IICF

Annual Report 2017

Insurance Industry Compensation Fund

CONTENTS

Year ended 31 December 2017

The IICF's second annual report was prepared against a backdrop of increased road traffic accidents which has led to an increase in the number of claims made by hit and run road traffic accident victims. As part of its endeavours to tackle this regrettable and challenging state of affairs, the IICF has in the past year proposed that the following amendments be brought to the Insurance (Industry Compensation Fund) Regulations 2015:

- Change the waiting period from 6 months to 3 months from the date of the accident;
- To increase the compensation twice for the physical injury.

The IICF is confident that the proposed amendments will not only make it more efficient but will also better address the needs of hit and run road accident victims within a reasonable time.

It is my firm belief that 2018 will see the evolution of the IICF from a fledgling institution to a fully-fledged one. In order to discharge its duties and successfully overcome the challenges it faces, the IICF will in the coming year advertise and fill the posts of Secretary and Office Attendant in collaboration with the Ministry of Financial Services and Good Governance.

The IICF has now shift to its new premises at SICOM Tower, Ebene.

This message would be incomplete without expressing my gratitude to the Managing Committee, Technical Sub-Committee and our staff for their commitment and relentless effort in maintaining the highest standard of service to hit and run road traffic accident victims.

Yours faithfully,

Me Anas Rawat

Chairman

Background Information

The Insurance Industry Compensation Fund (the 'IICF') was set up under section 88(1)(b) and 92 of the Insurance Act 2005.

A 'Hit & Run sub-fund' has been created under the IICF to cater for persons suffering personal injury in road traffic accidents where the tortfeasor or the vehicle which caused the injury is untraceable.

The 'Hit & Run sub-fund' pays compensation to such victims as the prescribed limits in the Second Schedule of the Insurance (Industry Compensation Fund) Regulations 2015.

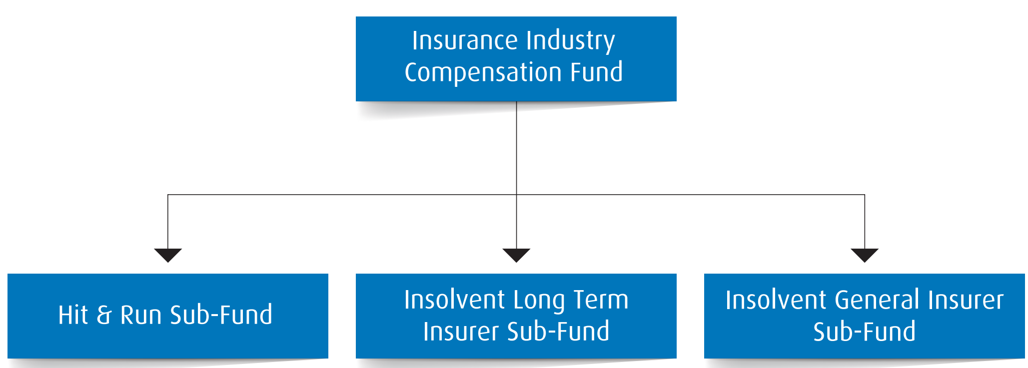
The Minister of Financial Services and Good Governance made the Insurance (Industry Compensation Fund) Regulations 2015 on 31 December 2015 and it came into force on 01 January 2016.

Future of the IICF

Section 88(2) of the Insurance Act allows the IICF to be organized into various sub-funds and as such as required under section 88(1)(a) of the Insurance Act the IICF would allow for the creation of additional sub-funds to cater for payment of any claims, in respect of risks situated in Mauritius against an insurer remaining unpaid by reason of insolvency of such insurer.

As such, the IICF would be extended to cater for 2 additional sub-funds, namely:
(a) the Insolvent Long term Insurer sub-fund; and (b) the Insolvent General Insurer sub-fund.

The IICF will thus look like the following:



Contribution

As at current stage, the IICF is financed through regular contributions from insurance companies.

The contribution rate is prescribed as per First Schedule of the Insurance (Industry Compensation) Fund Regulations 2015.

Administration

The IICF is run by a Managing Committee appointed by the Minister of Financial Services. The Managing Committee has appointed a Technical Committee to assist it them in the continuous management of the IICF.

Claims Received

During the year under review, the IICF has received four application for claims to the hit and run sub-fund, out of which, after assessment it was found that two did not meet the criteria of the IICF.

As at 31 December 2017, two claims were still in process and awaiting documents from the Police.

Contributions Received

The contribution received from insurers for the year under review amounted to Rs. 37,668,529 and interest income amounted to Rs. 1,067,038.

Amount of the Compensation Fund

The hit and run sub-fund stood at Rs. 70,449,156 at 31 December 2017.

Claim Form

As required under Rule 18 of the Insurance (Industry Compensation Fund) Regulations 2015, the Technical Committee designed a standardized claim form and it was duly approved by the Managing Committee to be used for application for payment of compensation from the hit and run sub-fund

Launching Event

On 02 September 2016, the IICF was officially launched by the Minister of Financial Services at the FSC House, whereby a variety of stakeholders were invited.

Advertising Campaign

In order to raise awareness of the existence of the IICF, posters were disseminated to various government organizations for display at their offices.

Cooperation with third parties

Meetings were held with stakeholders such as the Police whereby mutual agreements were concluded. This is aimed to facilitate and speed up claim processing.

Meetings of the Managing Committee

As required under Rule 5 of the Insurance (Industry Compensation Fund) Regulations 2015, the managing committee shall meet as often as is necessary and at least once every 3 months.

The Managing Committee was appointed on 05 February 2016 by the Minister of Financial Services.

DATA FUND

Year ended 31 December 2017

Managing Committee :	Designation
Me Anas Moussa Ismael Rawat	Chairperson
Mr Mamode Raffic Elahee	Member
Mr Pradeo Buldee	Member
Mr Ranjaysingh Koonbeeharry	Member
Mr Eric Louis Salmine	Member

Registered Office :

Level 8
SICOM Tower,
Wall Street,
Ebene,
Mauritius

Bankers :

Barclays Bank Mauritius Limited
18th Floor, Barclays House
68-68A Cybercity, Ebene
Mauritius

Bankers :

MauBank Ltd
25, Bank Street,
Cybercity
Mauritius

Auditors :

TGS Clark & Robbins
Chartered Accountants
The Cubicle
1st Floor, Suite 113
Phoenix
Mauritius

Year ended 31 December 2017

The Managing committee presents its comments together with the audited financial statements of the Insurance Industry Compensation Fund (the "fund") for the year ended 31st december 2017.

Results

The results for the year are shown on page 15/16 in the statement of financial performance and related notes.

Managing Committee

The present membership of the Managing Committee is set out on page 5.

Statement of Managing Committee's responsibilities in respect of the financial statements.

The Managing Committee is responsible for preparing financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Fund.

In preparing those financial statements, the Managing Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue.

The Managing Committee's responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Managing Committee has confirmed that they have complied with the above requirements in preparing the financial statements.

Auditors

The auditors, TGS Clark & Robbins, have expressed their willingness to continue in office until the next Annual meeting.

1.0 Preamble

The Code of Corporate Governance for Mauritius (the "Code") requires that Boards ensure that the reporting requirements on Corporate Governance are in accordance with the principles of the Code.

2.0 Managing Committee of the IICF

During the period 1st January 2017 to 31st December 2017 (the "reporting period"), Managing Committee of the IICF, (the 'Management Committee'), consisted of 10 members, namely -

Me Anas Rawat Chairperson (since 5th July 2017)
Mr Eric Louis Salmine (since 28th July 2017)
Mr Mamode Raffic Elahee (since 5th July 2017)
Mr Pradeo Buldee (since 28th July 2017)
Mr Ranjaysingh Koonbeeharry (since 17th November 2017)
Mr Rikesh Hans Ballah (5th July 2017 – 28th September 2017)
Mr. Ashik Ahmad Toraubally (Chairperson till 5th July 2017)
Mr Mooneshwar Callychurn (Member till 5th July 2017)
Mr Sunil Ghoorah (Member till 5th July 2017)
Mr Cagayen Pillai (Member till 5th July 2017)

Ms. Lovena Jeelall, Senior Examiner at the Financial Services Commission acted as Secretary to the Managing Committee. It is to be noted that the Managing Committee was reconstituted on the 5th July 2017.

3.0 Role of the Managing Committee

Pursuant to Regulation 4(1) (a) of the Insurance (Industry Compensation Fund) Regulations 2015, the Managing Committee is responsible for the management and administration of the IICF.

The Management Committee was assisted in its tasks by members of the Technical Committee of the IICF (consisting of staff from the Financial Services Commission and set up under the Regulation 9 of the Insurance (Industry Compensation Fund) Regulations 2015), the Secretary and the Finance Cluster of the Financial Services Commission.

4.0 Meetings of the Management Committee

Pursuant to Regulation 5(1) of the Insurance (Industry Compensation Fund) Regulations 2015, the Managing Committee is required to meet as often as is necessary but at least once every 3 months.

During the reporting period, the Managing Committee met on 18 occasions.

The attendance of the meetings is as follows –

Members	Meetings attended
Mr Ashik Ahmad Toraubally (Chairperson of Managing Committee - resigned on 5th July 2017)	6
Mr Mooneshwar Callychurn (Member of Managing Committee - resigned on 5th July 2017)	6
Mr Sunil Ghoorah (Member of Managing Committee - resigned on 5th July 2017)	6
Mr Cagayen Pillai (Member of Managing Committee - resigned on 5th July 2017)	7
Me Anas Moussa Ismaël Rawat Chairperson of Managing Committee (Chairperson of Managing Committee since 5th July 2017)	6
Mr Eric Louis Salmine (Member of Managing Committee since 28th July 2017)	11
Mr Mamode Raffic Elahee (Member of Managing Committee since 5th July 2017)	14
Mr Pradeo Buldee (Member of Managing Committee since 28th July 2017)	7
Mr Ranjaysingh Koonbeeharry (Member of Managing Committee since 17th November 2017)	2
Mr Rikesh Hans Ballah (Member of Managing Committee 5th July 2017 to 28th September 2017)	5

5.0 Chairman and Members Fees

The fees of the members of the Managing Committee are as follows –

Members	Fees for the reporting period (Rs.)
Mr Ashik Ahmad Toraubally (Chairperson of Managing Committee - resigned on 5th July 2017)	122,580
Mr Mooneshwar Callychurn (Member of Managing Committee - resigned on 5th July 2017)	104,194
Mr Sunil Ghoorah (Member of Managing Committee - resigned on 5th July 2017)	104,194
Mr Cagayen Pillai (Member of Managing Committee - resigned on 5th July 2017)	104,194
Me Anas Moussa Ismaël Rawat Chairperson of Managing Committee (Chairperson of Managing Committee since 5th July 2017)	117,419
Mr Eric Louis Salmine (Member of Managing Committe 28th July 2017)	191,387
Mr Mamode Raffic Elahee (Member of Managing Committee since 5th July 2017)	99,806
Mr Pradeo Buldee (Member of Managing Committee since 28th July 2017)	87,193
Mr Ranjaysingh Koonbeeharry (Member of Managing Committee since 17th November 2017)	24,933
Mr Rikesh Hans Ballah (Member of Managing Committee 5th July 2017 to 28th September 2017)	48,806

6.0 Related party Transaction and Disclosures for the reporting period

The fees of the members of the Managing Committee are determined by the Minister of Financial Services. Apart from the payment of fee to members of the Managing Committee, no other conflict of interests or related party transaction was reported.

7.0 Explanation on the application of the principles of the Code

It is to be noted that –

(i) relevant Corporate Governance disclosures, financial disclosures and disclosures on the activities of the Committee have been made in the Annual Report 2017;

(ii) the appointment of members of the Management Committee is made by the Minister of Financial Services in accordance with Regulation 4(1)(b) of the Insurance (Industry Compensation Fund) Regulations 2015. The members of the Managing Committee are all independent to Parent Ministry.

(iii) the financial statements of the IICF for the reporting period has been audited by an external Auditor;

(iii) the operation of the Committee has limited impact on the environment and the statutory objective of the Committee is of a social nature; and

(iv) given the nature of operations and the absence of permanent staff the other principles of the Code of Corporate Governance have limited application to the Committee. For example it is not practical for the Committee to have Corporate Governance Committee and Audit & Risk Committee as well as Internal Control/Audit functions. In addition, it is not practical to set up an elaborate risk management framework and IT policy framework.

TGS Clark & Robbins
Chartered Accountants

Report on the Financial Statements

Opinion

We have audited the financial statements of the Insurance Industry Compensation Fund (the "Fund") set out on pages 18 to 36 which comprise the statement of financial position as at 31st December 2017, and the statement of financial performance, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with Sections 88 and 92 of the Mauritius Insurance Act 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants (IESBA Code) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Managing Committee is responsible for the other information which comprises of the Commentary of the Managing Committee. The other information do not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Managing Committee's responsibilities for the financial statements

The Managing Committee is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and in compliance with the requirements of Sections 88 and 92 of the Mauritius Insurance Act 2005, and for such internal control as the Managing Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Managing Committee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managing Committee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing committee.

- Conclude on the appropriateness of the managing committee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion, Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Managing Committee regarding, among other matters, theplanned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Fund's Managing Committee, as a body. Our audit work has been undertaken so that we might state to the Fund's managing committee those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's managing committee as a body, for our audit work, for this report, or for the opinions we have formed.

TGS Clark & Robbins
Chartered Accountants

Report on Other Legal and Regulatory Requirements

Mauritius Insurance Act 2005

We have no relationship with or interests in the Fund other than in our capacity as auditors.

We have obtained all information and explanations that we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.

TGS Clark & Robbins

TGS Clark & Robbins
Chartered Accountants

Vinoba Gunnoo FCCA
Licensed by FRC

19 July 2018

STATEMENT OF FINANCIAL PERFORMANCE

Year ended 31 December 2017

	Notes	2017 Rs.	2016 Rs.
Income			
Contributions from Insurance Companies	8	**37,668,529**	36,098,213
Less: provision for claims	6	**(800,000)**	(400,000)
Income after deducting compensation to victims		**36,868,529**	35,698,213
Interest income	9	**1,067,038**	227,509
Net income		**37,935,567**	35,925,722
Expenses			
Managing Committee fees		**(1,004,707)**	(955,862)
Administrative expenses	10	**(1,254,343)**	(197,221)
		(2,259,050)	(1,153,083)
Surplus and other comprehensive income for the year		**35,676,517**	34,772,639

The notes on pages 18 to 36 form an integral part of these financial statements. Independent auditor's report on pages 11 to 14.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2017

ASSET	Notes	2017 Rs.	2016 Rs.
Current assets			
Receivables	4	**4,200,013**	3,696,811
Cash and cash equivalents	5	**68,615,744**	31,579,328
		72,815,757	35,276,139
Current liabilities			
Provision for claims	6	**1,100,000**	400,000
Other payables	7	**1,266,601**	103,500
		2,366,601	503,500
TOTAL ASSETS		**70,449,156**	34,772,639
Represented by:			
Reserves and Liabilities			
Hit and Run-Sub Fund	11	**70,449,156**	34,772,639
RESERVES AND LIABILITIES		**70,449,156**	34,772,639

These financial statements have been approved for issue by the Managing Committee on 19 JULY 2018 and signed on its behalf by :

Chairperson

Member

The notes on pages 18 to 36 form an integral part of these financial statements. Independent auditor's report on pages 11 to 14.

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes		2017 Rs.	2016 Rs.
Cash flows from operating activities				
Surplus and other comprehensive income for the year			**35,676,517**	34,772,639
Adjustment for:				
Interest income	9		**(1,067,038)**	(227,509)
Cash flows from operating activities			**34,609,479**	34,545,130
Changes in working capital				
Receivables	4		**(503,202)**	(3,696,811)
Other payables	7		**1,163,101**	103,500
Provision for claims	6		**700,000**	400,000
Cash generated from operations			**35,969,378**	31,351,819
Interest received	9		**1,067,038**	227,509
Net cash generated from operating activities			**37,036,416**	31,579,328
Net increase in cash and cash equivalents		**Rs.**	**37,036,416**	31,579,328
Cost and Cash equivalents of the start of the year			**31,579,328**	–
Net cost generated from operating activities			**37,036,416**	31,579,328
Cash and cash equivalents at end of the year	5	**Rs.**	**68,615,744**	31,579,328

The notes on pages 18 to 36 form an integral part of these financial statements. Independent auditor's report on pages 11 to 14.

1. General Information

The Insurance Industry Compensation Fund was established in Mauritius under Sections 88 and 92 of the Insurance Act 2005, which shall be organised into sub-funds including the Hit and Run Sub Fund which became effective on 1 January 2016.

The financial statements of the Insurance Industry Compensation Fund (The 'Fund') for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Managing Committee on 19th July 2018.

The registered office of the Fund is located at Level 8, Sicom Tower, Wall Street, Ebene, Mauritius.

Basis of Preparation

(a) Statement of compliance

The Fund has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) and the interpretation of these standards as issued by the International Accounting Standards Board (IASB) as per Section 21 of the Insurance (Industry Compensation Fund) Regulations 2015. These statements have been prepared on the historical cost basis, except for financial assets and liabilities.

The preparation of financial statements in accordance with IFRS requires the Managing Committee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(b) Basis of measurement

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) and comply with Sections 88 and 92 of the Insurance Act 2005.

(c) Going concern

The Managing Committee have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

Basis of Preparation (cont'd)

(d) Functional and presentation currency

These financial statements are presented in Mauritian Rupee being the reporting currency and rounded off wherever appropriate.

2. Significant Accounting Policies

(a) Adoption of new and revised international financial reporting standards

Amendments to published Standards and Interpretations effective in the reporting period.

In the current year, the Fund has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2016.

In December 2016, the IASB finalised Annual Improvements to IFRSs 2014-2016 cycle. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017. However, the Fund has not early adopted these standards and concluded that these will either not be applicable and/or not have a significant impact on the financial statements for the year ended 31 December 2016.

IFRS 14 Regulatory Deferral Accounts provide relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment, and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Fund's financial statements.

New Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing of standards and interpretations issued are those that the Fund reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Fund intends to adopt these standards when they become effective.

2. Significant Accounting Policies (cont'd)

IFRS 1-First-time adoption of IFRS

IFRS 1 has been amended to remove short-term exemptions dealing with IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IFRS 10 Consolidated Financial Statements. The reliefs provided are no longer applicable and had been available to entities for reporting periods that have now passed.

This annual improvement is effective for periods beginning on or after 1 January 2018.

(a) Adoption of new and revised international financial reporting standards (cont'd)

IFRS 12-Disclosure of Interests in Other Entities

The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12

when entities have been classified as held for sale or as discontinued operations.

The amendment has no impact on the Fund's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to publish standards and interpretations issued but not yet effective:

IFRS 9 Financial instruments
IFRS 15 Revenue from Contracts with Customers
Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)
IFRS 17 Insurance contracts
IFRIC 23Uncertainty over Income Tax Treatments
Prepayment Features with negative compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Annual Improvements to IFRSs 2015-2017 Cycle.

2. Significant Accounting Policies (cont'd)

Where relevant, the Fund is still evaluating the effect of these standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

IAS 28-Investments in Associates and Joint Ventures

IAS 28 has been amended to clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method.

The amendment also makes it clear that method chosen for each investment is to be made on initial recognition. This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2018. No transitional relief is available.

Amendment to IAS 40 Investment Property

IAS 40 requires a property to be transferred to, or from, investment property only when there is a change in use. The amendment clarifies that a change in management's intentions for the use of a property does not in isolation provide evidence of a change in use. This is because management's intentions, alone, do not provide evidence of a change in use. An entity must, therefore, have taken observable actions to support such a change.

The amendment is effective for periods beginning on or after 01 January 2018.

Summary Of Significant Accounting Policies, Judgments, Estimates And Assumptions

The principal accounting policies adopted 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.

(a) Revenue recognition

(ii) Contributions from Insurance Companies

Monthly Contribution fees are raised in terms of the Insurance (Industry Compensation Fund) Regulations 2015.

Fees are earned from Insurance Companies selling motor insurance business/policies.

2. Significant Accounting Policies (cont'd)

(a) Revenue recognition (cont'd)

(ii) Recognition

Revenue from fees is recognised on an accrual basis and to the extent that it is probable that the economic benefits will flow to the Fund and which can be measured reliably.

(iii) Measurement

Revenue from fees is measured at the fair value of the consideration received or receivable, taking into account terms of payment which may be defined from time to time in the Insurance (Industry Compensation Fund) Regulations 2015.

(iv) Interest income

For all financial instruments which are interest bearing financial assets, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interests on bank deposit have been accounted for, on an accrual basis.

(b) Expense Recognition

All expenses have been accounted on accrual basis. The expenditure is classified in accordance with the nature of the expense.

(c) Financial instruments – initial recognition and subsequent measurement

(1) Financial assets

Initial recognition and measurement

An entity shall recognise a financial asset in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

2. Significant Accounting Policies (cont'd)

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit and loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund's financial assets include cash, short-term deposits and fees receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

The reclassification to receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the Statement of Financial Performance.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less any provision for impairment.

2. Significant Accounting Policies (cont'd)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in the Statement of Financial Performance. The losses arising from impairment are recognised in the Statement of Financial Performance.

If the Fund was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale.

The Fund has the positive intent and ability to hold its investments in Treasury Notes as held-to-maturity investments for the reporting year.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Fund has

(a) Transferred substantially all the risks and rewards of the asset, or
(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

2. Significant Accounting Policies (cont'd)

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event')and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Financial Performance.

2. Significant Accounting Policies (cont'd)

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

The Fund’s financial liabilities consist of accounts payables.

Subsequent measurement

Payables are subsequently measured at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if: There is a currently enforceable legal right to offset the recognised amounts; and There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. Significant Accounting Policies (cont'd)

(4) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: Using recent arm's length market transactions Reference to the current fair value of another instrument that is substantially the same; or A discounted cash flow analysis or other valuation models.

(d) Cash and cash equivalents

Cash and cash equivalents compromise of cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Fund expects some or all of 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 expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

(f) Taxation

The Fund is exempt from payment of tax as per the provisions of the Income Tax Act 1995.

2. Significant Accounting Policies (cont'd)

(g) Related Parties

Parties are considered related to the Fund if they have the ability, directly or indirectly, to exercise significant influence over the Fund in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

Salaries to key personnel are determined and paid as per respective terms of appointment, and are expensed in the period of their service.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques.

Financial risk management objectives and policies

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include receivables, bank deposits and accounts payable denominated in foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund’s exposure to the risk of changes in market interest rates relates primarily to the Fund’s bank balances with floating interest rates.

The Fund manages its interest rate risk by placing its excess funds in term-deposits with fixed interest rates.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily for contribution received and from its investing activities, including treasury bills, treasury notes and deposits with banks).

2. Significant Accounting Policies (cont'd)

Financial risk management objectives and policies

Fees receivable

Licensee credit risk is managed subject to the Fund's established policy, procedures and control relating to licensee credit risk management.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Fund in accordance with its investment policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Fund on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Liquidity risk

The Fund monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Fund's objective is to maintain a balance between continuity of funding and flexibility by keeping a minimum float and investing any excess in short term deposits. The Fund has no borrowings, nor does it plan to raise funds in the foreseeable future.

2. Significant Accounting Policies (cont'd)

Amendments to published Standards and Interpretations effective in the reporting period (continued)

Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Fund's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the deprecation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Fund's financial statements.

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Fund's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological assets. Bearer plants must be accounted for as property, plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Fund's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution" or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Fund's financial statements.

3. CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

Judgements and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Limitation of sensitivity

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged.

In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Sensitivity analysis does not take into consideration that the Fund's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Fund's view of possible near term market changes that cannot be predicted with any certainty.

Determination of functional currency

The determination of the functional currency of the Fund is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Fund is the Mauritian Rupees (MUR).

	2017 Rs.	2016 Rs.
4. Receivables		
Fees receivables	**3,582,640**	3,525,274
Accrued interest	**617,373**	171,537
	4,200,013	3,696,811

	2017 Rs.	2016 Rs.
5. Cash and cash equivalents		
Term deposit	**50,000,000**	17,000,000
Cash at bank	**18,613,645**	14,576,142
Cash in hand	**2,099**	3,186
	68,615,744	31,579,328

	2017 Rs.	2016 Rs.
6. Provision for claims		
Death claim	**1,050,000**	350,000
Disability claim	**50,000**	50,000
	1,100,000	400,000

The provision for claims has been made based on the requirements of the Insurance Act 2005. As at 31 December 2017, the claims were made but not yet approved by the Managing Committee.

	2017 Rs.	2016 Rs.
7. Other payables		
Audit fees accrued	**70,000**	103,500
FSC administrative & management fees	**1,183,401**	-
Others	**13,200**	-
	1,266,601	103,500

	2017 Rs.	2016 Rs.
8. Contibution		
Contribution from insurance companies	**37,668,529**	36,098,213

9. Interest income		
Interest on late payment	**140**	983
Term deposit	**1,066,898**	226,526
	1,067,038	227,509

10. Administrative expenses		
Events	**-**	70,319
Promotion expenses	**-**	12,363
Printing, postages & stationeries	**3,142**	6,134
General office expenses	**-**	300
Bank charges	**11,300**	4,605
Audit fees	**56,500**	103,500
FSC administrative & management fees	**1,183,401**	-
	1,254,343	197,221

11. Hit and Run-Sub Fund		
Balance at start	**34,772,639**	-
Movement for the year	**35,676,517**	34,772,639
Balance at end	**70,449,156**	34,772,639

12. Financial instruments and associated risks

Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Compliance risk
- Political, economic and social risk

Risk management framework

The Managing Committee has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Liquidity risk

Liquidity risk with regard to outflow is limited to the payment of claims to victims of hit and run cases. The expected outflows are matched with the corresponding call deposits at the bank. The surplus, based on decisions of the Managing Committee, is invested with maturity profiles as at 31 December 2017.

The table belows shows the Fund's financial assets and liabilities into the relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows and excludes prepaid expenses but includes prepayments where cash is expected to be received in future.

Financial assets	Less than 12 months Rs.	More than 12 months Rs.	Total Cashflows Rs.	Total carrying amount Rs.
Other financial assets				
Receivables	**4,200,013**	–	**4,200,013**	**4,200,013**
Cash in hand and at bank	**18,615,744**	–	**18,615,744**	**18,615,744**
Term deposits	**50,000,000**	–	**50,000,000**	**50,000,000**
	72,815,757	–	**72,815,757**	**72,815,757**

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

12. Financial instruments and associated risks (cont'd)

Compliance risk

Compliance risk arises from a failure or inability to comply with the laws, regulations or codes applicable to the industry. Non-compliance can lead to fines, public reprimands, and enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Political, economic and social risk Political, economic and social factors, changes in countries' laws, regulations and the status of those countries' relations with other countries may adversely affect the value of the Fund's assets.

Credit risk

In the normal course of business, the Fund is exposed to the credit risk from accounts receivable and transactions with banking institutions. The carrying amounts of these balances represent the maximum credit risk that the Fund is exposed to. Any prepayments are excluded for the purpose of

The Fund manages its exposure to credit risks as follows:-

(a) with regards to accounts receivables, credit risk is limited as the Fund is governed by the rules made under the Insurance Act 2005, and fees are charged in terms of the legislation based on the category of vehicles;and

(b) for transactions with banking institutions, it holds bank balances and short term deposits with the Barclays Bank Mauritius Ltd and MauBank Ltd. As such the Fund mitigates the risks related to bank balances and deposits by keeping its funds in a wide spread of banks of a certain level of repute.

The Managing Commitee assesses and only invests in banks with high credit rating. The Managing Committee carries out periodic assessment of its receivables to identify events or changes in circumstances that lead to impairment of these receivables. Based on the assessment, the Managing Committee is of view that the assets have not suffered from impairment. The ageing analysis of these receivables are as follows:

12.1 Fees and interest receivable	2017 Rs.	2016 Rs.
Up to 3 months	**3,582,640**	3,525,274
	3,582,640	3,525,274

13. Accrued interest

Accrued interest was raised in accordance with the terms of the contracts for the respective financial instruments. None of the amounts was considered to be past due and no impairments were required.

14. Interest rate risk

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets whose interest rates periodically change as per market rate.

15. Related party transactions

16. Events after the reporting period

There were no events after year end that require adjustments to the financial statements or disclosures to the notes.

17. Contingent liabilities

At 31 December 2016, there were no contingent liabilities arising in the ordinary course of business.

18. Reporting currency

The financial statements have been prepared in Mauritian rupees.

19. Capital commitment

There were no capital commitments at the end of the reporting date.

NOTES

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