ANNUAL REPORT

2016

SINCEPHETELO
MVA FUND

SINCEPHETELO
MVA FUND

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SINCEPHETELO MVA FUND

VALUES, VISION & MISSION STATEMENT

MISSION STATEMENT

'Our mission is to effectively provide compensation for motor vehicle accident victims and to collaborate with stakeholders in the prevention of road traffic accidents through implementing global best practices'

OUR VISION

'To be the most efficient self-sustaining road accident Fund regionally'

SINCEPHETELO
MVA FUND

OUR VALUES

P Professionalism - Bunyonincwa

- Humility
- Confidentiality
- Efficiency & effectiveness
- Respect
- Responsibility
- Excellence
- Impartiality
  ...according to set standards in your profession

I Integrity - Bucotfo

- Honesty and integrity as guiding tools
- Accountability
- Objectivity & Fairness
- Firm
- Principled
- Transparency
- Trustworthy- follow through on commitments

C Compassion - Luvelwano

- Care
- Sympathy
- Dignity
- Empathy
- Going the extra-mile without creating an expectation which cannot be met in future
- Pro-active and quick response in order to alleviate anxiety

T Teamwork - Lubanjiswano

- Cooperation
- Collaboration
- Partnership
- Joint effort
- Communication and Information sharing

I Innovation - Tindlela letinsha tekusebenta

- Creativity
- Continuous improvement
- Advance
- Mordenisation

SMVAF PROFILE

The Motor Vehicle Accidents Fund (MVA Fund) commenced operations under the fuel levy system on the 1st of January 1998.

The MVA Fund was established by an Act of Parliament under the Motor Vehicle Accidents Act No. 13 of 1991 as the instrument by which the Government of Swaziland compensates road accident victims who have suffered bodily injuries or loss of support following the death of breadwinners.

Between 1973 and 1986, compensation to road victims was operated by the Insurance Industry under Third Party premiums. Due to the horrendous and escalating accidents rate, the Insurance Industry was compelled to increase Third Party premiums by percentages that were high. The Government of Swaziland became concerned that most people would not afford Third Party cover and road victims could be left without compensation, hence the establishment of the MVA Fund as a fuel levy Fund. The fuel levy Fund has the same concept of Third Party insurance in that there are three people (parties) involved in this type of compensation. The MVA Fund is the first party who enters into contract with the driver/owner of the motor vehicle who is the second party.

The second party (driver/owner) will pay to the first party, through a fuel levy, and the MVA Fund will then indemnify the second party against claims of Third Parties (road victims) who are injured or killed through fault of the second party.

The mandate of the MVA Fund is, therefore, defined clearly in the Act as being "to provide for compensation for certain loss or damage caused unlawfully by means of motor vehicles and for matters incidental thereto". Compensation under the fuel levy system is, therefore, a legal right deriving from the law of delict and founded on the juristic notion that if X commits a wrong against Y, which results in Y suffering damages (either by an act or by omission), then X is obliged by law to restore Y to his/her original position, or in other words, to compensate him or her. SMVA

HON. MARTIN DLAMINI
MINISTER OF FINANCE

SMVA BOARD MEMBERS & MANAGEMENT

MR. ZWELI JELE
BOARD CHAIRMAN

MR. HELMON VILAKATI
SECRETARY (SMVA CEO)

MR. AMBROS DLAMINI
BOARD MEMBER

MS. NOMVUYO DLUDLU
BOARD MEMBER

MS. NOKUTHULA DLAMINI
BOARD MEMBER

MR. FANNIE MTETWA
BOARD MEMBER

MS. THABILE NKOSI
BOARD MEMBER

MR. MARTIN SIMELANE
CHIEF FINANCIAL OFFICER

MR. HELMON VILAKATI
CHIEF EXECUTIVE OFFICER

MRS. TEBOGO FRUHWIRTH
CHIEF OPERATIONS OFFICER

MRS. NOMCEBO NSIBANDZE
MANAGEMENT SERVICES MANAGER

MR. EMMANUEL NZIMA
HUMAN RESOURCE MANAGER

MS. NOMISA SHONGWE
CLAIMS MANAGER

MRS. BONGIWE KUHLASE
CUSTOMER SERVICE MANAGER

MR. THABISO MAMBA
INVESTMENT MANAGER

MS. CINDY DLUDLU
FINANCE MANAGER

MS. NOMPHUMELELO DLUDLU
MANZINI BRANCH MANAGER

MR. SIFISO NDABA
INTERNAL AUDITOR

MR. MAKHOS'ELANGENI MAGONGO
CORPORATE STRATEGY & COMM MANAGER

MR. ZWELI JELE
BOARD CHAIRMAN

"Part of the strategy adopted by the board was to introduce an Investment Policy that would enhance the performance and efficiency of the surplus fundsand this has indeed yielded positive results as surplus funds increased by 8%.
texts survived."

CHAIRMAN'S REPORT

for the year ended 31 March 2016

Economic Development

Two key issues dominated global news in 2016 which inevitably would hold the Rand/Lilangeni at ransom as risk was heightened. Firstly, the ever- increasing populist protectionist policies that are starting to take centre stage as evidenced by Britain's referendum to end a 43-year-old membership to the European Union. The impact on Swaziland from a real economic perspective will be fairly muted as trade relations with our key trade partners (South Africa) are below 3% to Britain. Of greater concern to us is the second theme, which is the prospective South African credit downgrade from investment grade to junk status as this would have a mammoth ripple effect on Swaziland. With a widened country deficit due to decreased SACU receipts, Swaziland is expected to increase its borrowing to fund the deficit and a credit downgrade in South Africa would have a direct impact on Swaziland's borrowing capabilities as well as this would result in government having to pay investors a premium on their bond issuance programme. Moody's ratings agency maintained South Africa's foreign currency debt rating at Baa2 (which is investment grade), but changed the outlook to negative in May 2016. Standard and Poor's ratings agency maintained its foreign currency debt rating for South Africa at BBB- (one notch above non-investment grade) in June 2016. Importantly, though, the agency maintained its negative outlook on this rating, expressing its concern over South Africa's external accounts, fiscal flexibility, the poor functioning of state-owned enterprises and deteriorating GDP growth prospects.
In his budget speech, the Finance Minister, Honourable Martin Dlamini, projected a decline in total revenue of 7% to 13.4 billion Emalangeni, which stems from a 22% projected decline in SACU receipts to 5.3 billion Emalangeni. Total expenditure, including interest payments on public debt, is projected to be 20.7 billion Emalangeni. Budgeted capital expenditure grew by 36%, while recurrent spending rose by 13%, culminating into a fiscal deficit of 13.7% of GDP from the estimated 6.8% of GDP deficit for the 2015/16 fiscal year. The government will finance the fiscal deficit through domestic borrowing, with external financing reserved for highly productive fixed capital investments and thus a South African credit downgrade would prove to be devastating for our economy.

Financial Highlights

It is worth noting that the strategic direction endorsed by the board some three years ago, has put SMWAF on a path of sustained growth for as many years not least the year under review. For the financial period 2016, assets grew by 9% to E753 million whilst liabilities decreased by 3% to E259 million. This is crucial to the fund and its shareholders by and large because it speaks to the sustainability both as a going concern and future fund obligations. Part of the strategy adopted by the board was to introduce an Investment Policy that would enhance the performance and efficiency of the surplus funds and this

has indeed yielded positive results as surplus funds increased by 8%.

Stakeholder concerns on limitations on benefits

The Fund's revised compensation regime under the MVA Amendment Act, 2011 has ensured that the Fund remains sustainable as a business, with the capacity to meet claims now and in the future. This was made possible through the introduction of a number of limitations on the Fund's liability to pay for certain types of compensation. Notably, the amendments also increase the awards on other types of claims, which were previously limited to lesser amounts. While these changes have improved the Fund's financial position and its ability to settle claims in the future, there have been concerns from key stakeholders who have made valid observations on these limitations on some of the benefits. The Fund is sensitive to these sentiments and wish to assure our stakeholders that their concerns are being considered.

Staff Training

For any organisation to achieve its targeted goals, there is a need to pay attention to the up skilling and retention of its human capital. In the year under review, the Fund engaged in a skills audit as well as a performance management system (PMS) with a view to ensure that staff were well-equipped to help the Fund carry out its mandate.

Customer service

Our customers and stakeholders remain our core area of focus in discharging the mandate given to us by the shareholder. In order to meet and engage with the customer at their convenience, the Fund began to implement a decentralisation exercise, which entails setting up satellite offices in all regions of the country, making the Fund more accessible to accident survivors.

In the year under review, the Fund undertook to develop and conceptualise a customer service centre, and we are happy to report that good progress is being made in this regard.

The Fund has developed a customer service charter which will soon be 'sold' to claimants as a measure of standards or our promise for service delivery.

Building project

At the time of reporting, the Fund had made good progress on the construction of its headquarters on Mbhilibhi Street in Mbabane and completion of works was expected to be within schedule. The building will house a clinic, radiology centre and office block. It is anticipated that when the building is complete the Fund will cut back on referrals and associated costs as well as generate income from office space rentals.

Challenges

That road accident statistics continued to increase during the year is a cause for concern as accidents are the main cost driver in our business, and this does not augur well for the future of the Fund at the rate things are going. However, we have committed ourselves to collaborating with other stakeholders in driving down the accelerating rate of fatalities and serious injuries. We continue to work with stakeholders internally and regionally on road safety interventions as a risk management strategy. At a global level, we have subscribed to the Decade of Action for Road Safety, and we have structured our intervention campaigns in such a way that they conform to the five pillars of the global plan of action.

Zweli Jele

Board Chairman SMVA

MR. HELMON VILAKATI
CHIEF EXECUTIVE OFFICER

"Work is currently in progress with the computerisation of our documents management system, which will result in the prompt response to customer queries."

CHIEF EXECUTIVE OFFICER'S REPORT

for the year ended 31 March 2016

Overview

During the year under review the Fund continued to post satisfactory results in both its revenue and asset base, though it fell short on meeting some of the key performance targets. Assets grew by 9 percent, which was largely attributed to a 6 percent year- on-year increase in fuel levy income and also to increased performance of surplus funds which returned 8 percent year-on-year. Outstanding claims were also accelerated and settled which resulted in a 3% decrease in the overall liabilities. The shareholder value, as a result of this, increased by 16% year-on-year.

The Investment Policy adopted by the Fund seeks to optimise the returns of the surplus funds to ensure the sustainability of future claims liability. In the Financial Year 2016, an aggressive approach to increase the investment tenor and diversification in order to match our liabilities' behaviour proved to be strategic for the Fund. Whilst equities were volatile considering news of the dismissal of South Africa's Finance Minister Nhlanhla Nene, credit ratings agencies, Brexit, and South African local elections, the Fund's returns remained less volatile mainly because of the asset manager diversification. Equities accounted for 20 percent of the portfolio, an increase from the previous 9 percent. This aggression paid off as equities returned 7.2% year-on-year. The negative volatility that was seen in December as a result of the axing of Nene, seeing the Rand tumble to 15.4 to the US dollar, was offset by our offshore exposure which has since been reduced with the recent Rand gains. Fixed Income accounted for 28 percent of the portfolio which is 3% above our desired benchmark due to portfolio rebalancing. Performance in fixed income was pivotal in the overall return of the

Fund. As inflation started to lose steam in the later part of the year, the Fund had already hedged itself by taking a long position on bonds. Swaziland bonds continue to pay a good premium over and above what we see in South Africa and thus continue to shoulder any dampened performance from the other asset classes. The Fund is continuously looking for opportunities so as to reduce its cash holdings as the shorter end of the curve does tend to pull back performance. The Fund's performance was 8% for the year and we look to continue diversifying the portfolio and looking for opportunities in the market.

Financial Performance

The Fund realised an impressive 15.7% growth in accumulated surplus, which improved to E494 786 742 (2015: E427 459 118) during the year under review, exceeding the target of 11%. While the Fund was able to meet and even exceed some of its performance targets, there continued to be some challenges in some performance areas. The Fund's investment strategies remained rigorous and diverse to ensure better returns. The board guided

the Fund as it entered into additional financial instruments, which improved its financial position. Significant growth in investment income, which increased from E27 059 489 to E29 331 223 was realised.
The Fund's fuel levy revenue increased from E94 273 019 the previous year to E99 794 461 in 2016. Surplus for the year still remained positive at E67 327 624 (2015: E67 079 033) after the Fund settled some of its older claims. Non-current assets alone have been steadily growing since the construction of the Fund's new headquarters from E237 982 330 in 2015 to E340 491 816 in 2016. Assets attributable to acquisition of property, plant and equipment increased from E62 421 186 to E108 548 200, a whopping 73.8 percent growth.

Claims Liabilities

The Amendment Act improved the claims process which now involves treatment and rehabilitation of claimants. The Fund reduced its claims liabilities by 3%. Claims liabilities constituted only 34% of the Fund's asset base, and there is no threat that the Fund would face difficulty honouring claims in the future. The Fund remains committed to finding innovative means to expedite the settlement of claims so that it is within its 15-month claims settlement target. During the year under review, older claims were drastically reduced, hence the Fund's liabilities were less than last year, which positively impacted reserves. The value of outstanding claims stood at E114 374 000. The Fund is optimistic that these outstanding claims will be significantly reduced by March 2017.

The Fund is in the process of building capacity for a fully-fledged case management system to involve prompt medical management and specialised skills in the departments. One of these steps is the establishment of the radiology facility, or clinic to result in in-house handling of radiology cases as well as doctor consultation facilities, which will reduce costs in the long run.

Road safety

The increase in the number of fatalities and serious injuries emanating from road traffic accidents during the year under review does not augur well for the future of the Fund. As part of its mission, the Fund continued to collaborate with stakeholders in efforts to reduce road traffic accidents. Previously statistics proved that such collaborations between the SMVAF and stakeholders under the Road Safety Stakeholder Alliance, which itself was pioneered by the Fund, resulted in meaningful reduction of accidents. We are confident that the recent campaigns where the Fund partnered with football through the SMVAF Ingwenyama Cup will yield better results as it gives us access to greater demographics. Further, the football tournament has made it possible to get leaders of the country at the highest level to endorse our campaigns against road traffic accidents. We continue to engage and craft campaigns in line with the provisions of the Decade of Action for Road Safety, which are road safety management; infrastructure; safe vehicles; road user behaviour and post-crash care. Following the submission of a report by the country in Brazil focusing on the first five years of the global campaign, it has been noted that, in terms of interventions, Swaziland still lags behind on structural issues such as the formulation of a National Road Safety Strategy to name but a few.

Customer Service

The Fund continues to improve services offered to citizens as well as to increase access by all by extending its footprint countrywide. Accordingly, the Manzini service centre, which has been operational for two years, has been elevated to the status of a fully-fledged branch. We are currently planning the opening of a second satellite office in Pigg's Peak, based on findings of a demographic survey of our claimants as well as road traffic accidents. This branch will service customers from the north and eastern part of the country. The decentralisation strategy will be rolled out in stages.

Information Systems and infrastructure

Work is currently in progress with the computerisation of our documents management system, which will result in the prompt response to customer queries: be they walk-in customers, or those contacting the Fund electronically.

This enterprise-wide system is expected to come on stream in the next financial year. The intention is also to have a call centre system for direct and quick contact with customers, which will be a unit dedicated to responding to claimant concerns.

Human capital and staff training

In order to meet customer expectations, staff training has always been imperative. Investment in staff training grew almost three-fold to E346 812 (2015: E134 356).

The Fund has commissioned consultants to conduct a skills audit, which is under consideration for implementation. It will provide adequate information on training at all levels to ensure that the fund is prepared to respond adequately to its customers.

Under the multilateral agreement entered between ourselves and counterparts in Botswana, South Africa and Namibia, the Fund has been able to send some of its staff members on job training programmes in any of these countries. This arrangement has helped benchmark trends in the region. We also continue to participate in regional conferences.

As part of specialised skills acquisitions, we have sponsored orthopaedic doctors who will work in a local institution for a particular period, benefiting both the Fund and the nation at large.

Corporate Social Investment

As a good corporate citizen, the Fund continues to support corporate social investment by following an annual programme. The programme is derived from the Fund's CSI policy, which focuses on the following areas: food security, health, education, religion, vulnerable groups and sports. We continue to consider programmes that have a wider reach and not necessarily focus on urban areas, but rural areas too.

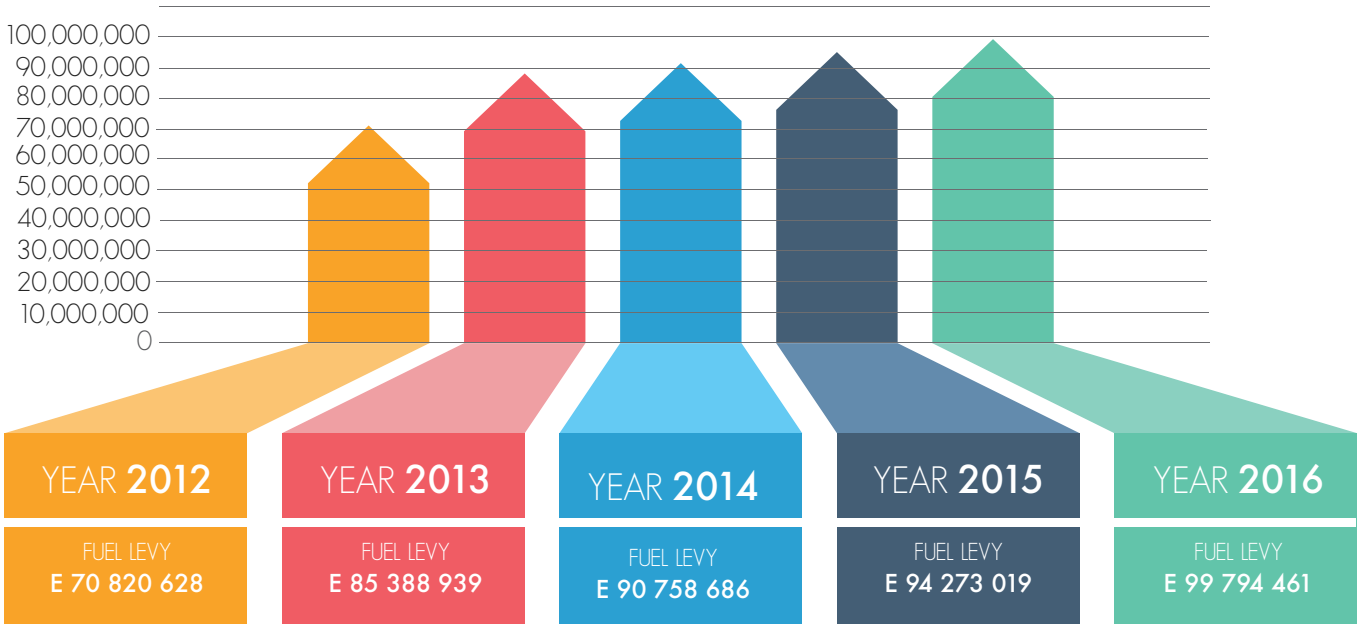
Helmon Vilakati
CEO SMVA

speed thrills
but kills
SINCEPHETELO
MVA FUND

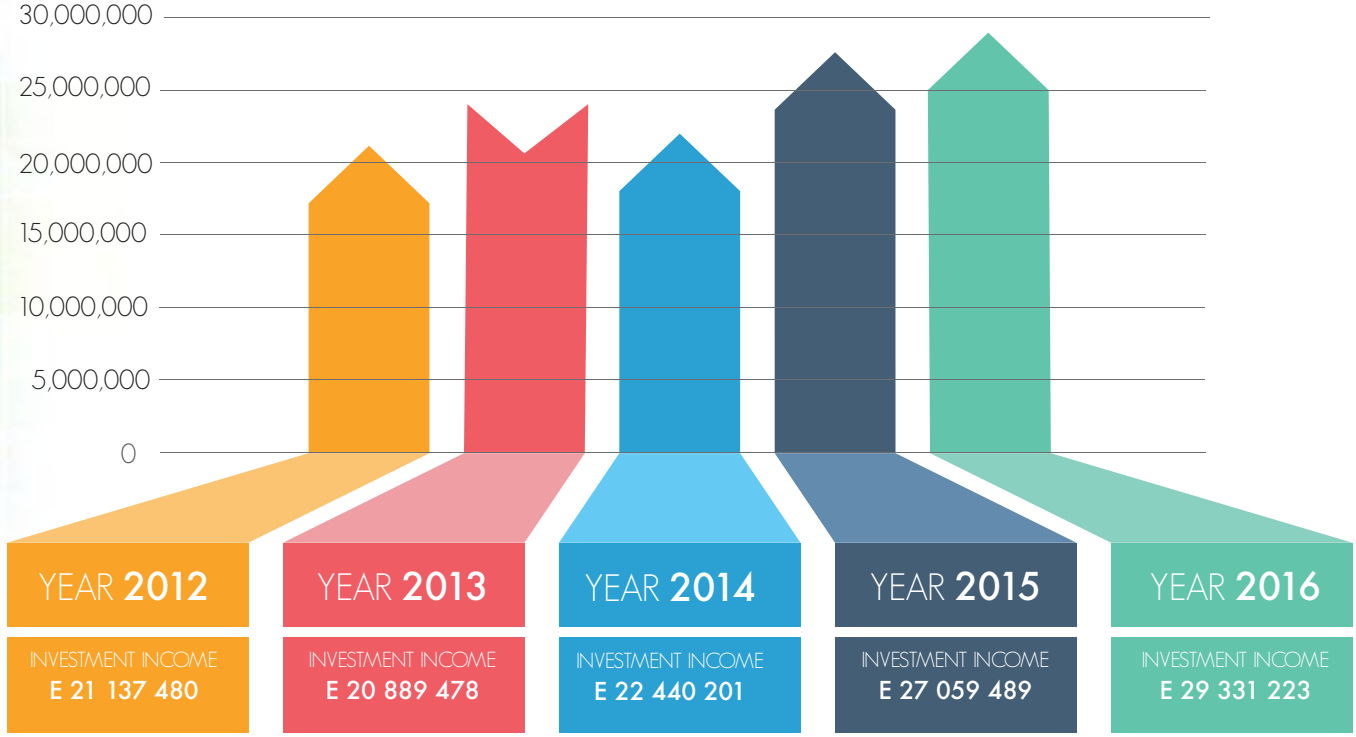
FINANCIAL HIGHLIGHTS IN GRAPH FORM

for the year ended 31 March 2016

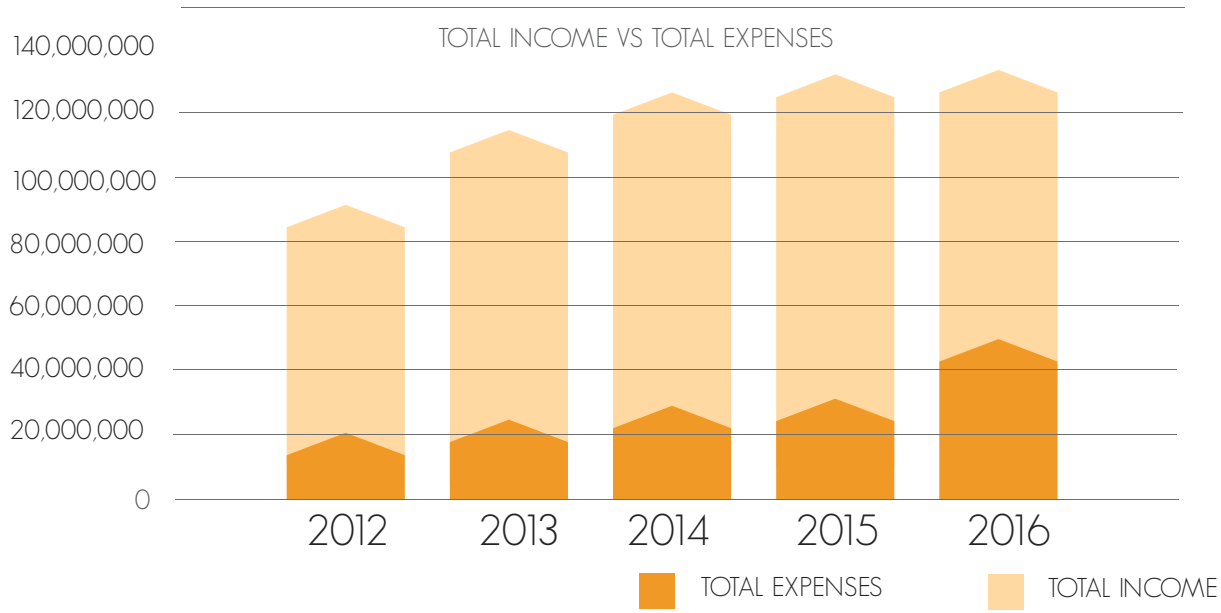
FUEL LEVY INCOME



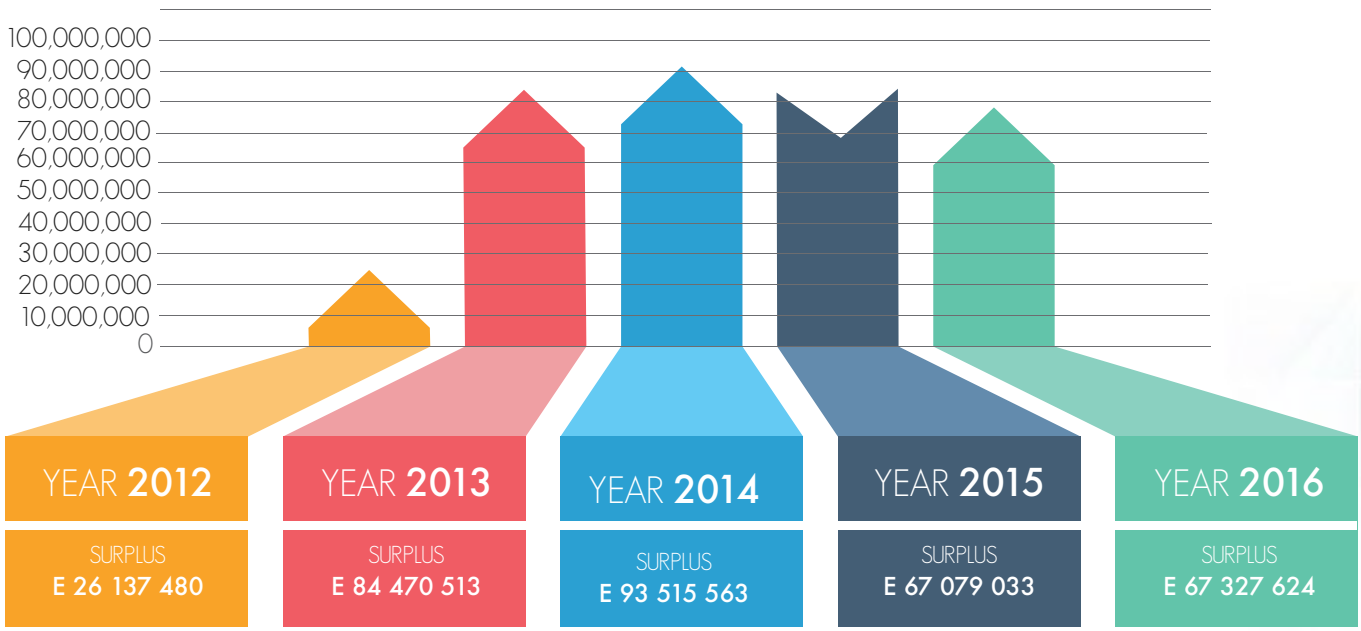
INVESTMENT INCOME



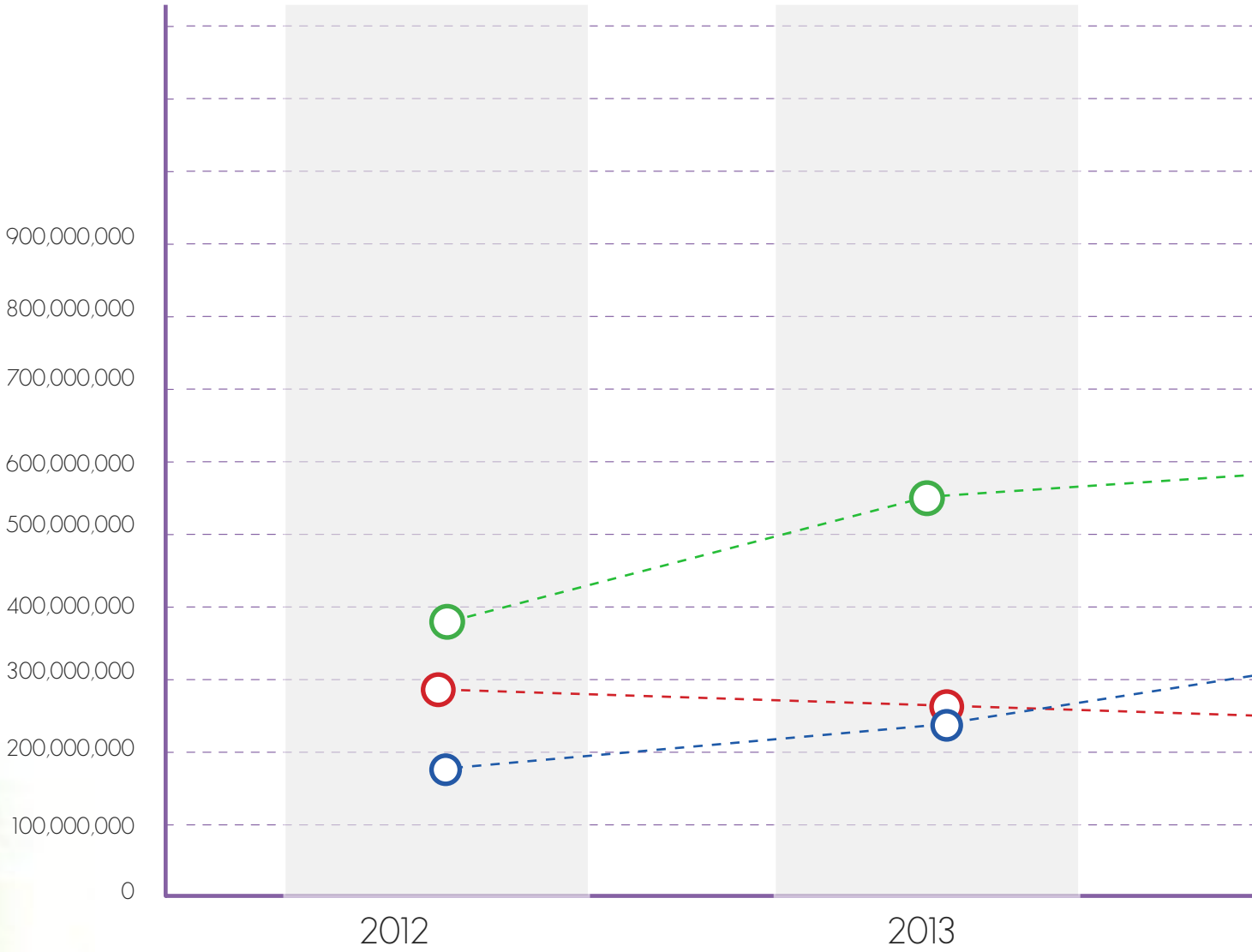
INCOME + INVESTMENT INCOME VS TOTAL EXPENSES



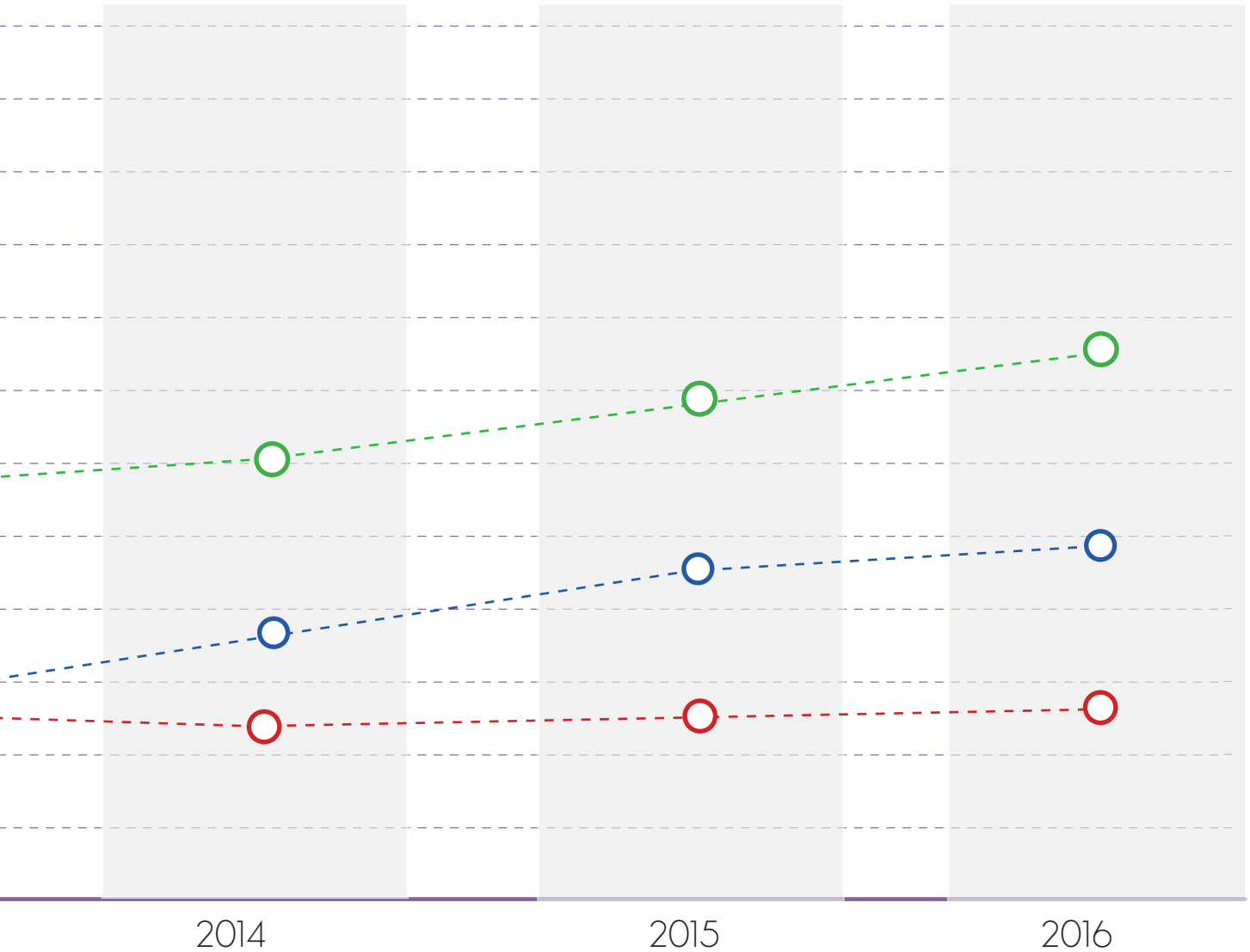
SURPLUS FOR THE YEAR



ASSETS, LIABILITIES AND ACCUMULATED SURPLUS



ASSETS, LIABILITIES AND ACCUMULATED SURPLUS					
	2012	2013	2014	2015	2016
ASSETS	475 243 869	545 987 128	604 789 328	694 108 896	753 858 534
LIABILITIES	292 489 859	279 122 605	244 409 243	266 649 778	259 071 793
ACCUMULATED SURPLUS	182 394 010	266 864 523	360 380 085	427 459 118	494 786 742



ASSETS

LIABILITIES

ACCUMULATED SURPLUS

ANNUAL FINANCIAL STATEMENT

for the year ended 31 March 2016

SINCEPHETELO
MVA FUND

OFFICERS AND PROFESSIONAL ADVISORS

for the year ended 31 March 2016

BOARD OF DIRECTORS

The following board members were appointed to the Board of directors for a period of three years with effect from 24 August 2015 :

Mr. Z. Jele - Chairman

Mr. A. Dlamini

Mr. F. Mthethwa

Ms. N. Dlamini

Ms. T Nkosi

Ms. N Dludlu

Mr. H.M. Vilakati - Chief Executive Officer

SECRETARY

The position of Secretary is held by:

Mr. H.M. Vilakati - Chief Executive Officer

	Postal	Physical
LEGAL ADVISORS	Howe Masuku Nsibande P.O.Box 1298 Mbabane H 100	Lot 429 Corner Ben Dunn Lomadvokokola Street Queensgate, Mbabane
AUDITORS	PricewaterhouseCoopers P.O.Box 569 Mbabane H100	RHUS Office Park Karl Grant Street Mbabane Swaziland
ACTUARIES	Deloitte & Touche Actuarial & Insurance Solutions Private Bag X6 Gallo Manor, 2052 Gauteng South Africa	Deloitte & Touche Deloitte Place The Woodland Building 33, First Floor 20 Woodlands Drive Woodmead, Gauteng

BANKERS

INVESTMENT MANAGERS

Postal	Physical
African Alliance Swaziland Limited P.O.Box 5727 Mbabane H100	Nedbank Centre 2nd Floor Swazi Plaza Mbabane
STANLIB Asset Management Limited P.O.Box A294 Swazi Plaza H101	South Wing Building 2nd Floor Mbabane Office Park Mbabane
Sanlam Investment Management P.O.Box 8392 Mbabane H100	New Mall Suite 101 1st Floor Dr Sishayi Road Mbabane

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 March 2016

The board of directors is responsible for the preparation, integrity and fair presentation of the financial statements of Sincephetelo Motor Vehicle Accidents Fund. The financial statements presented on pages 27 to 61 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Motor Vehicle Accidents Act of 1991, as amended, and include amounts based on judgements and estimates made by management. The board of directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The board of directors is also responsible for the Fund's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The board of directors has no reason to believe that the Fund will not be a going concern in the foreseeable future based on strategic initiatives and available cash resources. These financial statements support the viability of the Fund.

The financial statements have been audited by the independent firm of auditors, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of the board of directors and Committees of the Board. The board of directors believes that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers is presented on page 25.

The financial statements were approved by the board of directors and are signed on its behalf by:

CHAIRMAN

16.12.2016

DATE

BOARD MEMBER

16.12.2016

DATE

CHIEF EXECUTIVE OFFICER

16.12.2016

DATE

REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS OF SINCEPHETELO MOTOR VEHICLE ACCIDENTS FUND

for the year ended 31 March 2016

We have audited the annual financial statements of Sincephetelo Motor Vehicle Accidents Fund, which comprise the board of directors' report, the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in reserves, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages **27 to 61.**

Board of directors' Responsibility for the Financial Statements

The Fund's board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Motor Vehicle Accidents Act of 1991, as amended. 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform 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 judgement, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Motor Vehicle Accidents Act of 1991.

pwc

Partner: Theo Mason
Chartered Accountants (Swaziland)
Mbabane
Date: 22 December 2016.

REPORT OF THE ACTUARIES TO THE BOARD OF DIRECTORS OF SINCEPHETELO MOTOR VEHICLE ACCIDENTS FUND

for the year ended 31 March 2016

We hereby certify that:

- we have undertaken an actuarial valuation of the outstanding claims provision of the Sincephetelo Motor Vehicle Accidents Fund as at 31 March 2016.
- the valuation, on accepted actuarial principles, reveals the total outstanding claims amount, which allows for outstanding reported as well as incurred but not reported claims.

Statement of Assets, Liabilities, and Excess Assets

	Mar-16	Mar-15
Assets (Net of non-technical liabilities)	743 237	682 545
Claims liabilities	(248 451)	(255 086)
Suplus/(Deficit)	494 786	427 459

Published Reporting Valuation Methods and Assumptions

The discounted value of the outstanding claims liability is estimated to be E248.5 million (2015: E255.1 million). This figure includes an amount for the non-undertakings and un-dertakings liabilities, gross large claims and their respective expected reinsurance recoveries as well as indirect claims handling expenses.

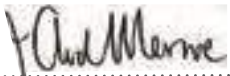
The liability is calculated on an inflated and discounted basis, i.e. explicit allowance for future claims inflation and anticipated investment returns was made.

The valuation results shown in this report were derived on a best estimate basis, and include no deliberate bias for either over-estimation or under-estimation. However, the future experience of the Fund and hence the valuation is subject to uncertainty. Deviation from the estimates are normal and to be expected and (given the nature of schemes such as the Motor Vehicle Accidents Fund) are more likely to result in solvency deteriorations than improvements.

The relatively small number of claims may cause a high level of volatility in the experience of the Fund. This volatility in turn causes an increase in the uncertainty of the result.

This report is prepared in the context of the governing legislation as it stands as at the valuation date and as such does not take into account any future legislative changes.

A detailed report has been submitted to the board of directors.



Jaco van der Merwe,
BComm (Hons) FFA FASSA
Director

Deloitte & Touche
Actuarial & Insurance Solutions
Deloitte & Touche
16 August 2016

REPORT OF THE BOARD OF DIRECTORS

for the year ended 31 March 2016

It gives the Board pleasure to submit its report together with the annual financial statements for the year ended 31 March 2016.

State of the Fund's Affairs

The Fund has been able to execute its statutory mandate as stipulated in the Motor Vehicle Accidents Act of 1991, as amended and has attained a net surplus of E67 327 624 (2015: E67 079 033).

Financial Results

As at 31 March 2016 the Fund's assets exceeded its liabilities by E 494 786 742 (2015: E427 459 118)

Going Concern

The Fund's ability to continue as a going concern depends on the long term sustainability of such results and further improvements.

Having noted all the factors that have contributed to the improvements and also considered the strategic plan now being implemented, notwithstanding the challenges that still lay ahead, the Board is re-assured that the Fund has the ability to sustain such results and continue as a going concern.

Events subsequent to year end

The directors are not aware of any events that have occurred subsequent to year end that could impact the amounts presented in the financial statements, and:

(a) have been fully taken into account in so far as they have a bearing on the amounts attributable to assets and/or liabilities at that date;

(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position;

(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

Board of directors and Secretary

Particulars of the present board of directors and Secretary are given on page 08.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	2016		2015
		E		E
Fuel levies	1	**99 794 461**		94 273 019
Income		**99 794 461**		94 273 019
Other operating income		**829 676**		946 586
Other gains	2	**475 574**		7 583 564
Net operating income before benefits and claims expenses		**101 099 711**		102 803 169
Benefits and claims expenses	3	**(14 659 466)**		(32 068 202)
Net operating income after benefits and claims expenses		**86 440 245**		70 734 967
Reinsurance premium expenses		**-**		(272 405)
Operating and administrative expenses		**(48 443 844)**		(30 443 018)
Expenses		**(48 443 844)**		(30 715 423)
Operating surplus	4	**37 996 401**		40 019 544
Investment income	6	**29 331 223**		27 059 489
Surplus for the year		**67 327 624**		67 079 033

STATEMENT OF FINANCIAL POSITION

at 31 March 2016

	Notes	2016	2015
		E	E
ASSETS			
Non-current assets			
Property, plant and equipment	7	**184 316 590**	77 189 577
Financial assets – At fair value through profit or loss	8	**156 175 226**	158 342 101
Employee retirement benefit asset	15	**-**	2 450 652
		340 491 816	237 982 330
Current assets			
Fuel levy and other receivables	9	**9 917 017**	10 766 305
Financial assets – At fair value through profit or loss	8	**168 997 429**	137 090 596
Cash and cash equivalents	10	**234 452 272**	308 269 665
		413 366 718	456 126 566
Total assets		**753 858 534**	694 108 896
EQUITY			
Reserves attributable to the Fund			
Accumulated surplus		**494 786 742**	427 459 118
Current liabilities			
Outstanding claims liabilities	14	**114 374 000**	117 942 000
Undertaking liabilities	13	**134 077 000**	137 144 000
Trade and other payables	11	**9 607 151**	10 415 966
Provisions for employee benefits and other liabilities	12	**1 013 642**	1 147 812
Total liabilities		**259 071 793**	266 649 778
Total reserve and liabilities		**753 858 535**	694 108 896

STATEMENT OF CHANGES IN RESERVE

for the year ended 31 March 2016

	Accumulated Surplus
	E
Year ended 31 March 2016	
At the beginning of the year	427 459 118
Surplus for the year	67 327 624
At the end of the year	494 786 742
Year ended 31 March 2015	
At the beginning of the year	360 380 085
Surplus for the year	67 079 033
At the end of the year	427 459 118

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016	2015
		E	E
Cash flows from operating activities			
Cash generated from operations	17	**34 641 401**	57 996 374
Investment income	6	**29 331 222**	27 059 489
Net cash inflows from operating activities		**63 972 623**	85 055 863
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	**(108 548 200)**	(62 421 186)
Proceeds on sale of assets		**22 568**	-
Net movement in investments		**(29 264 384)**	31 381 814
Net cash outflows from investing activities		**(137 790 016)**	(31 039 372)
Net increase/(decrease) in cash and cash equivalents		**(73 817 393)**	54 016 491
Cash and cash equivalents at beginning of the year		**308 269 665**	254 253 174
Cash and cash equivalents at the end of the year	10	**234 452 272**	308 269 665

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

1 GENERAL INFORMATION

The Fund was established by an Act of Parliament under the Motor Vehicle Accidents Act No.13 of 1991, as amended as an instrument by which the Government of Swaziland compensates road accidents victims who suffered bodily injuries or loss of support following death of breadwinners.

The Fund commenced operations under the fuel levy system on the 1st January 1988.

1.1 Financial Statements

The financial statements include the assets and liabilities of the Fund. The financial statements have been authorised for issue by the board of directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Motor Vehicle Accidents Act No. 13 of 1991, as amended. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss in the statement of comprehensive income.

The financial statements have been prepared on a historical cost basis, except for the following:

Carried at fair value:

- Financial asset at fair value through profit or loss;

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in the financial statements.

The accounting policies have been consistently applied to all years presented and all amounts are shown in Emalangeni unless otherwise stated.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretation adopted by the company.

The following standard has been adopted by the company for the first time for the financial year beginning on or after 1 April 2014:

- Amendments to IAS 32 – 'Financial Instruments: Presentation', on financial instruments asset and liability offsetting. The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position

continue to be different from US GAAP.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

(b) New standards, amendments and interpretation not yet adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

2.2 INSURANCE CONTRACTS

2.2.1 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 and internal expenses, together with any other adjustments to claims from previous years.

2.2.2 Outstanding claims provision

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported (commonly referred to as Claims IBNR) to the Fund and the cost of claims reported but not yet settled as at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns and trends in claims 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 claims handling expenses, i.e. legal and medical experts, assessors and other experts – excluding the Fund's overhead administrative costs.
- Indirect claim handling expenses.

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 payment of those claims. Reserves for internal or indirect claim handling expenses (e.g. administration costs) are specifically included in the estimates. The outstanding claims provision is calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Incurred but not reported claims

Provision is made in the claim's liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. The liability is calculated using the four methods; Basic Chain Ladder (BCL), Initial Estimated Loss (IEL) method, Bornhuetter-Ferguson (BHF) and Payments Per Claim Incurred (PPCI) method. Thereafter the most appropriate method is selected given the observed claims development. A stochastic claims reserving technique (bootstrapping) is then used to determine a range of likely outcomes for the outstanding claims liability. These liabilities are then discounted to allow for the time value of money. Outstanding claims and benefit payments are stated gross of reinsurance.

2.3 REINSURANCE CONTRACTS HELD

2.3.1 Reinsurance premiums

The Fund procures reinsurance cover for the purposes of limiting its net loss potential. The reinsurance policies do not release the Fund from its direct obligations to its claimants, as the duty to compensate the claimants remains with the Fund in spite of the fact that the reinsurance cover has been procured.

Reinsurance premiums for reinsurance cover are recognised as expenses on a basis that is consistent with the recognition basis for premiums on other similar insurance contracts. Reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Fund in respect of its rights under such contracts.

Any difference between the premium due to the reinsurer and the reinsurance asset recognised is included in surplus or deficit in the period in which the reinsurance premium is due.

The Fund does not recognise reinsurance assets except for claims which have already been lodged with reinsurers, due to uncertainty regarding the successful realisation of the claims.

2.3.2 Reinsurance claims

The expected benefits to which the Fund is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers (classified within loans and receivables) that are dependent

on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers' are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. The cost of reinsurance related to long term contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies. Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

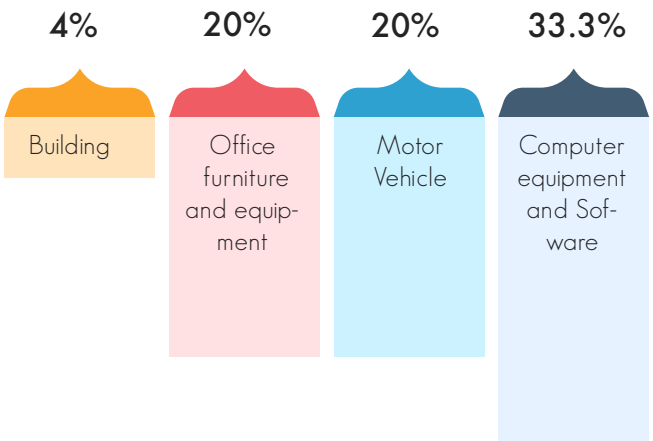
Reinsurance assets are assessed for impairment at each balance sheet date. If there is reliable objective evidence, as a result of an event that occurred after its initial recognition, that amounts due may not be recoverable, the Fund reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

2.4 PROPERTY PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.5 FINANCIAL ASSETS

2.5.1 Classification

The Fund classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise 'Fuel levy and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 9 and 10).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Available-for- sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Fund's right to receive payments is established.

2.6 FUEL LEVY RECEIVABLES

Fuel levy receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of fuel levy receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. 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 fuel levy receivable

is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'Operating expenses'.

When a fuel levy receivable is uncollectible, it is written off against the allowance account for Fuel levy receivables. Subsequent recoveries of amounts previously written off are credited against 'Operating expenses' in the statement of comprehensive income.

2.7 PROVISIONS

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

The Fund recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Fund becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Fund are not provided in advance.

Provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.8 REVENUE RECOGNITION

Revenue comprises mainly fuel levies, Government grants/ transfer payments, investment income and reinsurance income.

2.8.1 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 Levy income is a charge levied on fuel throughout the country and the rate of the Levy per litre is determined by the Ministry of Finance in consultation with the Minister of Natural Resources and Energy.

The Fund recognises revenue from 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.

2.8.2 Investment income

Investment income comprises interest income on funds invested.

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.8.3 Rental income

Rental income from owner-occupied land and buildings are recognised in the statement of income on a straight line basis over the term of each lease.

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

2.9 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.9.1 The Fund as lessor

Receipts of operating leases from properties held as owner-occupied are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

2.9.2 The Fund as lessee

Lease payments arising from operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with Funds, other short-term highly liquid investments with original maturities of three months or less, and Fund overdrafts. Fund overdrafts are included within borrowings in current liabilities on the statement of financial position.

2.11 EMPLOYEE BENEFITS

(a) Pension obligations

The Fund has a defined benefit plan for some of its employees. A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit asset is calculated triennially by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Fund before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Fund recognises termination benefits when it is demonstrably committed to a termination when there is a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

(c) Statutory obligations

Provision is not made for statutory termination obligations in terms of the Employment Act, 1980. It is considered that the Fund's contributions to the

pension fund exceed the contributions required by the employment act which can be recovered against such statutory obligations, at present.

2.12 TAXATION

The Fund is exempt from taxation in terms of the provision of section 5 (2) of The Motor Vehicle Accidents Act No.13 of 1991as amended.

2.13 UNDERTAKINGS LIABILITY

The liability of undertakings is in respect of future medical costs, future loss of earnings and loss of support claims, where future medical, future loss of earnings and loss of support expenses are anticipated. The Fund has undertaken to meet these expenses in the future as and when they are incurred. The Fund estimates the present value of future costs and the necessary funds are deposited into separate interest bearing accounts from which payments are made.

2.14 KEY ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Key assumptions derive estimates which require management's most complex or subjective judgements. The Fund's management decide on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities which typically require such assumptions are fair value of investments and the outstanding claims provision.

a) ***Outstanding claims provision and undertaking liabilities***

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

The Fund establishes a claim liability account, which is estimates of future payments for reported (known) claims and unreported claims (Incurred But Not Reported, 'IBNR') with respect to events which could result in an expense to the Fund. Provisioning is a complex process dealing with uncertainty requiring the use of informed estimates and judgements. Any changes in the estimates are reflected in the income statement in the period in which estimates are changed.

Delays occur in notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the statement of financial position date.

The liability for claims is determined on the basis of information currently available; however it is inherent in the nature of the business that the ultimate liability may vary as a result of subsequent developments.

In the current year the Fund has assumed an annual inflation of approximately 7% per annum. The IBNR calculation was discounted using a real discount rate of 2% per annum.

Each year at 31 March, the Fund performs an actuarial valuation of the outstanding claims liability.

2.14 KEY ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES (continued)

Outstanding claims provision is made in the claim's liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. The liability is calculated using the four methods; Basic Chain Ladder (BCL), Initial Estimated Loss (IEL) Method, Bornhuetter-Ferguson (BHF) and Payments Per Claim Incurred (PPCI) method. Thereafter the most appropriate method is selected given the observed claims development. A stochastic claims reserving technique (bootstrapping) is then used to determine a range of likely outcomes for the outstanding claims liability. These liabilities are not discounted due to the short-term nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

Summary of economic assumptions

(i) Inflation

Historical inflation (CPI index) figures supplied by the Fund to inflate past claims to present day values were used. The inflation rate over the inter-valuation period was 7.8% year-on-year for end of March 2016.

Future inflation was allowed for at a rate of 7% p.a. In the previous valuation, 6% was used. The real discount rate (i.e. excess of the discount rate over inflation) is approximately 2% p.a. and is the same in the previous valuation.

(i) Discount rate

The discount rate was set at 9% p.a. and the real discount rate has been set at a rate of 2% p.a. In the previous valuation, 8% was used as discount rate.

Sensitivity analysis – non undertakings outstanding claims

In this section we illustrate the sensitivity of the valuation result to isolated changes in the valuation basis. The sensitivities shown below were performed on the non-undertakings outstanding claims

Test		E000's	% Change
	Discounted outstanding claims liability as at 31 March 2016	114 373	
1	Decrease in discount rates by 1%	116 434	1.8
2	Reduce indirect claims handling expense ratio by 5%	110 364	-3.5

From the table above it can be seen that the valuation results are not materially affected by the changes in the discount rate and indirect claims handling expenses as defined by the different sensitivity tests.

The results may be summarised as follows:

- (Test 1) Decrease discount rates by 1%
- (Test 2) Reduce indirect claims handling expense ratio by 5%.

In this section we illustrate the sensitivity of the valuation result to isolated changes in the valuation basis. The sensitivities shown below were performed on the undertakings outstanding claims liability:

Test		E000's	% Change
	Discounted outstanding claims liability as at 31 March 2016	134 746	
1	Increase take - up rates by 1%	137 041	1.7
2	Increase real discount rates by 1% (decrease inflation by 1%)	132 735	-1.5
3	Increase average IBNR claim amount by 5%	137 509	2.1

Inflating cash flows at a lower inflation rate reduces the present value of liability. The important assumption in the escalation and discounting process is the real discount rate. The real discount rate used for the current valuation is 2%. Increasing the real discount rate to 3% reduces the liability by 1.8%. We conclude that the valuation results are not materially affected by the changes in the key assumptions as defined in the sensitivity tests.

The results may be summarised as follows:

- (Test 1) Increase take up rates by 1%
- (Test 2) Increase real discount rates by 1% (decrease inflation by 1%).
- (Test 3) Increase average IBNR claim amount by 5%.

b) Basis for determining fair values of investments

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, the Fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions or other valuation techniques commonly used by market participants.

2.15 OFFSET OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are offset in the amount represented in the statement of financial position when the Fund has a legally enforceable right to set off the recognised amount, and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

3 RISK MANAGEMENT FRAMEWORK AND OBJECTIVES

The Board acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The Fund has a board of directors which deals with the various aspects on policies for accepting risks, including selection and approval of risks to be insured, use of limits and avoiding undue concentrations of risk to ensure the appropriate risk classification.

Responsibility for the board of directors

The Fund's board of directors is appointed by the Minister of Finance and is in place to assist the management in discharging its risk management obligations. The principal objectives of the Fund's board of directors in terms of risk management are to:

- Review the Fund's risk philosophy, strategy, policies and processes recommended by executive management;
- Review compliance with risk policies and with the overall risk profile of the Fund;
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;
- Review the adequacy and effectiveness of the Fund's risk management function and its implementation by management;
- Ensure that material corporate risks have been identified, assessed and receive

attention; and A significant part of Fund's business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the executive management. The Fund's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Fund. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management is tasked with integrating the management of risk into the day-to-day activities of the Fund.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The organization's overall risk management programme focuses on the unpredictability of consumer and financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

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

a) Market risk

Market risk includes currency risk, interest rate risk and equity price risk. From time to time financial instruments are entered into to reduce this exposure to market risk

(i) *Currency risk*

Currency risk is the risk that the financial instruments that are denominated in foreign currency will fluctuate due to changes in foreign exchange rates.

The Fund is not exposed to currency risk at the reporting date as there were no financial instruments that are denominated in foreign currency. The Fund also operates in Swaziland only.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or an insurance contract will fluctuate due to changes in market interest rates.

The Fund continuously assesses the market expectations within South Africa and Swaziland interest rate environments.

The Fund's exposure to market risk for changes in interest rates relates primarily to the Fund's investments. As part of the process of managing the Fund's interest rate risk, interest rate characteristics of new investments are positioned according to expected movements in interest rates.

The following financial instruments will be directly impacted by changes in market interest rates: financial assets at fair value through profit or loss, cash and cash equivalents, and undertaking liabilities.

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

The monetary sensitivity analysis to changes in interest rates on assets is performed on the same basis as for 2016:

	Profit or loss and/or Equity	
	2016	2015
	E	E
Financial assets - At fair value through profit/ or loss (note 8)	**325 172 655**	295 432 697
Cash and cash equivalent (note 10)	**234 452 272**	308 269 665
Base assets	**559 624 927**	603 702 362
Increase of 50 basis points	**2 798 125**	3 018 512
Decrease of 50 basis points	**(2 798 125)**	(3 018 512)

(iii) Price risk

Equity price risk

The Fund is currently exposed to equity price risk because at the statement of financial position date there were investments held by the Fund that were classified either as available for sale or at fair value through profit and loss.

Commodity Price risk

The Fund is not exposed to commodity price risk.

(b) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss

Credit risk is managed on a Fund basis. Credit risk arises from cash and cash equivalents and deposits with Funds and financial institutions, as well as credit exposures to oil companies for fuel levy receivables, including outstanding receivables and committed transactions.

For banks and financial institutions, deposits are only placed with high credit quality financial institutions. As there is no independent rating, risk control to assesses the credit quality of it's clients, taking into account its financial position, past experience and other factors, the Fund only deal with reputable and international oil companies.

The banks and financial institutions on which deposits are placed by the Fund are:

- First National Bank Swaziland Limited
- Nedbank Swaziland Limited
- Standard Bank of Swaziland
- Swaziland Building Society
- Swaziland Development and Savings Bank
- African Alliance Swaziland Limited (Investment Managers)
- Stanlib Asset Management Limited (Investment Managers)
- Sanlam Investment Management (Investment Managers)

The oil companies with which the Fund's fuel levy receivables are collectable are:

- Chevron Oil Swaziland Limited
- Galp Energia Swaziland (Proprietary) Limited
- Engen Swaziland (Proprietary) Limited
- Total Swaziland (Proprietary) Limited
- Exel Petroleum Swaziland (Proprietary) Limited

The board of directors does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments and reinsurance contracts.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Fund maintains flexibility in funding by maintaining availability under committed credit lines.

Ultimate responsibility for liquidity risk management rests with 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 maintaining sufficient cash reserves and by matching financial assets and liabilities as far as is practical. The Fund remains confident that the available cash resources and short-term investments will be sufficient to meet its funding requirements.

Reinsurance is also used to manage liquidity risk.

Note 16(b) 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.

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide compensation in terms of the Motor Vehicle Accidents Fund Act No. 13 of 1991, as amended.

Due to the nature of its operations, the Fund does not have to maintain or adjust the capital structure, as it is a Fund established by the Act of Parliament under the Motor Vehicle Accidents Fund Act No. 13 of 1991 as the instrument by which the Government of Swaziland compensates to road accident victims who have suffered bodily injuries or loss of support following the death of breadwinners.

Consistent with other Funds, the Fund does not monitor capital on the basis of the gearing ratio.

4.2 Fair value estimation

The Fund does not have financial instruments traded in active markets (such as trading and available-for-sale securities) which are fair valued based on quoted market prices at the statement of financial position date.

Furthermore, the Fund does not have financial instruments that are traded in an active market which their fair values are determined by using valuation techniques.

The carrying value less impairment provision of fuel levy receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

5 INSURANCE RISK MANAGEMENT

The Fund 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 Fund is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

Reinsurance

The Fund reinsures a portion of the risks in order to control its exposures to losses and protect capital resources. The Fund utilises an independent Reinsurance Broker for the negotiations, placement and arrangement of Reinsurance programmes with reputable reinsurers.

To minimise its exposure, the Fund entered into reinsurance treaties with a major insurance company to cover from accident with claims over E 2 million.

6 COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	2016 E	2015 E
1 FUEL LEVIES		
Revenue	**99 794 461**	94 273 019
The analysis of fuel levies per Oil Company in respect of fuel imported and sold in the country is as follows:		
- Chevron Swaziland Limited	**12 300 844**	11 701 765
- Engen Swaziland (Proprietary) Limited	**18 807 461**	18 606 497
- Total Swaziland (Proprietary) Limited	**25 477 427**	22 839 222
- Exel Petroleum Swaziland (Proprietary) Limited	**8 405 022**	8 387 040
- Galp Energia Swaziland (Proprietary) Limited	**34 803 707**	32 738 495
	99 794 461	94 273 019
2 OTHER GAINS		
At fair value through profit and loss:		
Investment managed by African Alliance		
- Managed Fund	**101 969**	1 693 684
- Portfolio Fund	**373 605**	5 889 880
	475 574	7 583 564
3 BENEFITS AND CLAIMS EXPENSES		
Reported claims charged during the year	**25 498 128**	35 704 180
Claims and loss adjustment expenses	**(465 000)**	586 000
Actuarial increase/ (decrease) in undertakings liabilities (note 13)	**(6 805 662)**	(6 218 782)
Actuarial (decrease)/ increase in outstanding claims liabilities (note 14)	**(3 568 000)**	1 996 804
	15 328 466	32 068 202

The undertaking and outstanding claims liabilities are determined by the Fund's actuaries as at 31 March 2016 and their report on these is included on page 5 of the financial statements. These liabilities have decreased from the previous year's valuation due to the following reasons:

- There has been an increase in the number of claims settled during the year.
- There has been an increase in the rate at which incurred claims develop to their ultimate amount, therefore improving the accuracy of the valuation balances.
- The number of reported claims has decreased during the year under review.
- There has been a reduction of case estimates for older accident years.

The movements in the actuarially determined balances are shown under note 14.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

		2016 E	2015 E
4	**OPERATING SURPLUS**		
	The following items have been charged in arriving at the operating surplus:-		
	Auditors' remuneration		
	- external auditors Audit fees	**412 847**	380 631
	Consultancy fees	**1 112 144**	1 708 481
	Depreciation of property, plant and equipment (note 7)	**1 421 188**	1 164 616
	Directors fees	**263 410**	248 510
	Reinsurance premium expenses	**-**	272 405
	Rates expense	**110 123**	96 439
	Rent expense	**784 448**	711 800
	Repairs and maintenance	**527 866**	321 857
	Licences fees	**290 271**	146 395
	Legal expenses	**532 192**	148 378
	Employee benefit expenses (note 5)	**21 115 112**	14 922 220
	Donations	**897 621**	268 881
	Traveling expenses	**735 583**	309 764
	Training	**346 812**	134 356

5	EMPLOYEE BENEFIT EXPENSES	2016	2015
		E	E
	Salaries and wages	**17 054 329**	13 121 283
	Other benefits	**154 820**	144 131
	Post retirement benefits contribution	**251 412**	307 905
	Medical aid contributions	**1 203 899**	1 348 901
	Derecognition of defined benefit fund asset (Note 15)	**2 450 652**	-
		21 115 112	14 922 220

The average number of employees during the year was 68 (2015: 69)

6	INVESTMENT INCOME – NET		
	Investment income		
	At fair value through profit and loss:		
	- Dividend income	**2 473 521**	1 125 666
	- Interest income	**26 514 705**	25 637 411
	Interest income from staff loans and advances	**67 461**	117 005
	Interest income from deposits with banks	**275 536**	179 407
	Investment income	**29 331 223**	27 059 489

7 PROPERTY , PLANT AND EQUIPMENT

YEAR ENDED 31 March 2016

Carrying value at beginning of the year

Additions

Disposals at cost

Disposals – accumulated depreciation

Depreciation charge

Carrying value at end of the year

Year ended 31 March 2016

Cost

Accumulated depreciation

Carrying value at end of the year

YEAR ENDED 31 March 2015

Carrying value at beginning of the year

Additions

Disposals at cost

Disposals – accumulated depreciation

Depreciation charge

Carrying value at end of the year

Year ended 31 March 2015

Cost

Accumulated depreciation

Carrying value at end of the year

Motor vehicle	Freehold land and buildings	Land	Office machines	Computer equipment and software	Office furniture	Total
E	E	E	E	E	E	E
2 109 615	65 427 781	8 312 324	416 974	517 189	405 694	77 189 577
1 471 729	101 255 426	5 449 277	130 205	206 202	35 361	108 548 200
(103 300)	-	-	-	-	-	(103 300)
103 300	-	-	-	-	-	103 300
(648 231)	(221 787)	-	(134 925)	(234 162)	(182 082)	(1 421 187)
2 933 113	166 461 420	13 761 601	412 254	489 229	258 973	184 316 590
4 846 058	169 162 458	13 761 601	1 478 567	2 105 871	1 835 490	193 190 045
(1 912 945)	(2 701 038)	-	(1 066 313)	(1 616 642)	(1 576 517)	(8 873 455)
2 933 113	166 461 420	13 761 601	412 254	489 229	258 973	184 316 590
665 006	9 545 194	4 506 213	420 941	397 862	397 791	15 933 007
1 854 051	56 102 695	3 806 111	148 642	286 281	223 406	62 421 186
(229 897)	-	-	-	-	-	(229 897)
229 897	-	-	-	-	-	229 897
(409 442)	(220 108)	-	(152 609)	(166 954)	(215 503)	(1 164 616)
2 109 615	65 427 781	8 312 324	416 974	517 189	405 694	77 189 577
3 477 629	67 907 032	8 312 324	1 348 363	1 899 669	1 800 129	84 745 146
(1 368 014)	(2 479 251)	-	(931 389)	(1 382 480)	(1 394 435)	(7 555 569)
2 109 615	65 427 781	8 312 324	416 974	517 189	405 694	78 189 577

The freehold land and buildings consists of Lot 43, Mbabane, Hhohho, measuring 495m^2 where the offices of the Fund are located. Land consists of Lot 518, 519, 520 and 2185 in Mbabane, Hhohho. As at 31 March 2016, items of property, plant and equipment costing E 2 143 068 were fully depreciated.

8	FINANCIAL ASSETS - AT FAIR VALUE THROUGH PROFIT AND LOSS	2016	2015
		E	E
	Non-current		
	Swaziland Building Society – Permanent unlisted shares	**27 118 773**	24 635 837
	Investments Managed by African Alliance		
	- Newera Bonds	-	40 613 868
	- Select Bonds	-	41 104 468
	- Fincorp Bonds	**10 513 509**	33 962 722
	- African Alliance Loan	-	18 025 206
	Stanlib	**53 325 797**	-
	Sanlam	**48 706 628**	-
	Amandla Financial Services	**16 510 519**	-
		156 175 226	158 342 101
	Current		
	Swaziland Building Society – Permanent unlisted shares	**24 107 178**	-
	Investments Managed by African Alliance:		
	- Lilangeni Fund	**36 006 206**	51 173 922
	- Managed Fund	-	12 547 923
	- Portfolio Fund	-	73 368 751
	- Newera Bonds	**37 030 578**	-
	- Select Bonds	**39 195 781**	-
	- Fincorp Bonds	**32 657 686**	-
		168 997 429	137 090 596
	Total financial assets	**325 172 655**	295 432 697

Select Bonds

The Fund invested E18 983 775 with Select Limited on 24 February 2014. Interest is at a rate of 9.75% per annum and accrues on 24 August and 24 February. The bonds are redeemable on 24 February 2017.

In 25 March 2015, the fund further invested E20 000 000.00 with Select Limited. Interest is at a rate of 10.5% per annum and accrues on 25 March and 25 September. The bonds are redeemable on 25 March 2017.

Newera Bonds

The E35 832 876.71 bonds were re-issued by Newera Partners Limited on 30 November 2013 to the fund. Interest at a rate of 10.0% per annum and accrues on 31 May and 30 November. The bonds are redeemable on 30 November 2016.

Fincorp Bonds

The Fund invested E30 000 000 bonds with Fincorp on 18 April 2013. Interest is at a rate of 8.75% reprised annually and accrues on 18 April and 18 October. The bonds are redeemable on 18 April 2016.

The Fund further invested E10 000 000 bonds with Fincorp on 01 April 2015. Interest is at rate of 10.3% reprised annually and accrues on 01 April and 01 October. The bonds are redeemable on 01 April 2018.

The entity invested E15 000 000 at Amandla Financial Services on 01 June 2015. Interest is at a rate of 10% per annum accrues on 31 May. The loan amount is redeemable on 31 May 2018

9 FUEL LEVY AND OTHER RECEIVABLES

	2016	2015
	E	E
Fuel levies	**8 948 021**	8 585 380
Prepayments and sundry debtors	**232 284**	1 197 454
Staff loans and advances	**736 712**	983 471
	9 917 017	10 766 305

The board of directors believes that the above values of fuel levy and other receivables approximate fair value.

There is no concentration of credit risk with respect to fuel levy and other receivables, as the Fund's fuel levies are less than 30 days past due and are not considered impaired. These relate to oil companies for whom there is no recent history of default. Accordingly, no impairment has been provided.

The Fund does not hold any collateral as security.

Fuel levy receivables that are less than three months past due are not considered impaired. As of 31 March 2016, there were no fuel levy receivables that were past due as such no impairment has been provided.

The carrying amounts of the Funds' fuel levy and other receivables are denominated in the Swaziland Lilangeni. As at 31 March 2016, there were no fuel levy receivables that were impaired.

10 CASH AND CASH EQUIVALENTS

Cash on hand	**14 612**	30 289
Cash at bank	**8 235 792**	29 544 869
Short term deposits with local banks	**226 201 868**	278 694 507
	234 452 272	308 269 665

11 TRADE AND OTHER PAYABLES

Accounts creditors	**7 029 272**	9 849 068
Other payables	**2 577 879**	566 899
	9 607 151	10 415 966

12 PROVISION FOR EMPLOYEE BENEFITS AND OTHER LIABILITIES.

Year ended 31 March 2016	Leave pay E	Service Gratuity E	Total E
Balance at **31 March 2015**	**349 885**	**797 927**	**1 147 812**
Charged to statement of comprehensive income	**-**	**1 352 433**	**1 352 433**
Paid out during the year	**-**	**(1 486 603)**	**(1 486 603)**
Balance at 31 March 2016	**349 885**	**663 757**	**1 013 642**

Year ended 31 March 2015			
Balance at **31 March 2014**	349 885	600 982	950 867
Charged to statement of comprehensive income	-	1 178 631	1 178 631
Paid out during the year	-	(981 686)	(981 686)
Balance at 31 March 2015	349 885	797 927	1 147 812

Gratuity

Gratuity is provided for in accordance with the contract basis renewable every three years for the management and five years for staff. The provision is calculated at the rate of 25% for executive management and 17% for staff of the value of total annual remuneration package of the contract or prorated to termination date multiplied by the number of completed years
of service. The cash flow is expected to occur annually, at the end of each completed year.

Leave

Leave is provided for at the statutory provision rate. Employees and management are entitled to 24 leave days per annum and 30 leave days per annum respectively, and can only carry over a maximum of 10 days which are to be utilised within the subsequent year of service. The cash flow is expected to occur when an employee disengages from the Fund's employment.

13	UNDERTAKING LIABILITIES	2016	2015
		E	E
	Undertaking liabilities	**134 077 000**	137 144 000
	The reconciliation of undertaking liabilities is as follows:		
	At the beginning of the year	**137 144 000**	121 360 000
	Amounts transferred from outstanding claims	**8 086 876**	25 724 239
	Payments made during the year	**(4 348 214)**	(3 721 457)
	Actuarial increase in undertaking liabilities (note 3)	**(6 805 662)**	(6 218 782)
	At the end of year	**134 077 000**	137 144 000

The liability of undertaking is in respect of future medical costs and loss of support claims, where future medical and loss of support expenses are anticipated. The liability is the present value of future costs. The same actuarial principles, assumptions and methodology used in the estimation of outstanding claims liability's incurred but not reported (IBNR) were applied in the estimation of the undertaking liabilities.

14	OUTSTANDING CLAIMS LIABILITIES	2016	2015
		E	E
	Outstanding claims liabilities	**114 374 000**	117 942 000
	The reconciliation of outstanding claims liabilities is as follows:		
	At the beginning of the year	**117 942 000**	115 945 196
	Actuarial (decrease)/ increase in undertaking liabilities (note 3)	**(3 568 000)**	1 996 804
	At the end of year	**114 374 000**	117 942 000
	The split of the total outstanding claims liabilities is as follows:		
	Claims reported and loss adjustment expenses	**85 828 000**	87 012 000
	Claims incurred but not reported (IBNR)	**28 546 000**	30 930 000
	Outstanding claims liabilities	**114 374 000**	117 942 000

The liability as at 31 March 2016 is 3% less than the liability as at 31 March 2015.

Summary of assumptions and methodology

The Fund establishes a claims liability account, which is an estimate of future payments for reported (known) claims and unreported claims (Incurred But Not Reported, 'IBNR') with respect to events which could result in an expense to the Fund. Provisioning is a complex process dealing with uncertainty requiring the use of informed estimates and judgements. Any changes in the estimates are reflected in the income statement in the period in which estimates are changed.

Delays occur in notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The liability for claims is determined on the basis of information currently available; however it is inherent in the nature of the business that the ultimate liability may vary as a result of subsequent developments.

Economic assumptions

Inflation

In producing estimates of the outstanding claims liability an assumption regarding future rates of claims inflation is made.

The rate of claims inflation selected needs to take account of the nature of the liability and, where discounted

reserves are held, be consistent with the discount rate that is selected.

Historical inflation (CPI index) figures supplied by the Fund to inflate past claims to present day values were used. The inflation rate over the inter-valuation period was 7.8% year-on-year for end of March 2016.

Future inflation was allowed for at a rate of 7% p.a. In the previous valuation, 6% was used. The real discount rate (i.e. excess of the discount rate over inflation) is now 2% p.a. and is the same as in the previous valuation.

Discount rate

The discounted liability represents the net present value of all future payments, calculated at a specific discount rate.

The discount rate was set at 9% p.a. and the real discount rate has been set at a rate of 2% p.a. In the previous valuation, 8% was used.

Discounting cash flows at a higher discount rate reduces the present value of the liability. The important assumption in the escalation and discounting process is the real discount rate. The real discount rate used for the current valuation is 2%.

Methodology

The outstanding claims liability represents the value of the Fund's obligations, under the terms of the existing legislation to compensate people injured as a result of motor vehicle accidents (or their dependants in the case of fatalities).

Projection of future claims notification

The ultimate claim numbers have been projected using a Bornhuetter-Ferguson projection method. The projection builds on the number of claims that have already been notified to the Fund, to estimate the number of claims that will be notified in future in respect of accidents that already have occurred up until the valuation date. These claims are also known as Incurred But Not Reported claims (IBNR claims).

A brief description of this methodology is discussed below.

(a) *Payments Per Claim Incurred (PPCI)*

The PPCI method models the claims process by assuming that the payments will develop in a predictable pattern over time. The method requires assumptions regarding:

- The ultimate number of claims incurred for each accident year
- The average claim size
- The distribution of payments over time
- Future claims inflation rate(s)

(b) Bornhuetter-Ferguson projection of claim numbers

As noted above, the PPCI method requires a projection of the number of claims that will ultimately be reported for each year's accidents. The Bornhuetter-Ferguson (BHF) method has been used to do this projection.

The BHF method uses an independent measure to determine the likely ultimate number of claims for each accident year. The independent measure used for the analysis was sales of petrol and diesel.

I Basic Chain Ladder (BCL) or Link-ratio method

Link ratios are calculated between the development years of each of the accident years in the triangle and are combined as weighted average development factors for each development year. Such a set of development factors are called Basic Chain-ladder development factors.

The derived development factors are used to project the claims expected to emerge in the future development periods.

Once the claims have been projected and the ultimate level of claims established, the difference between the ultimate projected claims and claims paid to date represents the amount of claims reserve required (i.e. OCR + IBNR + IBNER).

15 EMPLOYEE RETIREMENT BENEFIT ASSET

The Fund makes contribution to a defined benefit plan that provides retirement and disablement benefits for the Fund's permanent employees upon retirement. The plan was established in 1999 and is being administered by the Swaziland Royal Insurance Corporation (SRIC)

	2016 E	2015 E
Retirement benefit asset	-	2 450 652
The amount of employee retirement benefit obligation recognised in the statement of financial position is determined as follows:		
FV of plan assets	-	4 524 470
Present value of obligation	-	(2 277 213)
	-	2 247 257
Unrecognised actuarial gains/(loss)	-	203 395
Asset recognised in the statement of financial position	-	2 450 652

The registrar approved the conversion of the fund from a defined benefit to a defined contribution with an effective date of 31 January 2015. The surplus asset previously held in the statement of financial position was subsequently derecognised at E2 450 652 (Note 5) to the statement of comprehensive income effective 1 April 2015 using the administration data as provided by the administrators of the Fund. MVA with the approval of the registrar approved the distribution of the surplus to the active members of the Fund at each of the previous valuation dates.

The movement in the fair value of plan assets over the period is as follows:

Opening balance	**4 524 470**	3 440 755
Employee contributions	-	343 691
Employer contributions	-	687 372
Benefit payments	-	(1 038 478)
Expected return on plan assets	-	1 028 145
Actuarial gain	-	62 985
Derecognition of plan assets	**(4 524 470)**	-
End of period	-	4 524 470

Movement in the defined benefit obligation over the period is as follows:

	2016	2015
	E	E
Opening balance	2 277 213	1 910 838
Current service cost	-	764 211
Employee contributions	-	343 691
Benefit payments	-	(1 038 478)
Interest cost	-	152 312
Actuarial gain	-	144 639
Derecognition of defined benefit obligation	(2 277 213)	-
End of period	-	2 277 213

The amounts recognised in the statement comprehensive income over the period are as follows:

Current service cost	-	764 211
Interest cost	-	152 312
Expected return on plan assets	-	(1 028 145)
Amortisation of unrecognised net gains	-	(1 136 628)
Net periodic pension gain	-	(1 248 250)

The principal actuarial assumptions for defined benefit obligations as at statement of financial position date (expressed as weighted averages):

Discount rate	-	9.61%
Expected return on plan assets	-	9.61%
Future salary increases	-	8.00%
Future pension increases	-	6.00%
Inflation	-	6.00%
Remaining working lives of employees	-	21 years
Retirement age	-	60 years

16. a) ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT

Financial assets and financial liabilities are measured in an ongoing basis either at fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category:

31 March 2016

Financial assets

Financial asset- At fair value through profit or loss

Fuel levy and other receivables

Cash and cash equivalents

Financial liabilities

Outstanding claims liabilities

Undertaking liabilities

Trade and other payables

31 March 2015

Financial assets

Financial asset- At fair value through profit or loss

Fuel levy and other receivables

Cash and cash equivalents

Financial liabilities

Outstanding claims liabilities

Undertaking liabilities

Trade and other payables

	Designated at fair value	Available for sale	Loans and Receivables	Financial liabilities at amortised cost	Total
	E	E	E	E	E
	325 172 655	-	-	-	325 172 655
	-	-	9 917 017	-	9 917 017
	-	234 452 272	-	-	234 452 272
	325 172 655	234 452 272	9 917 017	-	569 541 944
	-	-	-	114 374 000	114 374 000
	-	-	-	134 077 000	134 077 000
	-	-	-	9 607 151	9 607 151
	-	-	-	258 058 151	258 058 151
	295 432 697	-	-	-	295 432 697
	-	-	10 766 305	-	10 766 305
	-	308 269 665	-	-	308 269 665
	295 432 697	308 269 665	10 766 305	-	614 468 667
	-	-	-	117 942 000	117 942 000
	-	-	-	137 144 000	137 144 000
	-	-	-	10 415 966	10 415 966
	-	-	-	265 501 966	265 501 966

16. b) LIQUIDITY ANALYSIS

31 March 2016	
Financial assets	
Financial asset- At fair value through profit or loss	
Fuel levy and other receivables	
Cash and cash equivalents	
Total assets	
Financial and insurance liabilities	
Outstanding claims liabilities	
Undertaking liabilities	
Trade and other payables	
Provisions for other liabilities and charges	

31 March 2015	
Financial assets	
Financial asset- At fair value through profit or loss	
Fuel levy and other receivables	
Cash and cash equivalents	
Total assets	
Financial and insurance liabilities	
Outstanding claims liabilities	
Undertaking liabilities	
Trade and other payables	
Provisions for other liabilities and charges	

	Less than 1 month or available/payable on demand	More than 1 month but less than 1 year	1 to 5 years	Total
	E	E	E	E
	68 663 892	100 333 537	156 175 226	325 172 655
	9 917 017	-	-	9 917 017
	234 452 272	-	-	234 452 272
	313 033 181	100 333 537	156 175 226	569 541 944
	114 374 000	-	-	114 374 000
	134 077 000	-	-	134 077 000
	9 607 151	-	-	9 607 151
	349 885	-	663 757	1 013 642
	258 408 036	-	663 757	259 071 793
	137 090 596	-	158 342 101	295 432 697
	10 766 305	-	-	10 766 305
	308 269 665	-	-	308 269 665
	456 126 566	-	158 342 101	614 468 667
	117 942 000	-	-	117 942 000
	137 144 000	-	-	137 144 000
	10 415 966	-	-	10 415 966
	349 885	-	797 927	1 147 812
	265 851 851	-	797 927	266 649 778

17	CASH GENERATED FROM OPERATIONS	2016	2015
		E	E
	Surplus for the year	67 327 624	67 079 033
	Adjustments for:		
	Depreciation (note 7)	1 421 188	1 164 616
	Investment income (note 6)	(29 331 223)	(27 059 489)
	Other gains (note 2)	(475 574)	(7 583 564)
	Profit from sale of PPE	(22 568)	(7 583 564)
	Derecognition of retirement benefit asset	2 450 652	-
	Actuarial decrease in undertaking liabilities (note 3)	(6 805 662)	(6 218 782
	Actuarial decrease in outstanding claims liabilities (note 3)	(3 568 000)	1 996 804
		30 996 437	29 378 618
	Net changes in working capital	3 644 964	28 617 756
	Decrease/ (increase) in fuel levy and other receivable	849 287	2 155 244
	Increase/ (decrease) in trade and other payable	(808 816)	(4 262 786)
	Other movements in undertaking liabilities (note 13)	3 738 662	22 002 781
	Increase in provisions for other liabilities and charges	(134 169)	196 945
	Cash generated from operations	34 641 401	57 996 374

18 RELATED PARTY TRANSACTIONS

The Fund was established by an Act of Parliament as an instrument by which the Government of Swaziland compensates road accidents victims who suffered bodily injuries or loss of support following death of breadwinners.

18.1	***Related party transactions:***		
	a) board of directors compensation		
	- board of directors fees	263 410	248 510

The board of directors is remunerated on retainer and attendance of board meetings.

18.2 Year end balances arising from related parties		
a) Receivable from related parties		
- Key management – Staff loans	**93 729**	720 962

Staff loans to key management are charged at fixed rate of 12% per annum for personal loans and 10% for car loans.

b) Payable to related parties		
- Key management – Gratuity	**113 679**	108 351

Gratuity provision/ payable is made for payments in accordance with the contract basis renewable every three years. The payable is calculated at the rate of 25% of the value of total annual remuneration package of the contractor as at terminal date multiplied by the number of completed years of service.

19 COMMITMENTS AND CONTINGENCIES

19.1 Commitments

- As at 31 March 2016, the Fund had no commitments.

19.2 Contingencies

- The Fund has no contingent liabilities in respect of legal claims arising in the ordinary course of its operations. All known liabilities have been provided for in these financial statements.
- It is not anticipated that any material liabilities will arise from contingent liabilities.

20 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any events that have occurred subsequent to year end that could impact the amounts presented in the financial statements and:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;

(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the balance sheet date;

(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

VISION

www.rai.co.za
0860 23 55 23

Designed and Produced by:
BrandIn Swaziland
www.brandinn.co.za
Info@brandinn.co.za

2016

SINCEPHETELO
MVA FUND

HEADQUARTERS

Mbhilibhi Street Mbabane
MBABANE - Tel: 00268 2408 6800/
2404 7161/2 Fax:00268 2404 5747

BRANCH

MANZINI - Tel: 00268 2505 5645/ 2505 9553

TOLL FREE: 800 7005