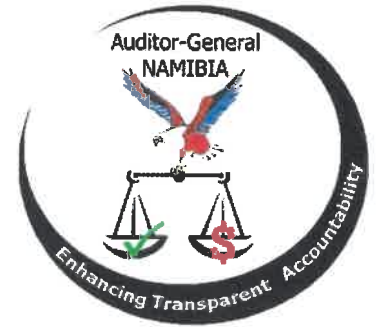




REPUBLIC OF NAMIBIA



MVA Fund

The Motor Vehicle Accident of Namibia

Driven to lend a helping hand!



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MOTOR VEHICLE ACCIDENT FUND
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

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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 2018, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Transport in terms of Section 8 of the Motor Vehicle Accident Fund Act, 2007 (Act 10 of 2007) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

WINDHOEK, September 2018

**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 2018**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Motor Vehicle Accident Fund (the Fund) for the financial year ended 31 March 2018 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

The firm Saunderson & Co Chartered Accountants of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the annual financial statements of the Motor Vehicle Accident Fund of Namibia on behalf of the Auditor-General and under his supervision.

I certify that I have audited the accompanying financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 March 2018. These financial statements comprise of the following:

Annexure A: Report of the Directors;
Annexure B: Statement of financial position;
Annexure C: Statement of comprehensive income;
Annexure D: Statement of changes in equity;
Annexure E: Statement of Cash flows;
Annexure F: Notes to the financial annual statements; and
Annexure G: Detailed statements of comprehensive income.

The financial statements were submitted on time by the Accounting Officer to the Auditor-General in terms of Section 7 of the Motor Vehicle Accident Fund Act, 2007 (Act 10 of 2007).

The financial statements, notes to the financial statements and general information provided by the Chief Financial Officer are attached as Annexure A- G.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, Act 31 of 1991 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and cooperation given by the staff of the Motor Vehicle Accident Fund during the audit is appreciated.

5. KEY AUDIT FINDINGS

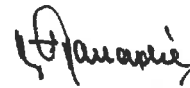
No key material findings.

6. UNQUALIFIED AUDIT OPINION

The financial statements of the Motor Vehicle Accident Fund for the financial year ended 31 March 2018 have been audited in accordance with the provisions of Section 7 of the Motor Vehicle Accidents Fund Act, 2007 (Act 10 of 2007).

In my opinion, the annual financial statements published, fairly present, in all material respects, the financial position of the Motor Vehicle Accident Fund of Namibia as at 31 March 2018 and the results of the operations and cash flow for the year ended 31 March 2018 in accordance with the International Financial Reporting Standards and the requirements of the Motor Vehicle Accident Act, 2007 (Act 10 of 2007).

WINDHOEK, September 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their annual report, which forms part of the audited financial statements of the Fund for the year ended 31 March 2018.

1. Activities of the Fund

Main business and operations

The Fund is statutorily mandated to design, promote and implement crash and injury prevention measures. It provides assistance and benefits to all people injured and the dependants of those killed in motor vehicle crashes in accordance with the Motor Vehicle Fund Act, 2007 (Act 10 of 2007) Number 10 of 2007 and operates in Namibia.

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 summarized as follows:

Summary of income statement

	2018	2017
	N\$	N\$
Fuel levy income	559 971 911	561 129 543
Income from investments	69 757 599	56 429 376
Claim expense	(311 045 323)	(290 946 048)
Rental Income and Other income	2 895 689	2 722 055
Movement in claims provisions and reserves	(60 362 000)	(56 423 000)
Operating expenses	(156 332 393)	(156 154 045)

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

The new levy of 47.7 cents was applied for the full 12 months in the current year.

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:

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Summary of financial position

	2018	2017
	N\$	N\$
Total assets	1 223 874 389	1 057 382 250
Total liabilities	925 927 055	877 108 517
Accumulated Fund surplus / (deficit)	253 688 012	145 006 524
Ratio of total assets to Fund surplus / (deficit)	4.82:1	7.29:1
Ratio of total assets to Fund surplus / (deficit) %	482%	729%

Fuel sales in litres

	Liters	Liters
Diesel	733 415 207	730 891 460
Petrol	441 187 797	445 480 747
	1 174 603 004	1 176 372 207
(Decrease)/Increase in litres sold	(1 769 203)	42 766 314

Cash and investments

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

	2018	2017
	N\$	N\$
Cash and investments		
Funds held with asset managers	649 763 602	532 881 462
Fixed term investments	309 502 594	275 086 508
Call account investments	4 429 482	121 289
Bank balances	3 833 253	15 700 514
Cash on hand	30 444	35 362
	967 559 375	823 825 135

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business.

3. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

**THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

4. Directors of the Motor Vehicle Accident Fund

The Directors of the Fund during the year and to the date of this report are as follows:

Name	Nationality
Dr. S Herman	Namibian
A. Titus	Namibian
S. Nambinga	Namibian
P. Nakathingo	Namibian
A. Tierspoor	Namibian

5. Executive Management of the Motor Vehicle Fund

The Executive Management of the Fund at the date of this report are as follows:

Name	Title
R. Martins-Hausiku	Chief Executive Officer
P. Nghifitikeko	Chief Operations Officer
J. Kurz	Chief Legal Services
L. Ndjamba	Chief Financial Officer
S. Gaomas-Guchu	Chief Corporate Affairs
J. Haikali	Chief Business Strategy
F. Uugwanga	Chief Human Relations

6. Auditor

The Auditor-General will continue in Office in accordance with Section 7(4) of the Motor Vehicle Accident Act Number 10 of 2007.

THE MOTOR VEHICLE ACCIDENT FUND NAMIBIA

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 N\$	2017 N\$
Assets			
Non-Current Assets			
Investment property	3	48 680 000	32 450 000
Property plant and equipment	4	115 660 479	111 971 269
		1 059 533 910	912 960 981
Current Assets			
Investments	5	959 266 196	807 967 970
Trade and other receivables	6	91 974 535	89 135 846
Cash and cash equivalents	7	8 293 179	15 857 165
		1 223 874 389	1 057 382 250
Total Assets			
Equity and Liabilities			
Equity			
Accumulated surplus		253 688 012	145 006 523
Reserves		44 259 322	35 267 210
Liabilities			
Non-Current Liabilities			
Long term liabilities	8	11 419 768	21 834 284
Retirement benefit obligation	9	7 773 000	5 289 000
Deferred income	10	2 065 716	4 667 963
Claims provisions and reserves	11	865 393 000	805 030 000
		39 275 571	40 287 270
Current Liabilities			
Long term liabilities	8	10 414 516	9 497 753
Trade and other payables	12	28 861 055	30 789 517
		925 926 055	877 108 517
Total Liabilities		1 223 874 389	1 057 382 250
Total Equity and Liabilities		1 223 874 389	1 057 382 250

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	<u>2018</u>	<u>2017</u>
		N\$	N\$
Revenue	13	632 625 200	620 280 974
Claims paid	14	(371 407 323)	(347 369 048)
Gross surplus		261 217 877	272 911 926
Other income	15	1 414 352	218 070
Operating expenses		(156 332 393)	(156 154 045)
Surplus before finance costs	16	106 299 836	116 975 951
Fair value gains on investment property	3	2 381 653	2 220 000
Finance costs	18	-	(15 937)
Surplus for the year		108 681 489	119 180 014
Other comprehensive income		-	-
Surplus for the year		108 681 489	119 180 014

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Revaluation Reserve	Accumulated surplus / (deficit)	Total equity
	N\$	N\$	N\$
Balance at 01 April 2016	-	25 826 509	25 826 509
Revaluation surplus	35 267 210		
Surplus for the year	-	119 180 014	119 180 014
Balance at 01 April 2017	35 267 210	145 006 523	180 273 733
Revaluation surplus	8 992 112		8 992 112
Surplus for the year		108 681 489	108 681 489
Balance at 31 March 2018	44 259 322	253 688 012	297 947 334

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 N\$	2017 N\$
Cash flows from operating activities			
Cash generated from operations	20	168 108 812	192 932 191
Finance costs		-	(15 937)
Net cash from operating activities		168 108 812	192 916 254
Cash flows from investing activities			
Purchase of property plant and equipment	4	(17 383 166)	(13 454 023)
Sale of property plant and equipment	4	2 636 989	218 070
Purchase of investment property	3	(130 642)	-
Movement in investments		(151 298 226)	(165 398 621)
Net cash from investing activities		(166 175 045)	(178 634 574)
Cash flows from financing activities			
Movement in long term liabilities		(9 497 753)	(8 661 691)
Net cash from financing activities		(9 497 753)	(8 661 691)
Total cash movement for the year		(7 563 986)	5 619 989
Cash at the beginning of the year		15 857 165	10 237 176
Total cash at end of the year	7	8 293 179	15 857 165

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Accounting Policies**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Motor Vehicle Accident Act Number 10 of 2007. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgment's include:

Trade receivables held to maturity investments and loans and receivables

The Fund assesses its trade receivables held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss the Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables held to maturity investments and loans and receivables is calculated on a portfolio basis based on historical loss ratios adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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 estimation of the liability the fund will ultimately pay for such claims. The provision for outstanding claims is actuarially determined on an annual basis. The measurement of the obligations in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. Additional disclosure of these estimates of provisions are included in Note 11 - Provisions.

Post- retirement benefit

The Fund provides a defined benefit plan to its employees. The measurement of the obligations and or assets in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9 - Retirement benefit obligation.

Allowance for doubtful debts

On receivables an impairment loss is recognized in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition.

1.2 Investment property

Investment property is recognized as an asset when and only when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost of the investment property can be measured reliably.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Investment property is initially recognized at cost. Transaction costs are included in the initial measurement.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.3 Property plant and equipment

The cost of an item of property plant and equipment is recognized as an asset 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.

Property plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to replace part of or service it. If a replacement cost is recognized in the carrying amount of an item of property plant and equipment the carrying amount of the replaced part is de-recognized.

Property plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Motor vehicles	2-4 years
Office equipment and furniture	7-10 years
IT equipment	3 years

The residual value useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates the change is accounted for as a change in accounting estimate.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the de-recognition of an item of property plant and equipment is included in profit or loss when the item is de-recognized. The gain or loss arising from the de-recognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds if any and the carrying amount of the item.

1.4 Financial instruments**Classification**

The Fund classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at fair value
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis except for derivatives and financial assets designated as at fair value through profit or loss which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments.

The Fund classifies financial instruments or their component parts on initial recognition as a financial asset. A financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not at fair value through profit or loss transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss includes dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Fund's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially the same discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment of financial assets

At each reporting date the Fund assesses all financial assets other than those at fair value through profit or loss to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

For amounts due to the Fund significant financial difficulties of the debtor probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Fund has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Tax

The Fund is exempt from income taxation in terms of the provision of Section 6 of the Motor Vehicle and Accident Fund Act Number 10 of 2007.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

1.7 Impairment of assets

The Fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists the Fund estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment the Fund also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit.

- Pro rata on the basis of the carrying amount of each asset in the unit.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 Provisions and contingencies

Provisions are recognised when:

- The Fund has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party the reimbursement shall be recognised when and only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring identifying at least:
 - The business or part of a business concerned;
 - The principal locations affected;
 - The location function and approximate number of employees who will be compensated for terminating their services;
 - The expenditures that will be undertaken; and
 - When the plan will be implemented; and

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised.

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or in the case of non-accumulating absences when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that at the beginning of the financial year any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor) that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Actuarial gains and losses are recognised in the year in which they arise in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Fund is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects the asset is treated in the same way as plan assets. In profit or loss the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs plus the present value of available refunds and reduction in future contributions to the plan.

1.10 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 periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets including non-monetary grants at fair value are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit or where no deferred credit exists the repayment is recognised immediately as an expense.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.11 Revenue

Fund 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 recognises revenue from the fuel levies when the amount of revenue can be easily 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 recognised on a time- proportion basis using the effective interest rate method.

Rental income

The Fund receives income from rent on properties leased out to third parties. Rental income is measured at fair value of the consideration received or receivable.

1.12 Claims paid

An insurance contract is defined as a contract under which the insurer accepts significant insurance risk from another party the policyholder by agreeing to compensate the policyholder if a specified uncertain future event insured event adversely affects the policyholder. The fund does not have any insurance contracts but it accepts insurance risk as it is mandated by legislation to compensate victims of road accidents for injuries suffered as a result of motor vehicle accidents.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

The Fund covers the following claims:

1. Medical expenses
2. Funeral grants
3. Loss of income
4. Loss of support
5. Injury grant

Claims incurred

Claims incurred comprise claims related expenses incurred during the year and changes in the provisions for outstanding claims including related external expenses together with any other adjustments to claims from previous years.

Outstanding claims provision

Provision is made at year end for the estimated cost of claims incurred but not yet settled at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors including previous experience in claims patterns claim settlement patterns and trends in claim frequency. Further the outstanding claims provision is calculated taking the following elements into account:

- estimates of additional claims payments that may be required on claims that have already been reported to the fund and are still open;
- estimates of additional claims payments that may be required on claims that have already been reported to the fund and are closed but could be reopened in the future; and
- estimates of external claim-handling expenses such as legal and medical experts assessors and other experts excluding the fund overhead administrative costs.

The estimates of the outstanding claims provision were produced on a going-concern basis and the outstanding claims estimate is reflected in the financial statements at a discounted value based on expected monetary values at the expected time of the payment of those claims. Reserves for the internal or indirect claim-handling expenses are specifically excluded from the estimates for example administrative costs.

Contingent liability for claims IBNR

The cost of claims incurred but not yet reported (commonly referred to as IBNR) to the fund will be disclosed as a contingent liability as the obligating event in terms of lodging and ascertaining the merit of the claim has not yet happened.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Translation of foreign currencies**Foreign currency transactions**

A foreign currency transaction is recorded on initial recognition in Namibia Dollars by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

1.15 Comparative figures

Where necessary comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Related parties

The fund operates in an economic sector currently dominated by entities directly or indirectly owned by the Namibian Government. These entities are considered related parties.

Management comprises those persons responsible for planning directing and controlling the activities of the fund; as well as those charged with governance of the fund in accordance with legislation in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence or be influenced by management in their dealings with the fund.

Only transactions with related parties not at arm's length and not in the ordinary course of business are disclosed.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

2. New Standards and Interpretations**2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to the funds operations.

Standard/ Interpretation:	Effective date: Expected impact:	Years beginning on or after
• IFRS 9 Financial Instruments	01 January 2018	The impact of the amendment is not material
• Transfer to investment property Amendment to IAS 40:	01 January 2018	The impact of the amendment is not material

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

2.2 Standards and interpretations not yet effective

The fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Expected impact:	Years beginning on or after
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Investment property

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	48 680 000	-	48 680 000	32 450 000	-	32 450 000

Reconciliation of investment property - 2018

	Opening balance	Additions	Transfer in	Fair value adjustments	Total
Investment Property	32 450 000	130 642	13 717 705	2 381 653	48 680 000

Reconciliation of investment property - 2017

	Opening balance	Transfer from PPE	Fair value adjustment	Total
Investment property	30 230 000	-	2 220 000	32 450 000

Details of property

	2018 N\$	2017 N\$
Erf 6436 measuring 960 square meters situated in the Municipality of Windhoek		
- Purchase price: 11 May 2011	4 000 000	4 000 000
- Fair value adjustments	4 250 000	4 450 000
	8 250 000	8 450 000
Erf 6441 measuring 1340 square meters situated in the Municipality of Windhoek		
- Purchase price: 23 September 2008	1 500 000	1 500 000
- Additions since purchase or valuation	623 668	623 668
- Fair value adjustments	3 776 332	4 526 332
	5 900 000	6 650 000

ANNEXURE F (Continued)

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Erf 6326 Service Centre Ongwediva (transferred from property, plant and equipment)

	2018	2017
	N\$	N\$
- Purchase price: 16 November 2007	228 858	228 858
-Additions since purchase or valuation	16 169 085	16 169 085
-Fair value adjustment	962 057	952 057
	17 360 000	17 350 000

ERF 2542 measuring 2 887 square meters situated in the Municipality of Rundu

- Transfer in from PPE	13 717 705	-
- Fair value adjustment	3 452 295	-
	17 170 000	-

4. Property, plant and equipment

	2018			2017		
	Cost	Accumulated revaluation depreciation	Carrying value	Cost	Accumulated revaluation depreciation	Carrying value
Land and buildings	112 133 243	(9 457 283)	102 675 960	96 145 000	(9 791 931)	86 353 069
Motor vehicles	17 626 926	(9 006 906)	8 620 020	18 317 482	(11 937 865)	6 379 617
Office equipment and furniture	13 804 023	(11 491 786)	2 312 237	13 562 114	(10 646 601)	2 915 513
IT equipment	34 949 127	(32 896 865)	2 052 262	34 387 461	(30 918 804)	3 468 657
Buildings - Work in progress	-	-	-	12 854 413	-	12 854 413
Total	178 513 319	(62 852 840)	115 660 479	175 266 470	(63 295 201)	111 971 269

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Reconciliation of property plant and equipment – 2018

	Opening balance	Additions	Transfers In(Out)/Disposal	Revaluation	Depreciation	Total
Land and buildings	86 353 069	6 105 994	2 406 932	8 992 112	(1 182 147)	102 675 960
Motor vehicles	6 379 617	6 857 405	(1 222 637)		(3 394 365)	8 620 020
Office equipment and furniture	2 915 513	393 699	-		(996 975)	2 312 237
IT equipment	3 468 657	755 844	-		(2 172 239)	2 052 262
Buildings - Work in progress	12 854 413	3 270 224	(16 124 637)			-
	111 971 269	17 383 166	(14 940 342)	8 992 112	(7 745 726)	115 660 479

Reconciliation of property plant and equipment – 2017

	Opening balance	Additions	Transfers In(Out)	Revaluation	Depreciation	Total
Land and buildings	29 965 127	-	22 873 445	35 267 210	(1 752 713)	86 353 069
Motor vehicles	4 184 613	4 958 187	-	-	(2 763 183)	6 379 617
Office equipment and furniture	3 217 255	619 792	-	-	(921 534)	2 915 513
IT equipment	4 476 260	1 408 433	-	-	(2 416 036)	3 468 657
Buildings - Work in progress	29 260 247	6 467 611	(22 873 445)	-	-	12 854 413
	71 103 502	13 454 023	-	35 267 210	(7 853 466)	111 971 269

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Details of properties	2018	2017
	N\$	N\$
ERF 6325 measuring 4 084 square meters situated in the Municipality of Ongwediva		
- Purchase price: 16 November 2007	142 818	142 818
- Additions since purchase or valuation	22 857 182	21 607 182
	23 000 000	21 750 000
ERF 8596 measuring 6 747 square meters situated in the Municipality of Windhoek		
- Purchase price: 30 November 2010	2 882 487	2 882 487
- Additions since purchase or valuation	53 617 513	52 617 513
	56 500 000	55 500 000
ERF 1771 (Portion of 1760) measuring 1 193 square meters situated in the Municipality of Otjiwarongo		
- Purchase price: 05 February 2013	1 000 000	1 000 000
- Additions since purchase or valuation	3 425 000	5 160 485
	4 425 000	6 160 485
ERF 2542 measuring 2 887 square meters situated in the Municipality of Rundu		
- Purchase price: 1 December 2005	125 220	125 220
- Additions since purchase or valuation	13 592 485	9 288 708
- Transfer out to Investment Property	(13 717 705)	-
	-	9 413 928
ERF 1370 (Portion of ERF 1368) 1 514 measuring square meters situated in the Municipality of Keetmanshoop		
- Purchase price: 1 December 2005	400 000	400 000
- Additions since purchase or valuation	4 765 000	4 425 000
	5 165 000	4 825 000
ERF 879 measuring 1 250 square meters situated in the Municipality of Walvis Bay		
- Purchase price: 16 March 2012	4 200 000	4 200 000
- Additions since purchase or valuation	8 050 000	7 150 000
	12 250 000	11 350 000
	101 340 000	108 999 413

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

5. Investments	2018	2018
	N\$	N\$
At fair value through profit or loss		
Funds held with asset managers	649 763 602	532 881 462
Funds held with professional managers are fair valued by professional managers at year end.		
Held to maturity		
Fixed term investments	309 502 594	275 086 508
Fixed term deposits are held with financial institutions.		
Total other financial assets	959 266 196	807 967 970
Current assets		
At fair value through profit or loss	649 763 602	532 881 462
Held to maturity	309 502 594	275 086 508
	959 266 196	807 967 970

Fair value information

Funds held with professional managers are fairly valued by asset managers as at year end.

The fair value of the financial assets was determined as follows:

- The fair value of listed or quoted investments are based on quoted market price.

The fair values are determined annually at statement of financial position date.

Fair value hierarchy of financial assets at fair value through profit or loss

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

6. Trade and other receivables

Fuel levies receivable	91 700 830	88 802 814
Deposits	45 668	45 668
Other receivables	228 037	287 364
	91 974 535	89 135 846

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018 N\$ 91 974 535(2017: N\$ 89 135 846) were past due but not impaired.

	2018	2017
	N\$	N\$
The ageing of amounts past due but not impaired is as follows:		
Less than 1 year past due	91 974 535	89 135 846
	91 974 535	89 135 846

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30 444	35 362
Bank balances	3 833 253	15 700 514
Short-term deposits	4 429 482	121 289
	8 293 179	15 857 165

8. Long term liabilities

Ministry of Mines and Energy

The loan is interest free however it was amortized at an effective prime interest rate of 9.25% per annum and is repayable in 37 monthly installments of N\$ 1 000 000 each. The difference between the remaining nominal loan amount and the amortized cost is recognised as deferred income as disclosed on note 10 to the annual financial statements. The finance costs for the year is set-off against the movement in the deferred income in the statement of profit and loss and other comprehensive income. There are no securities on the loan.

21 834 284 31 332 037

21 834 284 31 332 037

Non-current liabilities

At amortised cost

11 419 768 21 834 284

Current liabilities

At amortised cost

10 414 516 9 497 753

21 834 284 31 332 037

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

9. Retirement benefit obligation

Defined benefit plan

The defined benefit plan consists of the 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 retirement benefit obligation has been determined through Actuarial valuation.

	2018	2017
Carrying value	N\$	N\$
Present value of the defined benefit obligation wholly unfunded	(5 289 000)	(4 824 000)
Net actuarial gains or losses not recognised	(2 484 000)	(465 000)
	(7 773 000)	(5 289 000)
Opening balance	(5 289 000)	(4 824 000)
Net expense recognised in profit or loss	(2 484 000)	(465 000)
	(7 773 000)	(5 289 000)
Current service cost	(897 000)	(663 000)
Interest cost	(779 000)	(554 000)
Amortisation	(808 000)	752 000
	(2 484 000)	(465 000)
Assumptions used on last valuation on 25 May 2017.		
Number of employees	167	167
Total annual salaries	72 583 000	63 134 000
Average service (in years)	36.30	37.70
Salary weighted average age (in years)	6.50	7.00
Discount rates used	9.00%	9.80%
Inflation rate	7.90%	7.00%
Expected increase in salaries	9.00%	8.00%

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.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. Deferred income

Deferred income relates to unamortized deferred interest income on the interest free loan from the Ministry of Mines and Energy. The unamortized deferred interest income is recognised as a form of government assistance and it represents the difference between the nominal amount of the loan and the amortised loan amount as disclosed on note 8 to the annual financial statements. The movement in the deferred income is set-off against the finance costs in the statement of profit and loss and other comprehensive income.

	2018	2017
	N\$	N\$
Non-current liabilities	2 065 716	4 667 963
	2 065 716	4 667 963

11. Claims provisions and reserves**Reconciliation of claims provisions and reserves - 2018**

	Opening balance	Increase in claims provisions and reserves	Total
Provisions	805 030 000	60 363 000	865 393 000

Reconciliation of claims provisions and reserves - 2017

	Opening balance	Increase in claims provisions and reserves	Total
Provisions	748 607 000	56 423 000	805 030 000

Provisions include:

Provisions for Outstanding claims including Notified Outstanding Claims Reserve (NOCR) and Claims incurred but not Reported Reserve (IBNR).

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Fair value determination of the unreported incurrent claims

	2018	2017
	N\$	N\$
Claims incurred but not reported - Funeral and Injury grants	13 109 000	10 802 000
Claims incurred but not reported - Loss of Income and Loss of Support	35 257 000	25 814 000
Claims incurred but not reported - Medical Undertakings	18 687 000	26 905 000
Claims undertakings - Loss of Income	97 875 000	79 811 000
Claims undertakings - Loss of Support	448 837 000	378 623 000
Claims undertakings - Medical Undertakings	44 545 000	64 134 000
Belgian doctors' claims	105 497 000	103 975 000
Claims in litigation	-	6 932 000
Claims handling expenses	22 913 000	34 850 000
Data & Systems reserves	39 336 000	36 592 000
Contingency reserves	39 336 000	36 592 000
	865 392 000	805 030 000

Claims incurred but not reported – Funeral and Injury Grant

Development patterns as summarised in the actuarial valuation. The report derived from the monthly claims run-off was used to evaluate claims incurred but not yet reported.

The projected claim numbers were multiplied by the average claim amounts of N\$ 7 000 and N\$ 17 445 (N\$ 16 676 in 2017 and N\$ 14 608 in 2016 and N\$ 14 089 in 2015) for Funeral and Injury Grants respectively to get incurred but not reported liability.

Claims incurred but not reported – Loss of Income Loss of Support and Medical Undertakings

For undertakings we also used development patterns derived from the claims data provided. The development factors were used to project claims undertaking amounts in respect of accidents prior to 31 March 2018 but yet to be reported in subsequent years. The projections were based on total claims undertakings recorded to date.

Medical Undertakings

The actuaries set the liability equal to 100% of the sum of the outstanding balances (subject to a minimum of zero) irrespective of the year the undertaking was made. They however reviewed all the historical dormant undertakings together with the management of the Fund and in cases where there is no further future payments expected the records have been expunged from the system and no liability held.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

Belgian Doctors

The schedule of all future remaining payments was set out in court papers drafted in November and December 2009. The actuaries have set the liability at the present value of these future payments with allowance for mortality interest and expected future N\$/Euro exchange rate movement.

Two cases have been fully settled by the Fund as at 31 March 2018. Calculations were only made in respect of Ms. Carol Clara Cornelis' claim which is the only outstanding claim.

Claims in Litigation

The liability in respect of claims in litigation has been fully extinguished as all cases have been settled.

Claims handling expenses

The actuaries have allowed for claim handling expenses at 3% of outstanding liabilities including IBNR.

Data and Systems Reserves

The actuaries have introduced a temporary reserve of 5% of outstanding liabilities in respect of Data and Systems concerns. This reserve is held to act as a cushion against potential adverse findings of the data and system Investigation that we recommended the fund carries out. The reserves are expected to be released over time once data and systems concerns raised have been rectified.

Contingency reserves

The contingency reserve is set as 5% of the liability for the IBNR and Claims undertakings.

The key financial and demographic assumptions used are:

- Average historic rate	8%	(2017: 8%)
- Valuation discount rate	7.5%	(2017: 7.5%)
- Annual future inflation	5%	(2017: 5%)
- Expected future exchange rate (Euro vs N\$)	N\$ 15.02	(2017:N\$14.56)

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	N\$	N\$
12. Trade and other payables		
Trade payables	2 952 966	5 125 703
Value Added Tax	-	350 176
Other payables	2 656 770	3 513 303
Accrued leave pay	3 568 018	3 162 472
Accrued bonus	18 839 278	17 759 017
Other accrued expenses	844 023	878 846
	28 861 055	30 789 517
13. Revenue		
Fuel levy income	559 971 911	561 129 543
Xupifa Eemwenyo revenue	26 733	211 900
Rental Income	2 341 688	2 339 119
Investment income	69 757 599	56 429 376
Miscellaneous other revenue	527 269	171 036
	632 625 200	620 280 974
14. Claims		
Claims paid	311 045 323	290 946 048
Movement in actuarial liability	60 362 000	56 423 000
	371 407 323	347 369 048
15. Other income		
Surplus on sale of property plant and equipment	1 414 352	218 070
	1 414 352	218 070

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

16. Surplus before finance costs

Surplus before finance costs for the year is stated after accounting for the following:

	2018	2017
	N\$	N\$
Operating lease charges		
Premises		
□ Contractual amounts	702 451	966 202
Profit on sale of property plant and equipment	1 414 352	218 070
Depreciation on property plant and equipment	7 745 726	7 853 466
Employee costs	<u>118 643 100</u>	<u>111 358 194</u>

17. Employee costs**Indirect employee costs**

Employee costs	111 344 779	104 000 891
Leave pay provision charge	859 759	468 569
Employee wellness	1 623 228	2 723 550
Staff development and training	2 331 334	3 700 184
Post-employment benefits - Pension - Defined benefit plan	2 484 000	465 000
Total employee costs	<u>118 643 100</u>	<u>111 358 194</u>
Indirect employee costs	<u>118 643 100</u>	<u>111 358 194</u>

18. Finance costs

Banking Institutions	-	15 937
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19. Auditor's remuneration

Fees (external and internal audit fees)	<u>541 862</u>	<u>1 177 417</u>
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THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	N\$	N\$
20. Cash generated from operations		
Surplus for the year	108 681 489	119 180 014
Adjustments for:		
Depreciation	7 745 726	7 853 466
Profit on sale of property plant and equipment	(1 414 352)	(218 070)
Finance costs	-	15 937
Fair value adjustments	(2 381 653)	(2 220 000)
Movements in retirement benefit liabilities	2 484 000	465 000
Movements in provisions	60 363 000	56 423 000
Changes in working capital:		
Trade and other receivables	(2 838 689)	10 421 211
Trade and other payables	(1 928 462)	4 249 942
Deferred income	(2 602 247)	(3 238 309)
	168 108 812	192 932 191

21. Related parties

The fund is created by statute with the Minister of Works and Transport being the Executive Authority representing the Government of Namibia. The related parties of the fund mainly consist of departments state owned enterprises other public entities in Government and key management personnel of the fund the directors its Executive Authority and their close family members.

22. Directors' fees**Non-executive
2018**

	Directors' fees	Total
	N\$	N\$
Directors fees	880 265	880 265

2017

	Directors' fees	Total
	N\$	N\$
Directors fees	981 355	981 355

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

23. Taxation

The Motor Vehicle Accident Fund is exempt from income taxation in terms of the section 6 of the Motor Vehicle Accident Fund Act 10 of 2007.

24. Risk management**Financial risk management**

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 risk that the Fund primarily faces due to the nature of its assets and liabilities are liquidity risk interest rate risk currency risk and insurance risk.

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the board. Fund treasury identifies evaluates and hedges financial risks in close co-operation with the Fund's operating units. The board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk interest rate risk credit risk use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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.

Ultimate responsibility for liquidity risk management rests within the Board of Directors which has built an appropriate liquidity risk management framework for the management of the Fund'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 appropriate instruments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2018

	Trade and other receivables	Held at fair value through profit or loss	Held to maturity	Financial liabilities at amortised cost
	N\$	N\$	N\$	N\$
Investments	-	649 763 602	309 502 594	-
Trade and other receivables	91 974 535	-	-	-
Cash and cash equivalents	8 293 179	-	-	-
Trade and other payables	-	-	-	(28 861 055)
Long term liabilities	-	-	-	(21 834 284)
Provisions	-	(865 393 000)	-	-
Retirement benefit obligation	-	-	-	(7 773 000)

At 31 March 2017

	Trade and other receivables	Held at fair value through profit or loss	Held to maturity	Financial liabilities at amortised cost
	N\$	N\$	N\$	N\$
Investments	-	532 881 462	275 086 508	-
Trade and other receivables	89 135 846	-	-	-
Cash and cash equivalents	15 857 165	-	-	-
Trade and other payables	-	-	-	(30 789 517)
Long term liabilities	-	-	-	(31 332 037)
Provisions	-	(805 030 000)	-	-
Retirement benefit obligation	-	-	-	(5 289 000)

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return on risk.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Fund has interest-bearing assets at market interest rates.

The Fund's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates expose the Fund to fair value interest rate risk. During 2018 and 2017 the Fund's borrowings at variable rate were denominated in the Namibia Dollar.

Cash flow interest rate risk**At 31 March 2018**

Financial instrument	Current interest rate	Due in less	Due in one to	Due after
		than a year	five years	five years
		N\$	N\$	N\$
Investments	-%	-	959 266 196	-
Trade and other receivables	-%	91 974 535	-	-
Cash and cash equivalent	-%	8 293 179	-	-
Long term liabilities	-%	10 414 516	11 419 768	-
Retirement benefit obligation	-%	-	-	7 773 000
Provisions	-%	-	-	865 393 000
Trade and other payables	-%	28 861 055	-	-

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

At 31 March 2017

Financial instrument	Current interest rate	Due in less	Due in one	Due after
		than a year	to five years	five years
		N\$	N\$	N\$
Investments	-%	-	807 967 970	-
Trade and other receivables	-%	89 135 846	-	-
Cash and cash equivalent	-%	15 857 165	-	-
Long term liabilities	-%	9 497 753	21 834 284	-
Retirement benefit obligation	-%	-	-	5 289 000
Provisions	-%	-	-	805 030 000
Trade and other payables	-%	30 789 516	-	-

Credit risk

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

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

Management manages the credit risk as follows:

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

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

Foreign exchange risk

Foreign currency risk is defined as the risk that the fair value future cash flows or a financial instrument will fluctuate because of changes in the market prices. The Fund is exposed to foreign currency risk arising from the Belgium doctor's claims which are 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.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The Fund reviews its foreign currency exposure including commitments on an ongoing basis.

Insurance risk

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. These are classified as insurance contracts.

The Fund accepts insurance risk as it is mandated by legislature 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 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.

25. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business.

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA

DETAILED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 N\$	2017 N\$
Revenue			
Fuel levy revenue		559 971 911	561 129 543
Xupifa Eemwenyo revenue		26 733	211 900
Rental Income		2 341 688	2 339 119
Miscellaneous other revenue		527 269	171 036
Income from investments		69 757 599	56 429 376
	13	632 625 200	620 280 974
Cost of sales			
Claims paid		(371 407 323)	(347 369 048)
		261 217 877	272 911 926
Gross surplus			
Other income			
Gains on disposal of assets		1 414 352	218 070
Fair value adjustments	3	2 381 653	2 220 000
		3 796 005	2 438 070
Expenses (Refer to page 42)			
		(156 332 393)	(156 154 045)
Operating surplus			
Finance costs	18	-	(15 937)
Surplus for the year		108 681 489	119 180 014

THE MOTOR VEHICLE ACCIDENT FUND OF NAMIBIA
DETAILED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
MARCH 2018

	Notes	2018	2017
		N\$	N\$
Other operating expenses			
Auditors remuneration	16	541 862	1 177 417
Bank charges		501 539	308 675
Cleaning		1 170 082	1 090 122
Computer expenses		160 157	342 356
Consulting and professional fees		1 934 795	4 998 939
Corporate Communications		77 797	223 609
Corporate Gifts		276 201	121 246
Corporate Social Investment		6 467 697	6 537 120
Courier & Postage		424 801	416 194
Depreciation		7 745 726	7 853 466
Employee costs		118 643 100	111 358 194
Entertainment		101 033	33 216
General expenses		176 834	124 778
Insurance		1 533 689	934 749
Lease rentals on operating lease		702 451	966 202
Leasing Charges		2 621 340	2 020 698
Legal Fees		251 695	831 468
License Fees		3 278 332	3 219 706
Magazines books and periodicals		149 903	120 254
Motor vehicle expenses		1 771 780	2 018 148
Municipal expenses		2 242 333	2 371 567
Organization Development		413 714	764 460
Printing and stationery		293 893	404 895
Property Management Expenses		751 749	2 121 696
Relocation Cost		31 250	39 796
Repairs and maintenance		95 045	617 566
Security		1 584 864	1 383 716
Subscriptions		170 256	264 918
Telephone and fax		516 790	878 847
Travel and Accommodation		1 701 685	2 610 027
		156 332 393	156 154 045

