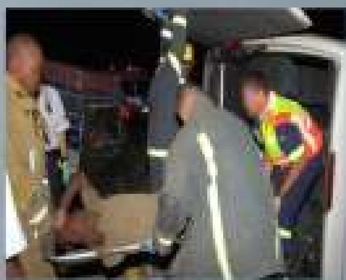
REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MOTOR VEHICLE ACCIDENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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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 2013, 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, July 2014

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 2013

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1. INTRODUCTION

The accounts of the Motor Vehicle Accident Fund (the Fund) for the year ended 31 March 2013 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 Accountants of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Motor Vehicle Accident Fund on behalf of the Auditor-General and under his supervision.

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

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 Chief Financial 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 of 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 and 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$ 361 052 045 (2012: N$ 531 010 765). Measures introduced during the previous financial year are yielded some satisfactory results. The following initiatives are still in the process of being pursued:

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 2013 actuarial report the actuaries recommended a further 3.6 cents per litre dependent on the desired period of elimination of the deficit. However, the current levy of 43,7 cents is sufficient to cover expenses and amortise the deficient over the next ten years.

6. ACKNOWLEDGEMENT

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

7. AUDIT OPINION

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 March 2013 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).

In my opinion these financial statements fairly present the net assets of the Motor Vehicle Accident Fund at 31 March 2013, its net costs of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

8. EMPHASIS OF MATTER

At balance sheet date the fund liabilities exceeded assets by N$ 361 052 045. The fund is not a going concern in other words the statement of the financial position shows a position of net liabilities.

WINDHOEK, July 2014

JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
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 2013.

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:

	2013	**2012**
	N$	N$
Fuel levy income	390 438 243	344 154 673
Discount received	-	12 676
Interest income	6 445 386	1 417 756
Sundry income	65 202	933 902
Claim expense	206 983 687	189 419 247
Movement in claims provision and reserves	(78 279 515)	59 672 027

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

The fuel levy rate increased from 37,7 cents to 39,7 cents per litre for petrol and from 41,7 cents to 43,7 cents per litre for diesel with effect from 11 July 2012.

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:

	2013	**2012**
	N$	N$
Total assets	345 405 634	206 186 818
Total liabilities	706 457 679	737 197 583
Fund deficit	(361 052 045)	(531 010 765)
Ratio of total assets to Fund deficit	0.96:1	0.39:1
Ratio of total assets to Fund deficit %	96%	39%

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
REPORT OF THE DIRECTORS (continued)

	2013	2012
	N$	N$
Fuel sales in litres		
Diesel	569 088 948	529 679 081
Petrol	369 638 982	358 969 064
	938 727 930	**888 648 145**
Increase in litres sold	**50 079 785**	**21 774 812**

CASH AND INVESTMENTS

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

	2013	2012
	N$	N$
Short term investments - held to Maturity	165 842 479	51 684 102
Call account investments	10 194 312	6 677 791
Total short-term cash investments	**176 036 791**	**58 361 894**
Bank balances	27 875 524	16 466 706
Cash on hand	49 586	26 404
Total cash and cash equivalents as per statements	**27 925 110**	**16 493 110**
Total cash and Investments	**203 961 901**	**74 855 004**

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
REPORT OF THE DIRECTORS (continued)

POST BALANCE SHEET EVENTS AND CONTINGENCIES

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

DIRECTORATE

The following directors served during the financial year under review:

Dr. Z. Erkana	Namibian	Chairperson	Reappointed, 01 October 2010
C. Kavendjii	Namibian	Vice - chairman	Reappointed, 01 October 2010
P. Amunyela	Namibian		Reappointed, 01 October 2010
W. Enssle	Namibian		Resigned, 1 April 2012
M. Nangombe	Namibian		Reappointed, 01 October 2010
A. Kapia	Namibian		Appointed, 13 June 2012

WINDHOEK
April 2014

ANNEXURE B

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	Note	2013 N$	2012 N$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	**4**	75 283 218	73 431 950
		75 283 218	73 431 950
CURRENT ASSETS			
Trade and other receivables	**5**	64 782 683	56 452 172
Work in progress		1 377 832	1 447 692
Bank and cash	**6**	38 119 422	23 170 902
Investments	**7**	165 842 479	51 684 102
		270 122 416	132 754 868
TOTAL ASSETS		345 405 634	206 186 818
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated (deficit)/funds		(361 052 045)	(531 010 765)
		(361 052 045)	(531 010 765)
NON-CURRENT LIABILITIES			
Long-term liabilities	**9.1**	45 757 449	46 803 750
Claim provisions and reserves	**11**	583 573 000	613 785 000
HP - lease borrowings	**9.2**	151 369	1 015 293
Severance benefit obligations	**10**	2 188 000	1 615 000
Deferred income	**12**	50 348 339	52 056 940
		682 018 157	715 275 983

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 MARCH 2013

	Note	2013	2012
		N$	N$
CURRENT LIABILITIES			
Trade and other payables	**8**	19 734 770	17 725 605
Long-term borrowings due within one year	**9.1**	4 036 383	3 471 868
HP lease borrowings due within one year	**9.2**	668 370	724 128
		24 439 523	21 921 601
TOTAL FUNDS AND LIABILITIES		**345 405 634**	**206 186 819**

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013	2012
		N$	N$
INCOME		**400 989 652**	**350 200 032**
Fuel levy revenue		390 438 243	344 154 673
Xupifa Eemwenyo revenue		83 695	52 676
Discount received		-	12 676
Interest received		6 445 386	1 417 756
Profit on sale of fixed assets		26 129	112 333
Rental income		2 025 877	1 458 497
Sundry income		65 202	933 902
Government grant - released		1 905 120	2 057 520
EXPENDITURE		**231 030 932**	**338 246 773**
Claims paid		206 983 687	189 419 247
General administrative expenses		101 753 760	88 741 499
Severance pay IAS 19 provision		573 000	414 000
Movement in claims provisions		(78 279 515)	59 672 027
SURPLUS FOR THE YEAR		**169 958 720**	**11 953 259**

ANNEXURE D

MOTOR VEHICLE ACCIDENT FUND
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	2013	**2012**
	N$	N$
ACCUMULATED FUNDS		
Balance at the beginning of the year	(531 010 765)	(542 951 348)
Net surplus for the year	169 958 720	11 940 583
Balance at the end of the year	(361 052 045)	(531 010 765)

ANNEXURE E

MOTOR VEHICLE ACCIDENT FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 N$	2012 N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		400 989 652	350 200 032
Cash paid to suppliers		(261 284 498)	(270 696 990)
Cash utilised by operations	**13**	139 705 154	79 503 042
Interest received		4 307 451	(766 268)
Net cash flow from operating activities		144 012 606	78 736 774
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(11 828 481)	(23 546 152)
Proceeds from disposal of asset		541 597	455 980
Movement in short-term investments		(114 158 376)	(35 877 947)
Net cash flow from investing activities		(125 445 260)	(58 968 119)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term borrowings raised/(repaid) - vehicles		(863 925)	1 015 293
Long-term borrowings raised/(repaid) - buildings		(154 901)	569 180
Long-term borrowings repaid - Government		(891 399)	(1 651 575)
Decrease - Deferred income		(1 708 601)	(323 760)
		(3 618 826)	(390 862)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		14 948 520	19 377 793
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		23 170 902	3 793 109
CASH AND CASH EQUIVALENTS - END OF YEAR	**6**	38 119 422	23 170 902

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 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 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 note11.

1.2 Underlying concepts

The financial statements are prepared on the going-concern basis using accrual accounting.
Assets, liabilities, 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 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 statement of comprehensive income.

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 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 statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater 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 statement of comprehensive income.

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 that its carrying amount, its carrying amount is reduced to higher of its recoverable amount and zero. Impairment losses are recognised in statement of comprehensive income. 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 statement of comprehensive income.

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 statement of financial position.

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 statement of financial position 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 statement of comprehensive income. The classification is dependant on the purpose for which the investments were acquired. Management determines the classification on its investments at the time of purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investments for less that twelve months from the statement of financial position 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 statement of financial position 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 include mortgages, loans and receivables and staff bonds.

Fair value through statement of comprehensive income

Financial assets at fair value through statement of comprehensive income 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 transaction, between willing and knowledgeable parties. Where no active market exists, unlisted investments are valued at directors' valuation.

off-set

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

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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 statement of financial position.

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 statement of comprehensive income is recognized on a time-proportion basis, using the effective interest method.

1.13 Post statement of financial position

Recognised amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that provide evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after that the statement of financial position 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 fund 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 2013

	2013	**2012**
	N$	N$

2. FINANCE COST

Interest received	6 445 386	1 417 756
Interest paid on short-term borrowings	(4 043 054)	(4 241 544)
	2 402 331	**(2 823 788)**

3. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include the following:

Depreciation of fixed assets	9 461 744	8 517 935
Auditor's remuneration		
- This year	2 056 675	791 767
Staff costs	62 258 379	56 607 815
Remuneration for managerial, technical, administrative or secretarial services other than to bona fide employees	7 552 169	2 134 090

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	**Accumulated depreciation**	**Carrying value**
2013 YEAR	N$	N$	N$
Land and buildings	60 061 564	3 850 647	56 210 918
Motor vehicles	7 653 423	3 301 776	4 351 647
Office equipment and furniture	11 669 469	7 177 281	4 492 189
Computer equipment	24 122 661	13 894 196	10 228 465
	103 507 118	**28 223 900**	**75 283 218**
2012 YEAR			
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	11 296 412	5 769 067	5 527 345
Computer equipment	22 464 546	8 561 521	13 903 025
	92 805 222	**19 373 271**	**73 431 951**

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	50 960 869	-	6 356 849	(1 106 800)	56 210 918
Motor vehicles	3 040 712	(839 986)	3 153 862	(1 614 056)	3 740 532
Office equipment and furniture	5 527 345	-	373 058	(1 408 214)	4 492 190
Computer equipment	13 903 025	(286 599)	1 944 713	(5 332 674)	10 228 464
	73 431 951	**(1 126 585)**	**11 828 481**	**(9 461 744)**	**74 672 103**

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 minicipal area of Walvis Bay.

5. TRADE AND OTHER RECEIVABLES

	2013	2012
	N$	N$
Fuel levies receivable	62 965 993	56 324 612
Staff loans	(2 815)	387 024
Customer Control Account	1 788 837	(290 132)
Deposits	30 668	30 668
	64 782 683	**56 452 172**

Trade and other receivables past due not impaired

At 31 March 2013, N$ 62 341 298 (2012: N$ 56 452 172) were past due, but not impaired. The ageing of amounts past due, but not impaired are as follows:

Less than 1 year	64 498 354	56 167 843
2 - 3 years	284 329	284 329
	64 782 683	**56 452 172**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	N$	N$

6. CASH AND BANK BALANCES

Standard Bank		
- Current account	19 907 779	2 598 043
- Call account Serial 1	6 629 321	5 490 034
- Call account Serial 2	1 339	250 209
Bank Windhoek		
- Current account	6 698 121	10 855 368
First National Bank		
- Call account	3 041 128	11 030
- Current account	367 374	1 555 315
- Current account - Xupifa	522 524	926 518
- Salary account	273 634	1 457 981
- Interfund	261 028	-
- Simunye	88 265	-
- Petty cash	49 586	4 540
Clearing account	279 324	-
Cash on hand	-	21 865
	38 119 422	**23 170 902**

7. SHORT-TERM INVESTMENTS

Nampost	30 109 506	2 231 730
Bank Windhoek - Fixed deposit	24 531 833	20 717 073
First National Bank - Fixed deposit	11 404 269	-
Nedbank - Fixed deposit	20 447 204	-
Namibia Unit Trusts Managers	25 404 768	-
Old Mutual	20 586 562	-
Standard Bank - Fixed deposit	8 521 870	28 735 299
Stanlib	24 836 466	
Total	**165 842 479**	**51 684 102**

8. TRADE AND OTHER PAYABLES

Trade payables	3 709 130	4 833 612
Accrued expenses	13 700 305	11 581 942
Other payables	2 323 736	1 323 436
VAT	1 598	(13 385)
	19 734 770	**17 725 605**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	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 2013, the prime rate was 9.25%. First National Bank holds a bond on the property at Erf 8495, Windhoek.	14 512 388	16 390 505
On 24 February 2009, a building loan of N$ 7 million was extended by First National Bank, which financed the construction of MVA Fund Service Centre in Ongwediva. The loan is for a period of 10 years and is payable on a monthly basis, starting 31 March 2009. The interest rate on this loan is prime less 2%. At 31 March 2013, the prime rate was 9.25%. First National Bank holds a bond on the property at Erf 6325, Windhoek.	4 837 460	5 463 499
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	23 751 661	24 643 060
Bank Windhoek	3 506 504	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 9,25%. The loan is secured by a mortgage bond over erf 6436 in Windhoek.		
Bank Windhoek	3 185 819	
On 16 March 2012, a loan to purchase Erf 879, Walvis Bay was acquired from Bank Windhoek. The loan is for a period of 120 months at an annual interest rate prime plus 0,5%. At 31 March 2013, the prime rate was 9,25%.		
	49 793 832	50 275 618
Less: Instalments payable within 1 year: - transferred to current liabilities	(4 036 383)	(3 471 868)
Total long-term liabilities	**45 757 449**	**46 803 750**

		2013	2012
		N$	N$
9.2	**HP LEASE BORROWINGS**		
	Secured loans bearing interest at 7.25% 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.	819 739	1 739 421
	Less: Instalments payable within 1 year: - transferred to current liabilities	(668 370)	(724 128)
		151 369	**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
Carrying value

	2013	2012
(Liability)/asset at the beginning of the year	(1 615 000)	(1 201 000)
Net (expense)/income recognised	(573 000)	(414 000)
	(2 188 000)	**(1 615 000)**
Analysed as:		
Present value of the Defined Benefit Obligation:		
- wholly unfunded	(2 560 000)	(1 948 000)
Unrecognized net actuarial (gain)/loss	372 000	333 000
	(2 188 000)	**(1 615 000)**
Net expenses recognized		
Current service cost	393 000	284 000
Interest cost	197 000	130 000
Amortization	9 000	-
Paid to members	(26 000)	-
Total expenses recognized at the end of the year	**573 000**	**414 000**

MOTOR VEHICLE ACCIDENT FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	N$	N$

10. SEVERANCE BENEFIT OBLIGATION (CONTINUED)

Key assumptions used

Assumptions used in the valuation:

	2013	2012
Discount rate	8.50%	8.50%
Inflation rate	6.00%	6.00%
Salary increase rate	7.00%	7.00%
Number of employees	128	129
Salary weighted average age	38.2 years	36.1 years
Average service	4.5 years	4.54 years
Total annual salaries	39 851 000	38 552 000

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.

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:

	2013	2012
Outstanding reported claims	83 420 000	59 182 000
Claims undertakings	354 877 000	400 548 000
Claims handling expenses	26 466 000	19 847 000
Contingency Reserve	27 789 000	35 968 000
Belgium doctor's claim	84 140 000	90 556 000
Claims in litigation	6 881 000	7 684 000
	583 573 000	**613 785 000**

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

	2013	2012
Opening balance	613 785 000	568 606 000
Movement for the year	171 289 227	227 672 231
Paid during the year	(201 501 227)	(182 493 231)
	583 573 000	**613 785 000**

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

	Note	2013	2012
		N$	N$

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.

	2013 N$	2012 N$
Deferred income - Government Grant	**50 348 339**	**52 056 940**

13. CASH UTILISED BY OPERATIONS

	2013 N$	2012 N$
Surplus for the year	169 958 720	11 940 583
Adjustments for:		
- Profit on disposal of asset	(26 129)	(112 333)
- Severance pay expense	573 000	414 000
- Depreciation	9 461 744	8 517 935
- Interest income	(4 307 451)	766 268
- Movement in claims provisions	(30 212 000)	45 179 000
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	145 447 884	66 705 454
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(8 330 511)	(6 468 576)
Decrease/(increase) in work and progress	69 860	10 757 685
Increase/(Decrease) in trade and other payables	2 517 922	8 508 479
	(5 742 729)	12 797 588
CASH UTILISED BY OPERATIONS	**139 705 154**	**79 503 042**

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	-	-	-	38 119 422
Trade and other receivables	-	-	64 782 683	-
Investments	-	-	-	165 842 479
Total	**-**	**-**	**64 782 683**	**203 961 901**

Financial liabilities	**Other**	**Fair value through profit and loss**
	N$	N$
Trade and other payables	19 734 770	-
Current portion on borrowings	4 704 753	-
Long-term borrowings	45 757 449	-
HP lease borrowings	151 369	-
Severance benefit obligations	2 188 000	-
Total	**72 536 340**	**-**

	2013	**2012**
	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.

16. FINANCIAL RISK MANAGEMENT (continue)

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 instalments are deducted directly from payroll.

The provision of the Petroleum Act does not allow the Fund to collect fuel levies directly from the different fuel companies, but instead awards 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 appropriate instruments.

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 2013

Liquidity risk analysis - 2013

Financial liabilities	**On demand**	**Within 1 year**	**1-5 years**	**Total**
Interest bearings:				
Long-term borrowings	-	-	45 757 449	45 757 449
Severance benefit obligation	-	-	2 188 000	2 188 000
HP lease borrowings	-	668 370	-	668 370
Current portion on borrowings	-	4 036 383	-	4 036 383
Total	**-**	**4 704 753**	**47 945 449**	**52 650 202**
Non-interest-bearing:				
Trade and other payables	**-**	**19 734 770**	**-**	**19 734 770**
Financial assets				
Cash and cash equivalents	38 119 422	-	-	38 119 422
Investments	165 842 479	-	-	165 842 479
Trade and other receivables	64 782 683	-	-	64 782 683
Total	**268 744 584**	**-**	**-**	**268 744 584**

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**

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)
Mr. J Nyandoro (Chief Finance Officer)

	2013	2012
	N$	N$
Remuneration paid to management	5 432 348	5 091 349

	2013	2012
	N$	N$

17 BOARD MEMBERS EMOLUMENTS

Dr. Z. Erkana	215 877	145 480
N. Nangombe	159 804	166 266
C. Kavendjii	155 278	191 979
Total expense	**530 959**	**503 725**

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

DETAILED INCOME STATEMENT

	2013	2012
	N$	N$
INCOME		
Fuel levy revenue	390 438 243	344 154 673
Xupifa Eemwenyo revenue	83 695	40 000
Discount received	-	12 676
Interest received	6 445 386	1 417 756
Profit on sale of fixed assets	26 129	112 333
Rental income	2 025 877	1 458 497
Sundry income	65 202	933 902
Government grant - released	1 905 120	2 057 520
Total income	**400 989 652**	**350 187 356**
EXPENDITURE		
Claims paid	**206 983 687**	**189 419 247**
Compensation payments	34 666 460	29 518 316
Hospital and medical fees	126 274 561	135 021 811
Other payments i.r.o claims	40 560 206	17 952 104
Medical management	381 318	1 794 276
Accident and injury prevention	675 875	1 189 896
Public education	4 425 266	3 942 844

MOTOR VEHICLE ACCIDENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

EXPENDITURE	**2013**	**2012**
	N$	N$
General expenses	**40 068 381**	**32 547 684**
Audit fees	2 056 675	791 767
Actuarial fees	421 445	548 606
Bank charges	205 592	143 309
Cleaning expenses	526 646	547 785
Computer expenses	1 619 000	584 440
Consulting fees	5 074 049	1 342 323
Courier and postage	160 501	160 326
Corporate communications	14 170	125 973
Corporate social investments	1 673 783	2 396 066
Corporate gifts	86 182	-
Depreciation	9 461 744	8 517 935
Directors fees and expenses	837 269	903 056
Electricity and water	1 345 649	920 318
Entertainment expenses	254 153	100 818
General expenses	29 020	-
Gratuity	1 490 701	-
Health and safety	-	5 750
Insurance and licences	659 077	940 784
Interest paid	4 043 054	4 241 544
Incentives	85 742	
Leasing charges	98 249	249 253
Legal fees	504 726	1 270 734
License fees	27 107	17 076
Membership fees	49 337	44 750
Motor vehicle expenses	1 225 728	923 587
Organisation development	432 316	
Property Management Expenses	505 911	(41 997)
Relocation of office	24 585	55 283
Rent - premises	824 021	695 021
Repairs and maintenance	639 916	462 168
Security expenses	732 739	559 458
Stationery and printing	166 822	257 456
Subscriptions	663 992	215 437
Telecommunication costs	1 730 977	1 986 816
Traveling and accommodation	2 397 503	3 581 844
Staff costs	**62 258 379**	**56 607 815**
Payroll costs	55 635 058	50 384 928
Severance pay (IAS 19 provision)	573 000	414 000
Training expenses	5 757 570	3 137 970
Staff welfare	383 022	2 487 012
Leave pay provision	(90 271)	183 905
Total expenditure	**309 310 447**	**278 574 746**
Movement in capital and reserves	**(78 279 515)**	**59 672 027**
NET DEFICIT FOR THE YEAR	**169 958 720**	**11 940 583**