000	145 666
Movement in claims provisions		59 672 027	104 183 411
(DEFICIT)/SURPLUS FOR THE YEAR		**11 940 583**	**(37 744 692)**

ANNEXURE D

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	N$	N$
ACCUMULATED FUNDS		
Balance at the beginning of the year	(542 951 348)	(505 206 656)
Net deficit/ surplus for the year	11 940 583	(37 744 692)
Balance at the end of the year	**(531 010 765)**	**(542 951 348)**

ANNEXURE E

MOTOR VEHICLE ACCIDENT FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
		N$	N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		350 187 356	290 764 515
Cash paid to suppliers		(270 684 314)	(307 436 733)
Cash utilised by operations	13	79 503 042	(16 672 218)
Interest paid		(766 268)	(510 091)
Net cash flow from operating activities		78 736 774	(17 182 309)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(23 546 152)	(10 356 298)
Proceeds from disposal of asset		455 980	625 797
Movement in short-term investments		(35 877 947)	2 011 531
Net cash flow from investing activities		(58 968 119)	(7 718 970)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term borrowings raised/(repaid) - vehicles		1 015 293	(503 705)
Long-term borrowings raised/(repaid) - buildings		569 180	(2 023 175)
Long-term borrowings repaid - Government		(1 651 575)	(26 976 273)
Increase - Deferred income		(323 760)	38 720 422
		(390 862)	9 217 269
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		19 377 793	(15 684 010)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		3 793 109	19 477 119
CASH AND CASH EQUIVALENTS - END OF YEAR	6	23 170 902	3 793 109

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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 amount presented in the financial statements and related disclosures. Use of available information and the application of judgements are inherent in the formations 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 accounts.

- *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 are 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 statement is 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 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 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 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 that 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 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 that 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 exists, 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 that 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 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 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 goverment 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 an 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 arms length transcation, 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 marked 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 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 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.

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

	2012	**2011**
	N$	N$
2. FINANCE COST		
Interest received	1 417 756	1 794 038
Interest paid on short-term borrowings	(4 241 544)	(4 425 673)
	(2 823 788)	**(2 631 635)**
3. GENERAL ADMINISTRATIVE EXPENSES		
General administrative expenses include the following:		
Depreciation of fixed assets	8 517 935	4 572 900
Auditor's remuneration		
- Previous year	791 767	877 864
Staff costs	56 607 815	40 758 845
Remuneration for managerial, technical, administrative or secretarial services other than to bona fide employees	2 134 090	1 937 991

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	**Accumulated depreciation**	**Carrying value**
2012 YEAR	N$	N$	N$
Land and buildings	53 704 716	2 743 847	50 960 869
Motor vehicles	5 339 547	2 298 835	3 040 712
Office equipment and furniture	11 296 411	5 769 067	5 527 344
Computer equipment	22 177 949	8 274 924	13 903 025
	92 518 623	**19 086 673**	**73 431 950**
2011 YEAR			
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**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

4. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Carrying value - Beginning of year	Disposals	Additions	Depreciation	Carrying value - End of year
	N$	N$	N$	N$	N$
Land and buildings	47 421 371	-	4 541 676	(1 002 178)	50 960 869
Motor vehicles	1 609 359	225 742	2 877 799	(1 220 704)	3 040 712
Office equipment and furniture	7 017 683	311 934	337 864	(1 516 269)	5 527 344
Computer equipment	2 923 632	30 636	15 788 813	(4 778 784)	13 903 025
	58 972 045	**568 312**	**23 546 152**	**(8 517 935)**	**73 431 950**

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
- Erf 6436, measuring 960 m², situated in the municipal area of Windhoek
- Erf 879, measuring 1250 m², situated in the municipal area of Walvis Bay.

5. TRADE AND OTHER RECEIVABLES

	2012	2011
	N$	N$
Fuel levies receivable	56 324 612	49 012 345
Staff loans	387 024	282 647
Customer Control Account	(290 132)	669 335
Deposits	30 668	19 268
	56 452 172	**49 983 596**

Trade and other receivables pas due not impaired

At 31 March 2012, N$ 56 185 897 (2011: N$ 49 983 595) were past due, but not impaired. The ageing of amounts past due, but not impaired are as follows:

Less than 1 year	56 167 843	49 012 345
2 - 3 years	284 329	971 251
	56 452 172	**49 983 596**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	N$	N$
6. CASH AND BANK BALANCES		
Standard Bank		
- Current account	2 598 043	1 045 881
- Call account Serial 1	5 490 034	698 502
- Call account Serial 2	250 209	247 714
Bank Windhoek		
- Current account	10 855 368	319 117
First National Bank		
- Call account	11 030	293 429
- Current account	1 555 315	634 963
- Current account - Xupifa	926 518	867 568
Salary account	1 457 981	60 476
- Petty cash	4 540	2 997
Clearing account	-	(395 403)
Cash on hand	21 865	17 865
	23 170 902	**3 793 109**
7. SHORT-TERM INVESTMENTS		
Nampost	2 231 730	1 328 408
Bank Windhoek - Fixed deposit	20 717 073	8 105 211
Standard Bank - Fixed deposit	28 735 299	6 372 536
Total	**51 684 102**	**15 806 155**
8. TRADE AND OTHER PAYABLES		
Trade payables	4 833 611	1 203 463
Accrued expenses	11 581 942	8 220 764
Other payables	1 323 436	1 062 011
VAT	(13 385)	13 865
	17 725 604	**10 500 103**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	N$	N$
9. LONG-TERM LIABILITIES		
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 2012, the prime rate was 9.75%. First National Bank holds a bond on the property at Erf 8596, Windhoek.	16 390 505	18 111 999
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 2012, the prime rate was 9.75%. First National Bank holds a bond on the property at Erf 7494, Ongwediva.	5 463 499	6 037 333
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	24 643 060	26 519 300
Bank Windhoek	3 778 555	
The fund requested a loan from Bank Windhoek for the purchase of erf 6436 in Windhoek. The loan is repayable in 120 equal instalments and beares interest at prime lending rates. The prime lending rate at 31 March 2012 were 9,75%. The loan is secured by a mortgage bond over erf 6436 in Windhoek.		
	50 275 618	50 668 632
Less: Instalments payable within 1 year: - transferred to current liabilities	(3 471 868)	(2 557 822)
Total long-term liabilities	**46 803 750**	**48 110 810**

9.2	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.	1 739 421	355 195
	Less: Instalments payable within 1 year: - transferred to current liabilities	(724 128)	(355 195)
		1 015 293	**-**

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	**2012** N$	**2011** N$
Carrying value		
(Liability)/asset at the beginning of the year	(1 201 000)	(885 000)
Net (expense)/income recognised	(414 000)	(316 000)
	(1 615 000)	**(1 201 000)**
Analysed as:		
Present value of the Defined Benefit Obligation:		
- wholly unfunded	(1 948 000)	(1 244 000)
Fair value of Plan assets	-	-
Surplus/(deficit)	(1 948 000)	(1 244 000)
Unrecognized net actuarial (gain)/loss	333 000	43 000
Unrecognized past service cost	-	-
	(1 615 000)	**(1 201 000)**
Net expenses recognized		
Current service cost	284 000	223 000
Interest cost	130 000	93 000
Amortization	-	-
- Unrecognized past service cost	-	-
Total expenses recognized at the end of the year	**414 000**	**316 000**

Key assumptions used

Assumptions used in the valuation:

Discount rate	8.50%	9.00%
Inflation rate	6.00%	5.75%
Salary increase rate	7.00%	6.75%
Number of employees	129	117
0	36.1 years	35.8 years
Average service	4.54 years	3.8 years
Total annual salaries	38 552 000	32 771 000

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.

	2012	**2011**
	N$	N$

11. CLAIM PROVISIONS AND RESERVES

Methodology used in determining the provision for outstanding claims

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

Outstanding reported claims	59 182 000	72 319 000
Claims undertakings	400 548 000	353 289 000
Claims handling expenses	19 847 000	7 902 000
Contingency Reserve	35 968 000	32 738 000
Belgium doctor's claim	7 684 000	90 387 000
Claims in litigation		11 971 000
	613 785 000	**568 606 000**

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

Opening balance	568 606 000	523 429 000
Movement for the year	234 598 247	91 954 170
Paid during the year	(189 419 247)	(46 777 170)
	613 785 000	**568 606 000**

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

12. 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.

Deferred income - Government Grant	**52 056 940**	**52 380 700**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
		N$	N$

13. CASH UTILISED BY OPERATIONS

Surplus/Deficit for the year		11 940 583	(37 744 692)
Adjustments for:			
- Profit on disposal of asset		(112 333)	(102 769)
- Severance pay expense		414 000	316 000
- Depreciation		8 517 935	4 572 900
- Investment income		766 268	510 091
- Movement in claims provisions		(45 179 000)	45 177 000
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		66 705 454	12 728 529
CHANGES IN WORKING CAPITAL			
Decrease in trade and other receivables		(6 468 576)	(4 891 029)
Decrease/(increase) in work and progress		10 757 685	(12 205 378)
Increase/(Decrease) in trade and other payables		8 508 479	(12 304 341)
		12 797 588	(29 400 748)
CASH UTILISED BY OPERATIONS		**79 503 042**	**(16 672 218)**

14. 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	-	-	-	23 170 902
Trade and other receivables	-	-	56 452 172	-
Investments	-	-	-	51 684 102
Total	**-**	**-**	**56 452 172**	**74 855 004**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

Financial liabilities	Other	Fair value through profit and loss
	N$	N$
Trade and other payables	17 725 604	-
Current portion on borrowings	4 195 996	-
Long-term borrowings	46 803 750	-
HP lease borrowings	1 015 293	-
Severance benefit obligations	1 615 000	-
Total	**71 355 643**	**-**

	2012	2011
	N$	N$
15. CAPITAL COMMITMENTS		
Authorised by the Board but not yet contracted:		
Property, plant and equipment	-	-

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 debtor 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.

16. FINANCIAL RISK MANAGEMENT

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.

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

Liquidity risk analysis - 2012

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest bearings:				
Long-term borrowings	-	-	46 803 750	46 803 750
Severance benefit obligation	-	-	1 615 000	1 615 000
HP lease borrowings	-	724 128	-	724 128
Current portion on borrowings	-	3 471 868	-	3 471 868
Total	**-**	**4 195 996**	**48 418 750**	**52 614 746**
Non-interest-bearing:				
Trade and other payables	**-**	**17 725 604**	**-**	**17 725 604**
Financial assets				
Cash and cash equivalents	23 170 902	-	-	23 170 902
Investments	51 684 102	-	-	51 684 102
Trade and other receivables	56 452 172	-	-	56 452 172
Total	**131 307 176**	**-**	**-**	**131 307 176**

Liquidity risk analysis - 2011

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

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 ris 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 extinguisher 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)
Mr. J Nyandoro (Chief Finance Officer)

	2012	2011
	N$	N$
Remuneration paid to management	5 091 349	5 857 914

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

		2012	2011
		N$	N$
17	**BOARD MEMBERS EMOLUMENTS**		
	P. Amunyela	20 000	20 000
	Dr. Z. Erkana	26 000	26 000
	N. Nangombe	20 000	20 000
	C. Kavendjii	20 000	20 000
	W. Enssle	20 000	20 000
	Total income	**106 000**	**106 000**

ANNEXURE G

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

DETAILED INCOME STATEMENT

	2012	2011
	N$	N$
INCOME		
Fuel levy revenue	344 154 673	285 593 680
Xupifa Eemwenyo revenue	40 000	-
Discount received	12 676	37 540
Interest received	1 417 756	1 794 038
Profit on sale of fixed assets	112 333	102 769
Rental income	1 458 497	856 613
Sundry income	933 902	258 331
Government grant - released	2 057 520	2 121 544
Total income	**350 187 356**	**290 764 515**
EXPENDITURE		
Claims paid	**189 419 247**	**148 970 676**
Compensation payments	29 518 316	41 807 034
Hospital and medical fees	135 021 811	72 866 717
Other payments i.r.o claims	17 952 104	19 219 656
Medical management	1 794 276	1 834 098
Accident and injury prevention	1 189 896	9 154 005
Public education	3 942 844	4 089 166

ANNEXURE G

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

EXPENDITURE

	2012	2011
	N$	N$
General expenses	**32 547 684**	**34 596 275**
Audit fees	791 767	877 864
Actuarial fees	548 606	175 158
Bad debts	-	86 903
Bank charges	143 309	212 826
Cleaning expenses	547 785	359 710
Computer expenses	584 440	1 163 321
Consulting fees	1 342 323	1 202 243
Courier and postage	160 326	199 745
Corporate communications	125 973	4 779 458
Corporate social investments	2 396 066	2 132 322
Depreciation	8 517 935	4 572 900
Directors fees	903 056	1 297 733
Electricity and water	920 318	814 900
Entertainment expenses	100 818	291 156
Health and safety	5 750	-
Insurance and licences	940 784	613 648
Interest paid	4 241 544	4 425 673
Leasing charges	249 253	76 888
Legal fees	1 270 734	1 830 114
License fees TV	17 076	6 806
Membership fees	44 750	3 900
Motor vehicle expenses	923 587	656 049
Project fees	-	17 998
Property Management Expenses	(41 997)	-
Plants and decorations	-	44 675
Refuse removal	-	4 383
Relocation of office	55 283	158 385
Rent - premises	695 021	418 392
Repairs and maintenance	462 168	849 930
Security expenses	559 458	356 526
Stationery and printing	257 456	533 121
Subscriptions	215 437	321 591
Telecommunication costs	1 986 816	1 351 617
Traveling and accommodation	3 581 844	4 760 339
Salary costs	**56 607 815**	**40 758 845**
Payroll costs	50 384 928	35 295 036
Severance pay (IAS 19 provision)	414 000	145 666
Training expenses	3 137 970	3 535 036
Staff welfare	2 487 012	959 558
Leave pay provision	183 905	823 549
Total expenditure	**278 574 746**	**224 325 796**
Movement in capital and reserves	**59 672 027**	**104 183 411**
NET SURPLUS FOR THE YEAR	**11 940 583**	**(37 744 692)**