We care

Road Accident Fund

Integrated Annual Report
2012/13

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SCOPE OF THE REPORT

Introduction

The Road Accident Fund ("RAF") welcomes the opportunity to provide an Integrated Annual Report for the year ending 31 March 2013 in line with the King Code on Governance for South Africa 2009 ("King III"), the Protocol on Corporate Governance in the Public Sector (2002) and the Global Reporting Initiative ("GRI") guidelines. In essence, corporate governance "embodies processes and systems by which corporate enterprises are directed, controlled and held to account".[1] Oversight entails "reviewing, monitoring and overseeing the affairs, practices, activities, behaviour and conduct"[2] of an administrative authority to ensure that it meets its objectives.

Reporting Cycle

The Fund's objective with this report is to provide its stakeholders with an integrated view of the RAF's organisational, operational and financial performance for the financial year 1 April 2012 to 31 March 2013. It furthermore demonstrates the Fund's commitment to integrity, transparency and accountability. It is the aim of the organisation to provide a complete and balanced view of its performance, including both the challenges and the successes, for the 2012/13 financial year, as well as those likely to form part of its future.

The RAF is committed to being accountable to its stakeholders. It defines stakeholders as "persons, groups or organisations that have a direct stake in our business, since they can affect or be affected by our activities, objectives and policies". The way the organisation engages with and responds to its stakeholders is described under the Stakeholder Engagement section of this report.

Reporting Boundary

This Integrated Annual Report covers the organisational, operational and financial performance of the RAF, including the audited financial results for the period 1 April 2012 to 31 March 2013 in terms of section 55(1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"). In addition, the report covers the social, environmental and broader economic impacts of the organisation's activities. The RAF acknowledges that its sustainability platform represents the beginning of a journey towards the maturity of its sustainability issue management, and is inextricably linked to its business objectives.

Reporting Principles

Reporting principles applied are in line with the PFMA, the International Financial Reporting Standards ("IFRS"), South African Standards of Generally Recognised Accounting Practice ("GRAP"), including any interpretations, guidelines and directives issued by the Accounting Standards Board, the King III (to the extent possible) and the GRI (G3) guidelines.

Nature and Scope of Assurance

The Accounting Authority is responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with the SA Standards of GRAP, in the manner required by the PFMA.

As required by section 188 of the Constitution of South Africa, and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), an independent Report of the Auditor-General of South Africa to Parliament on the Financial Statements of the RAF for the year ended 31 March 2013 is presented in this report.

Significant Restatements

No significant restatements were reported in the Annual Financial Statements for the period under review.

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1 Department of Public Enterprises. 2002. *Protocol on Corporate Governance in the Public Sector*, p.3.

2 National Treasury. 2005. *Governance Oversight Role Over State-Owned Entities*, pp. 5–6.

Supporting Documentation

The Integrated Annual Report 2013 includes the following information:

- Scope of the Report and Board Statement;
- RAF at a Glance;
- Leadership and Governance;
- Organisational Performance;
- Annual Financial Statements; and
- Additional Information.

Audience

The stakeholders addressed by this report include, among others, the Parliament of the Republic of South Africa, the Executive Authority, National, Provincial and Local Government, industry-related organisations, trade unions, employees, suppliers, existing and prospective customers (local and foreign), the South African public and the media.

BOARD STATEMENT

The Board of Directors acknowledges its responsibility to ensure the integrity of the Integrated Annual Report 2013. The Board has accordingly applied its mind to the Integrated Annual Report and, in the opinion of the Directors, the Integrated Annual Report addresses all material issues and presents fairly the integrated performance of the RAF and its impacts. The Integrated Annual Report 2013 has been prepared in line with best practice pursuant to the recommendations of King III. The Board authorised the Integrated Annual Report 2013 for release on 31 July 2013.

Signed on behalf of the Board of Directors of the RAF:

Dr Ntuthuko Bhengu
Chairperson of the Board
Date: 31 July 2013

Section 1
RAF at a Glance

RAF AT A GLANCE

1.1 Organisational Overview

1.1.1 Mandate

The RAF is a juristic person established by an act of parliament, namely, the Road Accident Fund Act, 1996 (Act No. 56 of 1996) as amended ("RAF Act"). It commenced operations on 1 May 1997, assuming at the time, all the rights, obligations, assets and liabilities of the Multilateral Motor Vehicle Accidents Fund.

The RAF is responsible for providing compulsory social insurance cover to all users of South African roads; to rehabilitate and compensate persons injured as a result of the negligent driving of motor vehicles in a timely and caring manner; and to actively promote the safe use of all South African roads. Section 3 of the RAF Act stipulates that "the object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of a motor vehicle". The customer base of the RAF, therefore, comprises not only the South African public, but all foreigners within the borders of the country. The RAF provides two types of cover, namely personal insurance cover to accident victims or their families, and indemnity cover to wrongdoers.

1.1.2 Predecessors

Prior to 1997, the system of compulsory motor vehicle accident insurance was governed by the following legislation:

- Motor Vehicle Insurance Act, 1942 (Act No. 29 of 1942);
- Compulsory Motor Vehicle Insurance Act, 1972 (Act No. 56 of 1972);
- Motor Vehicle Accident Act, 1986 (Act No. 84 of 1986); and
- Multilateral Motor Vehicle Accidents Fund Act, 1989 (Act No. 93 of 1989).

1.1.3 Governing Structure

The RAF, as established by the RAF Act, is owned by the South African public. It is listed as a national public entity in accordance with schedule 3A of the PFMA.

Government's governance oversight over the RAF includes:

- Parliament (National Assembly) through the relevant Portfolio Committee on Transport ("PCOT") and the Standing Committee on Public Accounts ("SCOPA");
- The Executive Authority, the Honourable Minister of Transport; and
- The Board of Directors of the RAF.

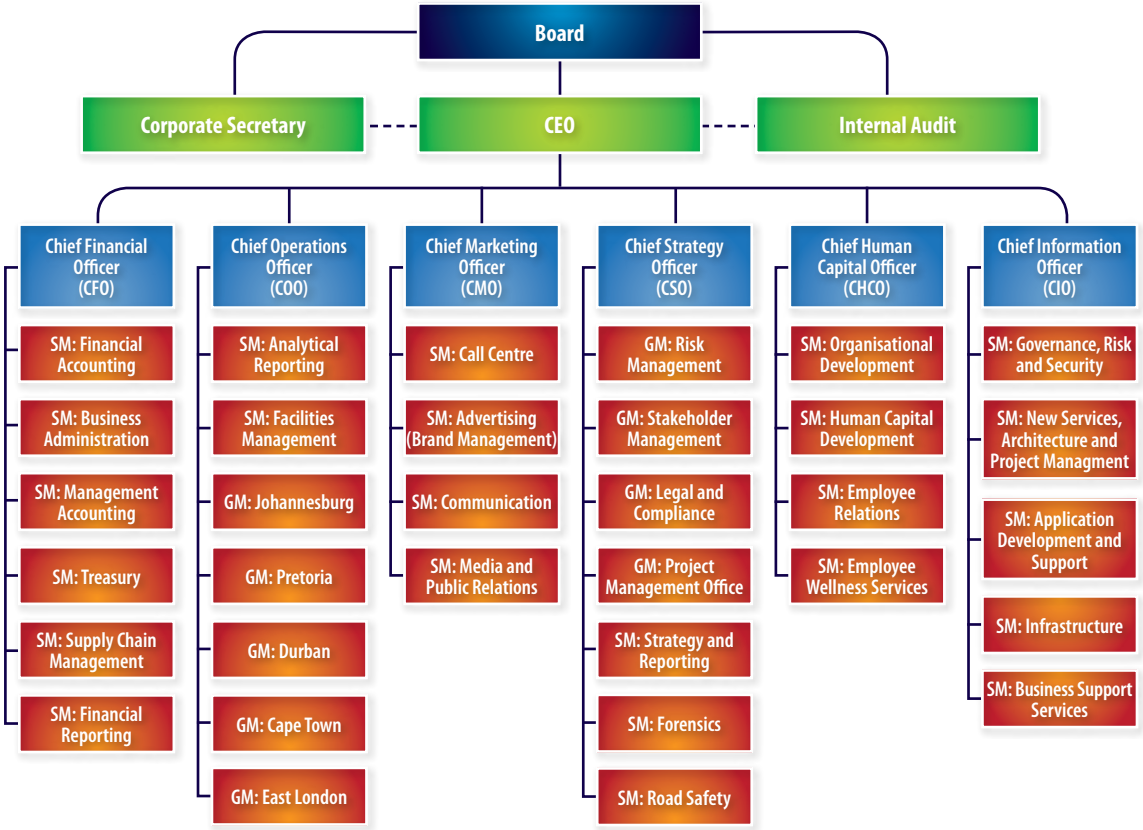
The National Assembly has legislative powers and maintains oversight of the National Executive Authority and the RAF as an organ of state. In addition, parliament oversees the Executive Authority, who is required to provide it with full and regular reports concerning matters under his control.

Parliament exercises oversight of the RAF through PCOT and through SCOPA. The Portfolio Committee oversees service delivery and performance in accordance with the mandate of the RAF and its corporate strategy. It reviews financial and non-financial information, such as efficiency and effectiveness measures, in delivering services against corporate goals. SCOPA oversees the financial performance and accountability of the RAF in terms of the PFMA.

The Minister of Transport is the Executive Authority of the RAF and is concerned with the financial viability and risks of the organisation, as well as policy-making and monitoring of policy implementation to ensure that the RAF effectively delivers on its mandate.

The Board acts as the Accounting Authority of the RAF and is accountable to the Executive Authority for the performance and affairs of the entity. The RAF's Board is responsible for determining the overall direction of the RAF, formulating and implementing policies that are necessary to achieve the RAF's strategic goals, and maintaining good corporate governance.

1.1.4 Core Functions



The Internal Audit function reports directly to the Board through the Audit Committee. The Corporate Secretariat is responsible for providing secretariat support services to the Board and the Executive team of the RAF. The RAF delivers its core mandate through its Operations Department. The Customer Service Network ("CSN") and the Benefit Administration Unit ("BAU") were terminated during the year under review as a result of a change in the tactical approach adopted by the Board in realising its strategy efficiently. This change was also captured in the Strategic Plan, which was approved by the Minister of Transport. All affected staff members and functionalities were migrated to other units within the business. Business support functions include the following divisions: Office of the CEO; Strategy, Risk and Compliance; Finance; Marketing, Communications and Call Centre; Human Capital; and Information and Communication Technology. The core functions of these divisions are outlined in the table below:

Division	Core function areas
Office of the CEO	• Provides leadership and guides the vision of the organisation • Development and implementation of approved strategies • Institutional performance management, monitoring and evaluation
Strategy, Risk and Compliance	• Risk management • Stakeholder relations management • Legal and compliance • Project management • Strategy and reporting • Forensic investigation • Road safety
Operations	• Claims origination • Claims processing • Claims finalisation • Patient outreach programme • Undertakings • Analytical reporting
Finance	• Financial accounting • Management accounting • Treasury management • Claims finance • Supply chain management • Financial reporting
Marketing	• Advertising • Brand management • Internal and external communications • Media and public relations • Call centre
Human Capital	• Organisational development • Human capital development • Employee relations • Employee wellness services
Information and Communication Technology	• Governance, risk and security • New service, architecture and programme management • Application development and support services • Infrastructure • Business support services

1.1.5 Principal Activities

The RAF provides compulsory cover to all users of South African roads, both citizens and foreigners, against injuries sustained or death arising from accidents involving motor vehicles within the borders of South Africa. This cover is in the form of indemnity insurance to persons who cause the accident, as well as personal injury and death insurance to victims of motor vehicle accidents and their families.

1.1.6 Economic Role

Road transportation is a critical element supporting and directly contributing to growth in any economy. Road accidents are, unfortunately, a negative consequence of this economic growth, affecting both economically active members of our society and other citizens. Free markets, and in particular the private sector, do not fully address the impact of road accidents on society and the economy. The RAF provides a social security safety net to the country and economy by making available compulsory social insurance cover to all users of South African roads. Contributions to the RAF are done by way of a levy on fuel used for road transportation. The cover extends to all members of society including, but not limited to, the poor, children, legal and illegal immigrants, foreigners, owners and drivers of motor vehicles, as well as their passengers. The social insurance cover, however, does not extend to drivers of motor vehicles that are found to be solely negligent.

1.1.7 Social Role

The socio-economic role of the RAF is to re-integrate victims of road accidents into society from a health and economic perspective, and protect at-fault drivers and their families from financial ruin. This is done by the RAF paying the medical and related services costs required to restore accident victims to health, compensating the victims or their families for income or support lost as a result of the accident and indemnifying the wrongdoer from liability. In addition, the RAF pays general damages to accident victims as compensation for pain and suffering, loss of amenities of life, disability and disfigurement, as well as funeral costs to families in circumstances where the victim of the accident sustains fatal injuries.

1.1.8 Vision

The vision of the RAF is "to provide the highest standard of care to road accident victims to restore balance in the social system".

1.1.9 Mission

The mission of the RAF is "to provide appropriate cover to all road users within the borders of South Africa; to rehabilitate persons injured, compensate for injuries or death and indemnify wrongdoers as a result of motor vehicle accidents in a timely, caring and sustainable manner; and to support the safe use of our roads".

1.1.10 Values

The following values drive everything that the RAF does and the manner in which it does it:

Ubuntu

- We care for and support our customers
- We care for and support each other

Solution focused

- We offer solutions
- We take responsibility for our actions

Pride in what we do

- We commit to and demonstrate integrity, honesty, consistency and fairness in our actions and decisions
- We model the highest standards of personal and professional behaviour

1.1.11 Business Model

The immediate focus of the current business model is on fault and blame to determine the cause of the accident and to exclude at-fault road users from compensation. As a result, injured persons are unable to access medical care in a timely manner, and dependants of persons killed in road accidents are left to fend for themselves. In addition, claims are received and administered in a litigious and dispute-ridden environment, and many cases take years to be finalised and paid. This prolongs hardship and severely impacts on the poor and vulnerable.

The crux of the RAF's underlying business model is determined by the legislative environment in which it operates. At present, claims against the RAF for bodily injury and personal loss arising from road accidents are based on the common law rules of delict and liability insurance principles. The remedy is both ineffective for claimants and inappropriate for claims on a social security scheme. Not only are the common law-based claims complex, time-consuming, expensive and fraught with practical difficulties, but the outcome is unpredictable and unreliable.

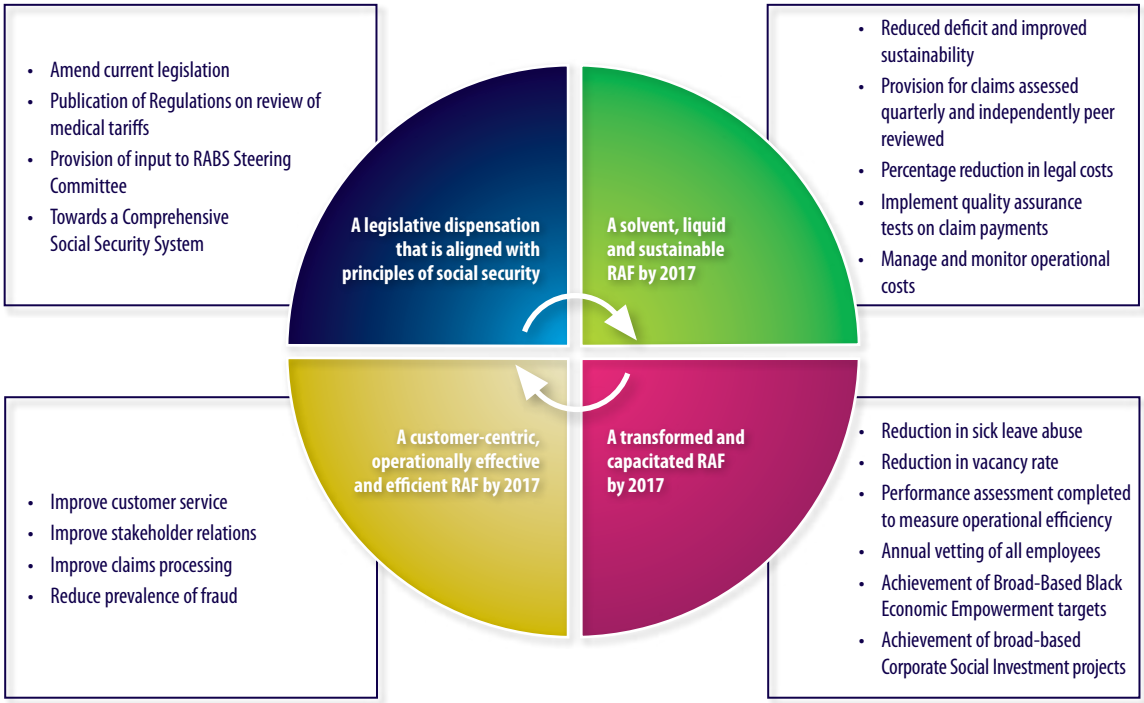
The current business model of the RAF does not vest the organisation with the capacity to proactively gather and manage road accident and applicant information for better operational and financial planning. There is no effort to collect information at the accident scene and/or to find and collect information as soon as possible after the accident. As a result, the Fund is unable to proactively originate benefit applications on behalf of accident victims based on available information, and thereby improve processing efficiency and the quality of decision-making.

1.2 Strategic Objectives

Over the next four years, the RAF Strategy will be anchored on four main pillars. Each pillar aims to deal with specific challenges that the RAF faces. In addition, these will form the basis on which subsequent performance plans and operational plans will be developed.

1.2.1 RAF Strategic Planning Pillars

The following diagram outlines the four main pillars and key strategic outcomes that will guide the RAF over the next four years.



1.2.2 RAF Outcomes

1.2.2.1 Legislative Enablement

While the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) brought about much-needed changes to the system, the latter remains inherently flawed.

In achieving legislative enablement, the RAF will:

a) Pursue legislative and regulatory amendments to the RAF Act and the regulations to that Act;
b) Continue to support the Department of Transport ("DoT") in the process to enact the required legislation to bring the Road Accident Benefit Scheme ("RABS") into existence; and
c) Support the DoT in government's Comprehensive Social Security System ("CSSS") plans.

STRATEGIC GOAL 1	A legislative dispensation that is aligned to principles of social security
Strategic Goal Description	Contribute towards legislative enablement by: • Motivating for amendments to the current RAF Act • Participating in the process to establish a legislative framework to give effect to the approved RABS Policy • Defend constitutional challenges to the RAF Act
Outcome Indicators	• Timely support to the DoT to enable the promulgation of an amendment to section 18 of the RAF Act • Support the DoT to achieve the publication of a non-emergency tariff • Publication of an increase in the emergency medical tariff • Support the DoT to publish a non-serious injury list • Propose to the DoT amendments to the current RAF Act, as amended by Act No. 19 of 2005 • Provision of input to the RABS Steering Committee • Provision of input on the Inter-Departmental Task Team ("IDTT") to align the RAF and RABS for integration into the CSSS

1.2.2.2 The Creation of a Solvent, Liquid and Sustainable Organisation

The RAF will focus on means and ways to ensure its financial sustainability. The RAF actively engages with National Treasury and the DoT to determine RAF Fuel Levy allocation increases annually. Furthermore, the Fund will also commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives.

In developing this strategic outcome, indicators and targets, the following assumptions and underlying factors were considered:

- That the RAF Fuel Levy income will increase by a minimum of 8 cents per annum between 2013 and 2015;
- That the RABS Policy will be implemented by 1 April 2015; and
- That the RAF, together with relevant stakeholders, will formulate an appropriate plan to address the deficit beyond the establishment of the RABS.

STRATEGIC GOAL 2	A solvent, liquid and sustainable RAF by 2017
Strategic Goal Description	Increasing revenue, reducing costs and implementing other means to recapitalise the RAF
Outcome Indicators	• Percentage reduction in the deficit • Percentage reduction in legal costs (year-on-year) • Managed and monitored operational costs to improve sustainability of the Fund • A tariff for serious injury assessment • Support the DoT to achieve the publication of a regulation to prescribe a period for acceptance or rejection of the RAF 4 Form

1.2.2.3 Improved Customer Focus, Operational Effectiveness and Efficiency

The goal was for the RAF to focus on finalising its organisational re-alignment and operational improvements in 2013/14 by aligning its processes to provide a seamless and appropriate customer experience. The operational improvements will make the Fund's systems and processes more efficient. In addition, the system includes an expansion of the RAF's national footprint and the design of customer interaction points to ensure that the total customer experience is of a consistently high standard. At the date of preparing this report, all these improvements had already been completed.

In developing this strategic outcome, indicators and targets, the following assumptions and underlying factors were considered:

- That the RAF Fuel Levy income will increase by 8 cents per annum between 2013 and 2015; and
- That the RABS Policy will be implemented by the end of the 2015 financial year. This will have a significant impact on the number of claims processed.

STRATEGIC GOAL 3	A customer-centric, operationally effective and efficient RAF by 2017
Strategic Goal Description	Positive, direct relationships with customers based on an optimised operating model, which is more accessible and efficient and reduces the need for third party legal support
Outcome Indicators	• Reduced turnaround times for the processing of supplier, personal, funeral and undertakings claims (from date lodged to date of payment) • Reduced turnaround times for the processing of claims for loss of earnings/support and general damages (from date lodged to date of payment) • Increased number and percentage of direct claims (direct claims as a percentage of total personal claims) • Increased number of claims finalised (claims fully settled and archived) • Increased number of personal claims finalised (claims fully settled and archived) • Increased percentage of active undertakings in relation to serious injuries • Increased number of claims repudiated due to identification of fraud • An increased percentage in the customer satisfaction rating on the Customer Satisfaction Index

1.2.2.4 Transformation and Capacity Building of the RAF

The RAF recognises that effective communication, people and leadership are critical to ensure that it provides the highest standard of care to road accident victims to restore balance in the social system, as captured in the RAF's vision.

STRATEGIC GOAL 4	A transformed and capacitated RAF by 2017
Strategic Goal Description	Build an institution that is performance-driven, values the customer and improves the awareness of the RAF brand
Outcome Indicators	• The rate of acceptance and internalisation of the new business model • Improved leadership capacity and capability • Level of rating on the Employer of Choice Survey ("ECS") • Improved percentage of employees who exceed their performance targets • The RAF's contribution towards government's social and economic transformation agenda • Level of accuracy of talent to fill mission-critical positions • Support the DoT to achieve the publication of a regulation to prescribe a period for acceptance or rejection of the RAF 4 Form

1.3 Principal Risks and Uncertainties

The Board identified six key strategic risks to the RAF for the 2012/13 financial year. These risks, as well as mitigation measures, are outlined in the table below.

Risk	Description	Action Areas and Plans
Financial Management	The RAF Fuel Levy is determined with little regard for the main drivers of the RAF's claims expenditure, i.e. number of accidents on the roads, number of vehicles driven, the volume and quantum of the benefits payable by the RAF, and various other economic factors like the inherent inflation of the benefit levels. The prevailing disconnect between the fuel levy awarded by government and the RAF's operational cash requirements is the primary cause of the poor liquidity that is being experienced by the RAF from time to time. Due to its unsustainable financial model, the RAF runs at a substantial deficit each year (claims incurred exceed revenue). Consequently, a backlog of unpaid claims has accumulated over time, representing a liability to the RAF (provision for outstanding claims). The provision grows annually due to the expected growth in the cost of settling these claims and interest factors. Since the provision for future claims exceeds the RAF's asset base, the RAF is technically insolvent.	• Engage continually with National Treasury in respect of the proposed Revenue Model • Investigate fuel sales forecast and other income sources for the RAF • Provide any assistance required to the RABS, Paixao and Da Silva projects
People Management	The RAF is in the process of re-engineering its business and therefore requires leaders and a workforce that are appropriately skilled, accountable, professional and motivated. The non-customer-centric and performance culture has to be managed during this critical phase. Appropriate change management and leadership are crucial in ensuring that organisational transformation is a success.	• Design and implement the programme for realignment of the RAF organisational structure • Implement talent management and succession planning • Implement leadership interventions • Embed performance management
Fraud and Corruption	The RAF operates in an environment that is targeted by fraudsters, both internally and externally. The RAF has to continuously deal with professional syndicates and individual fraudsters. Considering the transformational state of the organisation, there is a higher propensity for fraud and corruption.	• Identify fraud hotspots and implement awareness campaigns • Implement the Forensic Panel • Analyse and publish fraud trends monthly
Regulatory Framework	The current system for road accident compensation in South Africa is fault-based and founded on the law of delict. This scheme is complex and subjective in that it often requires time-consuming and expensive legal procedures in order to establish fault and the quantum of damages suffered. The RAF is part of the initiative to implement a defined-benefit, no-fault system. While this intention is aligned with the DoT's goals, it is understood that it may take a few years before this new legislation is implemented. Therefore, the RAF will consider recommending to DoT amendments to the RAF Act.	• Provide support to DoT to ensure the enactment of the RABS legislation • Provide inputs to legislative amendments
Service Delivery	The RAF finds itself in a position where it has a large claims backlog. This backlog is mainly attributable to the organisation having been under-funded for a number of years, and therefore unable to pay claims at the rate it receives them. The RAF is in the process of overhauling its business. The process will lead to the establishment of a RAF that is more customer-centric, effective and efficient. These changes have all been designed to ensure that RAF customers receive high-quality service, where claims are processed quickly and accurately, costs are contained and fraud eliminated.	• Implement strategies to decrease the claims backlog • Improve performance management • Develop a customer feedback system • Review the direct claims process to fast-track settlements • Develop Memoranda of Understanding (MOUs) with relevant stakeholders

Risk	Description	Action Areas and Plans
Stakeholder Pressure	The RAF is implementing fundamental changes to its operations and strategic direction. It is thus imperative that the organisation communicates these changes to customers and stakeholders and that existing relationships with key stakeholders continue to be nurtured. A central factor relating to the outcome of this initiative will be the RAF's ability to improve the accessibility and perception of the organisation to the public.	• Develop MOUs with relevant stakeholders • Proactively engage media, stakeholders, customers and plaintiff attorneys • Develop and implement 'RAF on the Road' year calendar

1.4 Value Proposition

Government recognises that all citizens need to use South African roads in order to participate in economic activity. People from all demographic and socio-economic groups, the wealthy and poor, the employed and unemployed, are all exposed to risks on the road. In a developing country such as South Africa, a significant proportion of road users will neither have the financial means to access appropriate healthcare and rehabilitation, nor the ability to commence legal action to recover their loss. The RAF acts as a social security safety net to all users of South African roads.

The provision of road accident compensation or benefits could be viewed as a response to specific socio-economic risks associated with road accidents and injuries, including:

a. The need for trauma and other medical care;
b. The risk of income loss due to injury;
c. The risk of unemployment due to temporary or permanent disability; and
d. The vulnerability of family members who become exposed to financial burdens and dependency if a breadwinner dies.

In essence, the state intervenes in the risks of road use to protect people who have failed, or are unable to provide sufficient cover for themselves, and thereby aims to alleviate disability and prevent impoverishment. Such state intervention is designed to distribute the risks of injury, disability and bereavement more evenly across the disparate socio-economic bands of society. This system also recognises that the majority of drivers may not have asset or liability insurance cover to meet the claims for damages from persons whom they may accidentally injure on the roads.

The RAF, through its current services and proposed forward planning, contributes to these national priorities as follows:

- Transforming the economy and creating sustainable livelihoods by ensuring that motor vehicle accident victims are appropriately covered, both in terms of medical needs and in terms of income or support that is lost as a result of bodily injury or the death of a breadwinner;
- Improving the health profile of South Africans by ensuring that accident victims have timely access to medical services and ongoing medical rehabilitation;
- Optimising and expanding its footprint (most notably through Hospital, Community and Mobile Service Centres), thus enabling the RAF to provide services at grassroots level and increase its reach to rural and previously under-serviced areas. As such, the RAF is also able to contribute to the development of caring and sustainable communities;
- Building a developmental state, since the organisation is increasingly aligning its service offering to government's emerging CSSS; and
- Improving public services, evidenced by its turnaround programme which is already under way.

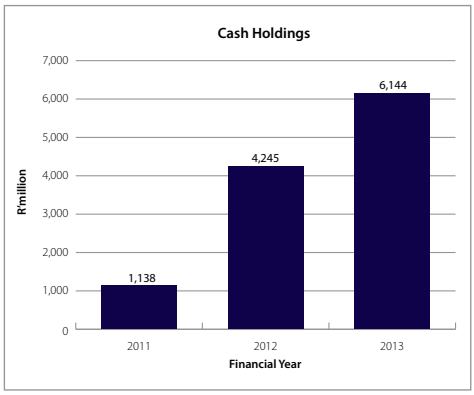
1.5 Historical Review

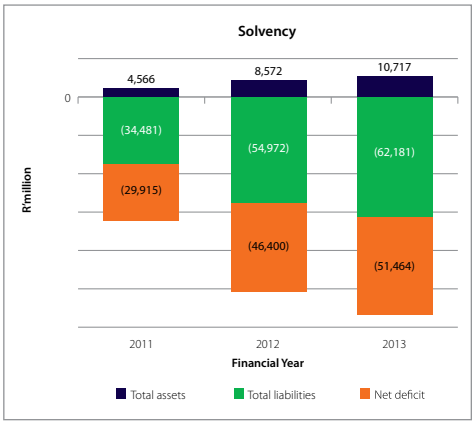
The history of the RAF and its predecessors spans more than 70 years, and commenced with the introduction of compulsory motor vehicle accident ("MVA") insurance in 1942. Since its commencement, the compensation system for MVA victims has remained relatively unchanged. Over the years, several problems pertaining to equity, affordability and sustainability of the system emerged. Between 1954 and 2002 seven Commissions of Inquiry assessed structural, financial and other difficulties inherent in the compensation system.

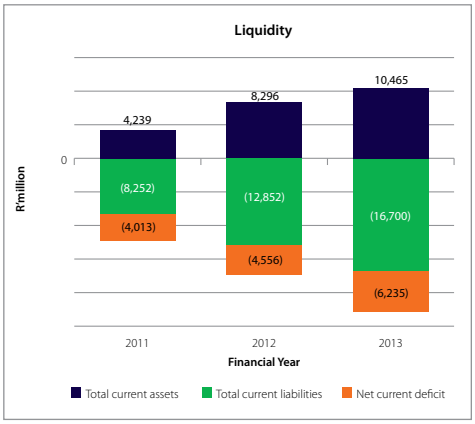
During its lifespan, the MVA compensation system has been plagued by numerous challenges, including service delivery problems, restricted access to medical care, long settlement delays, spiralling costs, insufficient funding to pay claims, an ever-growing liability, multiple, complex and legalistic hurdles due to the adversarial nature of the system, and uncertainty as to whether compensation is ultimately used for the intended purpose.

The RAF's summarised financial and operational results are reflected below.

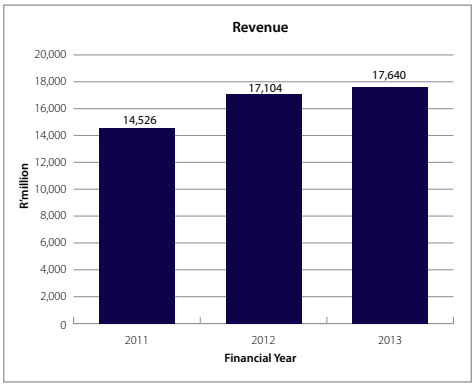
Statement of Financial Position	31 March 2013 R'million	31 March 2012 R'million Restated	31 March 2011 R'million
Assets			
Current Assets	10,465	8,296	4,239
Cash and cash equivalents	6,144	4,245	1,138
Receivables from non-exchange transactions	4,153	3,884	2,950
Receivables from exchange transactions	33	19	4
Other financial assets	132	145	145
Consumable stock	3	3	2
Non-current Assets	252	276	327
Property, plant and equipment	243	214	236
Intangible assets	9	62	91
Total Assets	10,717	8,572	4,566
Liabilities			
Current Liabilities	16,700	12,852	8,252
Payables from exchange transactions	140	84	87
Other financial liabilities	334	324	526
Provision for outstanding claims	14,862	11,840	7,351
Other provisions	1,364	604	288
Non-current Liabilities	45,481	42,120	26,229
Other financial liabilities	1	1	1
Provision for outstanding claims	45,434	42,079	26,196
Employee benefits	46	40	32
Total Liabilities	62,181	54,972	34,481
Net Assets	(51,464)	(46,400)	(29,915)
Net Deficit Reserves			
Revaluation reserve	124	72	65
Accumulated deficit	(51,588)	(46,472)	(29,980)
Total Net Assets	(51,464)	(46,400)	(29,915)

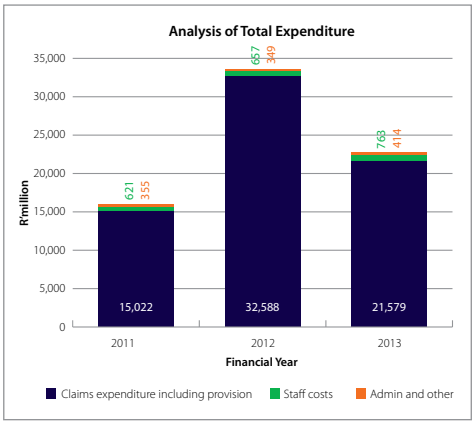


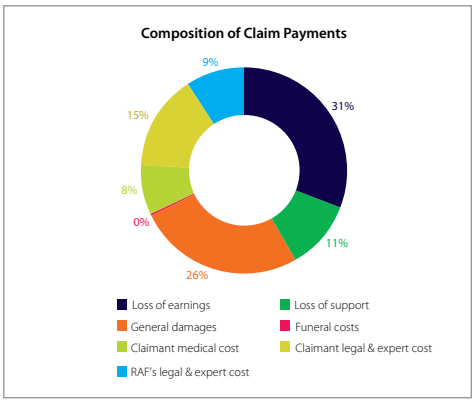




Statement of Financial Performance	31 March 2013 R'million	31 March 2012 R'million Restated	31 March 2011 R'million
Revenue			
Revenue from Exchange Transactions			
- Investment income and other revenue	260	115	52
Revenue from Non-exchange Transactions			
- Net fuel levies	17,380	16,989	14,474
	17,380	16,989	14,474
Total Revenue	17,640	17,104	14,526
Expenditure			
- Claims expenditure (excluding provision for outstanding claims)	15,202	12,216	12,941
- Reinsurance premiums	25	23	28
- Employee costs	763	657	621
- Depreciation and amortisation	61	64	60
- Finance costs	28	24	43
- General expenses	300	238	224
Total Expenditure	16,379	13,222	13,917
(Deficit)/Surplus Before Provision for Outstanding Claims	1,261	3,882	833
Provision for Outstanding Claims	(6,377)	(20,372)	(2,081)
(Deficit)/Surplus for the Year	(5,116)	(16,490)	(1,248)







Cash Flow Statement	31 March 2013 R'million	31 March 2012 R'million Restated	31 March 2011 R'million
Net cash flow from operating activities	1,914	3,114	526
Net cash flow from investing activities	(15)	(6)	(43)
Net Increase/(Decrease) in Cash and Cash Equivalents	**1,899**	**3,107**	**483**
Cash and cash equivalents at the beginning of the year	4,245	1,138	655
Cash and Cash Equivalents at the End of the Year	**6,144**	**4,245**	**1,138**

1.5.2 Financial Ratios

	Ref.	Units	31 March 2013	31 March 2012 Restated	31 March 2011
Profitability					
(Deficit)/surplus to revenue	1	%	-29%	-96%	-10%
Operating (deficit)/surplus to revenue	2	%	7%	23%	4%
Return on average equity	3	%	-10%	-43%	-5%
Return on average total assets	4	%	-53%	-251%	-35%
Cost-to-income ratio	5	%	28%	27%	30%
Liquidity					
Cash-to-claims cover ratio	6	Mths	4.85	4.17	1.06
Current ratio	7	Ratio	0.63	0.65	0.51
Net working capital	8	R'm	(6,235)	(4,556)	(4,013)
Net working capital excluding claims provision	9	R'm	8,627	7,284	3,338
Solvency					
Total assets to total liabilities	10	%	17%	16%	13%

Definitions	
1. Surplus/(deficit) to revenue	Total surplus or deficit as a percentage of revenue
2. Operating surplus/(deficit) to revenue	Total surplus or deficit before provision for outstanding claims as a percentage of revenue
3. Return on average equity	Total surplus or deficit for the financial year as a percentage of average net deficit at year-end
4. Return on average total assets	Total surplus or deficit for the financial year as a percentage of average total assets during the financial year
5. Cost-to-income ratio	Total administration and human resource costs, including RAF and claimant legal and expert costs as a percentage of total income during the financial year
6. Cash-to-claims cover ratio	Cash and cash equivalents at the end of the financial year divided by average monthly claims expenditure for the financial year (compensation and legal costs)
7. Current ratio	Total current assets divided by total current liabilities
8. Net working capital	Current assets minus current liabilities
9. Net working capital excluding claims provision	Current assets minus current liabilities, excluding provision for outstanding claims
10. Total assets to total liabilities	Total assets as a percentage of total liabilities
11. New claims lodged	Claims received and registered by the RAF during the financial year
12. Claims finalised	Claims processed in the supplier- and personal-claim categories with finalised status
13. Claims outstanding	Claims registered by the RAF where either compensation or legal cost payments are awaited
14. No compensation	Backlog of outstanding claims where no payments were made

Definitions	
15. Total undertakings registered	An undertaking is a medical certificate issued by the RAF to cover future medical costs
16. All claims	All claims settled by the RAF
17. Personal claims	A personal claim is a claim submitted by any person (the third party) for any loss or damage which that person has suffered as a result of any bodily injury to himself/herself, or the death of, or any bodily injury to any other person
18. Supplier claims	A supplier claim is a claim submitted directly to the RAF by a person/institution that provided medical treatment and accommodation to the victim of the accident
19. General damages	General damages represent compensation paid by the RAF for loss of amenities of life, pain and suffering, disability and disfigurement
20. Loss of earnings	Loss of earnings represents past and future loss in earnings incurred by the accident victim as a result of a motor vehicle accident
21. Loss of support	Loss of support represents past and future loss of support incurred by the accident victim's family as a result of a motor vehicle accident
22. Medical compensation	Medical compensation represents past and future medical costs incurred by the accident victim as a result of a motor vehicle accident
23. Funeral costs	Funeral costs represent cost of interment or cremation of the accident victim arising from a motor vehicle accident
24. Claimants' legal costs	Claimants' legal costs are expenses paid to accident victims' attorneys and experts for their assistance provided to the accident victim in lodging a claim with the RAF
25. RAF's legal costs	The RAF's legal costs are expenses paid to the RAF's panel attorneys to represent the RAF in legal cases against it

1.5.3 Fuel Levy Statistics

Calendar year	Units	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Fuel consumption for road use:*	Megalitres	18,258	17,874	17,448	17,461	17,682	18,157

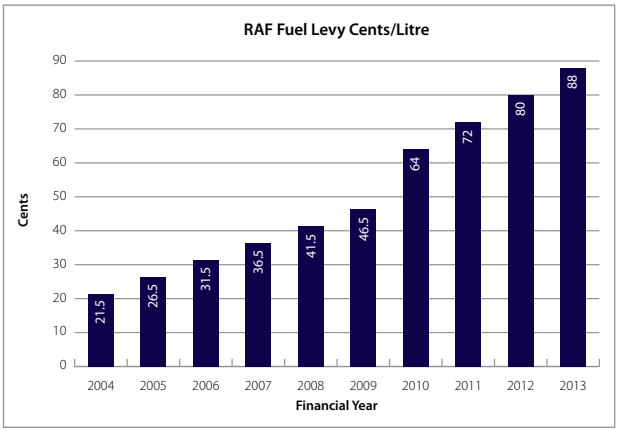
* Estimated fuel sales for road used (based on Council for Scientific and Industrial Research ("CSIR") Report CR-2002/79 which recommended that 98% of all petrol sales and 70% of all diesel sales should be allocated for road use purposes

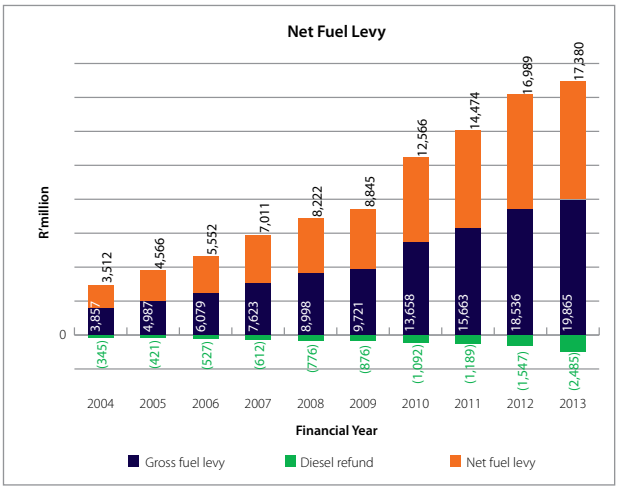
Financial year	Units	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
RAF Fuel Levy:							
Petrol	c/l	88	80	72	64	46.5	41.5
Diesel	c/l	88	80	72	64	46.5	41.5
Gross fuel levy:	R/m	19,865	18,536	15,663	13,658	9,721	8,998
Diesel refund:	R/m	(2,485)	(1,547)	(1,189)	(1,092)	(876)	(776)
Net fuel levy:	R/m	17,380	16,989	14,474	12,566	8,845	8,222
Diesel refund % of gross fuel levy	%	12.51%	8.35%	7.59%	8.00%	9.01%	8.62%
Implied average fuel consumption (Gross fuel levy/ RAF Fuel Levy c/l)	Megalitres	22,574	23,170	21,754	21,341	20,905	21,682
Implied average fuel consumption subject to diesel refund (Diesel refund/RAF Fuel Levy c/l)	Megalitres	(2,824)	(1,934)	(1,651)	(1,706)	(1,884)	(1,870)
Implied average net fuel consumption (Net fuel levy/ RAF Fuel Levy c/l)	Megalitres	19,750	21,236	20,103	19,634	19,022	19,812

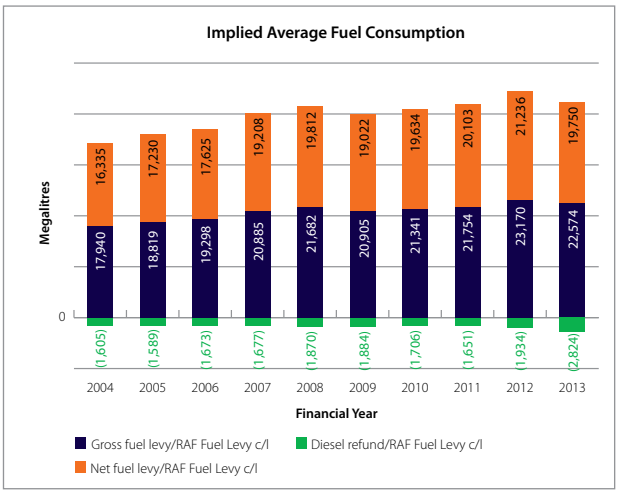
Source: South African Petroleum Industry Association ("SAPIA"), Department of Energy ("DoE"), Road Traffic Management Corporation ("RTMC")

	31 December 2006	31 December 2005	31 December 2004	31 December 2003
	17,149	16,622	16,140	15,538

	31 March 2007	31 March 2006	31 March 2005	31 March 2004
	36.5	31.5	26.5	21.5
	36.5	31.5	26.5	21.5
	7,623	6,079	4,987	3,857
	(612)	(527)	(421)	(345)
	7,011	5,552	4,566	3,512
	8.03%	8.67%	8.44%	8.94%
	20,885	19,298	18,819	17,940
	(1,677)	(1,673)	(1,589)	(1,605)
	19,208	17,625	17,230	16,335



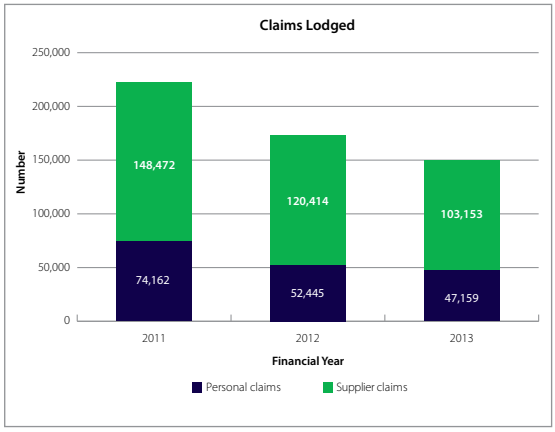


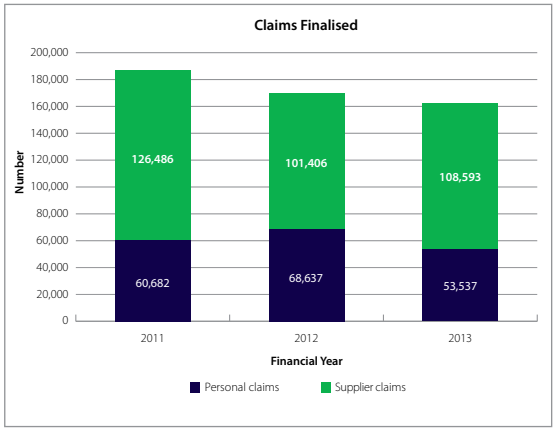


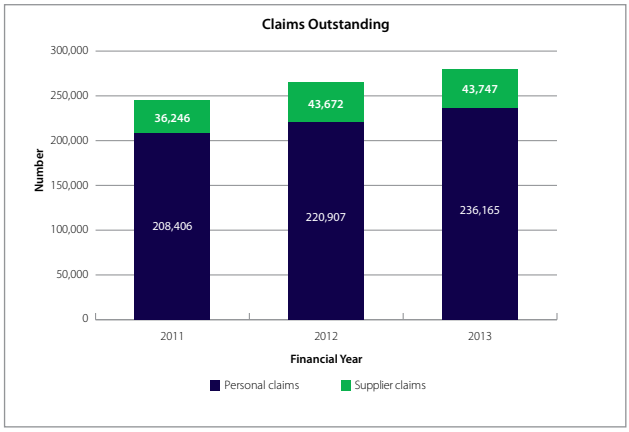
1.5.4 Operational Statistics

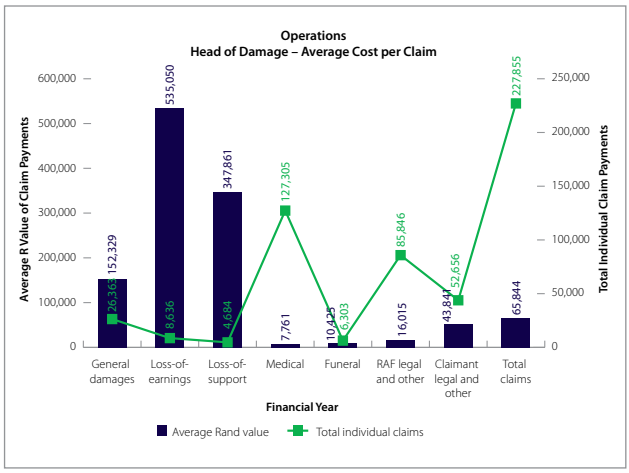
Ratios and Statistics	Ref.	Units	31 March 2013	31 March 2012 Restated	31 March 2011
Claims finalisation					
New claims lodged	11	No.	150,312	172,859	222,634
- Personal claims		No.	47,159	52,445	74,162
- Suppliers		No.	103,153	120,414	148,472
Increase/(decrease)		%	-13%	-22%	6%
Claims finalised	12	No.	162,130	170,043	187,168
- Personal claims		No.	53,537	68,637	60,682
- Suppliers		No.	108,593	101,406	126,486
Increase/(decrease)		%	-5%	-9%	-29%
Claims outstanding	13	No.	279,912	264,579	244,651
- Personal claims		No.	236,165	220,907	208,406
- Suppliers		No.	43,747	43,672	36,246
Increase/(decrease)		%	6%	8%	17%
Finalised/new		%	108%	98%	84%
No compensation payments	14	No.	212,085	248,024	
Open claims		No.	195,437	206,544	
- Personal claims		No.	167,316	170,881	
- Suppliers		No.	28,121	35,663	
Re-open claims		No.	16,648	41,480	
- Personal claims		No.	16,203	40,624	
- Suppliers		No.	445	856	
Undertakings	15				
Total undertakings registered		No.	120,986	111,628	107,209
Total Rand value of undertakings paid		R'000	R167,941	R124,265	R85,984
Claim payments					
All claims	16	R'm	R15,000	R12,500	R12,800
Rand value per claim		Ave.	R65,844	R54,808	R46,995
Total individual claim payments		No.	227,855	225,905	270,479
Personal claims	17	R'm	R14,400	R12,100	R12,400
Rand value per claim		Ave.	R138,345	R99,614	R88,430
Total individual claim payments		No.	104,016	120,728	140,007
Supplier claims	18	R'm	R600	R400	R400
Rand value per claim		Ave.	R4,950	R3,379	R2,533
Total individual claim payments		No.	123,839	105,177	130,478
Claim payments per heads of damage					
General damages	19	R'm	R4,000	R3,900	R4,400
Rand value per claim		Ave.	R152,329	R83,534	R65,399
Total individual claim payments		No.	26,363	46,174	67,960
Loss of earnings	20	R'm	R4,600	R3,200	R3,300
Rand value per claim		Ave.	R535,050	R433,739	R393,672
Total individual claim payments		No.	8,636	7,191	8,251
Loss of support	21	R'm	R1,700	R1,100	R900
Rand value per claim		Ave.	R347,861	R295,970	R280,278
Total individual claim payments		No.	4,684	3,783	3,045
Medical compensation	22	R'm	R1,000	R800	R700
Rand value per claim		Ave.	R7,761	R5,870	R4,879
Total individual claim payments		No.	127,305	113,975	139,634
Funeral costs	23	R'm	R70	R50	R20
Rand value per claim		Ave.	R10,425	R9,259	R8,220
Total individual claim payments		No.	6,303	5,339	2,949

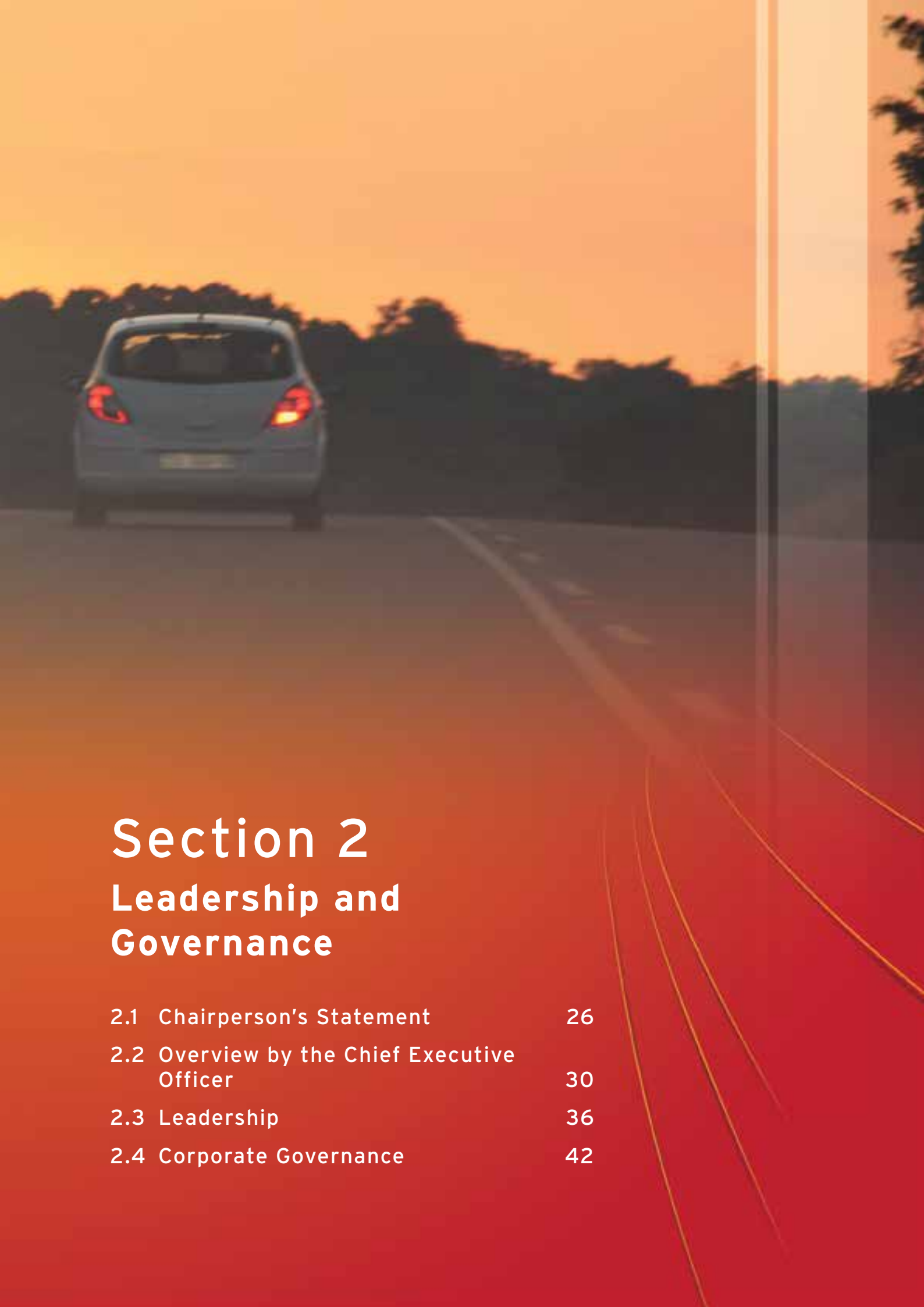
Ratios and Statistics	Ref.	Units	31 March 2013	31 March 2012 Restated	31 March 2011
Claimants' legal costs	24	R'm	**R2,300**	**R2,300**	**R2,200**
Rand value per claim		Ave.	R52,656	R38,534	R28,008
Total individual claim payments		No.	43,841	60,402	78,319
RAF's legal costs	25	R'm	**R1,400**	**R1,200**	**R1,300**
Rand value per claim		Ave.	R16,015	R14,878	R13,476
Total individual claim payments		No.	85,846	83,786	93,739











Section 2

Leadership and Governance

LEADERSHIP AND GOVERNANCE

2.1 Chairperson's Statement

Introduction

On behalf of the Board of Directors of the Road Accident Fund ("RAF"), I am pleased to present the organisation's Integrated Annual Report and the Annual Financial Statements for the financial year ending 31 March 2013.

Integrated Reporting

According to the King Report on Governance for South Africa 2009 ("King III"), "Integrated reporting should be focused on substance over form and should disclose information that is complete, timely, relevant, accurate, honest and accessible and comparable with past performance ... It should also contain forward-looking information."

We trust that the Integrated Annual Report 2013 provides a holistic and integrated representation of the RAF's performance in terms of both its finances and its sustainability for the 2012/13 financial year.

South African Economy

As with any other business, the RAF is affected by general economic conditions and other environmental factors, and by the extent to which it manages its costs effectively.

According to the South African Reserve Bank, "real economic growth picked up moderately in the final quarter of 2012 to an annualised rate of 2.1%, roughly double the pace recorded in the third quarter when severe unrest in the mining sector had taken its toll. The lacklustre economic growth in 2012 was accompanied by subdued job creation. While the numbers of workers in the public sector continued to rise, this was not always the case in the private sector. The National Budget presented in February 2013 provided for marginally larger fiscal deficits over the next three fiscal years than earlier projections, recognising the present need for further countercyclical support to the economy, but steering towards a significantly smaller deficit and stabilisation of the ration of government debt to Gross Domestic Product ("GDP") in the outer years. To this end, expenditure plans were trimmed over the medium term. A process has started to firmly align government's budget priorities with the National Development Plan."[3]

The Fund has maintained an impressive governance track record with King III and the applicable legislative requirements being attended to in a substantive manner, and not merely as a 'tick box' exercise.

[3] SA Reserve Bank Quarterly Review March 2013.

Fuel consumption for road use increased by 2.2% to 18,258 megalitres[4] in the 2012 calendar year from 17,874 megalitres in the previous calendar year. The 10% increase in foreign visitor arrivals to the country, totalling 13.8 million[5] during the 2012 calendar year from 12.5 million in the previous calendar year, also contributed to improved economic activity. The implied net fuel consumption experienced by the RAF showed a decrease of 6.6% to 19,8 megalitres based on the average net fuel levy income received, divided by an average levy in cents per litre.

We trust that the recovery of the South African economy and an increase in economic activity will allow the RAF to continue to process as many claims as possible within the confines of the available resources.

Performance Environment and Context

The challenges faced by the Fund have been extensively documented. A fundamental challenge that the Fund and its predecessors have faced for decades has been the financial unsustainabillity of the scheme of compulsory motor vehicle insurance, due largely to a failure since the implementation of the scheme more than 60 years ago to link income to expenditure and to the absence of any funding arrangement focused on the non-current liability.

The unsustainability of a fixed fuel levy, income-based scheme providing (in most instances) unlimited compensation was recognised by government and resulted in amendments being effected to the RAF Act on 1 August 2008. Through these amendments, universal limits and thresholds were placed on the Fund's liability.

Despite these positive amendments, the current scheme, being based on fault, insurance principles and common law, remains inequitable, wasteful and open to abuse. A transformation of the scheme is urgently needed, not only to better meet the needs of the public, but also to ensure sustainability of the scheme and appropriate utilisation of public funds.

The socio-economic role of the Fund augments its legal mandate and frames the important position the Fund occupies in the provision of contributory social insurance within the social security environment. This socio-economic role is to re-integrate victims of road accidents back into society from a health and economic perspective and to protect wrongdoers and their families from financial ruin.

While South Africa strives to achieve a reduction in road traffic accidents and, by extension, a reduction in road traffic fatalities and injuries, many thousands of peoples will continue to suffer losses due to death or injury on our roads. The Fund frequently is all that stands between the victims and their families and a descent into poverty, as many victims are unable to afford medical aid or private insurance cover.

In light of the profound negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require, but deserve to have their claims against the Fund assessed and finalised in a speedy and efficient manner. Delays in claims finalisation prejudice victims, and also serve to increase the Fund's liability as historical trends have shown that generally the later a claim is finalised, the higher the liability of the Fund. The Fund recognises that its most pressing performance areas at present are to reduce the number of claims where no compensation has been paid and to actively promote and fulfil direct claiming.

Some of our programmes and approaches that were previously aimed at achieving the Fund's strategic outcomes have, with time, proven to be unsustainable and/or ineffective. The operating environment and strategic requirements have changed. Recent developments, such as the conversion of the New Operating Model ("NOM") and the winding down of the Fineos Claims Application, as well as an extensive organisational re-alignment process, necessitated modifications to the manner in which the Fund intends to attain its strategic outcomes.

Operationally, the Fund has taken proactive and decisive steps to render its business operations more efficient. The NOM has been converted into a simpler series of actions, which will see efficiency gains and effective results. In place of the NOM, the Board has approved that:

[4] South African Petroleum Industry ("SAPIA") and Department of Minerals and Energy ("DME"), estimated fuel levy based on CSIR report CR-2002/79, which recommended that 98% of all petrol sales and 70% of all diesel sales should be allocated for road use purposes.

[5] Statistics SA – Tourism 2012, Report No. 03-51-02.

- The organisational structure be aligned to current and future service requirements;
- Human capital management be prioritised;
- The national service footprint be expanded; and
- Functional areas be segregated and regional offices be empowered to perform.

The optimised organisational structure enhances the Fund's ability to operate in a more effective, efficient and customer-centric manner.

RAF Performance

The RAF returned a steady performance during the current financial year, driven by a 3% growth in revenue compared to the previous financial year. Total revenue at R17.6 billion was R0.50 billion higher than the revenue in the previous financial year of R17.1 billion, mostly as a result of an 8 cents per litre increase in the RAF Fuel Levy during the financial year, as well as constrained increases in volumes of fuel sold during the period under review.

Despite lower claims finalisation, actual claims expenditure increased by 21% over the previous year owing to the higher cost of claims, with the average settlement per claim increasing by 20% to R65,844 in 2013 from R54,808 in the previous financial year. With the introduction of the Amendment Act in August 2008, which, among others, seeks to reduce frivolous claims by persons who are barely injured in car accidents, the RAF expected a reduction in reported claims. In fact, this figure decreased by 13% to 150,312 during the 2013 financial year from 172,859 claims in the previous financial year.

The number of claims where compensation or legal cost payments are still to be made increased to 279,912 in this financial year compared to 264,579 in the previous financial year. The 15,333 (5.8%) increase year-on-year relates to a concerted drive by the operational team, which saw the number of claims awaiting legal costs increase by 67,827 as more compensation payments were made.

Towards a New Dispensation

On 7 September 2011, Cabinet approved the Policy on the Road Accident Benefit Scheme ("RABS") that has set the scene for the implementation of a no-fault, fixed-benefit scheme. Such a scheme of arrangement will address many of the challenges facing the Fund that are constraining the organisation's ability to deliver on its mandate in an effective and efficient manner. In addition, a no-fault, fixed-benefit scheme will ensure a smooth alignment to the Comprehensive Social Security System ("CSSS") that will be implemented by government.

The Fund is fully appreciative of the fact that the power and authority to drive the legislative process to bring about the legislative transformation of the scheme rest with the Department of Transport ("DoT"). However, the Fund recognises that it is uniquely positioned to recommend to the Minister of Transport amendments to existing legislation and to contribute to the process to amend existing legislation that is so urgently needed. In achieving indicators and targets that relate to regulatory amendments, the Fund will work closely with the DoT and is of the view that through a joint and concerted effort, legislation to provide for a no-fault benefit scheme can be enacted during the next two years (2013–2015).

The Fund, DoT and National Treasury agreed to expedite the implementation of the RABS and the RABS Bill, which clearly articulates the RAF's role, has been published for public comment.

Governance Matters

The Fund has maintained an impressive governance track record with King III and the applicable legislative requirements being attended to in a substantive manner, and not merely as a 'tick box' exercise.

Whilst the Board was fully constituted during the year under review, it is noted that the term of office of Board Members will end in 2013/14. With continuity management in mind, timeous alerts were issued to the Minister on the need to make Board appointments and advice on the skills required for Board Members of the RAF were also communicated.

Board and Committee terms of reference, work plans and checklists were developed and approved to ensure that the governance requirements of the Board were effectively discharged.

Declarations of interest and a code of conduct were continuously maintained. In addition, the Fund has worked on developing an Ethics Policy and Framework in conjunction with the Ethics Institute of South Africa, which should be finalised early in the 2013/14 financial year.

The Way Forward

The primary objective of recent modifications is to see the business closely aligned to the Fund's mandate and the attainment of its strategic objectives, i.e:

- A legislative dispensation that is aligned to the principles of social security;
- A solvent, liquid and sustainable organisation;
- A customer-centric, operationally efficient and effective organisation by 2017; and
- A transformed and capacitated organisation by 2017.

Over the medium term, the RAF strategy will be anchored on these four main pillars.

In facilitating legislative alignment, the RAF will be responsible for motivating and proposing amendments to the current legislation and supporting legislative processes that the DoT embarks on, as well as participating in relevant structures. The RAF will further provide support to the DoT in respect of the process to enact legislation aligned to the RABS Policy, as well as government's CSSS plans.

The Fund will focus on financial sustainability and may seek options to capitalise the organisation. The RAF will continue to actively engage with National Treasury and the DoT to determine annual RAF Fuel Levy allocation increases. Furthermore, the organisation will commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives.

Acknowledgements

On behalf of the Board of the RAF, I wish to extend our sincere gratitude to the Minister of Transport, Mr Dikobe Ben Martins, and the Deputy Minister, Ms Sindisiwe Chikunga, as well as the entire DoT team for their unstinting support during the 2012/13 financial year. Furthermore, we would like to thank the Portfolio Committee on Transport ("PCOT"), together with our partner stakeholders, for the assistance and guidance afforded to the RAF during this financial year.

In addition, we would like to thank the Chief Executive Officer, Dr Eugene Watson, for his invaluable contribution to the RAF despite the challenges faced by the Fund. Finally, our thanks go to the Management and staff of the RAF for their ongoing loyalty and dedication.

Dr Ntuthuko Bhengu
Chairperson of the Board
Date: 31 July 2013

2.2 Overview by the Chief Executive Officer

Introduction

The Road Accident Fund's ("RAF's") Integrated Annual Report 2013 is centred on the principles and recommendations of King III and National Treasury's Regulations. The report focuses on putting the financial results in perspective by reporting on how the Fund has impacted, both positively and negatively, on the socio-economic life of all users of South African roads.

Financial Performance

Total revenue for the year grew by 3%, from R17.1 billion to R17.6 billion, as a result of an 8 cents per litre increase in the RAF Fuel Levy and a moderate increase in the volume of fuel sold over the previous calendar year. Net fuel levies accounted for more than 99% or R17.4 billion of total revenue. The Fund recorded a deficit of R5.1 billion in the financial year under review compared to a deficit of R16.5 billion in the previous year. The deficit is directly related to the provision for outstanding claims, which increased from R54 billion (2012) to R60 billion in the current year. The improvement in the deficit as a result of a significantly smaller increase in the provision for claims incurred is positive.

The Statement of Financial Position reflects the extent to which the Fund remains under-capitalised. A net deficit of R51.5 billion (2012: R46.4 billion) was recorded for 2012/13. It remains noteworthy that the RAF has been technically insolvent for over three decades, yet it continues to honour its obligation to claimants. This is so because non-current liabilities have not been funded at any point in the scheme of arrangements' existence.

During the previous financial year, there was a change in accounting policy with regard to the provision for outstanding claims. The liability is now split into a provision for outstanding claims amounting to R60.3 billion and a contingent liability of R22.5 billion. The total liability is R82.8 billion and its year-on-year growth, which is substantially smaller than in prior years, is driven by an interest factor and legislative changes.

Total revenue for the year grew by 3%, from R17.1 billion to R17.6 billion, as a result of an 8 cents per litre increase in the RAF Fuel Levy and a moderate increase in the volume of fuel sold over the previous calendar year.

Claims expenditure (excluding the increase in the provision for outstanding claims) has increased by 25% to R15.2 billion (2011/12: R12.2 billion). During the year under review, 87% of fuel levy income was used to pay claims expenditure, compared to 74% in 2011/12 – reflecting an efficiency gain.

Total expenditure for the year, excluding the increase in the provision for outstanding claims, increased by R3 billion to R16.4 billion

(2011/12: R13.2 billion). Actual cash claims expenditure of R15.2 billion accounted for 93% of total expenses, with the balance being made up of employee costs, i.e. 5%, and administration and other costs, i.e. 2%.

The Fund recorded cash reserves of R6.1 billion on its balance sheet at year-end (R2 billion growth versus R3 billion in the previous year), but we consider this to be of a temporary nature as the cause relates to the nature and volume of claims received and processed. Management interventions have been implemented to optimise claim payments, efficient business processes are in place, additional staff have been provided for and alternative claim administration measures are being implemented.

During the financial year, the Fund extended an invitation to plaintiff attorneys to submit claims and relevant evidence for settlement well in advance of trial dates, in order to prevent lengthy court procedures and to bring about savings in respect of legal costs. To date, the response has not been overly positive, but we are confident that this initiative will gather momentum. The Fund has received numerous compliments from plaintiff attorneys in regions where this intervention produced the intended results.

As government continues to mould the basis for its Comprehensive Social Security System ("CSSS") plans, there is an increased need for the RAF to fulfil its socio-economic mandate, whilst pursuing financial sustainability. Unlike other public entities which serve as pillars of our nation's social security framework, the RAF operates in an environment where:

- Funding, or contributions via the RAF Fuel Levy are not associated with claim frequencies and costs;
- The beneficiary base is not constituted by past, present or future contributors to the RAF Fuel Levy;
- The benefit available to beneficiaries or claimants is not defined and in some instances is not limited to a maximum value; and
- Social security is not limited to protecting income, lending support or funding healthcare needs, but extends to all three key elements of social security.

The inappropriate allocation of economic resources continues under the current compensation arrangement. Of the R15 billion paid out towards claims:

- Approximately R1.1 billion was paid in medical costs;
- Over R3.7 billion was spent on legal and expert costs;
- Over R4 billion was paid in general damages – primarily to persons not seriously injured; and
- Over R6.2 billion was paid for loss of earnings and support.

Success fees (contingency fees) paid to attorneys were estimated to be in the region of R5.7 billion, exacerbating the hardship victims of accidents suffer. In addition, the average time taken to settle a claim still ranged between 12 and 60 months for non-hospitalised claims, primarily because of the need to prove fault and the subjectivity in determining loss of earnings and support benefits.

During the year under review, the RAF was able to reduce the backlog of outstanding claims where no payments were made. The number of claims where compensation had not been paid reduced significantly to 212,085 from 248,024 in the previous financial year.

Achievements

The RAF declared 2012 and 2013 'The Year of the Customer' and 'Our Year to Shine', respectively. The ultimate focus of these declarations was aimed at galvanising all areas of the organisation, including its personnel, towards ensuring improved service delivery, increased visibility and accessibility – and more importantly – assistance to victims of road accidents and their dependants.

Early success is already visible and many more positive changes are taking place as the organisation prepares itself for the Road Accident Benefit Scheme ("RABS"), which will simplify the claims process by removing the burden to prove guilt or contributory fault on the part of another driver. Access to emergency healthcare, support and rehabilitation will be immediate and not dependent on an investigation as to how the accident occurred and who was to blame; thus speeding up the process of settling claims and delivering the social benefit to claimants.

The Constitutional Court, in the matter of *Mvumvu and Others vs. Minister of Transport and another 2011 (2) SA 473 (CC)*, declared specified parts of section 18 of the RAF Act unconstitutional. However the declaration of invalidity was suspended for 18 months

to enable parliament to cure the defect in the impugned provisions. Immediately after the order, the RAF commenced to provide support to the Department of Transport ("DoT") to draft a Bill to address the order. The order was issued on 17 February 2011 and the period of suspension would have lapsed on 17 August 2012. It was not possible for the Bill to go through the various stages necessary for passing legislation within the period of 18 months provided for in the order, hence the RAF supported the DoT to launch an urgent application for the order to be varied and extended. The Constitutional Court on 14 August 2012 granted an order extending the suspension order for a further period of six months. This extension allowed parliament and the Minister to finalise and put into force with effect from 13 February 2013 the Road Accident Fund (Transitional Provisions) Act, 2012.

The RAF successfully managed a number of litigated claims where the interpretation of Regulation 3 and the entitlement to claim general damages were at issue. The Supreme Court of Appeal in the matters of *Road Accident Fund vs. Oupa William Lebeko (802/11) [2012] ZASCA 159* and *Road Accident Fund vs. Duma 202/2012 and three related cases (Health Professions Council of South Africa as Amicus Curiae) [2012] ZASCA 169* confirmed a number of important principles, first and foremost being that it is not for the court to determine whether the injury is serious.

Other important litigation being managed by RAF concerns the issue of 'common law' contingency fee agreements. The South Gauteng High Court on 11 February 2013 in the matter of *SAAPIL vs. the Minister of Justice and Constitutional Development and the Road Accident Fund* and the North Gauteng High Court on 13 February 2013 in the matter of *De la Guerre vs. Ronald Bobroff and Partners Inc, the Law Society of the Northern Provinces and the RAF* declared so-called 'common law' contingency fee agreements that do not comply with the Contingency Fees Act, 1997 (Act. No. 66 of 1997) invalid. Application for leave to appeal is being opposed by the RAF.

The 2012/13 financial year saw a conscious improvement in customer-centricity, with initiatives such as the 'RAF on the Road' leading the push. RAF employees took to the road to bring the organisation's core service offering directly to disadvantaged communities across the country. This involves educating customers about the RAF and assisting them to lodge claims directly with the organisation, checking the status of existing claims, making settlement offers, issuing medical undertakings certificates and settling funeral cost claims. At the last 2012/13 'RAF on the Road' campaign in Mthatha, direct claims worth more than R18.6 million were settled in a single day with the highest claimant (a 57-year-old former schoolteacher left paralysed in a taxi accident) receiving R3.9 million. By the end of March 2013, 15 communities and more than 8,000 claimants had been serviced and settlement offers to the value of R102 million were made at these outreach campaigns.

The Fund used numerous platforms to bridge the gap between the organisation and its claimants by meeting the faces behind claim files and families who have been affected by motor vehicle accidents – more specifically, vulnerable road user groupings, such us pedestrians, cyclists, runners, public transport users, etc. These activities include participation in major sporting and cultural events, such as the Comrades Marathon, the Old Mutual Two Oceans Marathon, the Cape Argus Cycle Tour, visits to taxi ranks, mall activations, roadblocks, and many others.

These activities have also contributed to the RAF's endeavours to promote road safety in support of the United Nation's Decade of Road Safety 2011–2020 and our Shareholder's efforts to reduce the endless carnage on our roads.

The RAF intensified its Patient Outreach Programme ("POP"), which provides care to road accident victims who have suffered permanent injuries and require medical attention for life. This programme provides, among other services, regular home visits to assess victims' needs, caregivers for quadriplegic and paraplegic accident victims, home renovations to accommodate victims and wheelchairs, prostheses and other necessities.

During the 2012/13 financial year, the organisation embarked on the expansion of its geographic footprint, which will see an RAF office located in every province. A Nelspruit office was established and is fully operational. In the next financial year, offices will be established in the North West, Northern Cape, Limpopo and Free State provinces.

A great deal of work went into enhancing the Fund's claims processing capability and overall performance. Some of the noteworthy outputs associated with this work are listed below:

- Streamlined business processes were designed, documented and implemented;
- Dynamic leadership platforms such as the Change Champions Network, Talent Forums and Leadership Meetings were established;

- A new organisational structure was designed and implemented;
- Quicker turnaround times for the settling of claims was recorded;
- The average number of capital (or compensation) payments and finalisations per claims handler improved;
- A standard operating procedure for the management of writs of execution was developed and implemented, with the early results already showing marked improvement in fruitless and wasteful expenditure;
- A fully fledged customer service centre was implemented in Nelspruit as a blueprint for optimal direct claim processing;
- A full review of all claim files was undertaken and the staging of all open claims is now known;
- Additional resources were allocated to the Procurement Unit and contract and bid templates were developed to ensure efficient tender processes;
- Positive media relationships were fostered, and a successful media briefing took place in September 2012;
- Social media was successfully deployed and the Fund now has popular Twitter and Facebook handles and pages;
- Various regulations to the RAF Act were published, providing for improved performance and better service to claimants;
- Recruitment processes were reviewed, enabling the Fund to make over 200 appointments in the year under review;
- Compliance with existing policies and procedures was appraised and the outcomes acted upon;
- Performance management received a great deal of attention throughout the year, with positive performance officially being recognised and sub-optimal performance being managed swiftly and firmly;
- The Fund's risk management methodology and systems were reviewed, evaluated and changed successfully;
- Over 40 internal audit findings in relation to control weaknesses and deficiencies were resolved;
- Reporting at a strategic and operational level was inculcated and has seen the Fund move rapidly towards implementing an automated business intelligence tool; and
- In 2011/12, the Fund achieved 53% of its Annual Performance Plan targets. Impressively, in the 2012/13 financial year, the Fund achieved 86%.

Not limited to the confines of our borders, the RAF has now signed a multilateral agreement with three Motor Vehicle Accident Funds (Botswana, Swaziland and Namibia) in the Southern African Development Community ("SADC") region with the objective of formalising relationships and enabling efficient cross-border claims processing.

The RAF is committed to improving capacity, introducing cost-efficient and cost-effective measures and ultimately reducing the claims backlog. The Fund and its employees recognise that great effort will need to continue being assigned to the fulfillment of the strategic objectives, if the Fund is to succeed in fulfilling its mandate.

Challenges

As has been the case in prior years, the Fund faced a significant assortment of challenges – including internal and external challenges as a result of the operating environment. In all instances, the team ensured that the challenges were identified, assessed and mitigated in a manner which would protect the Fund from operational, financial and reputational damage. Regular and transparent reporting on all challenges took place in order to ensure that the Board of Directors was always able to discharge its duty of care effectively. Challenges were also communicated to the DoT and the Minister and the Portfolio Committee on Transport ("PCOT").

The key challenges faced during the course of the financial year and the responses to each are summarised below:

- The number of claims where compensation and legal cost payments were still required
  - The Fund responded to this challenge by enhancing activity and performance, assessing the effectiveness of current business processes and enhancing claims processing capacity. In the short term, it will appear that claims awaiting legal cost payments increased, because of the heightened processing of compensation payments. Structured block settlements with plaintiff attorneys were held in an effort to see more claims finalised and management of the RAF's panel of attorneys was enhanced;
- The growing liability for claims incurred
  - Management responded by improving claims processing and finalisation, curtailing the re-opening of claims previously classified as finalised and introducing quarterly actuarial appraisals by both the Statutory Actuary and independent actuaries;

- The large amounts of money spent on legal costs
  - It is untenable that 25% of total payments (an improvement on 29% in the prior year) is spent on legal fees. Worse still, is the fact that the average legal fees per claim payment exceed the average compensation payment (i.e. R69,000 versus R66,000). Management implemented new processes in the claims environment. Whilst it is noted that 90% of claims are represented by attorneys and are subjected to a litigious finalisation process, the team considered solutions in the year under review. A new Panel of Attorney contract was developed with improved service level provisions and a clearer set of remedial actions which the Fund could apply where performance by its Panel was sub-optimal. By means of Litigation units established in each of the regional offices, the Fund maintained its presence in courts where matters were being heard and enhanced the management of the current Panel of Attorneys; and
- The settlement of direct claims
  - Direct claims are those claims where claimants elect to claim directly from the Fund, without the use of any legal services. The Fund's marketing of direct claiming has yielded great demand and capacity has been enhanced in this regard. However, in the year under review, the processing of direct claims was sub-optimal. Direct claiming is a strategic imperative and the Fund cannot see direct claimants subjected to slow claims processing. In response, the Fund documented new business processes for direct claims processing, increased the capacity of the direct claims teams and enhanced management oversight.

Strategic Focus

Moving into the next financial year, attention will be placed on the identification of funding mechanisms, which are related to the benefits provided by the Fund, clarifying what benefits are available to claimants and determining who may claim for compensation. This is necessary to ensure that the RAF and the commitment of government to support and compensate victims of road accidents remain sustainable.

The publication of the RABS Bill and the inherent proposal to move to a no-fault benefit scheme is welcomed, as this will best meet the needs of the South African public by providing a reasonable, equitable, affordable and sustainable scheme that focuses on medical requirements and rehabilitation.

In light of the profound negative impacts that victims of road traffic accidents suffer from a health, vocational and social perspective, they not only require but deserve to have their claims against the Fund assessed and finalised in a speedy and efficient manner.

The RAF's Strategy, as approved by the Board of Directors, is anchored on the following four main pillars:

- A legislative dispensation that is aligned to principles of social security;
- A solvent, liquid and sustainable RAF by 2017;
- A customer-centric, operationally effective and efficient RAF by 2017; and
- A transformed and capacitated RAF by 2017.

All efforts will go into ensuring that these strategic pillars are fulfilled.

The RAF will continue to provide support to the DoT in respect of the process to enact legislation aligned to the RABS Bill, as well as government's CSSS plans.

The Fund will focus on financial sustainability and will seek feasible options to adequately capitalise the organisation. Furthermore, the organisation will also commence with the process of developing strategies for reducing legal and operating costs through internal cost management initiatives, regulatory changes and more efficient litigation management.

Operational interventions will be introduced and completed in order to provide a seamless and appropriate customer experience. The Fund will implement measures to address legal costs and the backlog by restructuring its current claims administration processes. In addition, our national footprint will be expanded to ensure that the total experience for the customer is accessible, available and of a consistently high standard.

The Board and employees of the RAF are committed to successfully executing the mandate of the RAF, operating at improved efficiency levels, implementing Ministerial priorities and ensuring that the RAF contributes meaningfully to the improvement of the lives of people who have been adversely affected by motor vehicle accidents.

There is still work to be done, but we can safely say that the RAF has been successful in ensuring that 2012 was truly 'The Year of the Customer'. We have no doubt that with the support of our Shareholder and other stakeholders, 2013 will be 'Our Year to Shine'.

Acknowledgements

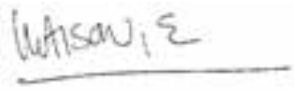
I wish to express a heartfelt word of thanks to the Minister of Transport, Mr Dikobe Ben Martins, and the Deputy Minister, Ms Sindisiwe Chikunga, for their ongoing assistance in seeking solutions to the challenges faced by the RAF during the period under review; as well as the outgoing Director-General, Mr George Mahlalela, and the officials at the DoT.

Our gratitude is also extended to the Chairperson and members of the PCOT for the candid guidance provided throughout the year.

I extend a warm message of thanks to the Chairman, Vice-Chairman and the Directors of the Board of the RAF for the unfettered guidance, leadership, enthusiasm and dedication they have exemplified throughout the year under review.

A word of appreciation also goes to the RAF Executives and staff for their continued support, loyalty and diligence. In 2012 the team showed that it will not cower in the face of challenge, that it will do the work which is required to ensure that the Fund delivers unprecedented operational outputs and that the key focus must be on ensuring that the Fund's mandate is delivered EXCELLENTLY!

In conclusion, we recognise those who have lost their lives, been injured or who have lost a loved one in a motor vehicle accident in the financial year under review. Our responsibility going forward is to excellently address the suffering which has arisen and continues to result from motor vehicle accidents.



Dr Eugene Watson
Chief Executive Officer
Date: 31 July 2013

2.3 Board and Executive Profiles

2.3.1 Board Profiles

Dr NM Bhengu (Chairperson of the Board)

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
MBChB (University of Natal), Diploma in Anaesthetics (College of Medicine of South Africa), MBA (Wales University, Cardiff), Master of Public Health, Healthcare Management (Harvard University)

Major Directorships Held:
Nestlé South Africa (Pty) Ltd, SA Nuclear Energy Corporation SOC Ltd ("Necsa")

Current Employment:
Clinix Health Group

Mr V Mahlangu (Vice-Chairperson of the Board)

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
Diploma in Public Relations (Damelin), National Certificate in Business Administration (Technikon SA), Small Business Development Programme (Unisa), Certificate in Public Sector Governance (Unisa), Certificate in Management Studies (MANCOSA), MBA (General) (MANCOSA)

Major Directorships Held:
None

Current Employment:
Match Commissioner: Confederation of African Football ("CAF")

Mr JN Masekoameng

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BCom (University of the Witwatersrand (Wits)), Higher Diploma in Tax Law (University of Johannesburg), Certificate in Labour Law (Unisa), MBL (Unisa School of Business Leadership)

Major Directorships Held:
Ditsebi Solutions

Current Employment:
Chief Executive Officer: Ditsebi Solutions

Mr T Moyo

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BCom (Accounting) University of Lesotho; Roma; Lesotho, Post-graduate Diploma in Strategic Management (Baruch College City University of New York), MBA (Finance) (Cardiff Business School, Wales University), Risk Management (University of Stellenbosch), Graduate Diploma in Company Direction (Graduate Institute of Management), Executive Development Programme (Harvard Business School), Institute of Risk Management South Africa

Major Directorships Held:
Orion SA (Pty) Ltd, Yokoyo Investments (Pty) Ltd, Alpha Tours Africa (Pty) Ltd, Innovida SA Dubai (Pty) Ltd, Innovida South Africa (Pty) Ltd, Push Umlozi (Pty) Ltd

Current Employment:
Chairperson and Chief Executive Officer: Yokoyo Investments (Pty) Ltd, Innovida South Africa (Pty) Ltd and Alpha Tours Africa (Pty) Ltd

Adv. DS Qocha

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BA (Law) (National University of Lesotho), LLB (National University of Lesotho), Strategic Leadership Programme (GIBS), Broadcasting Policy and Regulation (LINK Centre, Wits), Telecoms Policy Regulation and Management (LINK Centre, Wits) and General Intellectual Property Course (WIPO)

Major Directorships Held:
None

Current Employment:
Deputy Executive Director: National Association of Broadcasters ("NAB")

Ms NZ Qunta

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BAdmin (University of Zululand), BCom (Hons) (University of Pretoria), MCom (Economics) (University of Pretoria), MBA (University of Oxford Brookes, UK) and Corporate Governance Certificate (Unisa)

Major Directorships Held:
Mintek, KwaZulu-Natal Tourism Authority

Current Employment:
Chief Executive Officer: ZBQ Consulting

Adv. MJ Ralefatane

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BProc (UNIN), LLB (UNIN), LLM (Labour Law) (RAU), Certificate in Labour Relations (University of Pretoria) and Certificate in Human Rights (University of Pretoria)

Major Directorships Held:
None

Current Employment:
MJ Ralefatane & Associates CC

Mr DK Smith

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BSc (University of Stellenbosch) FASSA, International Senior Management Programme (Harvard Business School)

Major Directorships Held:
Sanlam Ltd, Mediclinic International Ltd, and Reinsurance Group of America (SA)

Current Employment:
Director of Companies

Ms A Steyn

Date of Appointment as Non-Executive Director: 1 October 2010

Qualifications:
BSc (Physio) (University of Stellenbosch)

Major Directorships Held:
None

Current Employment:
Private Practitioner

Mr LED Hlatshwayo

Date of Appointment as Non-Executive Director: 1 October 2011

Qualifications:
BCom (University of Zululand), BCompt (Unisa), BCompt/CTA (Hons) (Unisa), CA (SA), MBA (Potchefstroom University)

Major Directorships Held:
Central Energy Fund

Current Employment:
Chief Investment Officer: Jobs Fund, Development Bank of Southern Africa

Mr T Tenza

Date of Appointment as Director-General's Representative on the Board: 1 January 2010

Qualifications:
Secondary Teachers Diploma (Indumiso College), BCom (Unisa), BCom (Hons) (Unisa), Master of Arts in Applied Economics (University of Michigan, USA), Executive Development Programme, (Vaal University of Technology)

Major Directorships Held:
None

Current Employment:
Chief Director: Research and Innovation (DoT)

2.3.2 Executive Profiles

Dr EA Watson

Position: Chief Executive Officer (from 1 July 2012)

Qualifications:
MBChB (Wits)

Major Directorships Held:
None

Mr A Gernandt

Position: Chief Operations Officer

Qualifications:
BCom (Accounting) (University of Pretoria), BCom (Hons) CTA (University of Pretoria), CA (SA), Executive Leadership Programme Certificate (Unisa), Executive Development Programme (GIBS)

Major Directorships Held:
None

Ms LJ Fosu

Position: Chief Financial Officer

Qualifications:
BCom (Accounting) (University of the North), Post-graduate Diploma in Management (Financial Accounting) (University of Cape Town), BCom (Hons), CTA (Unisa), CA (SA)

Major Directorships Held:
Limpopo Corridor Mining Resources (Pty) Ltd

Mr DJ Hlabangane

Position: Executive: Human Capital (from 1 April 2012 to 15 August 2012)

Qualifications:
BAdmin (University of the North), Employee Relations Diploma (Wits Business School), Executive Development Programme (GIBS)

Major Directorships Held:
None

Mr RHS Matabane

Position: Executive: Human Capital (from 1 September 2012 to date)

Qualifications:
BA (Unisa), Management Advancement Programme (Wits), Diploma in Labour Law (Graduate Institute of Management and Technology), Graduate Diploma in Company Direction (Graduate Institute of Management and Technology), Management Development Programme (GIBS), Executive Development Programme (University of Stellenbosch Business School)

Major Directorships Held:
Special Investigating Unit ("SIU")

Mr SS Ramessur

Position: Chief Information Officer (from 1 April 2012 to 6 March 2013)

Qualifications:
BSc Computer Science (University of Natal), Certificate in Accounting (Heriott Watt), Certificate in Strategic Information Systems Planning (Heriott Watt), Executive Development Programme (GIBS)

Major Directorships Held:
None

Ms LM Steele

Position: Executive: Legal and Compliance (from 1 April 2012 to 31 December 2012)

Qualifications:
BA LLB (Wits)

Major Directorships Held:
None

Ms NA Jafta

Position: Executive: Marketing and Communications

Qualifications:
BA (Communications) (University of Fort Hare), Psychology (Hons) (University of Fort Hare), Management Advanced Programme (Wits Business School), Advanced Diploma in Marketing (IMM) (dissertation pending), Effective Leadership Programme (Wharton University)

Major Directorships Held:
None

Mr MI Mvelase

Position: Executive: Customer Service Network (from 1 July 2012 to 10 October 2012)
Chief Strategy Officer (from 11 October 2012)

Qualifications:
Bachelor of Law (University of Zululand), Post-graduate Diploma in Marketing (Unisa), Diploma in Financial Management (Damelin)

Major Directorships Held:
None

Mr A Ramavhunga

Position: Acting Executive: Customer Service Network (from 19 October 2011 to 30 June 2012)

Qualifications:
BSc (Mathematics and Computer Science) (Wits), BSc (Hons) (Computer Science) (Wits), MBA (GIBS)

Major Directorships Held:
None

Ms EL Janse van Rensburg

Position: Acting Executive: Benefit Administration Unit (from 30 January 2012 to 31 October 2012)

Qualifications:
BProc (University of Pretoria)

Major Directorships Held:
None

2.4 Corporate Governance

2.4.1 Introduction

Good governance, according to King III, rests on the four fundamental principles of fairness, accountability, responsibility and transparency. Fairness means that the interests of all stakeholders must be taken into account. Within the context of the RAF, 'stakeholders' are defined as persons, groups or organisations that have a direct stake in our business because they can affect or be affected by our activities, objectives and policies. Accountability refers to the ability of a Board to explain and justify its actions, while responsibility refers to the obligation of the Board to take good care of the assets, investments and interests of the stakeholders. Transparency implies disclosure of the organisation's financial, risk, social and environmental performance.

The philosophy underlying King III is concerned with three principles:

- Effective leadership characterised by the four fundamental principles, as well as the concept of Ubuntu, a South African concept that includes mutual support and respect, interdependence, unity, collective work and responsibility;
- Sustainability, which implies conducting an entity's operations in such a manner that existing needs are met while taking into consideration the impact of its operations on future generations. An entity is expected to be a responsible citizen that must, in an integrated manner, take social, environmental and economic issues into consideration when formulating strategy, risk and performance. The entity must therefore not only report on sustainability, but its performance must be sustainable; and
- Corporate citizenship, based on the Constitution, which imposes responsibilities on individuals and corporate entities alike, to ensure that people can rely on the realisation of fundamental rights.

King III applies to all entities and not only listed companies, but acknowledges that it is almost impossible for one set of rules to apply equally to all the variants of corporate life. Accordingly, King III follows an 'apply or explain' approach where a Board may decide not to follow a principle in particular circumstances, yet still achieves standards of good corporate governance. The starting point for the Board, however, is always to ensure that legal requirements are met.

King III is a stakeholder-centric model which is based on the precept that, in taking the legitimate interests of stakeholders of the entity into consideration, the best interests of the entity are served. As such, success is defined in terms of the long-term positive impact on all stakeholders. Stakeholders, therefore, need to assess the sustainability of the entity, including aspects such as brand, goodwill, quality of management and risk management and whether sustainability issues have been taken into consideration. This report, accordingly, provides sufficient information for stakeholders to make informed decisions.

2.4.2 Board Structure

The Board of the RAF consists of 11 Non-Executive Directors, including a representative of the Department of Transport ("DoT"). The Road Accident Fund Act, 1996 (Act No. 56 of 1996) ("RAF Act") provides that the Minister of Transport, who exercises control over the RAF on behalf of the Government of the Republic of South Africa, appoints the Chairperson, Vice-Chairperson and Non-Executive Directors to the Board. The Minister also appoints the Chief Executive Officer ("CEO") on such terms and conditions as may be determined by the Board.

The standard term of a Non-Executive Director is three years. Non-Executive Directors are eligible for re-appointment for a further two terms. The Executive Management team is appointed by the CEO, after consultation with the Board. Executive Management is employed on the basis of a fixed-term contract. The maximum duration of fixed-term contracts is five years. The Board is required to meet as often as the business of the RAF requires, but at least four times a year.

Directors have unrestricted access to the advice and services of the Corporate Secretary. In addition, the Directors are entitled to obtain independent, professional advice at the RAF's expense, where they deem it necessary.

Directors receive ongoing training as they attend relevant courses throughout the year, as presented by various service providers including the Institute of Directors.

2.4.3 Composition of the Board

The current Board was appointed on a three-year term, which commenced on 1 October 2010. The Members of the Board, including their profiles, are presented under 2.3.1 above.

2.4.4 Powers and Functions of the Board

According to section 11 of the RAF Act:

(1) "The Board shall, subject to the powers of the Minister, exercise overall authority and control over the financial position, operation and management of the Fund, and may, *inter alia*:
   (a) Make recommendations to the Minister in respect of:
      (i) The annual budget of the Fund;
      (ii) Any amendment to this Act;
      (iii) Entering into an agreement with any institution referred to in section 9;
      (iv) (This sub-paragraph was deleted by section 4 of Act No. 19 of 2005 with effect from 31 July 2006);
      (v) Any regulation to be made under this Act.
   (b) Terminate the appointment of any agent and determine conditions on which such appointment is effected or terminated;
   (c) Approve the appointment, determination of conditions of employment and dismissal by the Chief Executive Officer ("CEO") of staff of the Fund on management level;
   (d) Approve internal rules and directions in respect of the management of the Fund;
   (e) Approve loans made or given by the Fund;
   (f) Approve donations for research in connection with any matter regarding injuries sustained in motor vehicle accidents;
   (g) Determine guidelines in relation to the investment of the money of the Fund; and
   (h) Delegate or assign to the Chief Executive Officer and any member of the staff of the Fund any power or duty of the Board as it may deem fit, but shall not be divested of any power or duty so delegated or assigned, and may amend or withdraw any decision made by virtue of such delegation or assignment.

(2) The Board may report to the Minister of Transport as often as it deems necessary, but shall at least once during a financial year, or when requested by the Minister to do so, report to the Minister regarding matters dealt with during that year, or as requested by the Minister.

(3) A quorum for any meeting of the Board shall be a majority of its voting members.

(4) The Board shall meet as often as the business of the Fund may require.

(5) (a) The Members of the Board referred to in section 10(1)(a) shall be reimbursed by the Fund for all reasonable expenses incurred in attending meetings of the Board.
   (b) Members of the Board shall be remunerated by the Fund for services rendered as such Members, and reimbursed for all reasonable expenses incurred in attending meetings of the Board, provided that the Chairperson of the Board may receive such higher remuneration than that of the other Members, as may be determined by the Board.

(6) (a) Resolutions of the Board shall, whenever practicable, be taken on the basis of consensus.
   (b) If consensus cannot be reached and except where otherwise expressly provided, all matters before the Board shall be decided by a majority of the votes cast."

2.4.5 The Board: Duties and Responsibilities

The Board is governed by the RAF Corporate Charter, which details the roles, structures and functions of the Board, its various Board Sub-Committees, Chairs and CEO. The Board is responsible for determining the overall direction of the RAF. This is guided by a five-year Strategic Plan and Annual Performance Plan, which were submitted to the Executive Authority, the Minister of Transport, by the end of January 2012, as prescribed in terms of National Treasury Instruction Note No. 33. The Board is also responsible for formulating and implementing policies that are necessary to achieve the RAF's strategic goals and maintain good governance.

In line with King III, the Board is tasked with providing ethical leadership, managing the organisation's ethics effectively and ensuring that the entity is not only a responsible citizen, but is manifestly so. Corporate governance principles should be adhered

to while fully appreciating that strategy, risk, performance and sustainability are integrated. Broadly speaking, the Board is expected to act in the best interests of the entity.

The Board is responsible for ensuring that an effective and independent Audit Committee exists that must conduct risk-based internal audits. The Audit Committee must consist of independent Non-Executive Directors and the Chairman may not serve as the Chairman of the Board. The Board is also responsible for compliance by the entity with all laws and codes and the integrity of the sustainability report, based on the principles of transparency and accountability.

Issues that receive the Board's particular attention include IT governance, which should be aligned with the objectives of the RAF in terms of performance and sustainability. As part of the Board's responsibility for risk governance, the Board pre-determines the acceptable levels of risk and monitors that risks taken are within set parameters. The Audit and Risk Management Committee assists the Board in carrying out this function.

The Board is tasked with monitoring the efficiency and effectiveness of Management and renders support to Management in implementing the strategies and policies of the Board. The onus to provide effective, compliant corporate governance is collectively assumed by the Board.

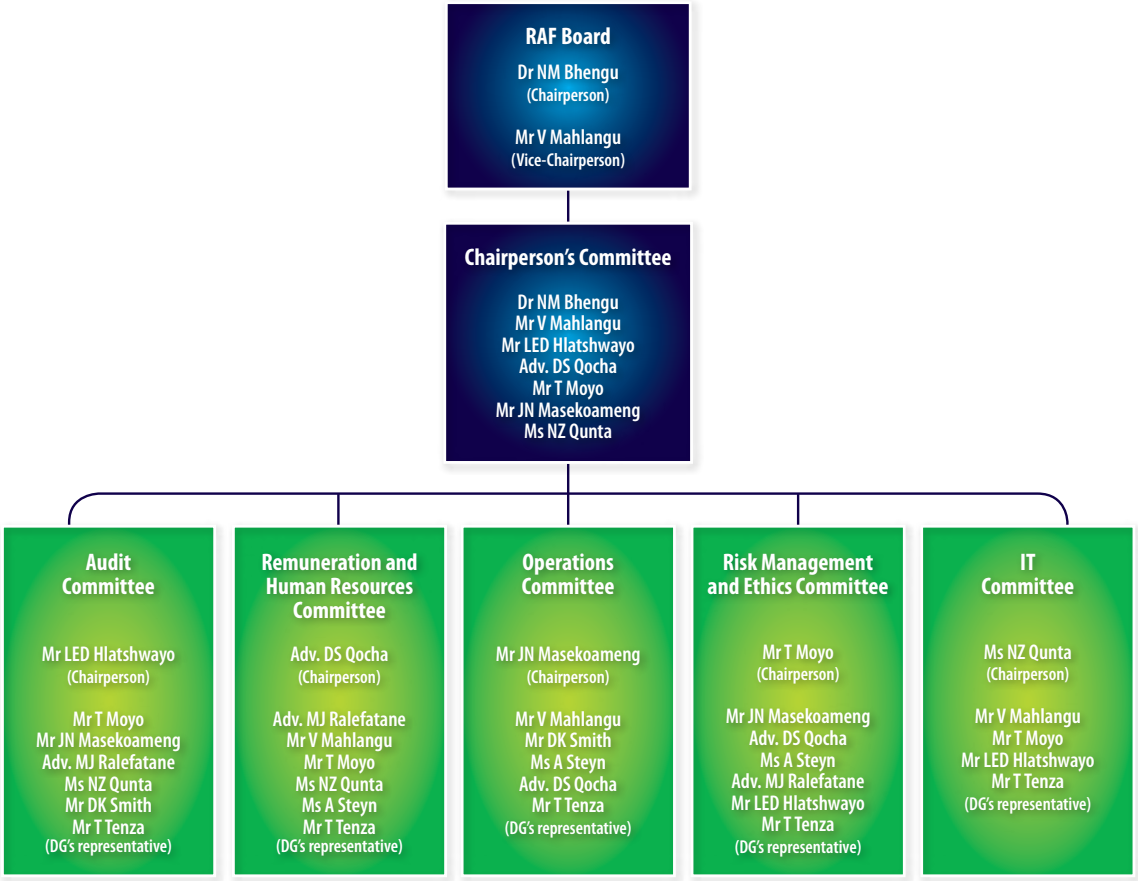
The RAF reviews its processes and practices on an ongoing basis to:

- Ensure compliance with legal obligations;
- Ensure the maintenance of appropriate internal controls and risk management policies and practices;
- Ensure the use of RAF funds in an economical, efficient and effective manner;
- Ensure adherence to good corporate governance practices that are continually benchmarked; and
- Assess the impact of the RAF's operations on society, the economy and the environment.

The processes and practices are underpinned by the principles of transparency, integrity and accountability and an inclusive approach that recognises the importance of all stakeholders and of managing stakeholder relationships and perceptions to ensure the viability and sustainability of the RAF.

2.4.6 Committees of the Board

The Corporate Charter of the RAF outlines the functions of the Committees of the Board, including the composition, role and responsibilities, delegated authority and meeting requirements in respect of each of the Committees. The Board has established the following Committees: Audit Committee; Risk Management Committee; Operations Committee; Remuneration and Human Resources Committee; IT Committee and Chairperson's Committee (ad hoc). The Operations Committee replaced the Claims and Transformation Committees.



The Board retains full and effective control over the operations of the organisation and has delegated some of its powers to Committees, the CEO and Executive Management through a Delegation of Authority framework. The Delegation of Authority does not dilute the duties, responsibilities and accountability of the individual Directors and the Board as a whole.

2.4.6.1 Audit Committee

Audit Committee Members (Board)	Role
LED Hlatshwayo	Chairperson
T Moyo	Member
MJ Ralefetane	Member
JN Masekoameng	Member
NZ Qunta	Member
DK Smith	Member
T Tenza	(DG's representative)

In compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"), as well as the Treasury Regulations issued in terms of the PFMA, the Board, as the Accounting Authority, has established an Audit Committee. The Committee consists of six Non-Executive Directors and the Director-General's representative. The Chairperson is appointed by the Board and is an independent Non-Executive Director of the Board. The majority of current Audit Committee Members are deemed to be independent. The Chairperson of the Board is not eligible to chair the Audit Committee. The Audit Committee meets at least four times a year, but may meet more frequently when necessary. The Committee may invite the Chairperson of the Board, the CEO, the Chief Financial Officer, external auditors, Chief Audit Executive, or any other person, to attend meetings. The Committee meets with Internal Audit, the Auditor-General of South Africa or Management, at least quarterly to ensure that there are no unresolved issues of concern.

The Board has taken cognisance of the recommendations contained in King III that the Audit Committee should entirely consist of independent Non-Executive Directors, and possess a broader range of skills and experience collectively with regard to integrated reporting, internal controls, external and internal audit processes, corporate law, risk management, sustainability issues, IT governance and governance processes. The Members elected collectively represent the skills base required. Augmentation of skills takes place by means of ongoing training, presented by various institutions.

The Audit Committee Charter is reviewed annually and approved by the Board.

The overall objective of the Audit Committee is to assist the Board of the RAF in ensuring that Management has created and maintained effective risk management, and an effective internal control environment in the organisation, and that Management demonstrates and stimulates the necessary respect of the internal control and governance structures for the achievement of the objectives and goals of the organisation, as well as the management of risks to an acceptable level. The Audit Committee further accepts responsibility for the Integrated Annual Report.

The Committee satisfies itself of the level of expertise and resources of the Finance Department. The Chairman of the Audit Committee formed part of the interview panel to appoint the Chief Financial Officer ("CFO").

The Audit Committee Report, on page 146 of the Annual Financial Statements, provides a full description of its remit. The report includes commentary on internal financial controls, external audit, going concern, risk management, internal audit, sustainability reporting and the expertise of the CFO and the finance function.

2.4.6.2 Remuneration and Human Resources Committee

REMCO Members (Board)	Role
DS Qocha	Chairperson (as from 1 August 2012)
MJ Ralefatane	Member (Chairperson until 31 July 2012)
V Mahlangu	Member
T Moyo	Member
NZ Qunta	Member
A Steyn	Member
T Tenza	DG's representative

The Remuneration and Human Resources Committee ("REMCO") consists of six Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary.

REMCO is responsible for developing and implementing a competitive Human Capital ("HC") Strategy to ensure that the RAF is able to attract, retain and develop the best possible talent to support superior business performance. The objective is to create an organisational culture, structure and processes to support the development of people and the optimisation of their potential. The HC Strategy forms part of the strategic plan and REMCO is responsible for enforcing, monitoring and auditing development and progress.

The functions of REMCO include, but are not limited to, the following:

- Overseeing the setting and administration of remuneration at all levels in the RAF;
- Ensuring that there is a Remuneration Policy in place, which promotes the achievement of the RAF's strategic objectives and encourages individual performance;
- Reviewing the outcome of the implementation of the Remuneration Policy to ensure that the set objectives are being achieved;
- Ensuring that a mix of fixed and variable pay meets the RAF's needs and strategic objectives;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the performance evaluation of the CEO and Executives in determining remuneration;
- Selecting an appropriate comparative group when comparing remuneration levels;
- Developing appropriate HR Policies for the RAF;
- Monitoring the implementation of the RAF's HC Strategy, Employment Equity ("EE") Policy and Skills Development Plan; and
- Overseeing the preparation and recommending to the Board the Remuneration Report, to be included in the Integrated Report, with specific reference to accuracy, completeness and transparency. The Committee is required to ensure that the report provides a clear explanation of how the Remuneration Policy has been implemented.

2.4.6.3 Transformation Committee

Transformation Committee Members (Board)	Role
JN Masekoameng	Chairperson
V Mahlangu	Member
T Moyo	Member
LED Hlatshwayo	Member
NZ Qunta	Member
DK Smith	Member
T Tenza	DG's representative

The Transformation and Claims Committees were amalgamated on 26 July 2012 and replaced by the Operations Committee.

The Transformation Committee consisted of six Non-Executive Directors and the Director-General's representative. The CEO was an *ex officio* member of the Committee. The Chairperson was appointed by the Board and was an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary. Executives attended meetings of the Transformation Committee as and when required.

The functions of this Committee included, but were not limited to, the following:

- Providing strategic direction and overseeing the implementation of the New Operating Model ("NOM") as provided for in the RAF's organisational blueprint ("the diagnostic");
- Oversight of the implementation of change-management interventions;
- Financial monitoring of all transformation activities;
- Monitoring and evaluation of the implementation progress and effectiveness of the NOM in achieving organisational strategic objectives;
- Any other efforts that support transformation;
- Performing an ongoing cost-benefit analysis in order to ensure a return on investment in the NOM; and
- Providing assistance to the CEO in devising strategies that will ensure efficient and cost-effective service delivery and streamlining of activities under the NOM.

2.4.6.4 Claims Committee

Claims Committee Members (Board)	Role
DK Smith	Chairperson
V Mahlangu	Member
JN Masekoameng	Member
DS Qocha	Member
A Steyn	Member
T Tenza	DG's representative

The Transformation and Claims Committees were amalgamated on 26 July 2012 and replaced by the Operations Committee. The Claims Committee consisted of five Non-Executive Directors and the Director-General's representative. The CEO was an *ex officio* member of the Committee. The Chairperson was appointed by the Board and was an independent Non-Executive Director. The Committee meets four times a year, or as often as necessary. The Chief Operations Officer ("COO") and other Executives attended meetings of the Claims Committee as and when required.

The functions of the Committee included, but were not limited to, the following:

- The setting up of appropriate policies and procedures relating to all aspects of claims administration;
- Approving strategies relating to the streamlining of activities in the claims operations environment and improvement of service delivery;
- Monitoring the performance of the claims operations of the RAF;
- Monitoring settlement of claims in excess of R5 million;
- Recommending the valuation of the outstanding claims liability to the Board for approval; and
- Overseeing the legislative amendments pertaining to the RAF Act.

2.4.6.5 Operations Committee

Operations Committee Members (Board)	Role
JN Masekoameng	Chairperson
V Mahlangu	Member
DK Smith	Member
A Steyn	Member
DS Qocha	Member
T Tenza	DG's representative

The Operations Committee consists of five Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets twice a year, or as often as necessary. The COO and other Executives attend meetings of the Operations Committee as and when required.

The functions of this Committee include, but are not limited to, the following:

- The setting up of appropriate policies and procedures relating to all aspects of claims administration;
- Approving strategies relating to the streamlining of activities in the claims operations environment and improvement of service delivery;
- Monitoring the performance of the claims operations of the RAF;

- Monitoring settlement of claims in excess of R20 million; and
- Overseeing legislative amendments pertaining to the RAF Act.

2.4.6.6 Risk Management and Ethics Committee

Risk Management and Ethics Committee Members (Board)	Role
T Moyo	Chairperson
JN Masekoameng	Member
DS Qocha	Member
A Steyn	Member
MJ Ralefatane	Member
LED Hlatshwayo	Member
T Tenza	DG's representative

The Board of the RAF has an established Risk Management and Ethics Committee in compliance with the PFMA, as well as the Treasury Regulations issued in terms of the PFMA. The Committee consists of six Non-Executive Directors appointed by the Board and the Director-General's representative. The Chairperson is an independent Non-Executive Director of the Board. The CEO is an *ex officio* member of the Committee. The Committee Chairperson has the requisite business, financial and leadership skills. This Committee meets at least twice a year, but may meet more frequently when necessary. The Committee may invite the Chairperson of the Board, the CFO, or any other person to attend meetings.

Risk management remains an integral part of RAF operations. The Risk Management and Ethics Committee is satisfied that during the 2013 financial year, the risks were managed adequately by the Board and that sufficient monitoring, reporting and controls exist to ensure that risks are effectively managed.

The roles and responsibilities of the Risk Management and Ethics Committee include:

- Ensuring that the RAF has implemented an effective policy and plan for risk management that will enhance the RAF's ability to achieve its strategic objectives;
- Ensuring that disclosure regarding risk is comprehensive, timely and relevant;
- Overseeing the development and annual review of a policy and plan for risk management to recommend to the Board for approval;
- Monitoring implementation of the Risk Management Policy and Plan by means of risk management systems and processes;
- Ensuring that the Risk Management Plan is widely disseminated throughout the organisation and integrated in the day-to-day activities of the RAF;
- Monitoring the quality, integrity and reliability of the organisation's Risk Management Framework;
- Reviewing and assessing that the integrity of risk control systems and strategies are in place and are effectively managed;
- Making recommendations to the Board concerning the levels of tolerance and appetite, as approved by the Board;
- Ensuring that risk management assessments are performed on a continuous basis;
- Ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensuring that Management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring by Management takes place; and
- Monitoring external developments relating to the practice of corporate risk accountability and the reporting of specifically associated risks, including emerging external risk trends and their impact on the RAF.

In line with King III, the Risk and Ethics Committee reviews its mandate on a regular basis to ensure its responsibilities are adequately addressed.

The Committee ensures that its processes assist Management to consider all risk areas in any decisions or recommendations made to the Board, and ensures that subsequent risks that may arise from time to time are considered and reviewed. In addition, the Committee:

- Reviews the reinsurance protection of the RAF, including type of cover, limits and deductibles, and ensures that the Board is apprised of uninsured and uninsurable risks;
- Together with the RAF's Legal and Compliance Services, reviews any legal matters that could have a significant impact on the organisation's business and monitors the decision-making processes within the RAF;
- Reviews information to be provided in the Integrated Annual Report of the organisation related to risk management and makes recommendations to the Board to ensure that the disclosure regarding risk is comprehensive, timely and relevant;
- In carrying out its responsibilities under these terms of reference and via the co-ordinating official, is authorised to investigate any activity within its terms of reference and may, as and when required, obtain independent professional and legal advice, or appoint any advisers or consultants to assist in executing its duties;
- Ensures that all decisions support and promote the RAF's Risk Management Strategy;
- Conducts a self-assessment of its performance and effectiveness at least once a year and evaluates the performance of the Chief Strategy Officer;
- Liaises closely with the Audit Committee to exchange information relevant to risk;
- Provides a formal opinion to the Board on the effectiveness of the risk management system and processes; and
- Reviews reporting pertaining to risk management to be included in the Integrated Annual Report with regard to relevance, comprehensiveness and timeliness.

A Risk Management Policy and Risk Management Framework have been approved and are supported by strong risk management methodologies overseen by the Risk Management Committee. The Chief Strategy Officer oversees the operational aspects of risk management within the RAF.

On an annual basis, the Board undertakes a risk assessment whereby the top risks of the organisation are identified. A full Risk Strategy is then developed to address the identified risks. The top six risks identified by the Board are as follows:

- Financial management;
- People management;
- Fraud and corruption;
- Regulatory framework;
- Service delivery; and
- Stakeholder pressure.

Details on these risks and the systems put in place by the RAF to manage the risks are disclosed in Section 3 of this report.

2.4.6.7 Chairperson's Committee

The Chairperson's Committee is an ad hoc Committee that meets as and when required by the Board to deal, among other issues, with matters of emergency that cannot be dealt with through special Board meetings. Three meetings were held during the year under review.

Chairperson's Committee Members (Board)	Role
NM Bhengu	Chairperson
V Mahlangu	Vice-Chairperson
LED Hlatshwayo	Chairperson – Audit Committee
DS Qocha	Chairperson – Remuneration and Human Resources Committee
T Moyo	Chairperson – Risk Management Committee
JN Masekoameng	Chairperson – Operations Committee
NZ Qunta	Chairperson – IT Committee

2.4.6.8 IT Committee

IT Committee Members (Board)	Role
NZ Qunta	Chairperson
V Mahlangu	Member
T Moyo	Member
LED Hlatshwayo	Member
T Tenza	DG's representative

The Board of the RAF established an Information Technology ("IT") Committee on 26 July 2012. This Committee consists of four Non-Executive Directors and the Director-General's representative. The CEO is an *ex officio* member of the Committee. The Chairperson is appointed by the Board and is an independent Non-Executive Director. The Committee meets four times a year, or as often as necessary. Executives attend meetings of the Information Technology Committee as and when required.

The functions of this Committee include, but are not limited to, the following:

- Overseeing the cultivation and promotion of an ethical IT governance and management culture and awareness (measured through levels of governance, management skills and competencies) and of a common IT language;
- Providing the required leadership and direction to ensure that the RAF's IT function and infrastructure achieves, sustains and enhances the RAF's strategic objectives. IT governance should not be regarded as an isolated discipline, but as an integral part of overall corporate governance;
- Focusing on the governance of information as well as the governance of technology;
- Ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance thereof;
- Taking the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant and accessible IT reporting, firstly from Management to the Committee, and secondly by the Board in the Integrated Annual Report;
- Ensuring that IT is aligned with the performance and sustainability objectives of the RAF;
- Delegating to Management the responsibility for the implementation of an IT governance framework;
- Monitoring and evaluating significant IT investments and expenditure;
- Ensuring that IT forms an integral part of the RAF's risk management;
- Ensuring that information assets are managed effectively; and
- Ensuring that the Risk Management and Ethics Committee, as well as the Audit Committee, assist the Board in carrying out its IT responsibilities.

2.4.7 Attendance of Meetings

Board Attendance

Board Members	26 April 2012	27 July 2012	27 August 2012	13 September 2012	29 October 2012	28 November 2012	29 January 2013	Total of 7
NM Bhengu	✓	✓	✓	✓	✓	✓	✓	7
V Mahlangu	✓	✓	✓	✓	✓	✓	✓	7
JN Masekoameng	✓	✓	✓	✓	✓	✓	✓	7
T Moyo	✓	✓	✓	✓	✗	✓	✓	6
DS Qocha	✓	✓	✓	✗	✓	✓	✓	6
NZ Qunta	✓	✓	✓	✓	✓	✓	✓	7
MJ Ralefatane	✓	✓	✓	✗	✓	✗	✓	5
DK Smith	✓	✗	✓	✗	✓	✓	✓	5
A Steyn	✓	✓	✓	✓	✓	✓	✓	7
LED Hlatshwayo	✓	✓	✓	✓	✓	✓	✓	7
T Tenza	✓	✓	✓	✗	✓	✓	✓	6
CEO (*Ex officio*)	✓	✓	✓	✓	✓	✓	✓	7

Board Attendance of Preparation and Special Meetings

Board Members	23 May 2012 (pre)	24 May 2012	6 July 2012	26 July 2012 (pre)	15 March 2013	Total of 5
NM Bhengu	✓	✗	✓	✓	✓	4
V Mahlangu	✓	✓	✓	✓	✓	5
JN Masekoameng	✓	✓	✓	✓	✓	5
T Moyo	✓	✓	✓	✓	✓	5
DS Qocha	✗	✓	✓	✓	✓	4
NZ Qunta	✓	✓	✓	✓	✓	5
MJ Ralefatane	✓	✗	✓	✓	✓	4
DK Smith	✗	✗	✓	✓	✗	2
A Steyn	✓	✓	✓	✓	✗	4
LED Hlatshwayo	✓	✓	✓	✓	✓	5
T Tenza	✗	✓	✓	✓	✓	4
CEO (*Ex officio*)	n/a	✓	n/a	✓	✓	3

* Apologies were tendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Audit Committee Attendance

Audit Committee Members	26 April 2012	24 May 2012	27 July 2012	25 October 2012	25 January 2013	Total of 5
LED Hlatshwayo (Chairperson)	✓	✓	✓	✓	✓	5
T Moyo	✓	✓	✓	✓	✓	5
MJ Ralefetane	✓	✗	✓	✗	✗	2
JN Masekoameng	✓	✓	✓	✓	✓	5
NZ Qunta	✓	✓	✓	✓	✓	5
DS Qocha (Until 26 July 2012)	✗	✓	n/a	n/a	n/a	1
DK Smith	✓	✗	✓	✓	✓	4
T Tenza (DG's representative)	✓	✓	✗	✗	✗	2
CEO (*Ex officio*)	✓	✓	✓	✓	✓	5

Remuneration and Human Resources Committee Attendance

REMCO Members	24 April 2012	27 June 2012	18 July 2012	26 July 2012	22 August 2012	26 September 2012	29 October 2012	14 February 2013	Total of 8
NZ Qunta (As from 26 July 2012)	n/a	✓	✓	✗	✗	✓	✓	✗	4
MJ Ralefetane (Chairman until 31 July 2012)	✓	✓	✓	✗	✗	✓	✓	✓	6
DS Qocha (Chairman as of 1 August 2012)	✗	✓	✓	✓	✓	✓	✓	✓	7
T Moyo	✓	✓	✓	✓	✓	✓	✓	✓	8
V Mahlangu	✓	✓	✓	✓	✓	✓	✓	✓	8
A Steyn	✓	✓	✗	✓	✓	✓	✓	✓	7
T Tenza (DG's Representative)	✓	✗	✗	✗	✗	✓	✗	✗	2
CEO (*Ex officio*)	✓	✓	✓	✓	✓	✓	✓	✓	8

Transformation Committee Attendance

Transcom Members	19 April 2012	Total of 1
JN Masekoameng	✓	1
V Mahlangu	✓	1
T Moyo	✓	1
LED Hlatshwayo	✓	1
NZ Qunta	✓	1
DK Smith	✗	0
T Tenza (DG's Representative)	✓	1
CEO (*Ex officio*)	✓	1

* Apologies were tendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Claims Committee Attendance

Claims Committee Members	8 June 2012	Total of 1
DK Smith (Chairperson)	✓	1
V Mahlangu	✓	1
JN Masekoameng	✓	1
DS Qocha	✓	1
A Steyn	✓	1
T Tenza (DG's representative)	✓	1
CEO (*Ex officio*)	✓	1

Operations Committee Attendance

Operations Committee Members	7 November 2012	26 February 2013	Total of 2
JN Masekoameng	✓	✓	2
V Mahlangu	✓	✓	2
DK Smith	✓	✓	2
A Steyn	✓	✓	2
DS Qocha	✗	✓	1
T Tenza (DG's Representative)	✓	✗	1
CEO (*Ex officio*)	✓	✓	2

Risk Management and Ethics Committee Attendance

Risk Management and Ethics Committee Members	14 June 2012	27 September 2012	18 January 2013	19 March 2013	Total of 4
T Moyo	✓	✓	✓	✓	4
J Masekoameng	✓	✓	✓	✓	4
DS Qocha	✓	✓	✗	✓	3
A Steyn	✓	✓	✓	✓	4
MJ Ralefatane	✓	✓	✗	✓	3
LED Hlatshwayo	✓	✓	✓	✗	3
T Tenza (DG's representative)	✓	✓	✗	✓	3
CEO (*Ex officio*)	✓	✓	✓	✓	4

* Apologies were rendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

Chairperson's Committee Attendance

Chairpersons' Committee Members	12 September 2012	24 October 2012	28 January 2013	Total of 3
Dr NM Bhengu	✓	✓	✓	3
V Mahlangu	✓	✓	✓	3
LED Hlatshwayo	✓	✓	✓	3
JN Masekoameng	✓	✓	✓	3
T Moyo	✓	✓	✓	3
Adv DS Qocha	✓	✓	✓	3
NZ Qunta	✗	✓	✓	2

IT Committee Attendance

IT Committee Members	2 October 2012	15 November 2012	Total of 2
NZ Qunta	✓	✓	2
V Mahlangu	✓	✓	2
T Moyo	✓	✓	2
LED Hlatshwayo	✓	✗	1
T Tenza (DG's Representative)	✓	✗	1
CEO (*Ex officio*)	✓	✓	2

* Apologies were rendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

2.4.8 Remuneration of Directors

The Minister of Transport determines the remuneration of RAF Directors, taking cognisance of National Treasury guidelines, as well as the RAF's ability to attract and retain the leadership necessary for the turnaround of the organisation. National Treasury annually determines a cost of living increment.

Directors' as well as Executives' emoluments are set out in Note 30 of the Annual Financial Statements.

2.4.9 Performance Assessment

A formal evaluation of the Board, its Committees and the individual Directors was performed during the current financial year and the results thereof have been reported to the Shareholder.

2.4.10 Performance Agreement

The RAF concludes, on an annual basis, a Performance Agreement ("the Agreement") with its Executive Authority, the Minister of Transport. The Agreement documents the key performance indicators ("KPIs") to be attained by the RAF, as agreed between the Board and the Minister. The Agreement serves to promote and encourage good governance practices within the RAF by clarifying the respective roles and responsibilities of the Board and the Minister. The Agreement provides the Minister with a mechanism to direct the activities of the RAF in line with the national strategic objectives of government.

The performance objectives agreed with the Minister for the current financial year are reflected on pages 129 to 141.

The RAF's performance against these objectives was audited by the Auditor-General of South Africa, whose report is contained on pages 144 and 145.

2.4.11 The Public Finance Management Act, 1999

The PFMA provides strong guidance to public entities on good corporate governance. The Board developed a dedicated capacity to ensure compliance with the PFMA. The responsibilities of the Board, as defined in section 51 of the PFMA, include taking appropriate action to ensure:

- Effective, efficient and transparent systems of financial and risk management and internal control;
- That a system is maintained for properly evaluating all major capital projects prior to a final decision on each project;
- The implementation of appropriate and effective measures to prevent unauthorised, irregular or fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal conduct;
- That all revenues due to the RAF are collected;
- The economical and efficient management of available working capital; and
- The definition of objectives and the allocation of resources in an economical, efficient, effective and transparent manner.

2.4.12 Code of Conduct and Ethical Standards

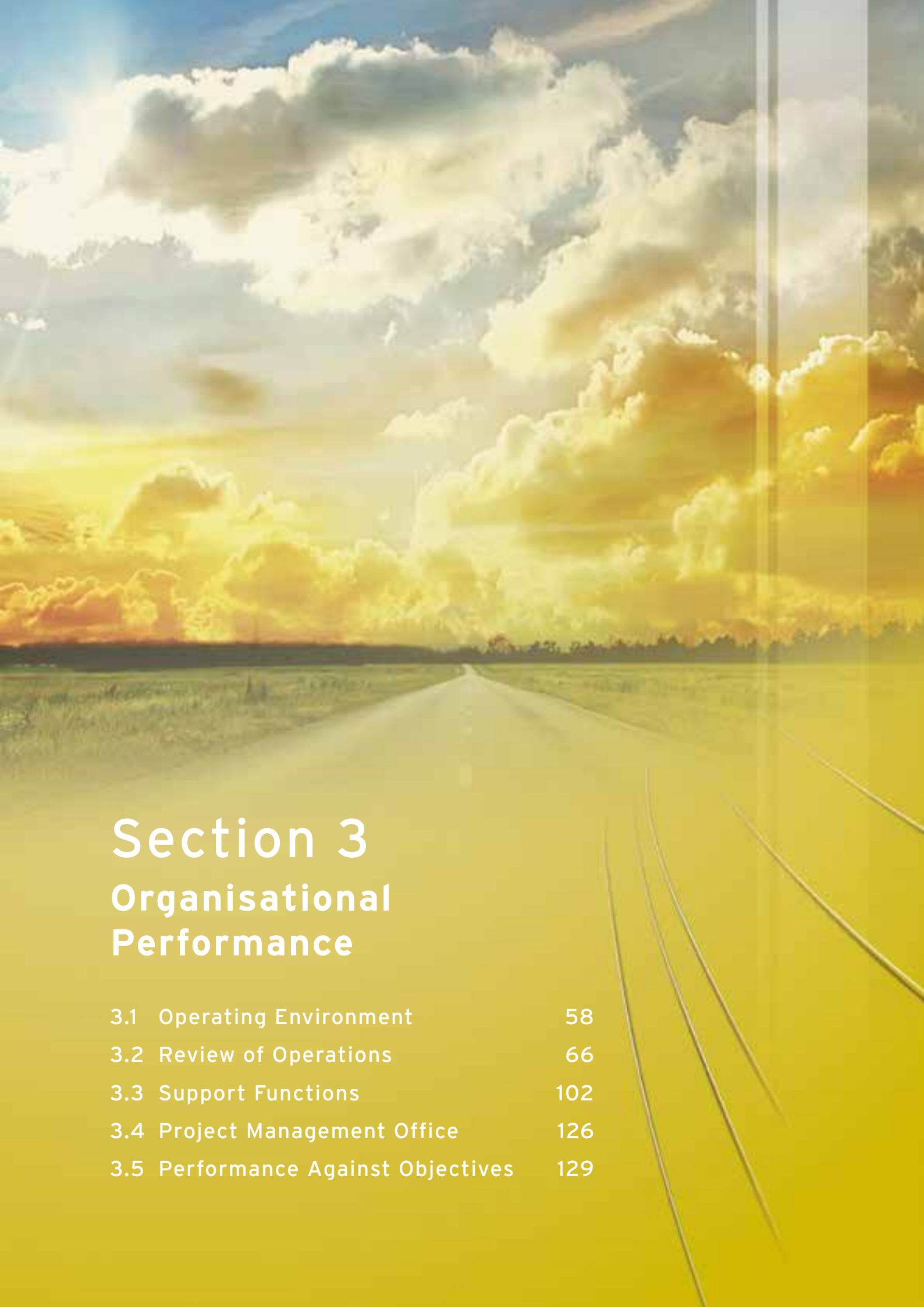
The responsibility of building and sustaining an ethical corporate culture is shared equally by the Board and Management.

An approved Code of Conduct, which should be read in conjunction with the Conflict of Interest Policy, defines the RAF's organisational values and requires adherence by Directors, employees and contractors to the RAF in accordance with the ethics prescribed in these documents. The purpose of the Code of Conduct and the Conflict of Interest Policy is to set ethical standards and values applicable to all Directors, employees and contractors of the RAF. These documents are intended to assist in fostering adherence to the highest ethical standards within the RAF and to clarify issues, policies and protocols relating to fraud, corruption and unacceptable conduct.

The Board has established effective procedures in terms of the Code of Conduct and Conflict of Interest Policy to enable the Board and Management to manage and address issues related to the declaration and management of conflict of interests pertaining to financial and business interests, recruitment and selection, procurement, as well as dealings with stakeholders. Related matters dealt with include the use of the organisation's assets, protection of confidentiality and obligations of Management and the Board.

The Code of Conduct prescribes the mechanisms in place to deal with deviant behaviour.

The Audit Committee receives and deals with any concerns or complaints, whether from within or outside the RAF, relating to the accounting practices and internal audit of the RAF, the content or auditing of the RAF's Financial Statements, the internal financial controls and related matters.



Section 3

Organisational Performance

ORGANISATIONAL PERFORMANCE

3.1 Operating Environment

3.1.1 Legal Framework

The RAF was established by section 2 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996) ("RAF Act").

On 1 August 2008, the Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005) ("Amendment Act") came into force. The Amendment Act repealed discriminatory provisions pertaining to passenger claims and introduced limitations on the compensation paid to claimants in order to improve the financial sustainability of the RAF.

The constitutionality of section 18 of the RAF Act, the R25,000 passenger limitation section, was challenged soon after the promulgation of the Amendment Act by a number of claimants whose claims were limited under the RAF Act. The Constitutional Court on 17 February 2011 ordered that sections 18(1)(a)(i), 18(1)(b) and 18(2) of the RAF Act are inconsistent with the Constitution and invalid. The declaration of invalidity was, however, suspended to enable parliament to remedy the defect.

Parliament remedied the defect through the promulgation of the Road Accident Fund (Transitional Provisions) Act, 2012 (Act No. 15 of 2012) ("Transitional Act"), which came into effect on 13 February 2013. Claimants whose claims arose under the RAF Act, prior to it being amended by the Amendment Act, and whose claims are limited by the R25,000 passenger limitation section, whose claims have not prescribed or been finally determined by settlement or Court order, have an election under the Transitional Act to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

The RAF currently administers claims under three different frameworks, the RAF Act, the Amendment Act and the Transitional Act. The central goals of the RAF, namely service delivery in terms of its mandate, the optimisation of its business and ultimately the sustainability of the RAF, rely significantly on the legislative environment in which the organisation operates. The current legislative environment hinders rather than enables the RAF in the attainment of this vision, since it is based on fault and insurance principles. Achieving operational efficiency and effectiveness in a system that is complex, encourages litigation and focuses on the cause of the accident rather than the immediate medical and financial needs of victims, is challenging.

On 8 February 2013, the DoT published the Road Accident Fund Benefit Scheme Bill 2013 ("Bill") for comment. The Bill is aimed at providing for a new, effective, no-fault benefit scheme and new administrator, the Road Accident Benefit Scheme Administrator ("RABSA"), to replace the current RAF and the fault-based compensation system administered by it.

Under the new scheme, it will no longer be a requirement to prove fault. Accident victims will qualify for benefits regardless of who caused the accident and benefits will also not be reduced based on the accidents victim's contributory negligence. Defined benefits will be provided for healthcare services, income support benefits, family support benefits, and funeral benefits. Claims processes will be simplified and disputes will be managed through an internal dispute resolutions process.

The Bill provides for transitional provisions that will see the RAF's assets, liabilities, rights and obligations taken over by RABSA. This will include the rights of all accident victims whose claims arose before the new no-fault scheme comes into operation, whose claims will be administered by RABSA, no longer the RAF, in accordance with the fault-based compensation system that underlies the RAF Act, the Amendment Act and the Transitional Act.

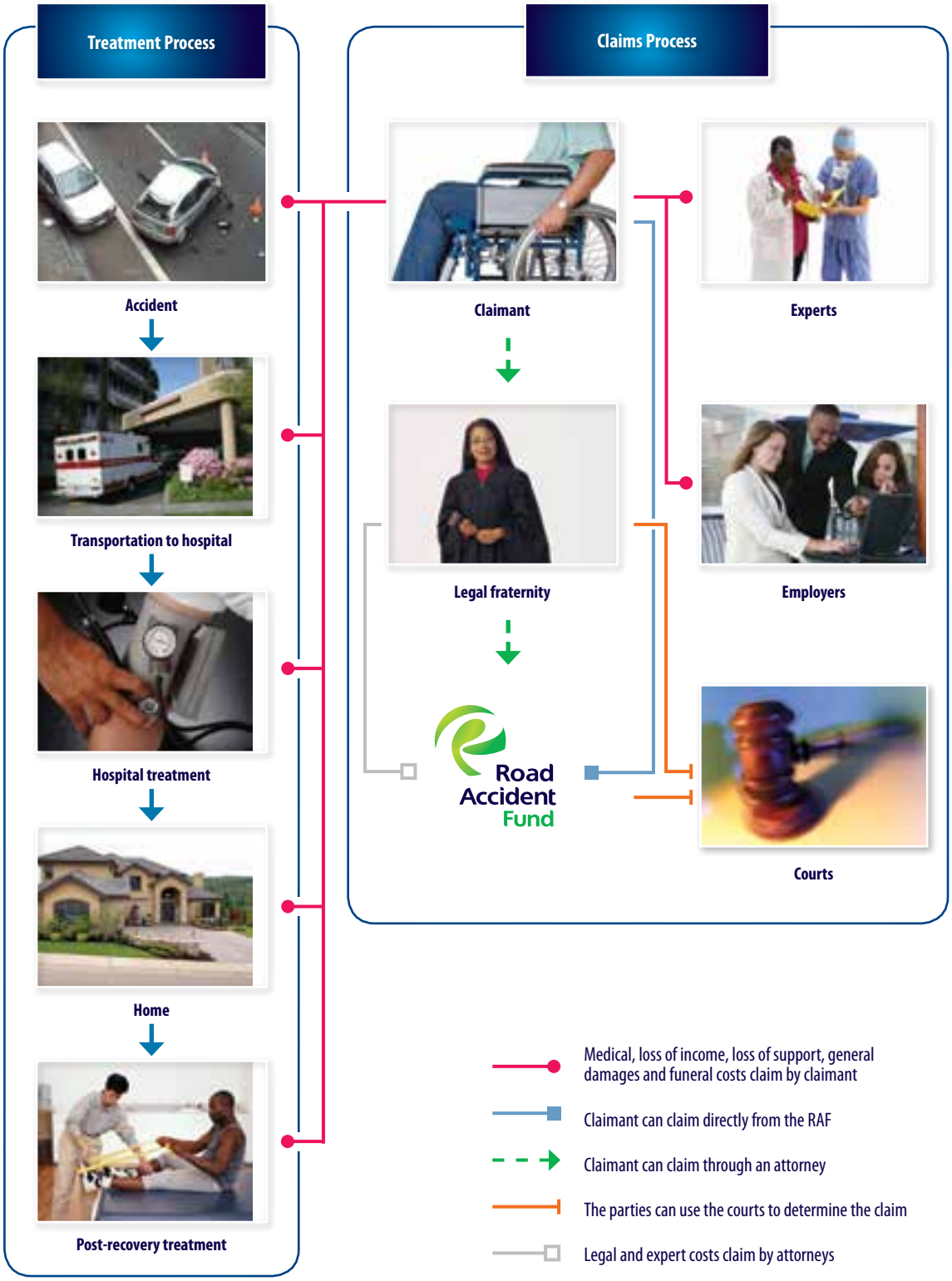


Figure 3.1 – RAF operating environment

3.1.1.1 Legal Mandate

The RAF is responsible for providing appropriate cover to all road users within the borders of South Africa and, in a timely and caring manner, to rehabilitate and compensate persons injured as a result of the negligent driving of motor vehicles. Section 3 of the RAF Act stipulates that "The object of the Fund shall be the payment of compensation in accordance with this Act for loss or damage wrongfully caused by the driving of a motor vehicle". The client base of the RAF therefore comprises not only the South African public, but all foreigners within the borders of the country. The RAF provides two types of cover, namely personal insurance cover to accident victims or their families, and indemnity cover to wrongdoers.

3.1.2 Liability of the RAF

3.1.2.1 Fault-based System

The system of compensation managed by the RAF in terms of the RAF Act, the RAF Amendment Act and the Transitional Act is based on the requirement of fault. The RAF is only obliged to pay compensation if an injury or death is due to the negligent or other wrongful act of the driver or owner of a motor vehicle, or his or her employee in the performance of their duties as employees.

In establishing fault, the common law rules of delict, as developed and interpreted by the courts, are applied.

The effect of the system being fault-based is that in order for a claimant to succeed with a claim against the RAF, it must be established that the damage or loss suffered did not result from, or solely result from, the claimant's own negligence or other wrongful act or omission. If the claimant was not negligent in causing the collision, the RAF is liable for paying the fully agreed or proven damages. If the claimant was solely to blame for the collision, no claim can be made against the RAF.

Inherent in the fault-based system are numerous difficulties, including long delays in accessing compensation, high delivery costs and burdensome complexities. Appreciative of the fact that the current fault-based system does not meet the needs of victims of road traffic accidents, government is committed to establish the new no-fault benefit scheme administrated by RABSA, to replace the current fault-based compensation system administered by the RAF.

3.1.2.2 Compensation only for Bodily Injury

The RAF is liable only to pay compensation for loss or damage suffered as a result of bodily injury or death. The effect of this is that the RAF does not pay for any loss or damage to property (such as damage to motor vehicles, goods conveyed in a vehicle, etc.).

3.1.2.3 Accidents within South African Borders

The RAF is liable for loss or damage caused by the negligent or unlawful driving of a motor vehicle at any place within the Republic of South Africa.

3.1.2.4 Losses and Damages Compensated

The compensation paid by the RAF is determined by the RAF Act, the RAF Amendment Act and the Transitional Act, and is based on the common law of delict. Damages paid by the RAF are categorised as special damages and general damages. Special damages are paid for pecuniary losses that have been, or will be suffered, and include:

- Past and future hospital, medical and related expenses;
- Past and future loss of earnings;
- Past and future loss of support; and
- Funeral expenses.

General damages (non-pecuniary losses) are paid as compensation for loss of amenities of life, pain and suffering, disability and disfigurement to persons who have suffered bodily injury in a motor vehicle accident. The extent of liability of the RAF differs in terms of the provisions of the RAF Act, the Amendment Act and the Transitional Act.

3.1.2.5 Apportionment of Damages

As the RAF Act, Amendment Act and the Transitional Act provide for a fault-based system of compensation, the amount of damages recoverable by a claimant is reduced by the extent to which the claimant's own fault contributed to his or her damages. This is calculated through the application of section 1 and 2 of the Apportionment of Damages Act, 1956 (Act No. 34 of 1956).

The effect is that if a claimant was partly to blame, then the RAF will not be liable for the percentage of damage representing the claimant's own negligence.

3.1.2.6 Liability for Legal Expenses

In terms of the RAF Act, claimants who are paid compensation by the RAF are entitled to have their legal fees (on a party-and-party basis) paid for by the RAF. However, this provision has been deleted in the Amendment Act. The effect is that in claims to which the Amendment Act and the transitional arrangements of the Transitional Act are applicable, the normal rules relating to the award of legal costs in litigated matters apply.

3.1.2.6.1 Exclusions of Liability

3.1.2.6.1.1 Exclusion of liability in terms of the RAF Act (accidents that occurred prior to 1 August 2008)

The liability of the RAF for loss or damage is excluded in specific instances provided for in terms of section 19 of the RAF Act. In respect of claims governed by the RAF Act, namely claims arising from accidents that occurred before 1 August 2008, liability is excluded in circumstances where:

a) The person who suffered the loss or damage (defined in the Act as the "third party") cannot hold the wrongdoer (usually the driver) liable for the damages at common law;
b) A paying motorcycle passenger is injured or killed by the exclusive negligence of the driver of the motorcycle;
c) A person is a member of the same household as the driver of the motor vehicle in which such person was conveyed, and the collision resulted solely from the negligence or unlawful act of such driver;
d) A person was a passenger in a motor vehicle and was responsible for the maintenance of the driver of such motor vehicle and the collision resulted solely from the negligence or unlawful act of such driver;
e) A third party does not institute a third party claim against the RAF personally or through an admitted and practising attorney or other authorised official;
f) A third party enters into an agreement with any person other than an admitted and practising attorney or other authorised official in terms of which such a person receives a portion of the compensation recovered, or any amount for services rendered in respect of a third party claim;
g) A third party unreasonably refuses or fails to submit to a medical examination by a medical practitioner appointed by the RAF on request of the RAF and at its cost; and
h) A third party refuses or fails to:
   (i) Submit to the RAF (at the latter's cost) copies of all relevant medical reports in their possession;
   (ii) Allow inspection of their medical records held by a medical practitioner or a hospital;
   (iii) Submit an affidavit setting out full particulars of the accident together with a claim form; and
   (iv) Supply, within a reasonable time from obtaining possession thereof, copies of all relevant statements and documents in respect of the collision.

3.1.2.6.1.2 Exclusion of liability in terms of the Amendment Act (accidents that occurred on or after 1 August 2008)

Section 19 of the Amendment Act continues to provide that liability is excluded in the instances referred to in sub-paragraphs (a), (e), (f), (g) and (h) above. However, the Amendment Act does not provide for the liability of the RAF to be excluded in circumstances referred to in sub-paragraphs (b), (c) and (d) above. The effect of this is that the RAF will be liable on the same principles applicable to other claimants if a person is injured or killed on or after 1 August 2008 and at the time of the accident such person was:

a) A paying motorcycle passenger injured or killed by the exclusive negligence of the driver of the motorcycle;

b) A member of the same household as the driver of the motor vehicle in which such person was conveyed and the collision resulted solely from the negligence or unlawful act of such driver;
c) A passenger in a motor vehicle who is responsible for the maintenance of the driver of such motor vehicle and the collision resulted solely from the negligence or unlawful act of such driver.

The Amendment Act brought into being one further instance where the RAF's liability is excluded, namely where the loss or damage results from secondary emotional shock. The effect of this is that where an accident occurs after 31 July 2008 and a person suffers shock as result of witnessing or hearing of such accident and the person suffers losses consequent to the shock, the RAF will not be liable for these losses. However, a person who suffers loss as a result of secondary emotional shock will have the right to claim such loss from the wrongdoer in terms of the common law.

3.1.2.7 Limitation of Liability

3.1.2.7.1 Limitation of liability in terms of the RAF Act (accidents that occurred prior to 1 August 2008)

In terms of section 18 of the RAF Act, the liability of the RAF is limited, in certain instances, in respect of accidents which occurred before 1 August 2008.

In respect of certain specified categories of passengers or the dependants of those passengers in the case of the death of the passenger, the liability of the RAF is limited in respect of both the amount recoverable and the damages sought to be indemnified, depending on the category into which the particular passenger falls.

The limitation only becomes operative where the injury or death is caused by the sole negligence of the driver of the vehicle in which the passenger was conveyed.

In respect of passengers conveyed in vehicles under the following prescribed circumstances:

- Passengers for reward (section 18(1)(a)(i));
- Passengers conveyed in the course of the lawful business of the owner of that motor vehicle (section 18(1)(a)(ii));
- Passengers conveyed in the course of their employment where they are not covered by the Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993) ("COIDA") (section 18(1)(a)(iii)); and
- Lift club passengers (section 18(1)(a)(iv)), the liability of the RAF is limited to an amount of R25,000 in respect of both general and special damages.

The liability of the RAF in respect of claims of all other passengers (social passengers, such as friends) is limited to R25,000 in respect of special damages only (section 18(1)(b)). These passengers are not entitled to general damages.

Claimants whose claims arose under the RAF Act and whose claims are limited in terms of section 18, and whose claims have not prescribed or been finally determined by settlement or court order, have an election under the Transitional Act to have their claim determined under the RAF Act (prior to its amendment by the Amendment Act), or to have the claim determined in accordance with a transitional regime provided for in the Transitional Act.

Funeral expenses

Section 18 of the RAF Act limits the liability of the RAF for funeral expenses, with the RAF only being liable to pay the necessary actual costs related to cremation or interment.

Reduction of liability

In terms of section 18 of the RAF Act, the RAF may deduct from its liability amounts that claimants are entitled to under certain other specified legislation. In this regard, the RAF is entitled to reduce its liability in the following circumstances:

- Passengers who are employees injured or killed in the course of their employment and who are covered by COIDA. In terms of the RAF Act, the monetary amount for which the RAF is liable is limited to the amount which the claimant could have claimed but for section 18 of the Act or R25,000, whichever is the lesser, minus any compensation to which the claimant is entitled under COIDA.

- Members of the South African National Defence Force ("SANDF") who have claims against the Minister of Defence in terms of the Defence Act, 2002 (Act No. 42 of 2002) ("Defence Act"). This refers to members of the SANDF who are, at the time of the accident, rendering a military service or undergoing military training in terms of the Defence Act or any other Act governing the SANDF.

The claimant's common law damages suffered as a result of the accident are reduced by the RAF in the sum that such a claimant is entitled to under the Defence Act (section 18(2)).

3.1.2.7.2 Limitation of liability in terms of the Amendment Act (accidents that occurred on or after 1 August 2008)

Limitation on passenger claims removed

The inequitable and discriminatory provisions in the RAF Act that provided for the RAF's liability to be limited to R25,000 where a person is injured or killed while a passenger in a vehicle that was solely to blame for the accident, was removed in terms of the Amendment Act. The effect of this is that the RAF is liable on the same principles applicable to all other claimants if a person is injured or killed on or after 1 August 2008, and at the time of the accident such person was a passenger in the vehicle that was solely to blame for the accident.

Funeral expenses

The limitation of the RAF's liability to pay only the necessary actual costs of cremation or interment remains in the Amendment Act.

Reduction of liability

The Amendment Act retained the provision that the RAF may deduct payments received by third parties in terms of COIDA and the Defence Act.

Additional limitations in the RAF Amendment Act

The removal of the limitation on passenger claims served to increase the liability of the RAF. So as to ensure the sustainability of the system, it was necessary for new limitations on the RAF's liability to be introduced in the Amendment Act. In respect of accidents occurring on or after 1 August 2008, the liability of the RAF is limited as follows:

1. With effect from 25 November 2010, in accordance with the Constitutional Court's order in the matter referred to above, until the Minister of Transport prescribes a new tariff, the RAF compensates the reasonable and necessary cost relating to non-emergency medical and related expenses;
2. Emergency medical treatment and related expenses are compensated in accordance with a prescribed RAF tariff;
3. Loss of income and support is now capped at a maximum of R160,000 per annum, irrespective of the actual loss. This cap is adjusted quarterly to counter the effect of inflation. The latest adjustment came into effect on 31 January 2013, adjusting the cap to R204,904 per annum; and
4. Payment of general damages is now limited only to instances where a serious injury has been sustained. In terms of the regulations to the RAF Amendment Act, an injury will be assessed as "serious" if the injury results in 30% or more impairment of the Whole Person as provided for in the American Medical Association Guides ("AMA Guides"). The Regulations further provide that such an injury may be assessed as serious if that injury:
   (i) Resulted in a serious long-term impairment or the loss of a body function;
   (ii) Constitutes permanent serious disfigurement;
   (iii) Resulted in severe long-term mental or severe long-term behavioural disturbance or disorder; or
   (iv) Resulted in the loss of a foetus.

Apart from being required to ensure the sustainability of the system, the introduction of new generally applicable limitations on the RAF's liability has gone some way towards addressing the systemic problems in the RAF Act, in that:

1. The inequity of the poor subsidising the rich has been partially addressed through the cap on loss of income and support and the medical tariffs;

2. The payment of general damages in instances only where a serious injury has been sustained limits wastages in the system and curtails abuse; and
3. By limiting liability for loss of income and support, the system is more reasonable and sustainable, as the risk of enormous claims by foreign road users has been removed.

3.1.2.8 Compliance Framework and Processes

Quarterly legislation reports, detailing changes in all applicable laws, rules, codes and standards that may impact on the operations of the RAF, are submitted to the Risk and Ethics Committee for review. The reporting function is performed by Legal and Compliance Services.

PFMA compliance is submitted to the Executive Authority and National Treasury on a quarterly basis. Other checklists relating to areas such as Employment Law are completed on a quarterly basis for internal control purposes.

3.1.2.8.1 Regulatory penalties, sanctions or fines

No fines, sanctions or penalties were imposed on the RAF or any of its Board Members or Officers during the financial year.

3.1.2.9 The Way Forward - Transformation of the System

The present system based on fault and insurance principles is not achieving the purpose for which it was created. Over the years, significant problems relating to equity, affordability and sustainability of the existing system have developed. Among the shortcomings of a fault-based compensatory system are:

- The high and spiralling cost structure;
- A focus on fault and cause of the accidents, rather than the immediate medical and financial needs of the road accident victims;
- Long settlement delays that prolong hardship and suffering; and
- The legal complexity and litigious environment in which it operates.

The publication of the RABS Bill for comment is a significant step towards providing for a new, effective, no-fault benefit scheme. The Bill proposes that the problem-riddled, fault-based compensation system will be replaced by a no-fault scheme.

3.1.3 Funding

The RAF obtains its funding from several sources as outlined below:

- Fuel Levy income
- Government grants, paid by National Treasury when there is a pressing need.
- Borrowings/loans, which are an allowed source of funding according to the RAF Act. This option has not been used to date.
- Investment income, acquired from invested funds that occasionally result when the RAF's operational capacity prevents it from paying out all its funds.

3.1.3.1 RAF Fuel Levy

The primary source of income for the RAF compensation scheme is a levy raised on fuel. The levy is measured in terms of cents per litre on petrol and diesel fuel sold in South Africa and forms part of the general fuel tax regulated by government. The Fuel Levy per litre is set by National Treasury on a yearly basis, whereas total fuel sales are influenced by a number of macroeconomic factors. On an annual basis, the RAF requests National Treasury for an increase in the RAF Fuel Levy, based on a financial model and a calculation of its costs during the coming year. The full extent of the RAF Fuel Levy requested is seldom granted. This is because National Treasury has historically set the levy on the basis of a pay-as-you-go principle rather than with the purpose of establishing a fully funded position for the RAF. During the 2012 financial year, the RAF Fuel Levy was set at 88 cents per litre.

The RAF is not involved in the collection of its Fuel Levy. The South African Revenue Service ("SARS") administers the collection of the Fuel Levy and pays it to the RAF, in accordance with provisions of the Customs and Excise Act, 1964 (Act No. 91 of 1964) and the RAF Act.

The two main variables that determine the income of the RAF are the volume of petrol and diesel sold per annum and the rate of the levy. The RAF Fuel Levy can be viewed as a compulsory contribution to social security benefits which is used only for the specific purposes as provided for in legislation. The RAF Fuel Levy collection process is depicted in the figure below.

Figure 3.2 – The RAF Fuel Levy collection process

3.1.3.2 Diesel Refund

A further influence on the RAF's Fuel Levy income is the concession provided by the Commissioner of SARS to certain sectors of the economy in respect of diesel. These concessions are granted on the basis of the level of off-road use by their vehicles, which make little or no use of the road network during their consumption of diesel.

The concessions have been granted as follows:

- Agriculture and Forestry 80%
- Onshore Mining 80%
- Fishing and Coastal Shipping 100%
- Offshore Mining 100%
- Rail Freight 100%
- Eskom 100%

Where a 100% concession exists, no cover by the RAF is granted. Where an 80% concession is made, the balance of 20% affords these users cover by the RAF in respect of their on-road vehicle use. This effectively reduces the RAF's Fuel Levy income by the amount of the refund.

3.1.4 Key Operating Environment Challenges

The effective functioning of the RAF is hampered by a number of factors. These factors can be divided into four categories, namely:

- Issues that are common to all delictual-based systems;
- Specific issues with the South African system;
- Environmental issues; and
- Internal challenges faced by the RAF.

The following diagram outlines these key challenges:

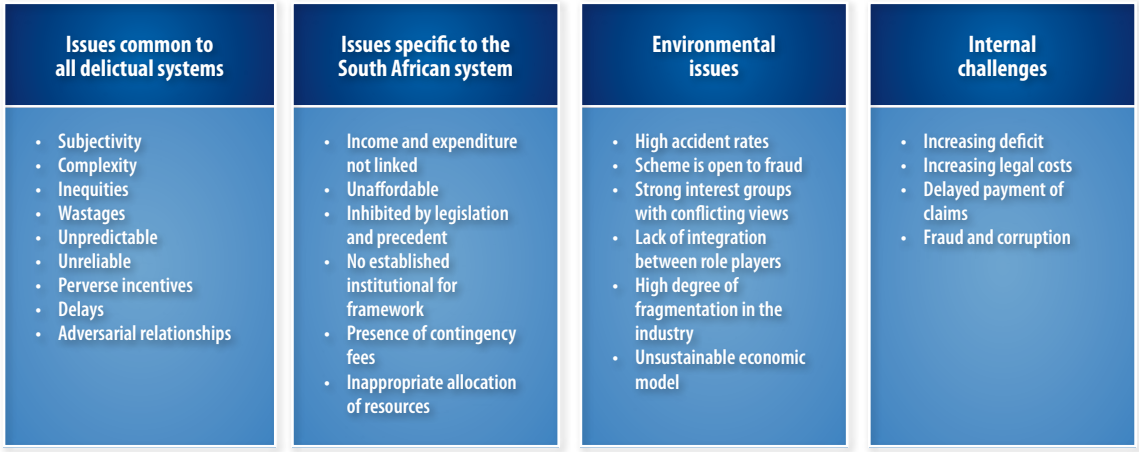


Figure 3.3 – Challenges faced by the RAF

3.2 Review of Operations

3.2.1 Financial Position

The RAF is affected by general economic conditions, and other environmental factors, and by the extent to which it manages its costs effectively. These factors are illustrated in the following figure.

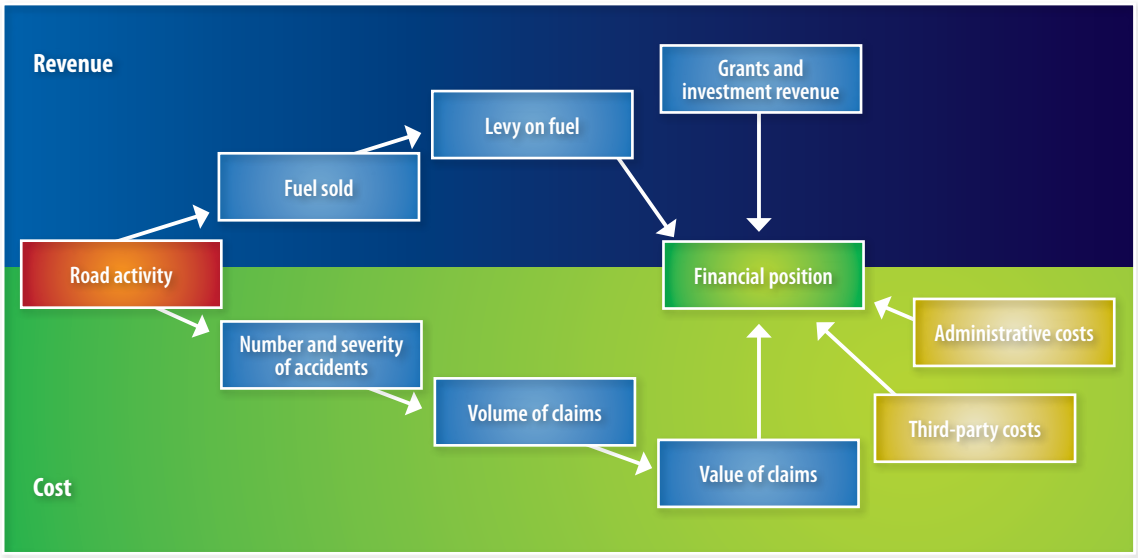


Figure 3.4 – Factors influencing the RAF's financial position

The nexus of all these factors is road activity in South Africa:

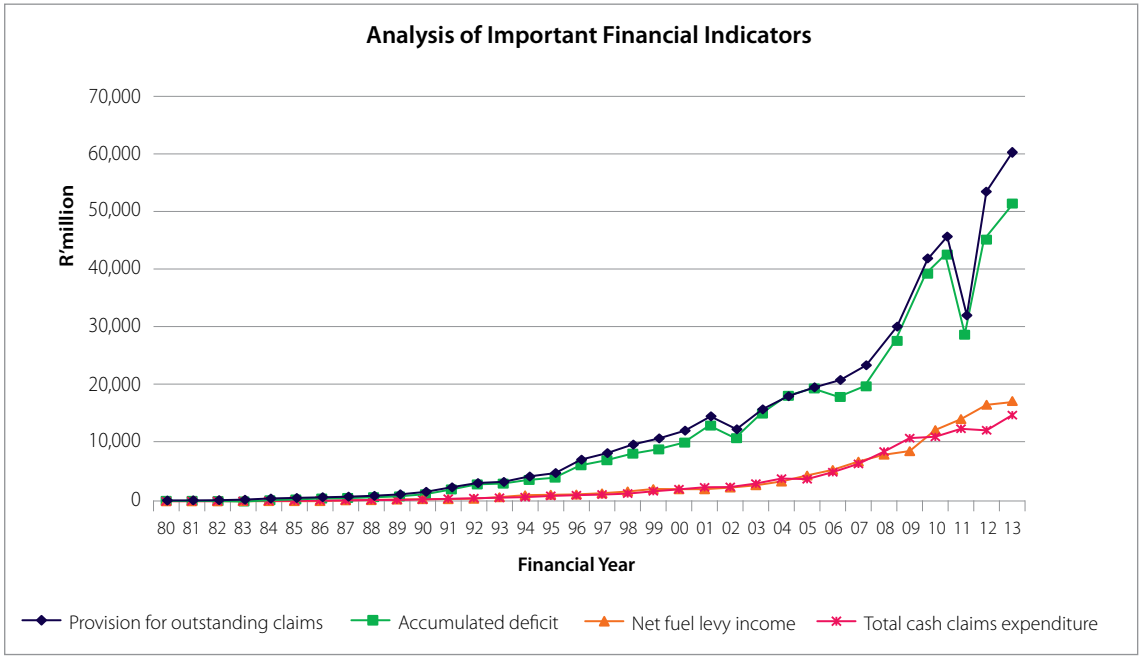
- The number of vehicles on the road influences the amount of fuel sold, which in turn affects the revenue granted to the RAF by National Treasury. This revenue comprises the Fuel Levy, together with ad hoc government grants and minor income from investments, to equal the RAF's total revenue; and
- The number of vehicles on the road also influences the number of accidents, although many other factors influence this statistic, particularly the relative severity of accidents. Volume and severity of accidents influence the volume and average value of claims made against the RAF. Claims, combined with the cost of third parties, such as attorneys and medical/legal experts, and the RAF's administration costs, equal the RAF's total costs.

3.2.2 Key Value Drivers

Figure 3.5 – Key value drivers of the RAF

Claims payments comprise the RAF's largest expense item. Liquidity is determined by the cash available after claims and other expenses have been paid out for a specific period. Liability is largely composed of outstanding claims that need to be settled, along with their associated costs.

Whilst the value drivers presented may appear conceptually simple, they are driven by multiple other factors. Claims expenditure is influenced, for example, by whether a customer chooses to claim directly or to be represented by an attorney; awards made by courts that determine precedent, the number of expert witnesses called and the time taken from date of accident to date of finalisation of the claim. As a consequence of these revenue and cost drivers, the gap between the RAF's deficit and its income, which has been growing over the last three decades, has grown exponentially in recent years as depicted in *Graph 3.1*.

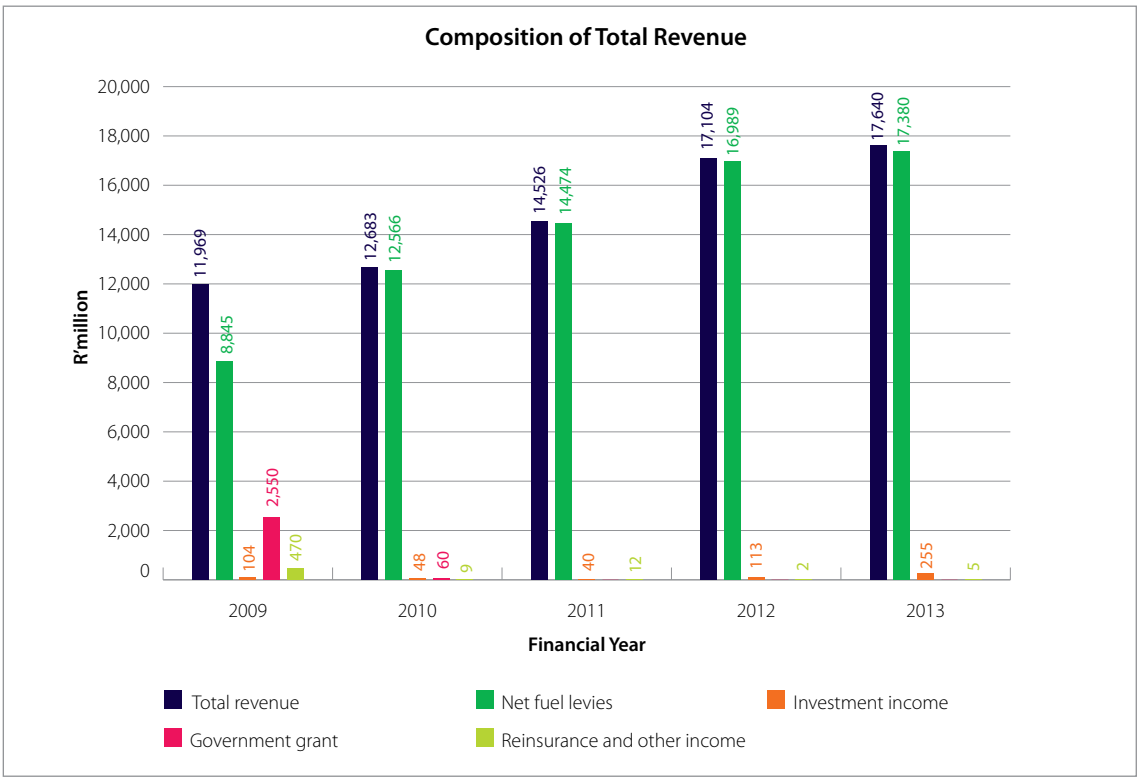


Graph 3.1 – The widening gap between income and deficit

3.2.3 Revenue

As indicated in *Graph 3.2* below, the total revenue of the RAF has increased over the years. For the period ending 31 March 2013, an increase of R0.536 billion (3%) in total revenue was recorded when compared to the corresponding period last year. This is attributable to the following primary factors:

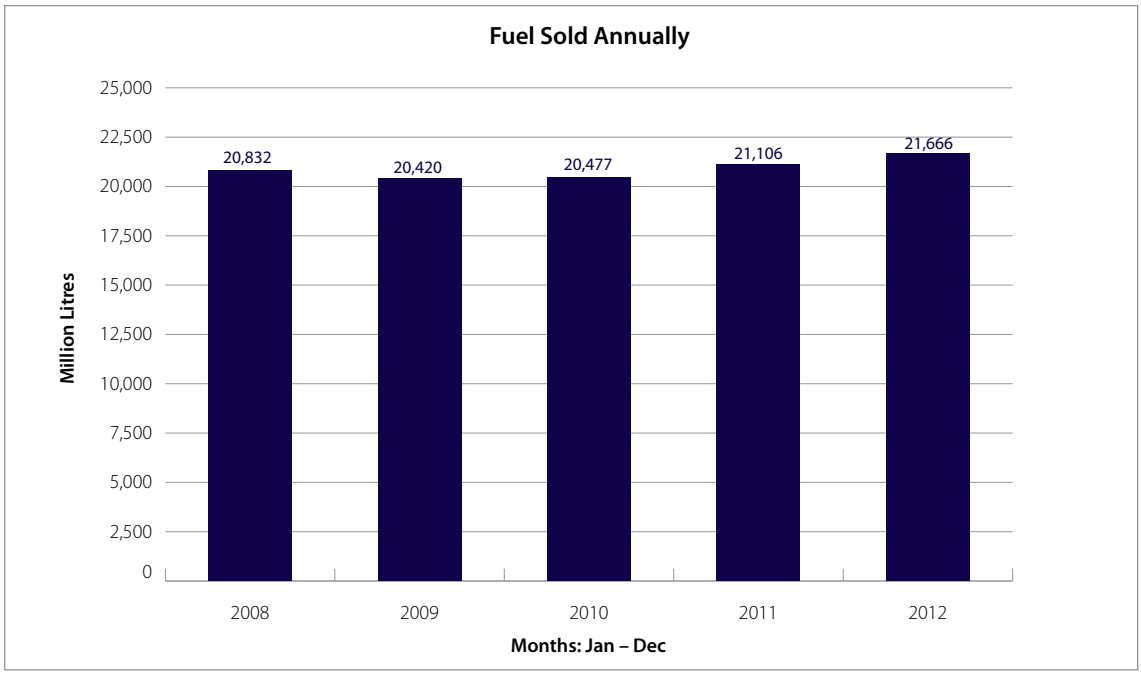
- The net RAF Fuel Levy increased by 2% to R17.4 billion (2011/12: R17 billion);
- Investment income increased by 126% to R255 million (2011/12: R113 million); and
- Reinsurance and other income increased by 150% to R5 million (2011/12: R2 million).



Graph 3.2 – The increase in revenue over the past five years

3.2.3.1 Fuel Levy

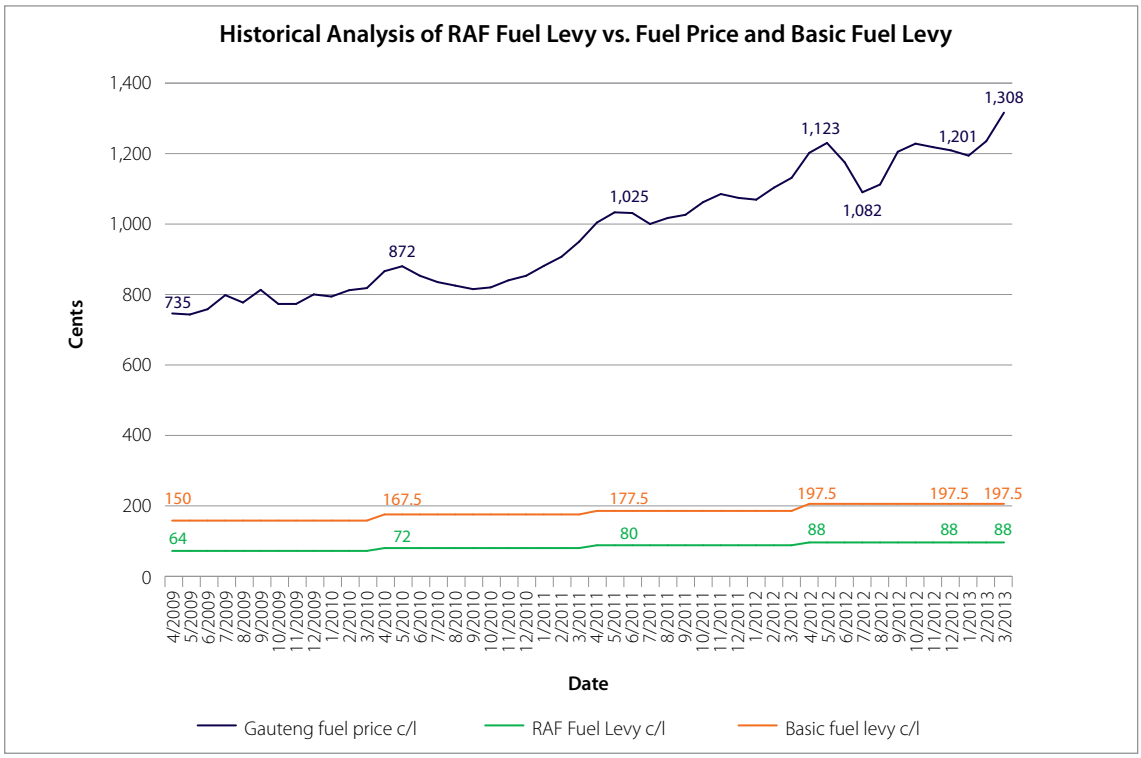
The growth in the RAF Fuel Levy income *(Graph 3.3)* arose primarily as a result of the 8 cents per litre increase, from 80c/l (2012) to 88c/l (2013), effective from the beginning of the financial year. The volume of total petrol and diesel usage in the country increased by 3% to 21.7 megalitres for the period January to December 2012 (Jan to Dec 2011: 21.1 megalitres) *(Graph 3.3)*.



Graph 3.3 – Growth in Fuel Levy income

Sources: Statistics on "All Fuel Sales: Petrol and Diesel" – Road Traffic Management Corporation ("RTMC");
Statistics on "Fuel Sales Volume SA: Petrol and Diesel" – Department of Energy ("DoE");
"Sales of Major Petroleum Products in South Africa" – South African Petroleum Industry Association ("SAPIA")

At these levels, the RAF Fuel Levy represents 7% of the total fuel price at the pump, which averaged more than 1,308 cents per litre in Gauteng for the year under review *(Graph 3.4 and Figure 3.6)*.



Graph 3.4 – RAF Fuel Levy vs. fuel price and basic fuel levy

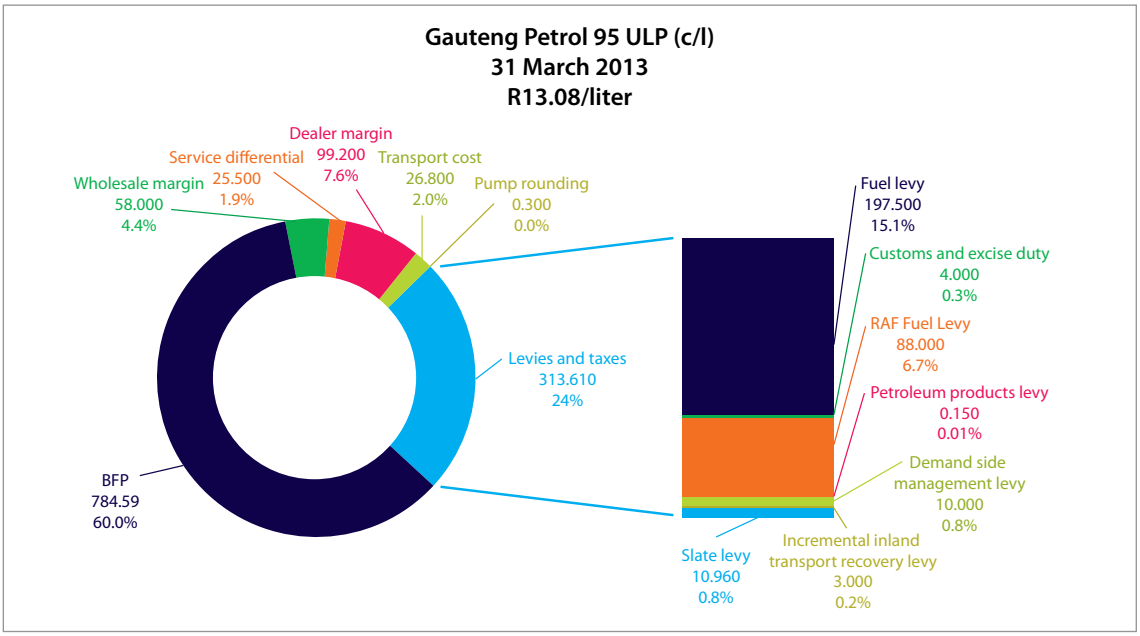
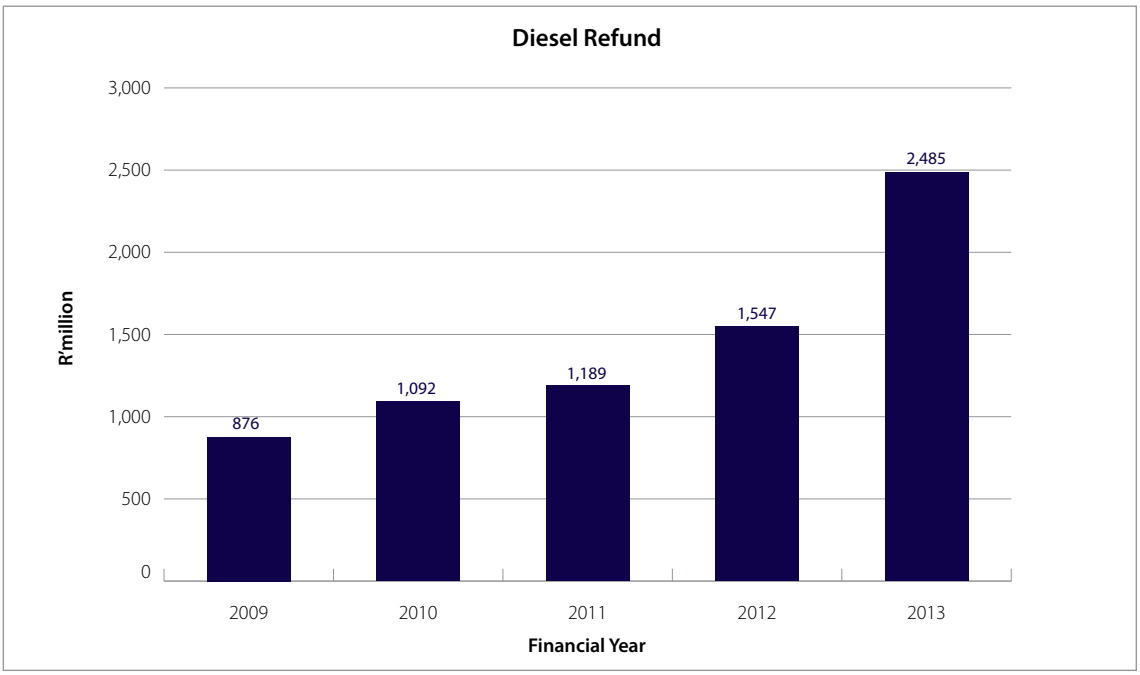


Figure 3.6 – Breakdown of petrol price (Gauteng), 31 March 2013

Source: South African Petroleum Industry Association ("SAPIA")

3.2.3.2 Diesel Refund

The refund on diesel fuel provided to certain industrial sectors of the economy increased to R2.49 billion (2011/12: R1.55 billion). The refund, which represents 13% of the RAF Fuel Levy income, is a major concession on income due to the RAF. The refund has continued to grow steadily over the years *(Graph 3.5)*.



Graph 3.5 – Refund on diesel fuel

3.2.3.3 Investment Income

Investment income increased by 126% to R255 million (2011/12: R113 million), mainly due to higher average cash holdings during the year caused by an increase in total revenue and lower claims processing early during the year. The average interest rate on investments decreased to 5% (2011/12: 5.06%). Cash holdings for the period ended 31 March 2013 was R6.1 billion compared to R4.2 billion in the previous financial year *(Graph 3.2)*.

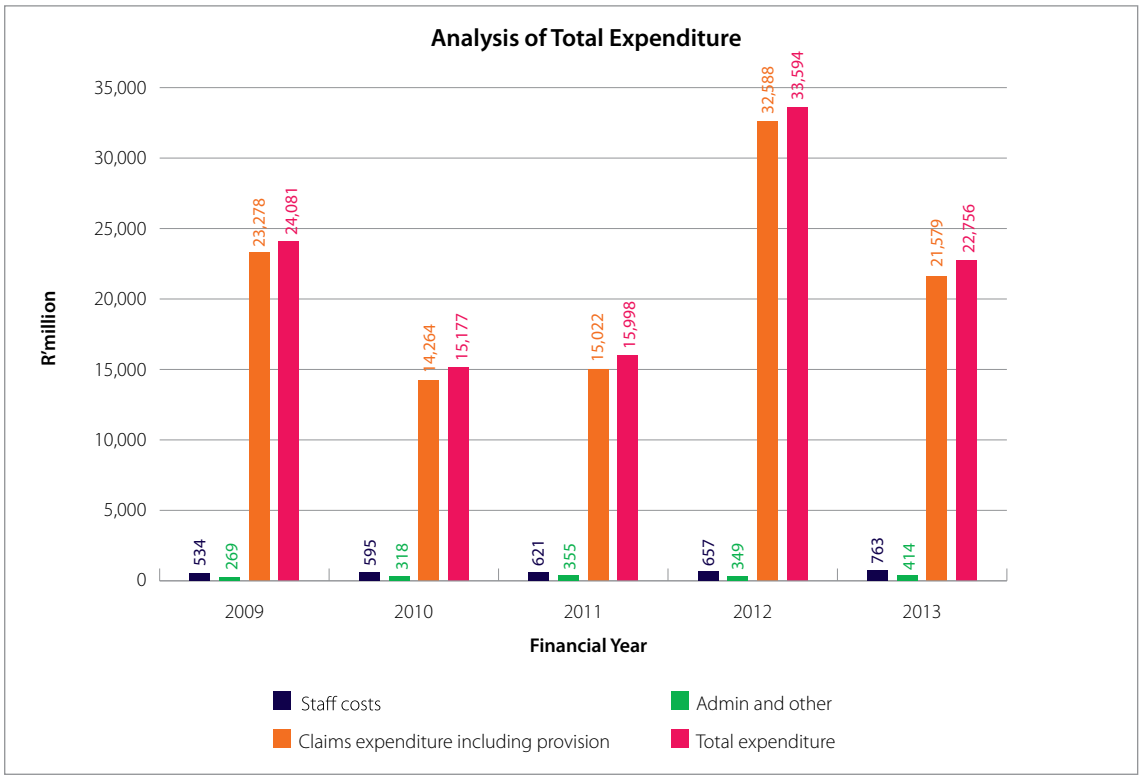
3.2.3.4 Reinsurance Income

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. During the review period, the RAF recovered R1.6 million (2011/12: R0.08 million) from reinsurance companies. This trend has resulted in fewer claim incidents qualifying for reinsurance claim recoveries. The RAF's reinsurance recoveries derive from a portion of the total claims per incident that is in excess of the retention limit. In view of the aforesaid, reinsurance recoveries are expected to show a general decrease from prior financial years *(Graph 3.2)*.

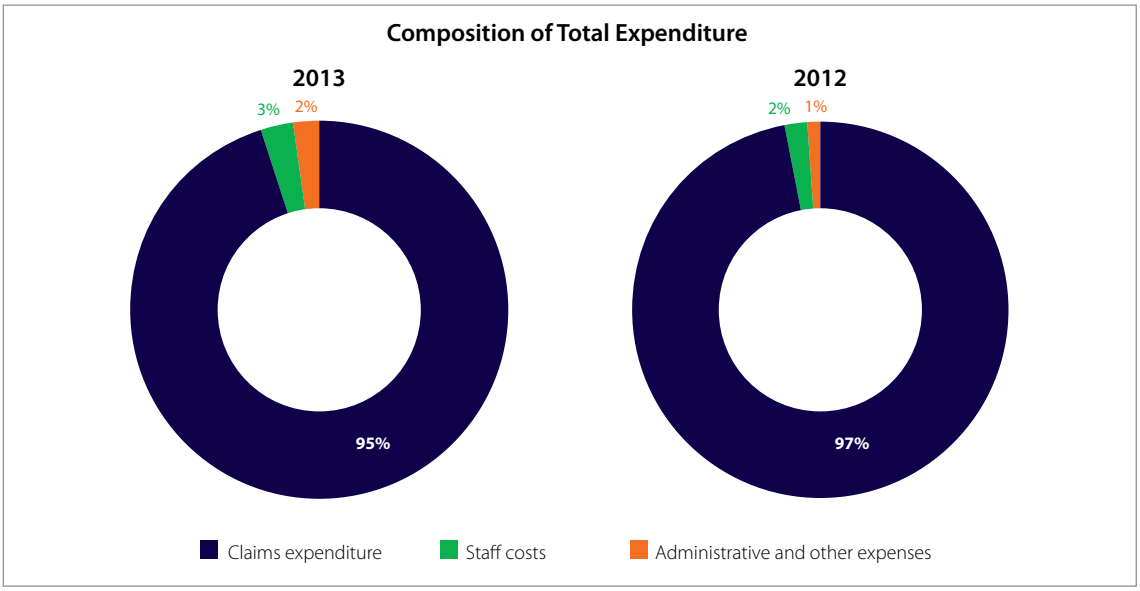
3.2.4 Expenditure

Total RAF expenditure decreased by 32% to R22.8 billion (2011/12: R33.6 billion).

Staff and administration costs, at 3% and 2%, respectively, remained a relatively small portion of total expenses. Total claims expenditure, inclusive of the provision for outstanding claims at 95% of total expenditure, decreased by 34% to R21.6 billion (2011/12: R32.6 billion) *(Graphs 3.6 and 3.7)*.



Graph 3.6 – Expenditure

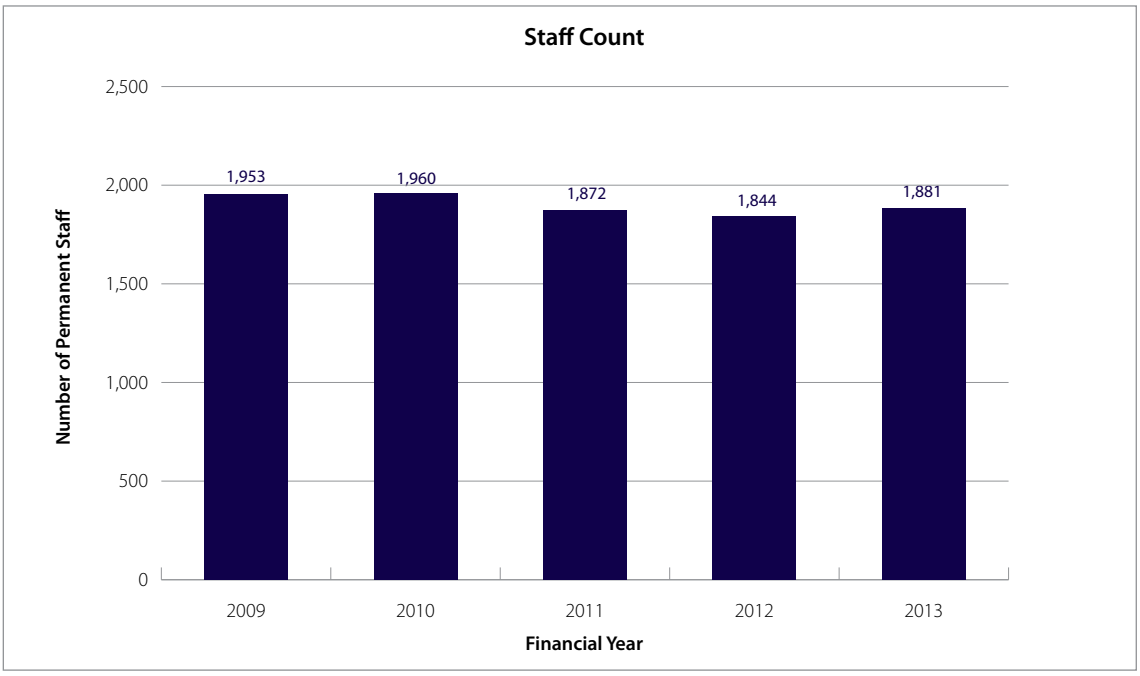


Graph 3.7 – Composition of expenditure

3.2.4.1 Staff Costs

Staff costs for the financial year, at R0.76 billion, were 15% higher than the previous reporting period (2011/12: R0.66 billion). The main reasons for the increase were:

- Salary increases averaging 8% as well as an increase in other HR-related costs; and
- Staff numbers increased by 2% to 1,881 (2011/12: 1,844) *(Graph 3.8)*.



Graph 3.8 – Staff numbers increased in 2013

3.2.4.2 Administration and Other Costs

Total administration and other costs for the 2013 financial year, at R0.41 billion, were 17% higher compared to the previous reporting period (2011/12: R0.35 billion). The increased variance was mainly due to inflation and derecognition of the Fineos system.

3.2.4.3 Claims Expenditure and the Growth in the Claims Provision

Claims expenditure, inclusive of the provision for outstanding claims for the 2013 financial year, at R21.6 billion, was 34% lower than the corresponding period last year (2011/12: R32.6 billion).

The decrease was mainly attributable to a reduced upward adjustment in the provision for outstanding claims caused by the following:

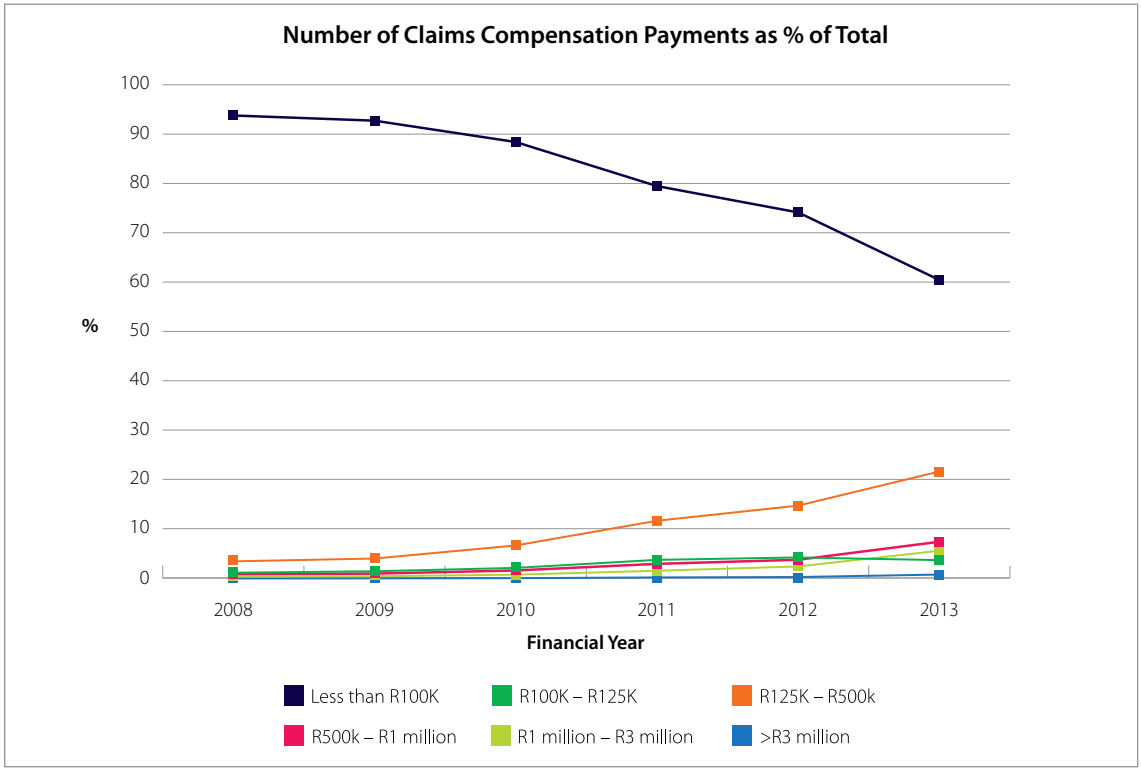
Higher Claim Payment Amounts

During the 2013 financial year, actual claims paid exceeded what was assumed at the start of the year, compelling the statutory actuary to increase the provision by about 3.5%. The actuarial methodology employed is sensitive to actual claim payment amounts.

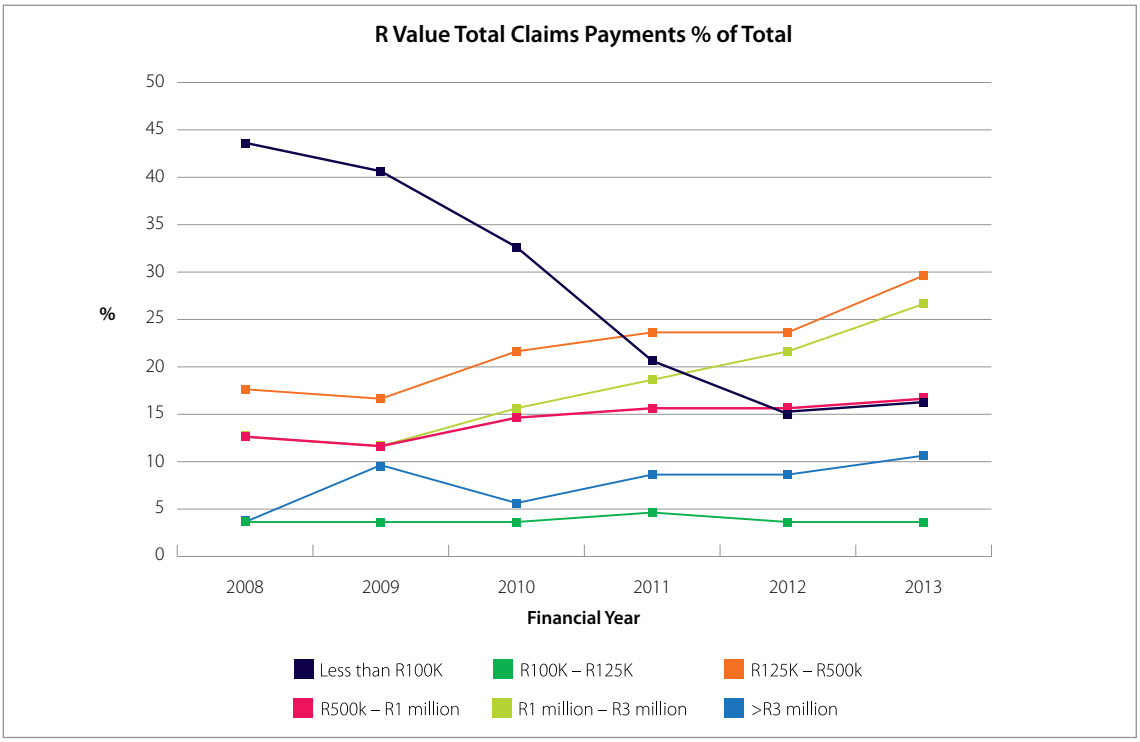
The remainder of the increase in the provision relates to slight changes in the actuarial methodology and assumptions to ensure that the provision is accurately measured.

Change in the Composition of the Claims Expenditure

There was a substantial growth in the medium to larger group of claims from 2012 to 2013. As claims got closer to trial date, the heads of damages, specifically with regard to future loss of earnings, were amended to higher amounts. This caused a notable increase in the average payment amounts in this category. This trend has been noted by Management in the claims settlement process, where claims that had been settled for minor head injuries a few years ago have now become large claims as a result of the so-called future loss-of-earnings capacity. The graphs below, based on real paid-out amounts, and not adjusted for inflation, indicate a similar trend in that a large number and Rand value of claims paid in 2013 were in the larger claim category (as opposed to claims paid out in 2008, for example). It is noteworthy that the change in claim composition has also been influenced by factors related to administrative costs. Higher value claims are associated with higher administrative and legal costs.

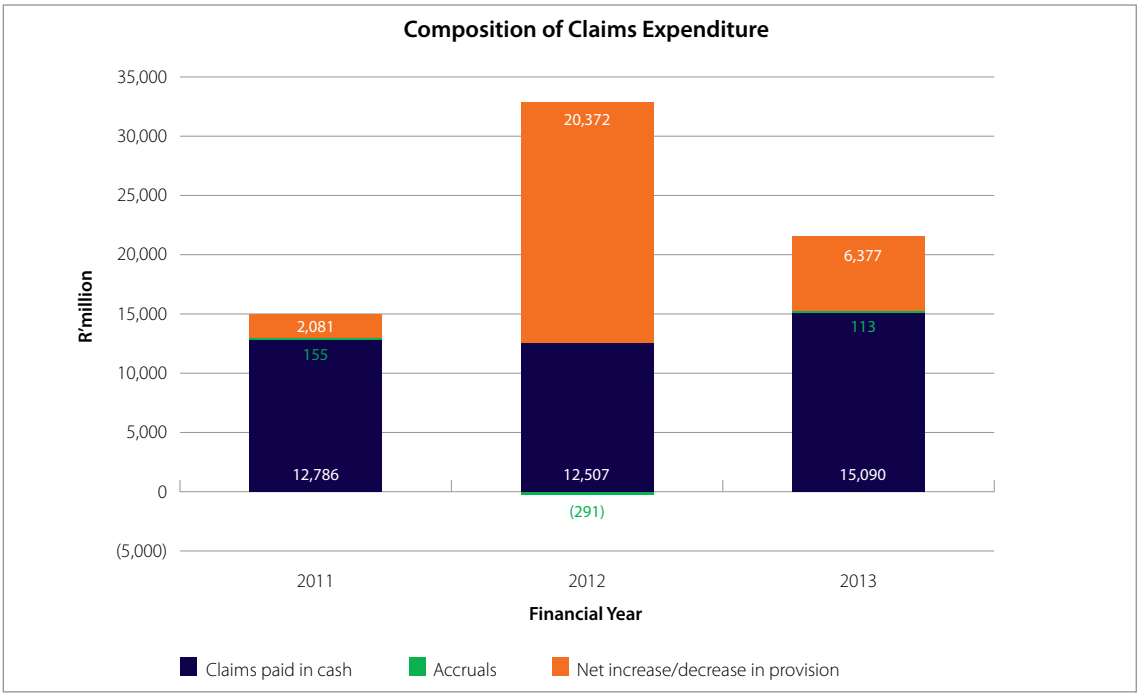


Graph 3.9 – Number of claims – % compensation payments



Graph 3.10 – Value of claims payments - % of total

The total cash payout for claims (excluding year-end accruals and reversals) increased by 21% to R15.1 billion (2011/12: R12.5 billion) as a result of measures put in place to improve productivity. Higher average claim values were experienced as a result of the increased movement towards higher cost loss-of-earnings claims, as well as higher than inflation increases in tariffs, costs and compensation. This, in turn, was influenced by a reduced increase in outstanding claims provision (R6.4 billion) being 69% lower than the increase in the previous financial year (2011/12: R20.4 billion). Total claims expenditure also included payments accrued in the previous financial year of R113 million *(Graph 3.11)*.



Graph 3.11 – Composition of claims expenditure

3.2.4.3.1 Claim volumes

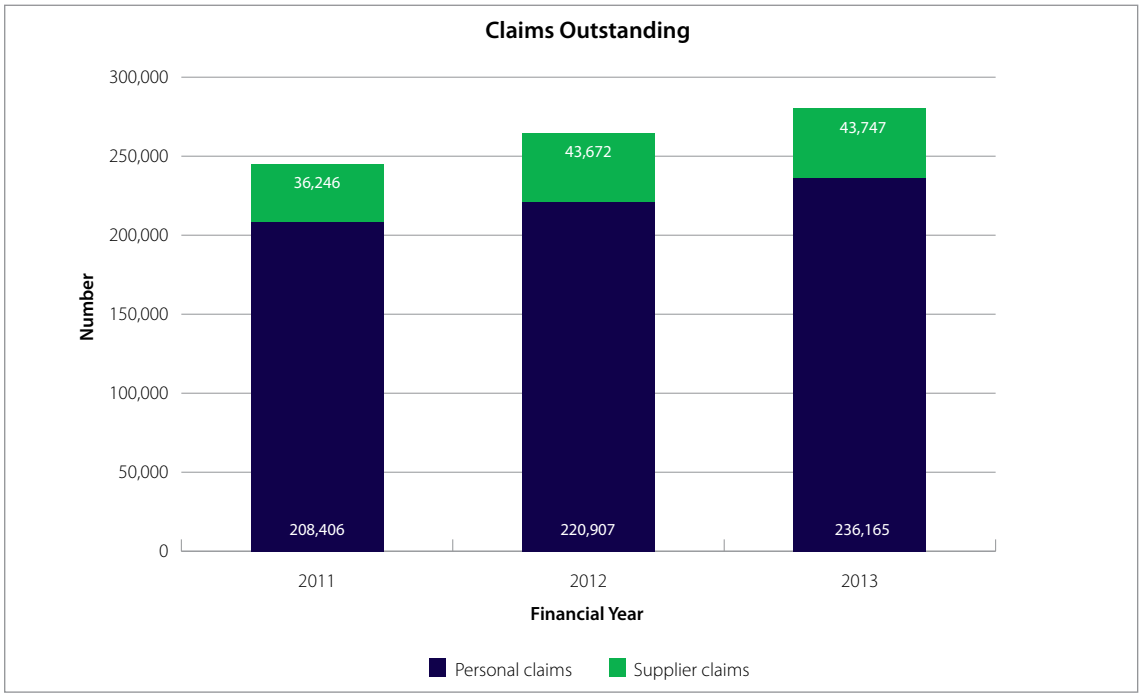
Outstanding claims comprises claims where compensation has not been paid and claims where compensation has been paid, but legal cost payments are awaited (which are not solely under the control of the Fund). Outstanding claims increased by 5% from 264,579 (recalculated from 253,111 due to a change in the method of calculation*) at the end of the previous financial year to 279,912 at the end of the reporting period. This was mainly influenced by an increase in the number of claims where capital (or compensation) was paid and legal cost claims of 67,287 were still outstanding at the end of the 2013 financial year, compared to 16,555 at the end of the previous financial year. The increased number of claims awaiting legal cost payments is a reflection of improved productivity, which has seen significant compensation payments made.

The number of open and re-opened claims (where compensation had not been paid) at the end of the 2012/13 financial year reduced impressively by 15% to 212,085 compared to 248,024 claims at the end of the previous financial year.

Re-opened claims at the end of the current financial year decreased by 60% to 16,648 compared to 41,480 at the end of the previous financial year. This serves as tangible confirmation that claims are not being classified as finalised prematurely.

* Change of claims calculation method

The difference of 11,468 outstanding claims is due to the change in the calculation methodology of outstanding claims from the previous year. System-generated information was extracted from the Claims Management System based on the defined claims statuses as compared to previous years whereby it was calculated manually on a derived opening and closing balance. The application of the revised method of calculation generates accurate, quality-assured and reliable information for reporting purposes.



Graph 3.12 – Outstanding claims (claims where either compensation or legal cost payments are still to take place)

Outstanding claims (supplier and non-supplier)

	No Compensation				
	Open	Reopened	Subtotal	Compensation paid Legal costs awaited	Total awaiting compensation or legal cost payment
RAF: Outstanding claims as at 31 March 2012					
Personal claims	170,881	40,624	211,505	9,402	220,907
Supplier claims	35,663	856	36,519	7,153	43,672
Total	**206,544**	**41,480**	**248,024**	**16,555**	**264,579**
RAF: Movement of claims during the year ended 31 March 2013					
Personal claims	(3,565)	(24,421)	(27,986)	43,244	15,258
Supplier claims	(7,542)	(411)	(7,953)	8,028	75
Total	**(11,107)**	**(24,832)**	**(35,939)**	**51,272**	**15,333**
RAF: Outstanding claims as at 31 March 2013					
Personal claims	167,316	16,203	183,519	52,646	236,165
Supplier claims	28,121	445	28,566	15,181	43,747
Total	**195,437**	**16,648**	**212,085**	**67,827**	**279,912**

Outstanding claims (direct & represented)

	No Compensation				
	Open	Reopened	Subtotal	Compensation paid Legal costs awaited	Total awaiting compensation or legal cost payment
RAF: Outstanding claims as at 31 March 2012					
Personal					
Direct claims	25,751	1,291	27,042	579	27,621
Represented claims	145,130	39,333	184,463	8,823	193,286
Supplier					
Direct claims	27,480	565	28,045	6,964	35,009
Represented claims	8,183	291	8,474	189	8,663
Total	**206,544**	**41,480**	**248,024**	**16,555**	**264,579**
RAF: Movement of claims during the year ended 31 March 2013					
Personal					
Direct claims	3,484	(181)	3,303	813	4,116
Represented claims	(7,049)	(24,240)	(31,289)	42,431	11,142
Supplier					
Direct claims	(4,768)	(478)	(5,246)	(4,987)	(10,233)
Represented claims	(2,774)	67	(2,707)	13,015	10,308
Total	**(11,107)**	**(24,832)**	**(35,939)**	**51,272**	**15,333**
RAF: Outstanding claims as at 31 March 2013					
Personal					
Direct claims	29,235	1,110	30,345	1,392	31,737
Represented claims	138,081	15,093	153,174	51,254	204,428
Supplier					
Direct claims	22,712	87	22,799	1,977	24,776
Represented claims	5,409	358	5,767	13,204	18,971
Total	**195,437**	**16,648**	**212,085**	**67,827**	**279,912**

Outstanding Claims (post & pre amendment act)

	No Compensation			Compensation paid Legal costs awaited	Total awaiting compensation or legal cost payment
	Open	Reopened	Subtotal		
RAF: Outstanding claims as at 31 March 2012					
Personal					
Post-amendment Act claims	76,700	1,819	78,519	1,409	79,928
Pre-amendment Act claims	94,181	38,805	132,986	7,993	140,979
Supplier					
Post amendment Act claims	30,014	499	30,513	6,998	37,511
Pre amendment Act claims	5,649	357	6,006	155	6,161
Total	**206,544**	**41,480**	**248,024**	**16,555**	**264,579**
RAF: Movement of claims during the year ended 31 March 2013					
Personal					
Post-amendment Act claims	25,746	(274)	25,472	6,357	31,829
Pre-amendment Act claims	(29,311)	(24,147)	(53,458)	36,887	(16,571)
Supplier					
Post-amendment Act claims	(6,320)	(470)	(6,790)	3,899	(2,891)
Pre-amendment Act claims	(1,222)	59	(1,163)	4,129	2,966
Total	**(11,107)**	**(24,832)**	**(35,939)**	**51,272**	**15,333**
RAF: Outstanding claims as at 31 March 2013					
Personal					
Post-amendment Act claims	102,446	1,545	103,991	7,766	111,757
Pre-amendment Act claims	64,870	14,658	79,528	44,880	124,408
Supplier					
Post-amendment Act claims	23,694	29	23,723	10,897	34,620
Pre-amendment Act claims	4,427	416	4,843	4,284	9,127
Total	**195,437**	**16,648**	**212,085**	**67,827**	**279,912**

Repudiated claims

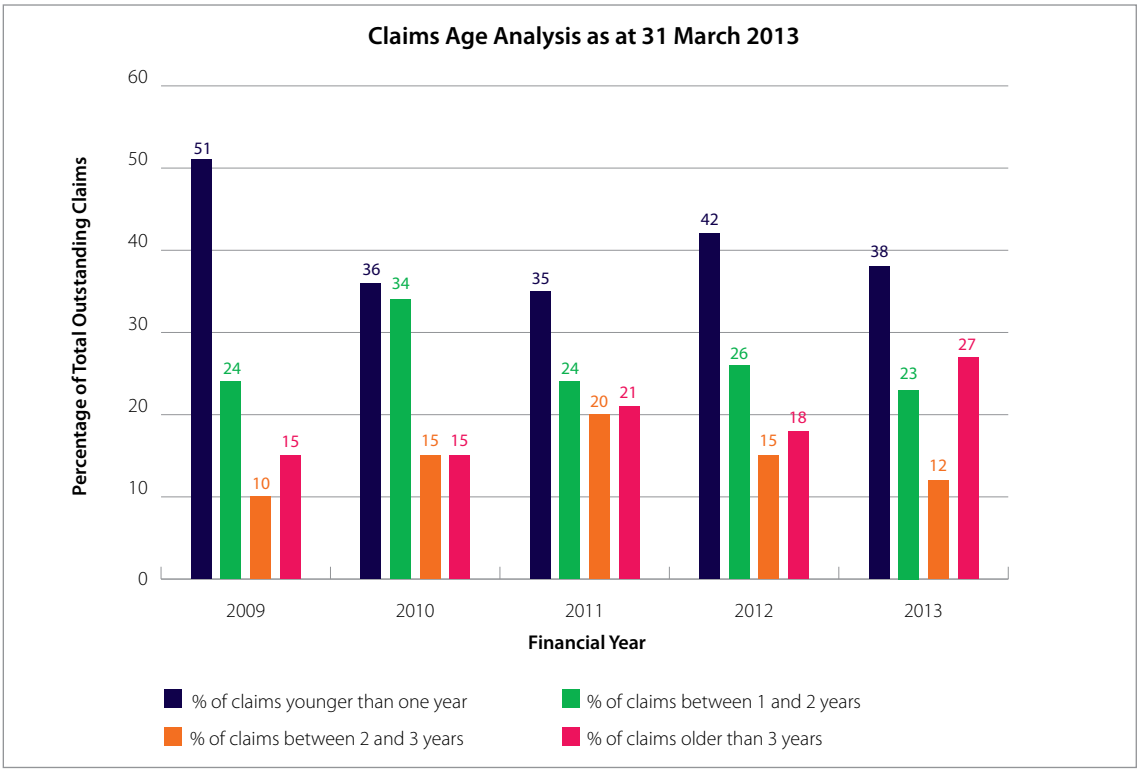
Claims status	
Opening balance 1 April 2012	**17,209**
Personal claims	15,605
Supplier claims	1,604
Movement during the year	**12,728**
Personal claims	10,323
Supplier claims	2,405
Closing balance 31 March 2013	**29,937**
Personal claims	25,928
Supplier claims	4,009

Repudiated claims increased from 17,209 in the 2011/12 financial year to 29,937 in the current financial year. The growth in repudiations is due to the backlog audit that was performed during the financial year for purposes of reviewing the claims processing status of all claims.

A full audit was completed during the year to determine the exact composition of the backlog. The audit data assisted in identifying the claims processing lifecycle and determined what the next actions to facilitate settlement would be. Thereafter, the claims have been split into logical groupings and fast-tracked to settlement. Direct claims will receive special attention in this regard. Additional validity checks will also be performed to ensure that potential fraudulent files are uncovered and investigated.

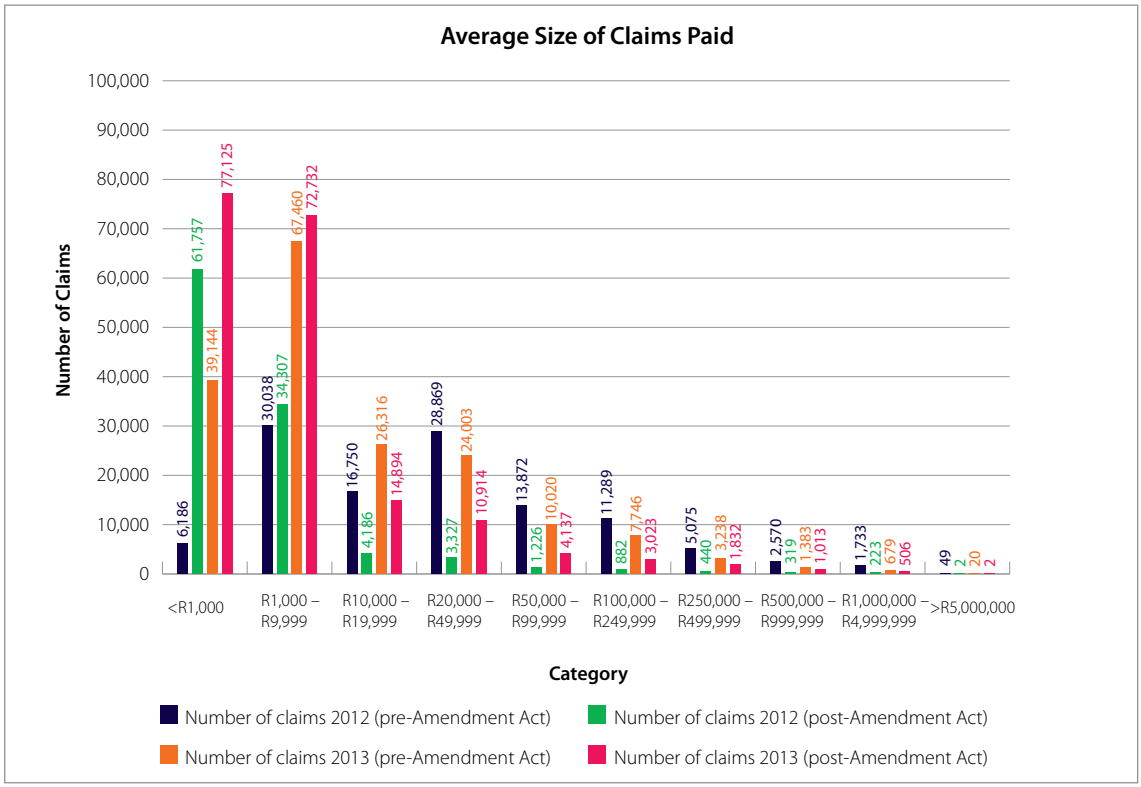
The backlog audit identified claims capable of immediate settlement for backlog elimination. A dedicated unit was established and tasked with the backlog elimination. Invitations were also extended to all plaintiff attorneys to engage the RAF with regard to block settlements.

Claims younger than one year decreased from 42% in 2012 to 38% in 2013 *(Graph 3.13)*. The bulk of claims outstanding at year-end arose from new accidents.



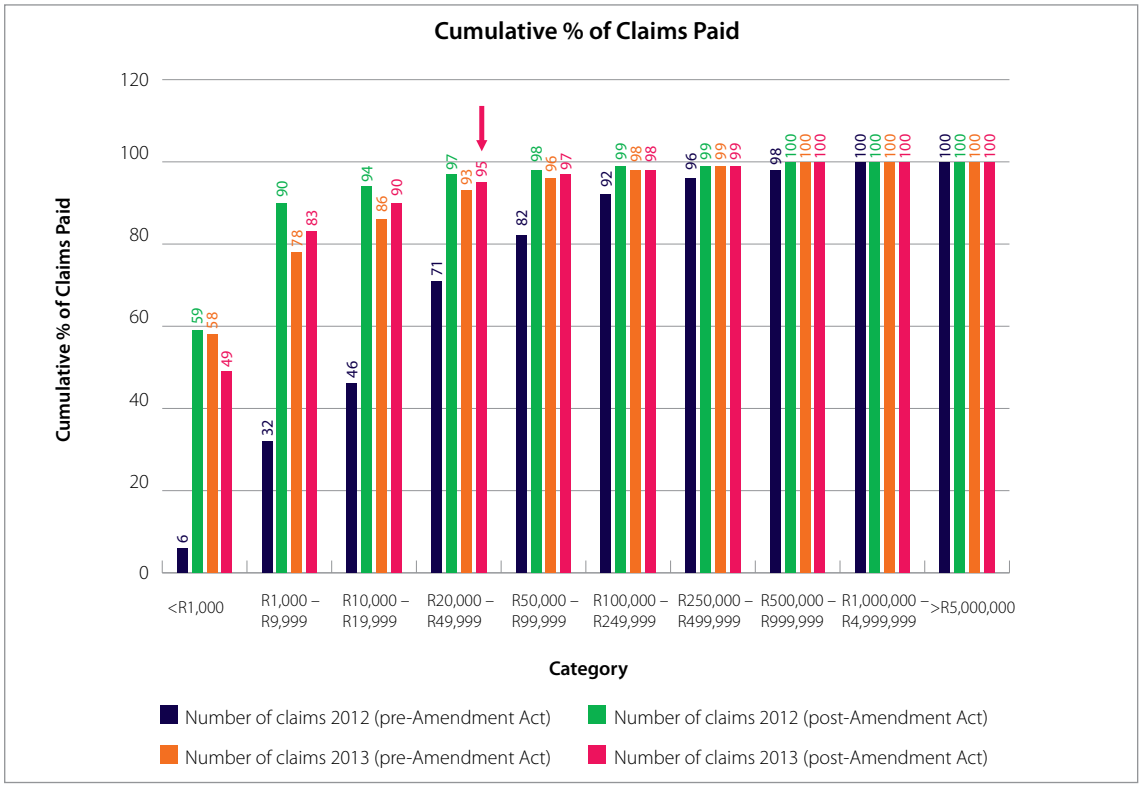
Graph 3.13 – Age analysis of claims

Of the 162,130 claims finalised in 2013, a large number of claims payments were valued at less than R1,000 and less than R10,000 *(Graph 3.14)*. This can be ascribed to the accelerated approach to supplier claims, which allowed for hospitals and other service providers to be paid directly by the RAF. As a result, the RAF managed to reduce outstanding supplier claims more effectively than outstanding personal claims *(Graph 3.12)*.



Graph 3.14 – Average size of claims paid

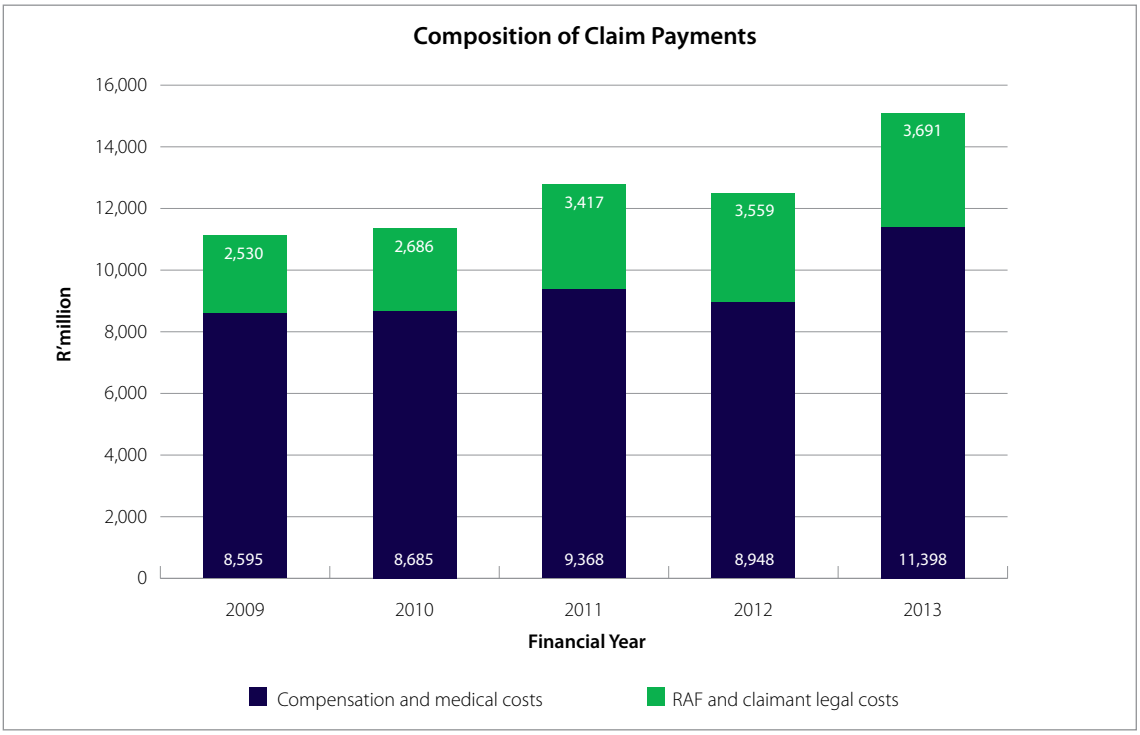
During the financial year, the RAF continued to receive and settle high volumes of small claims, with more than 94% (average of pre- and post-Amendment Act claims) being for settlement values below R50,000 *(Graph 3.15)*.



Graph 3.15 – Cumulative % of claims paid

3.2.4.3.2 Claim values

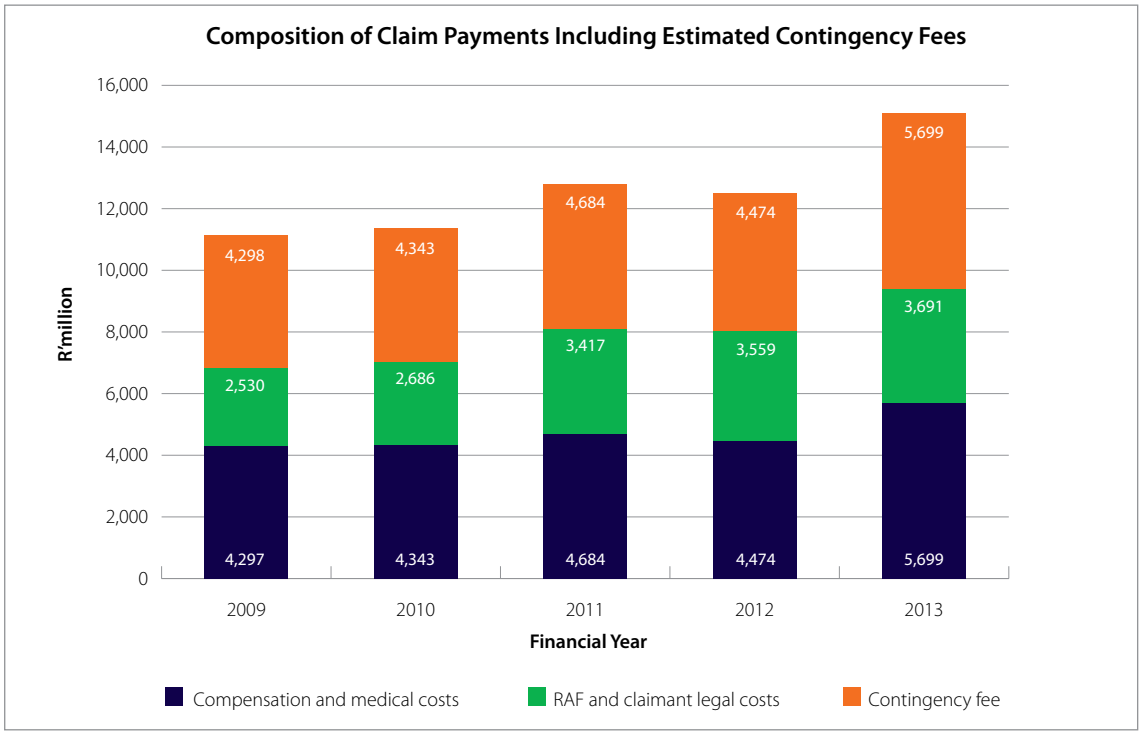
The composition of claim payments continues to reflect the inadequacies of the existing fault-based, common law system of compensation. The introduction of a no-fault system should address these wastages over the longer term. In the short term, Management believes that interim legislative changes (that could address some of the wastages) should be proposed to the Shareholder. Of the R15.1 billion (2011/12: R12.5 billion) cash paid out in respect of claims for the 2012/13 financial year, only R11.4 billion (i.e. 75%) (2011/12: R8.9 billion (i.e. 71%) represented compensation payout. The balance of 25% (2011/12: 29%) comprised legal and other expert fees *(Graph 3.16)*. A positive reduction in non-claim expenditure is noted.



Graph 3.16 – Composition of claims payments

Approximately 80% of personal claims lodged with the RAF are submitted through attorneys, many of whom charge contingency fees that are not in line with the Contingency Fees Act, 1997 (Act No. 66 of 1997). The Contingency Fees Act provides for attorneys to charge contingency fees up to 25% of compensation, on condition that the 25% is not more than double the attorney's normal fee. If such is the case, the attorney is required to charge the lesser amount. A high number of attorneys who act on behalf of claimants charge more than 25% of the compensation paid to claimants on the basis that they enter into common law contingency agreements. The RAF is of the view that such agreements are unlawful and that all contingency fee agreements must comply with the provisions of the Contingency Fees Act. The RAF's view that such agreements are unlawful where the provisions of the Contingency Fees Act are not complied with was confirmed by the South Gauteng High Court on 11 February 2013 in the matter of SAAPIL vs. the Minister of Justice and Constitutional Development and the Road Accident Fund and by the North Gauteng High Court on 13 February 2013 in the matter of De la Guerre vs. Ronald Bobroff & Partners Inc, the Law Society of the Northern Provinces and the RAF. Both courts declared so-called 'common law' contingency fee agreements that do not comply with the Contingency Fees Act, invalid.

For illustrative purposes, assuming that attorneys' contingency fees amounted to 50% of compensation during the year under review, only R5.7 billion of the cash paid out by the RAF for the period ended March 2013 (2011/12: R4.47 billion) actually reached the victims of accidents. This means that as much as 62% of all claim disbursements made by the RAF are paid to attorneys, as opposed to the claimants. This is precisely why the RAF believes that the current legislative model is wasteful, since the cost of service delivery is disproportionately high in relation to the compensation paid and the RAF Fuel Levy received *(Graph 3.17)*.



Graph 3.17 – Composition of claim payments including estimated contingency

The composition of the compensation portion of the claims *(Graph 3.18)* indicates that the bulk of the cash that the RAF pays out is in respect of loss of amenities of life or general damages, as opposed to medical costs or loss of income and support. For accidents that occurred after 1 August 2008, general damages are only paid out if a serious injury has been sustained, which is in line with the RAF Amendment Act.

During the 2012/13 financial year, R4.0 billion (2011/12: R3.9 billion) was paid out as general damages. This represents 35% (2011/12: 43%) of the compensation paid (excluding legal fees). In proportion to total payouts, general damages have shown a decrease over the last two years. It is expected that the RAF Amendment Act will result in further decreases in claims for general damages payouts. It is, however, important that the list of non-serious injuries is published by the Minister of Transport, as this will simplify the assessment of general-damages claims. The Minister of Transport has published for comment, in *Government Gazette* No. 35614 of 22 August 2012, the proposed list of non-serious injuries. The DoT is considering comments received.

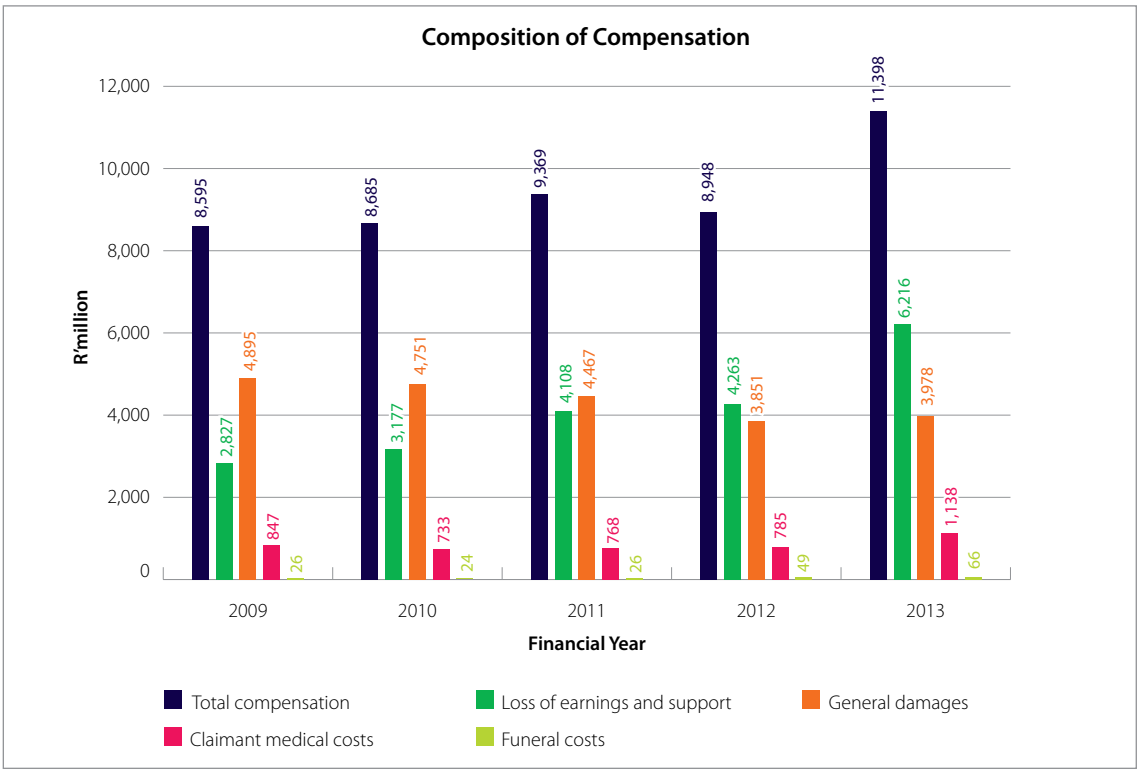
Medical payments, at R1.138 billion (2011/12: R0.78 billion), represented 10% (2011/12: 9%) of compensation paid. Loss-of-income-and-support payments of R6.2 billion (2011/12: R4.3 billion) represented 55% (2011/12: 48%) of compensation paid, and funeral costs, at R0.066 billion (2011/12: R0.049 billion), represented 0.6% (2011/12: 0.5%) of compensation paid *(Graph 3.16)*.

Compensation for loss of income/earnings and support is starting to show an upward trend. The reasons for this are:

- The introduction of the Amendment Act increased passenger claims to the average of any other claim where the driver was the sole cause of the accident. These claims were previously limited to R25,000. As a result of the Amendment Act, which decreases claims volumes materially, plaintiff attorneys are increasingly finding any possible way, even if the injuries are not that serious, to prove future loss-of-earnings capacity. The result is that claims that could have been settled for less than R100,000 are now being proven as fairly material claims, with medical reports to substantiate the loss of earnings. Offers made by claims handlers are no longer accepted at previous levels and matters are brought to the courts where substantial awards are being made on loss of earnings. This has also escalated legal fees;
- It appears that courts are less stringent on the requirements for loss-of-earnings considerations. Minimal proof of loss of earnings is accepted, particularly where the testimony of self-employed road accident victims, who are not paying taxes and have no income and expenditure statements as evidence, is heard and judgment is made on the basis of victims' testimonies;

- Previously, loss-of-support claims were quantified on the basis of the agreement between the RAF and the attorney. More recently, a new trend has developed whereby industrial psychologists' reports are introduced, with career progression and promotions factored in, to inflate the loss-of-support claim; and
- In the past, claims for minor children were projected, based on the parent's educational background. This impacted negatively on the previously disadvantaged sectors of the population, which represent the majority. With social and political changes, these claims are no longer settled on this basis and have become million-Rand settlements.

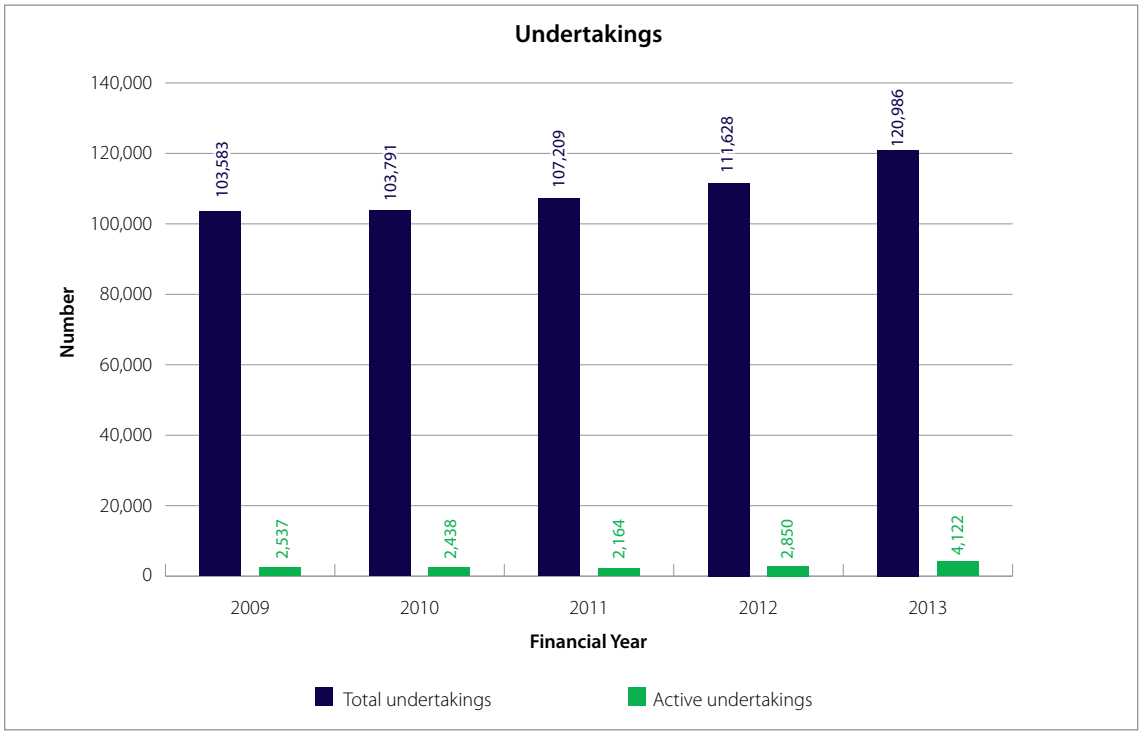
A matter of extreme concern for the RAF is that the cost of service delivery remains disproportionately high in relation to the compensation paid in comparison with the RAF Fuel Levy received, more so because the bulk of the cash that the RAF pays is in respect of loss of amenities of life and general damages, as opposed to medical costs and loss of income and support.



Graph 3.18 - Composition of compensation

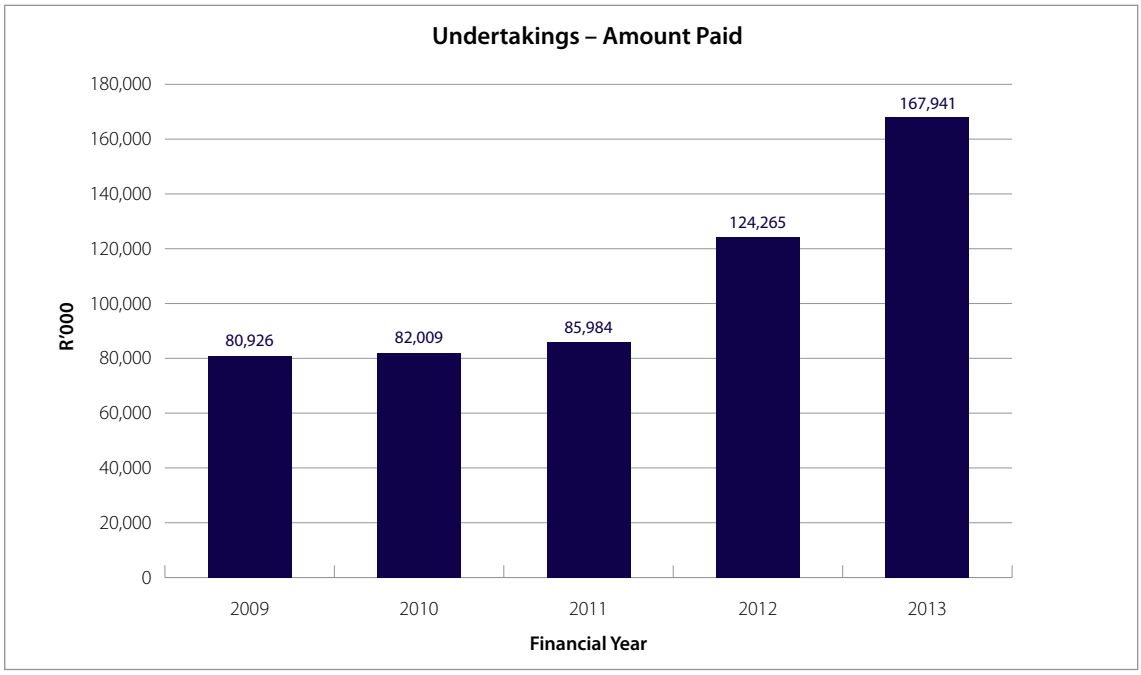
3.2.4.3.3 Undertakings

Medical cost payments are inclusive of certificates issued to claimants by the RAF to cover future medical treatments, known as 'undertakings'. An undertaking is regarded as active if a claim is made against it during the year. The total number of undertakings certificates issued increased to 120,986 (2011/12: 116,628). The number of active undertakings in respect of which payments were made also increased to 3% of all undertakings issued (2011/12: 3%) *(Graph 3.19)*. This is in line with the nature of the instrument issued, since most injuries arising from motor vehicle accidents heal and do not represent chronic illnesses.



Graph 3.19 – Undertakings (future medical treatment)

Payments in respect of all undertakings issued for the 2012/13 financial year amounted to R168 million (2011/12: R124 million) *(Graph 3.20)*.



Graph 3.20 – Undertakings paid out

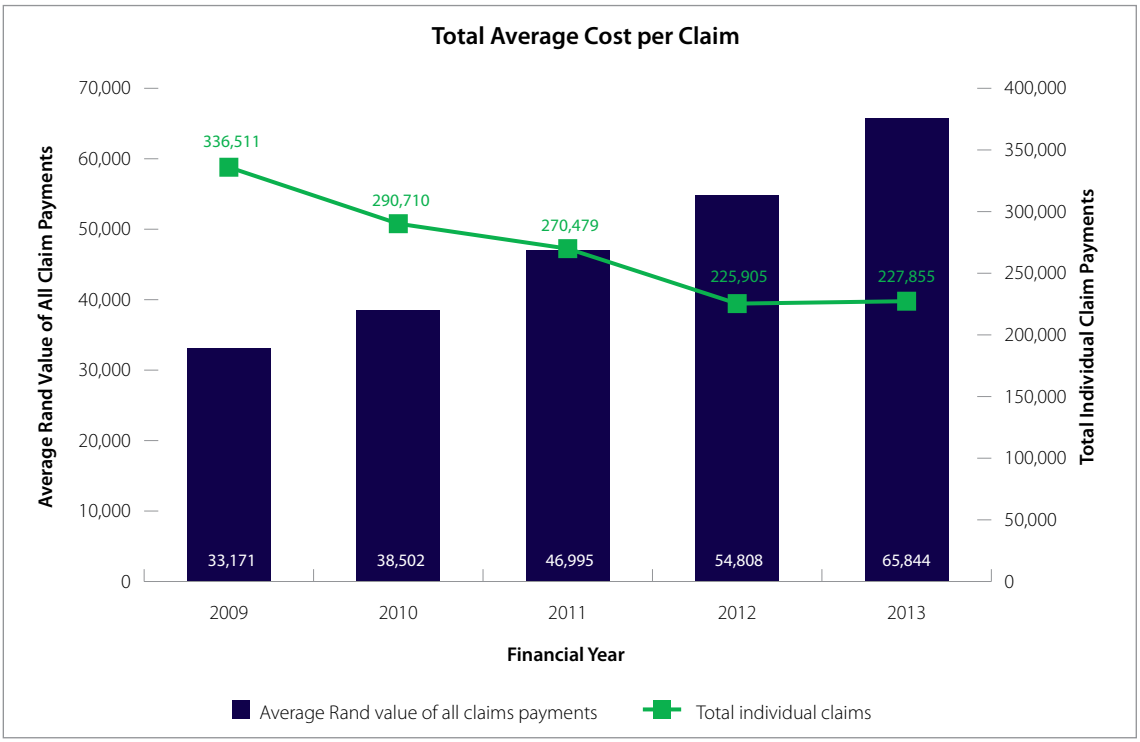
3.2.4.4 Claims Categories and Averages

Claims settled by the RAF differ materially when the composition of the claim is considered. The following analysis provides insight into the average number of claims paid over the past five years, as well as the composition of these claims.

3.2.4.4.1 Total claim payments

The average Rand value of all claims paid increased by 20% during the financial year from R54,808 to R65,844 (2011/12: increase of 17% from R46,995 to R54,808). The average increase in payments per claim from 2009 to 2013 has been 20% per annum. This increase was due to the higher value personal claims, especially those in respect of loss of earnings, that were processed compared to lower value supplier claims.

The total number of individual claim payments increased by 1% during the financial year from 225,905 to 227,855 (2011/12: decrease of 16% from 270,479 to 225,905). The average decrease in the number of claims settled between 2009 and 2012 has been 7% per annum *(Graph 3.21)*.



Graph 3.21 – Average Rand value of all claims paid

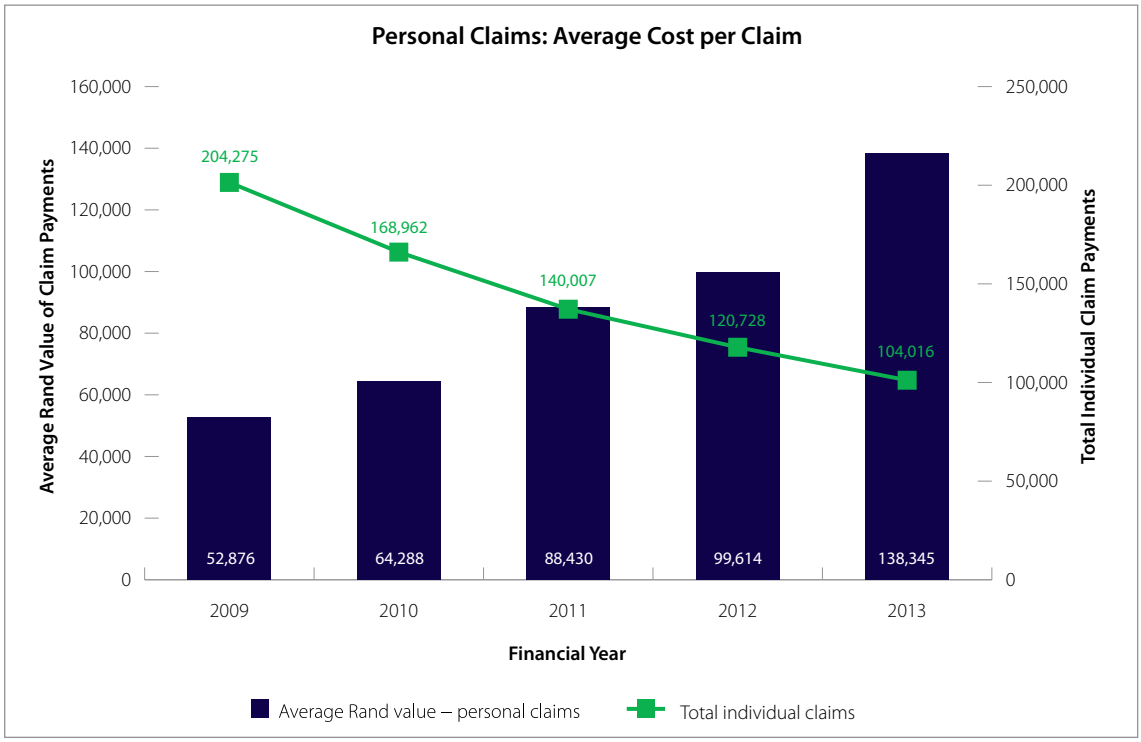
3.2.4.4.2 Personal versus supplier claims ***

A personal claim is a claim submitted by any person (the third party) for any loss or damage which that person has suffered as a result of any bodily injury to him/herself, or the death of, or any bodily injury to any other person.

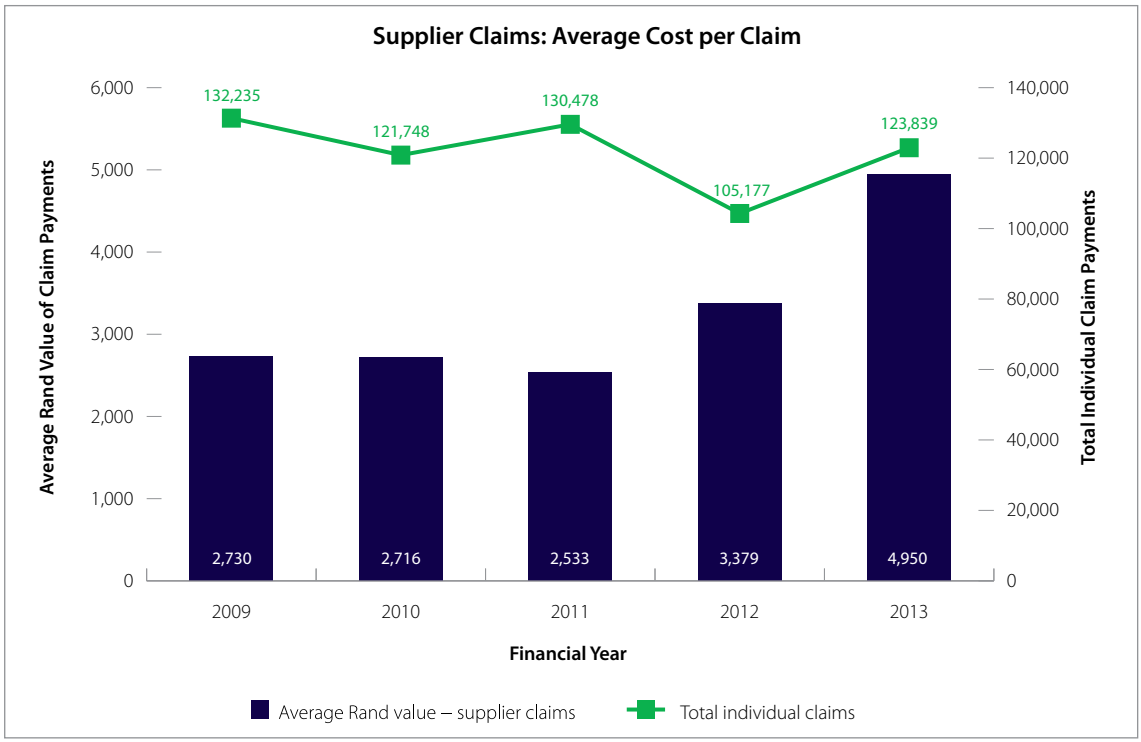
A supplier claim is a claim submitted directly to the RAF by a person/institution that provided medical treatment and accommodation to the victim of the accident.

The average Rand value of all personal claims paid increased by 39% at the end of the financial year from R99,614 to R138,345 (2011/12: increase of 38% from R88,430 to R99,614). The average payment of personal claims has increased by 26% per annum from 2009 to the end of the 2013 financial year. The main reasons for this are unpacked under the different heads of damages.

The total number of individual personal-claim payments decreased by 14% at the end of the 2012/13 financial year from 120,728 to 104,016 (2011/12: decrease of 14% from 140,007 to 120,728). The average decrease in the number of payments per claim from 2009 to the 2013 financial year has been 10% per annum *(Graph 3.22)*.



Graph 3.22 – Average Rand value paid for personal claims



Graph 3.23 – Average Rand value paid for supplier claims

The average Rand value of all supplier claims paid increased by 46% at the end of the review period from R3,379 to R4,950 (2011/12: decrease of 7% from R2,533 to R3,379). The average payment of supplier claims increased by 12% from 2009 to the

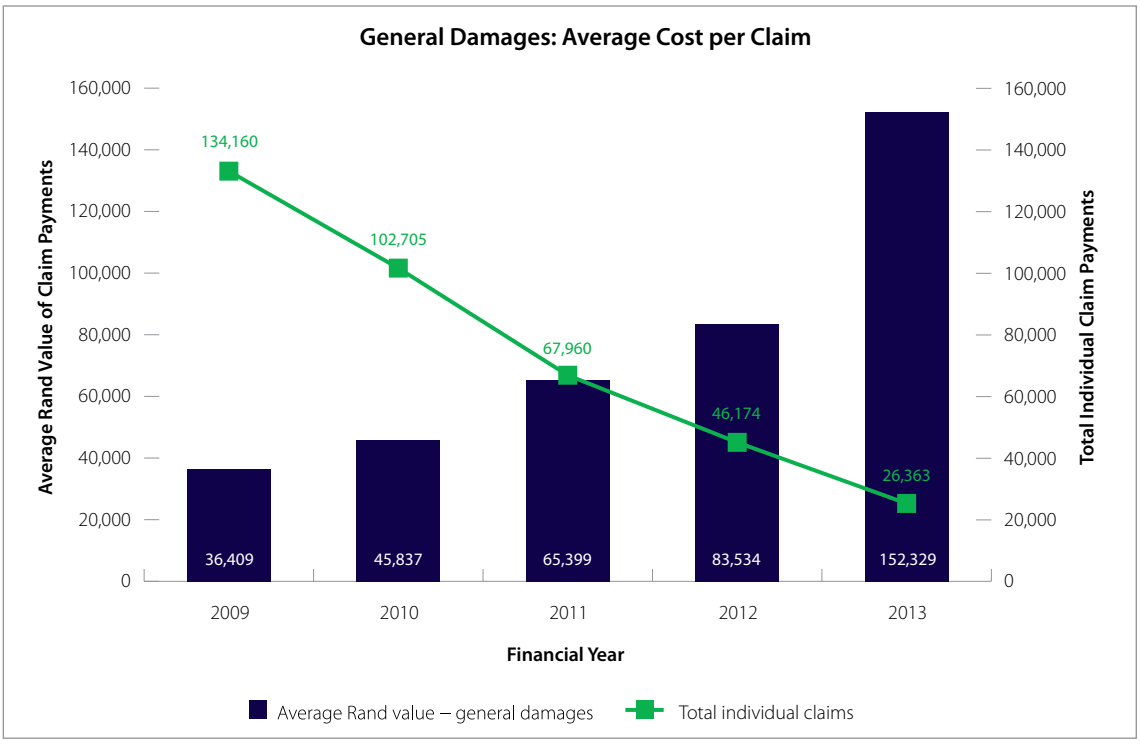
end of the 2012/13 financial year. The increase in the average payment per supplier claim is attributable to higher amounts claimed during the financial year.

The total number of individual supplier claim payments increased by 18% at the end of the financial year from 105,177 to 123,839 (2012: decrease of 19% from 130,478 to 105,177). The average decrease in the number of claims from 2009 to the end of the review period has been 9% per annum *(Graph 3.23)*.

3.2.4.4.3 General damages

The average Rand value per general-damages claims paid increased by 82% during the financial year from R83,534 in the previous financial year to R152,329 (2011/12: increase of 28% from R65,399 to R83,534). The average payment for general-damages claims has increased by 39% per annum between 2009 and the current financial year.

The number of individual general-damages claims showed a substantial decrease of 43% from 46,174 in the previous financial year to 26,363 (2011/12: decrease of 32% from 67,960 to 46,174). This decrease was expected as a result of the implementation of provisions of the RAF Amendment Act. On average, the number of claims in respect of general damages has decreased by 25% per annum since 2009. This claims category continues to be abused, as most of the claims for general damages are not for serious injuries. The RAF Amendment Act should address this anomaly over time *(Graph 3.24)*.



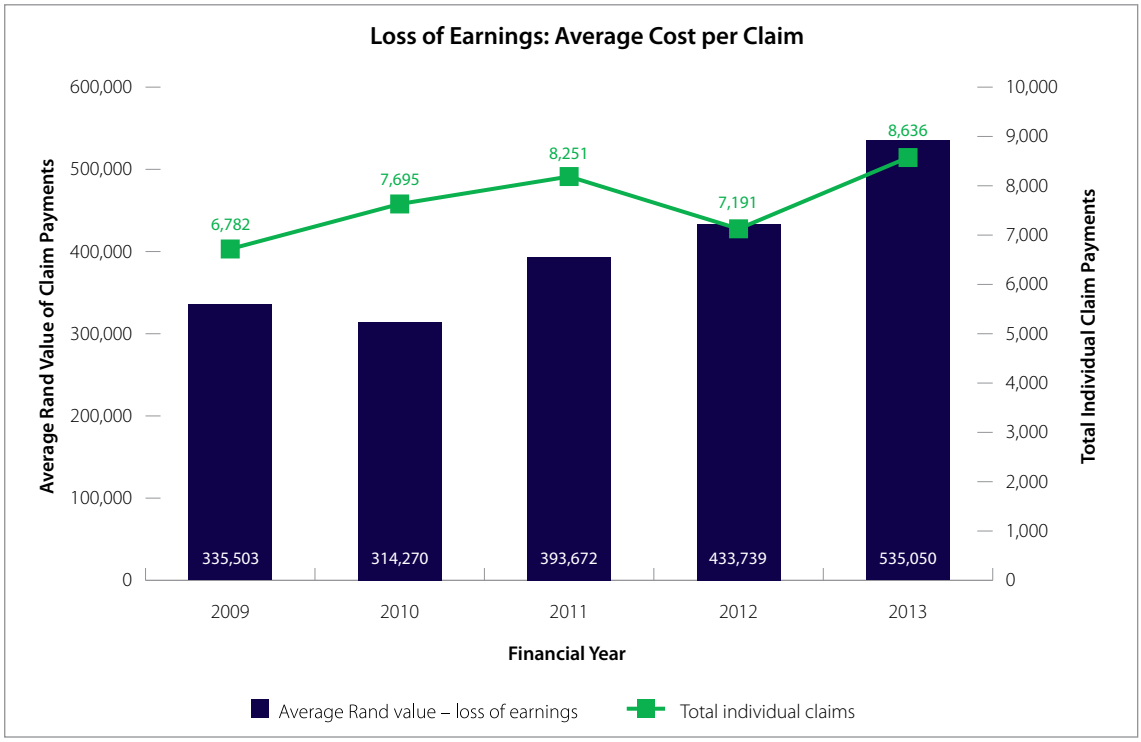
Graph 3.24 – Average Rand value paid for general damages

3.2.4.4.4 Loss of earnings

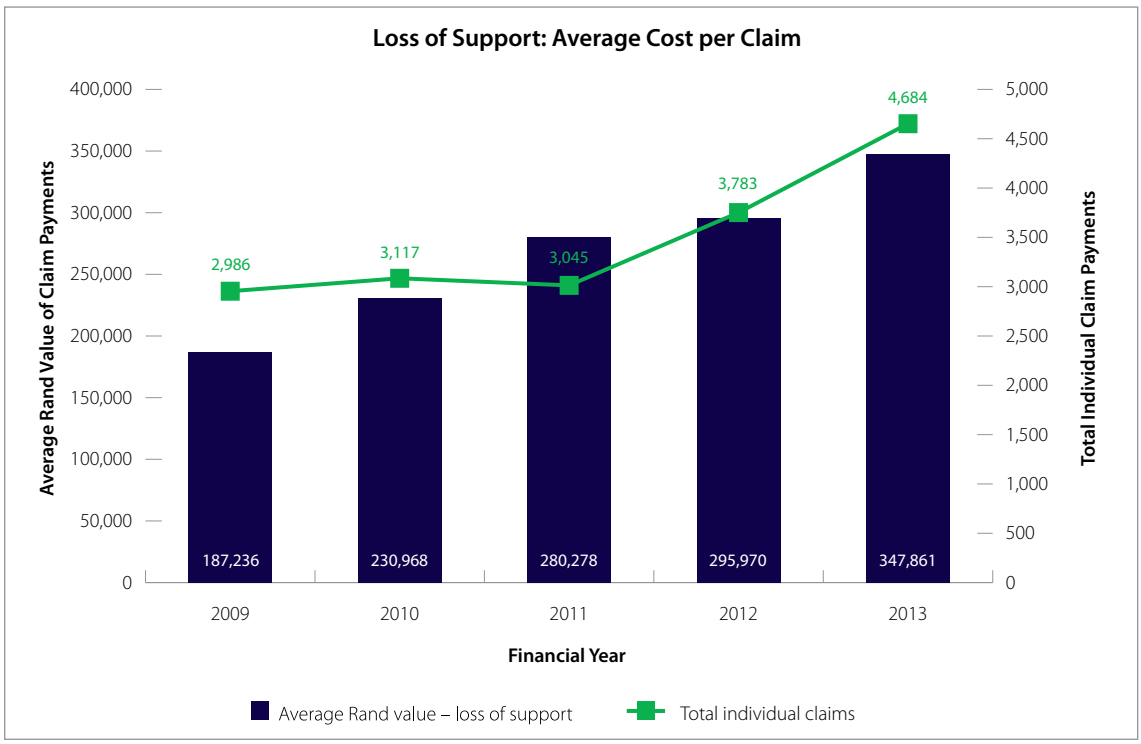
The average Rand value of all loss-of-earnings claims paid increased by 23% at the end of the 2012/13 financial year from R433,739 to R535,050 (2011/12: increase of 10% from R393,672 to R433,739). The average loss-of-earnings payment per claim has increased by 16% from 2009 to the end of the 2011/12 financial year.

The total number of individual loss-of-earnings claim payments increased by 20% at the end of the 2012/13 financial year, from 7,191 in the previous reporting period to 8,636 (2011/12: decrease of 13% from 8,251 to 7,191). Only 8,636 out of a total of 227,855 claims were paid for loss of earnings. This represents 4% of the total number of claims paid. Once again, this indicates the level of abuse of the current dispensation. The average settlement over the past few years has increased far in excess of the growth in gross national income and average wage and salary increases throughout the country. The introduction of the RAF

Amendment Act will, however, not result in a material reduction in the payment of loss of earnings, despite the cap being set at R160,000 per annum adjusted for inflation. This is due to most South Africans earning an annual income of less than the capped amount. In addition, more accident victims will become entitled to claims for loss of income and loss of support as a result of the removal of the R25,000 limit on passenger claims *(Graph: 3.25)*.



Graph 3.25 – Average loss-of-earnings compensation per claim



Graph 3.26 – Average loss-of-support compensation per claim

3.2.4.4.5 Loss of support

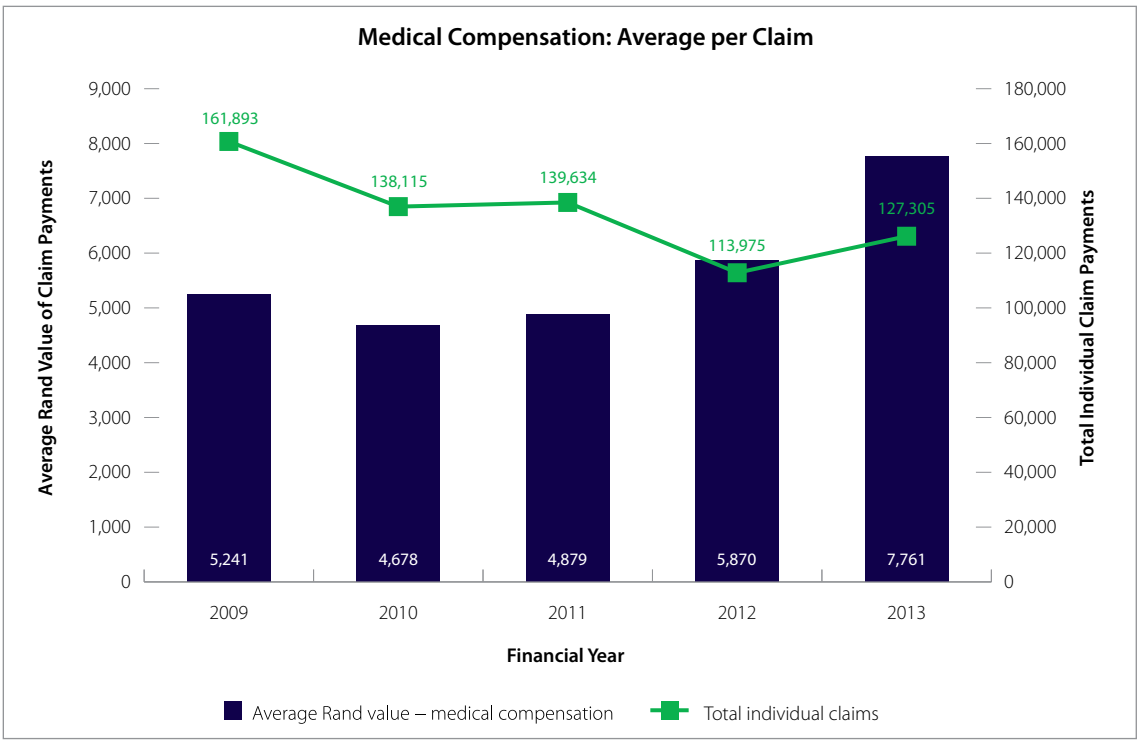
The average Rand value of loss-of-support claims paid increased by 18% at the end of the 2012/13 financial year from R295,970 to R347,861 (2011/12: increase of 6% from R280,278 to R295,970). The average loss-of-support payment per claim has increased by 15% per annum since 2009.

The average number of individual loss-of-support claim payments increased by 24% at the end of the 2012/13 financial year from 3,783 to 4,684 (2011/12: increase of 24% from 3,045 to 3,783). The average number of claims has increased by 12% per annum since 2009 *(Graph 3.26)*.

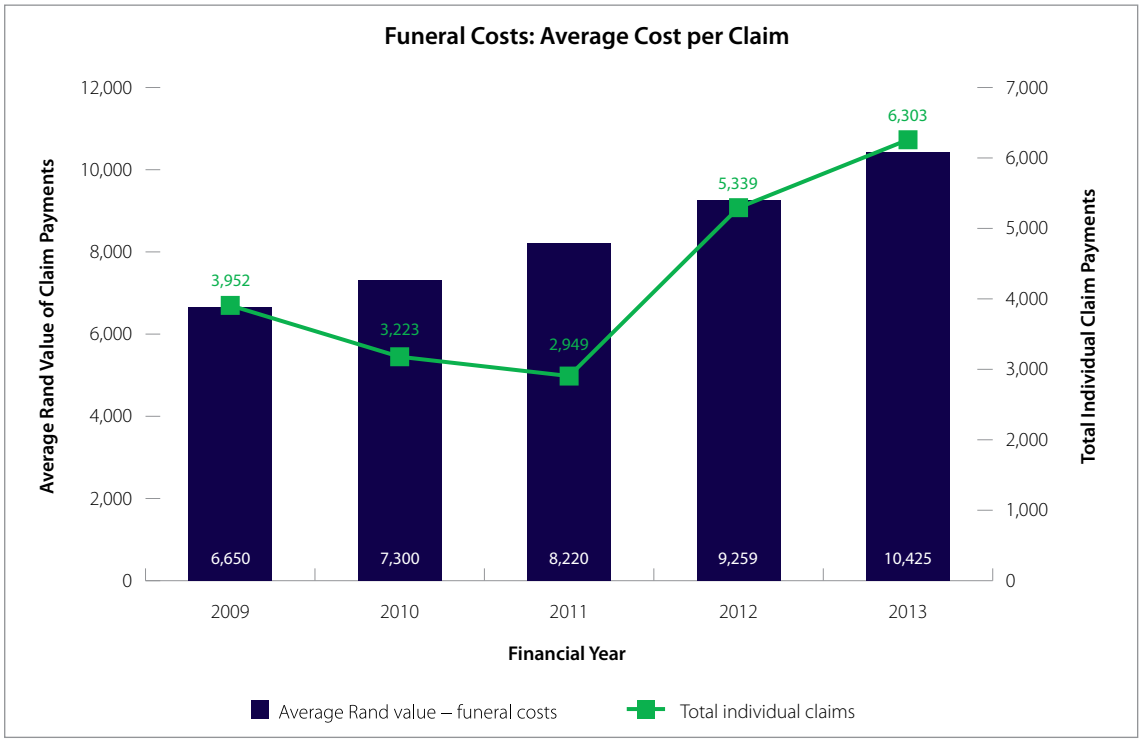
3.2.4.4.6 Medical Compensation

The average Rand value of all medical cost claims paid increased by 32% at the end of the 2012/13 financial year from R5,870 to R7,761 (2011/12: increase of 20% from R4,879 to R5,870). The average medical cost payment per claim has increased by 13% per annum since 2009.

The average monthly individual medical cost claim payments increased by 12% at the end of the 2012/13 financial year from 113,975 to 127,305 (2011/12: decrease of 18% from 139,634 to 113,975). The average number of claims for medical costs has increased by 6% per annum since 2009 *(Graph 3.27)*.



Graph 3.27 – Average medical cost compensation per claim



Graph 3.28 – Average funeral cost compensation per claim

3.2.4.4.7 Funeral costs

The average Rand value of funeral costs claims paid increased by 13% at the end of the 2012/13 financial year from R9,259 in 2012 to R10,425 (2011/12: increase of 13% from R8,220 to R9,259). The average payment per claim for funeral costs has increased by 12% per annum since 2009.

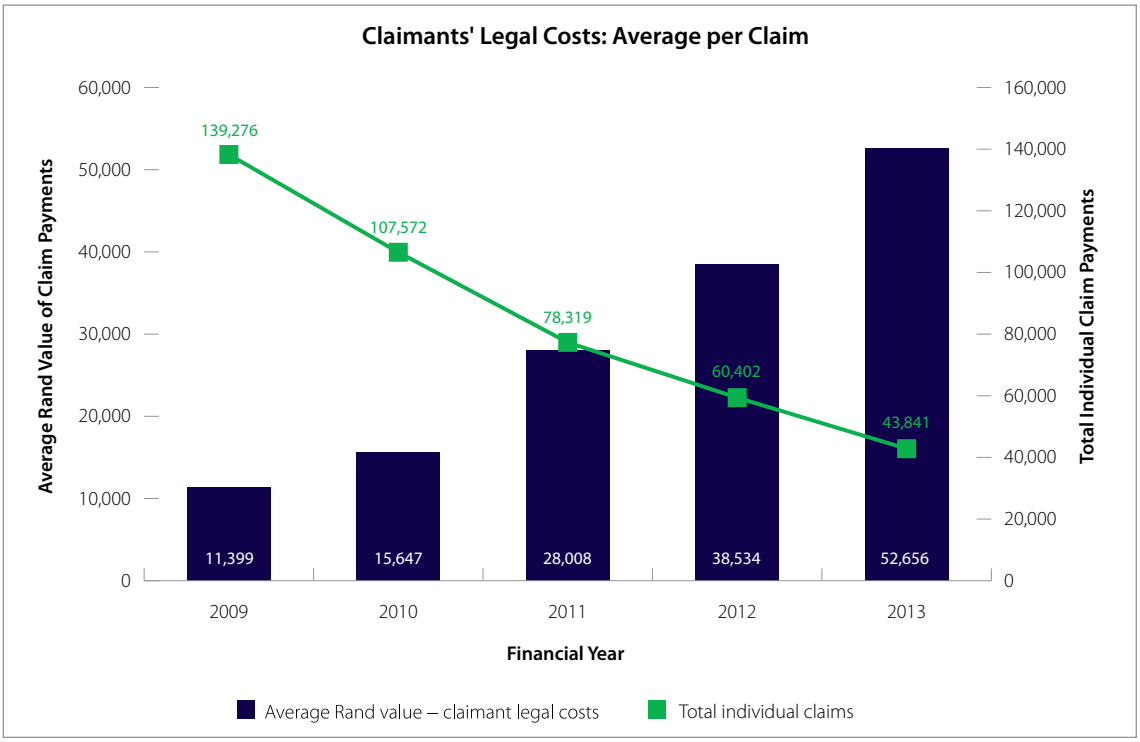
The average number of individual claim payments for funeral costs increased by 18% at the end of the 2012/13 financial year from 5,339 in the previous reporting period to 6,303 (2011/12: increase of 81% from 2,949 to 5,339). On average, the number of funeral costs claim payments decreased by 17 % per annum over the past five years *(Graph 3.28)*.

3.2.4.4.8 Claimants' legal costs

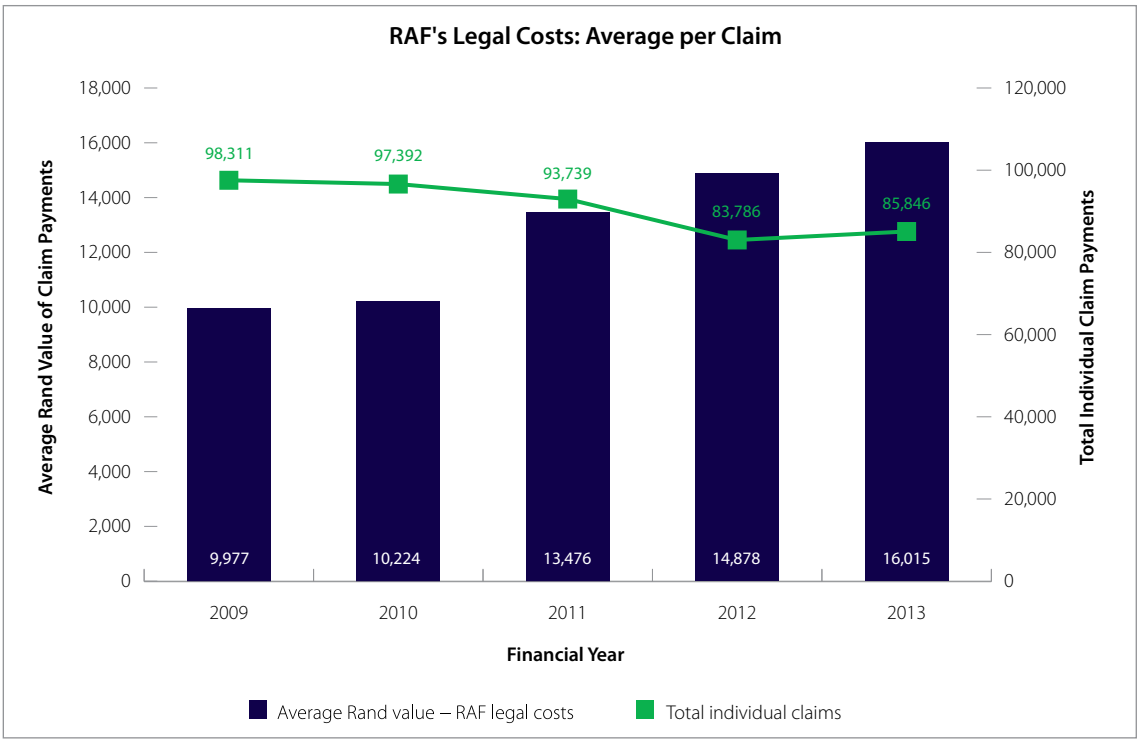
The average Rand value of claimants' legal costs settled increased by 37% at the end of the 2012/13 financial year from R38,534 in the previous reporting period to R52,856 (2011/12: increase of 38% from R28,008 to R38,534). The average claimants' legal cost payments per claim increased by 46% per financial year since 2009. This is mainly as a result of increases in the tariffs being set by an independent Rules Board. The RAF contributes significantly to litigation costs in the country and should be granted the opportunity to provide its inputs with regard to the calculation and setting of new tariffs.

The average total of individual claimants' legal cost claim payments decreased by 27% at the end of the 2012/13 financial year from 60,402 to 43,841 (2011/12: decrease of 23% from 78,319 to 60,402). The average number of claimants' legal cost payments per claim decreased by 22% per annum over the five-year period *(Graph 3.29)*. In preserving total revenue streams, the amount received per payment has increased as the number of payments has reduced.

The current system benefits attorneys who, despite being paid their legal costs in full by the RAF, continue to charge a contingency fee to the claimants. The current fault-based system of compensation results in vast legal costs being incurred in determining fault and the quantum of the payment. A properly defined no-fault compensation system in the future should see significant savings in this regard.



Graph 3.29 – Average claimant's legal cost per claim



Graph 3.30 – Average RAF legal cost per claim

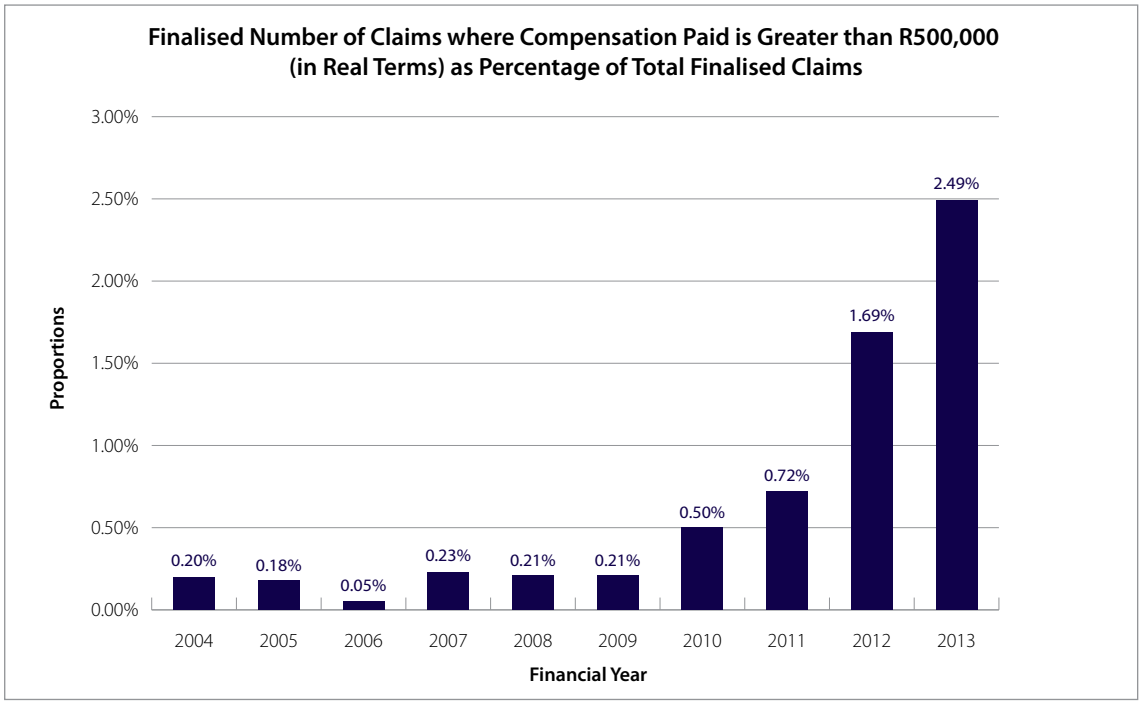
3.2.4.4.9 RAF's legal costs

The average Rand value of the RAF's legal cost payments per claim increased by 8% at the end of the financial year from R14,878 in the previous financial year to R16,015 (2011/12: increase of 10% from R13,476 to R14,878). The average increase in the RAF's legal cost payments per claim has been 12% per annum from 2009 to the end of March 2013.

The average number of individual RAF legal cost payments per claim for the 12 months increased by 2% at the end of the 2012/13 financial year from 83,786 at the end of the previous reporting period to 85,846 (2011/12: decrease of 11% from 93,739 to 83,786). There has been an average decrease of 1 % per annum in the number of RAF legal cost payments per claim since 2009 *(Graph 3.30)*.

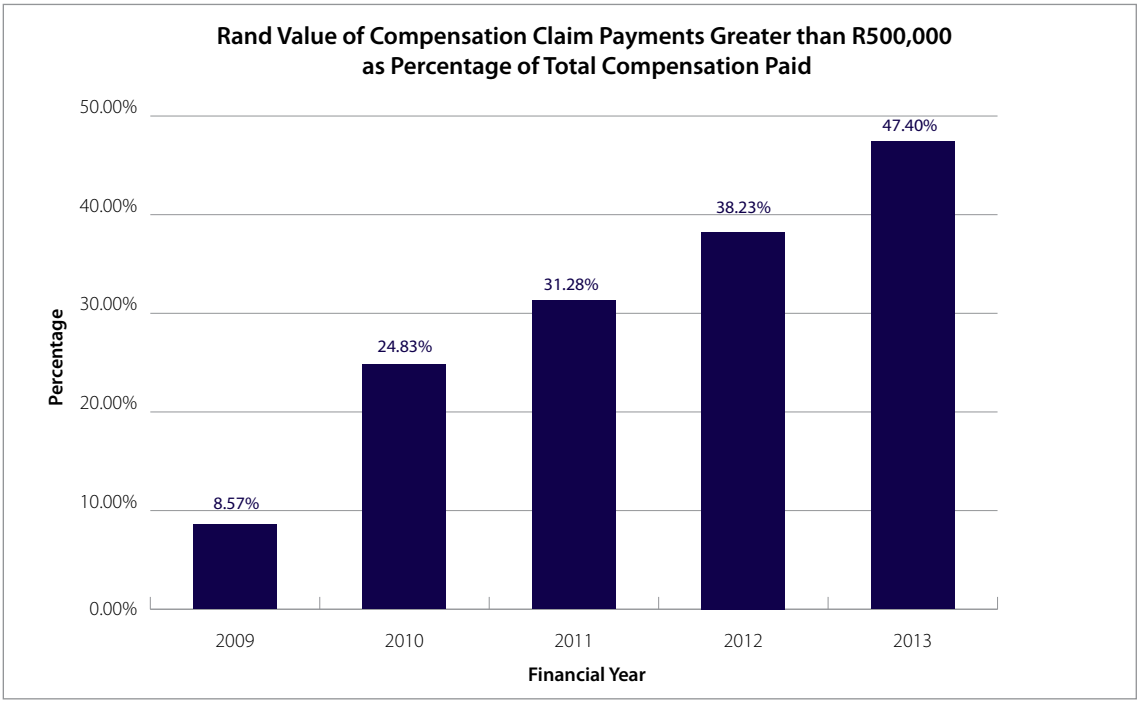
3.2.4.5 High-value Claims

Although the number of high-value claims (claims where compensation paid is greater than R500,000) as percentage of the total claims finalised increased during the year, these claims still represent a relatively small proportion of total claims finalised by the RAF during the current financial year, i.e. 2.49% of the total number finalised (2011/12: 1.69%) *(Graph 3.31)*.



Graph 3.31 – Number of claims compensated >R500,000 as a % of total claims finalised

In terms of total Rand value paid, these claims constituted 47.4% of the total compensation paid out during the reporting period (2011/12: 38.2%) *(Graph 3.32)*.



Graph 3.32 – Rand value of claims >R500,000 compensated as a % of total compensation paid

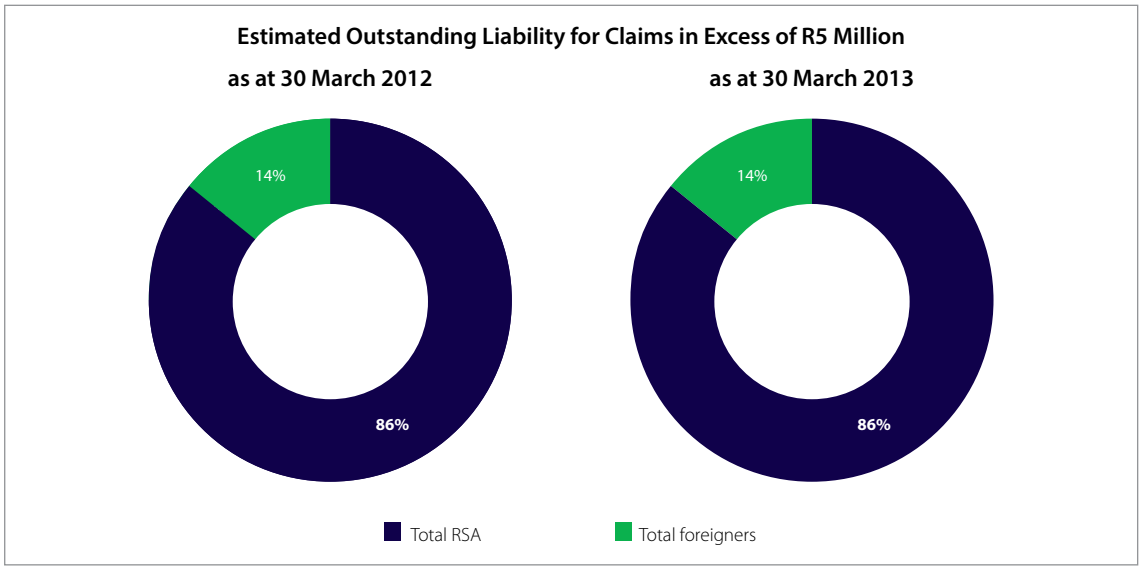
3.2.4.6 Foreign Claims

Claims by foreign visitors to South Africa continued to form a large proportion of high-value claims due to an increasing influx of foreign visitors to the country. Since the bulk of payments to foreign nationals are made in their currency of origin and they are accustomed to unlimited benefits with regard to loss of earnings in their own countries, foreigners' claims have dominated high-value claims in the pre-Amendment Act dispensation.

With the promulgation of the RAF Amendment Act, loss-of-earnings and loss-of-support payments to foreigners have been capped at R160,000 per annum, adjusted for inflation on a quarterly basis since August 2008. The current cap at financial year-end was R204,904.

As at 31 March 2013, 14% (2011/12: 14%) of the value of the estimated liability of claims in excess of R5 million comprised claims by foreign nationals *(Graph 3.33)*.

It is important to note, however, that the actual claimed amounts can exceed the estimated value of the claim.



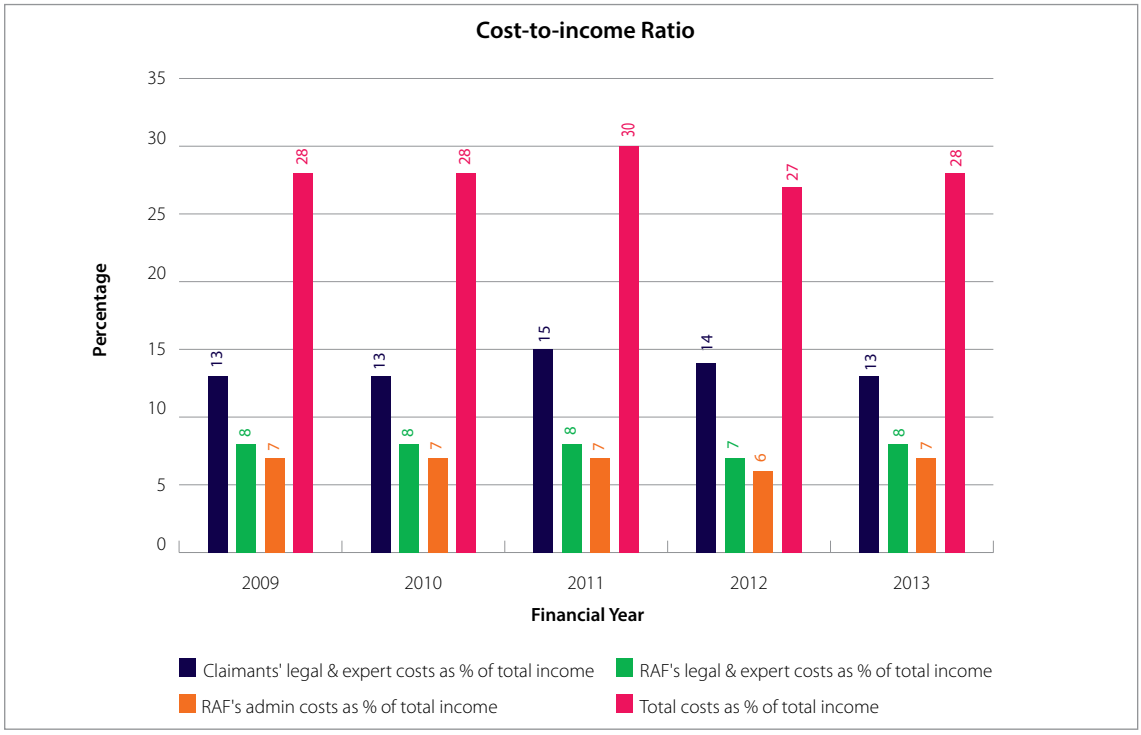
Graph 3.33 – Estimated outstanding liability for claims >R5 million

3.2.5 Cost of Service Delivery

The RAF constantly focuses on cost-reduction measures to improve efficiencies and to avail more cash for the payment of compensation.

The cost-to-income ratio for the financial year increased to 28% (2011/12: 27%). Administration costs increased to 7% (2011/12: 6%), RAF legal and expert costs increased to 8% (2011/12: 7%) and claimants' legal and expert costs decreased to 13% (2011/12: 14%) *(Graph 3.34)*.

Additional measures, currently being introduced within the RAF, include the roll-out of enhancement to the claims system and processes, as well as a campaign to deal with claimants directly rather than through third parties. These interventions have already yielded cost reductions and are expected to reduce costs even further in the longer term.



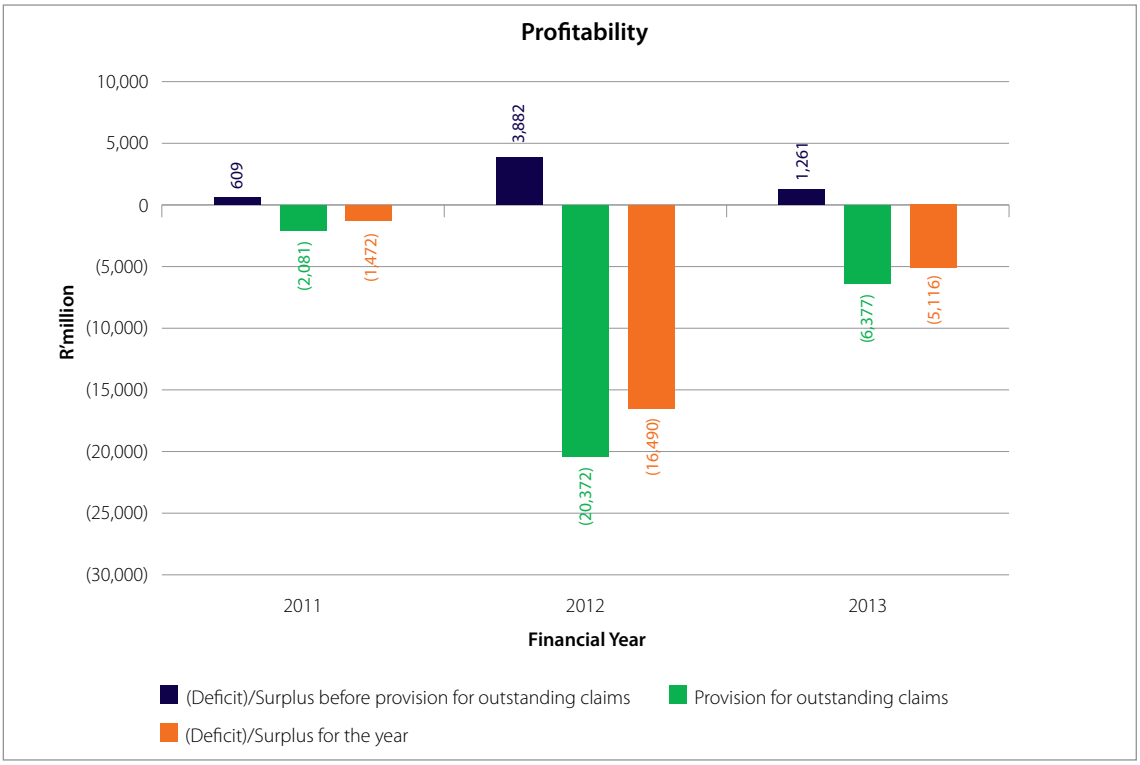
Graph 3.34 – Cost-to-income ratio

3.2.6 Profitability

The RAF recorded a net deficit for the 2012/13 financial year of R5.1 billion (2011/12: net deficit R16.5 billion) *(Graph 3.35)*. This was mainly due to an increase in the provision for outstanding claims of R6.4 billion (2011/12: R20.4 billion). Savings in operating and HR costs were accomplished and a higher Fuel Levy was realised. This only contributed to a net surplus of R1.3 billion before provision for outstanding claims.

The efforts to reduce the number of outstanding claims resulted in claims expenditure, including the provision of R21.6 billion (2011/12: R32.6 billion), being far higher than revenues accrued from fuel levies of R17.4 billion (2011/12: R17 billion).

Cash and cash equivalents increased from R4.2 billion during the previous financial year to R6.1 billion at the end of the reporting period. A high cash balance accumulated at the end of the period compared to the budget due to a higher Fuel Levy received and savings in HR and operating costs. The overall decline over the previous financial year was caused by the growth in the claims provision.



Graph 3.35 – Profitability of the Fund

3.2.7 Financial Health

3.2.7.1 Solvency and Capitalisation

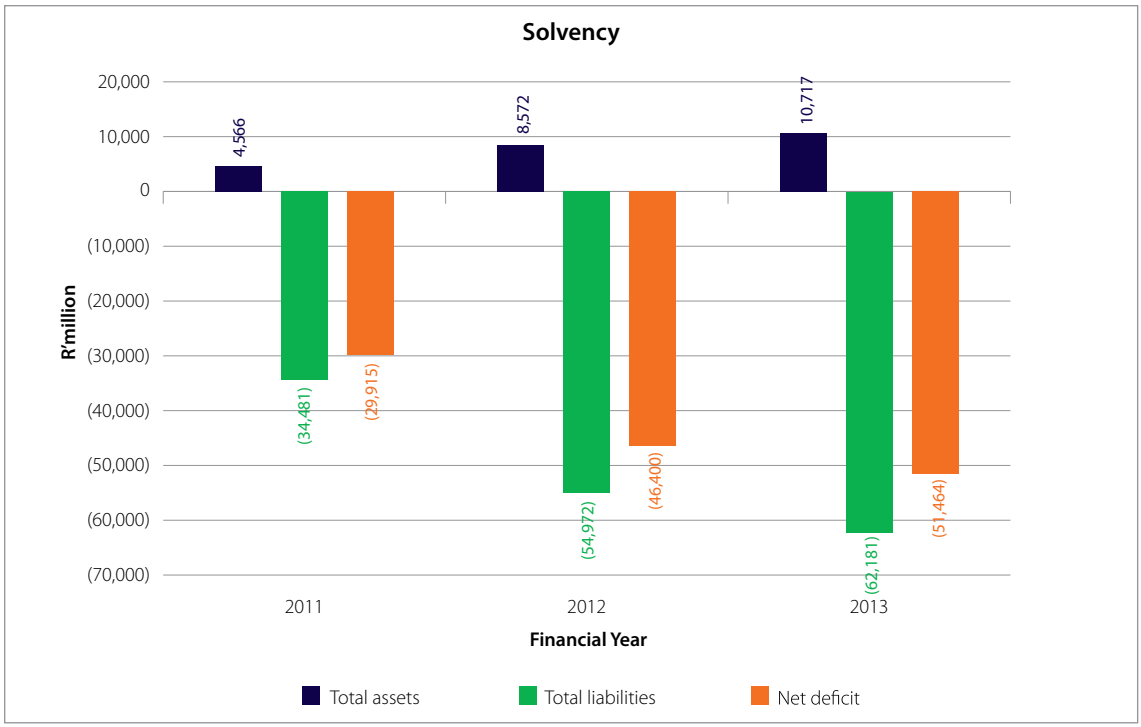
The RAF remains grossly under-capitalised with liabilities exceeding assets by R51.5 billion (2011/12: R46.4 billion) *(Graph 3.36)*. The only assets of substance, other than cash, are land and buildings worth R152 million. Similar organisations to the RAF elsewhere in the world have, as one of their major assets, investments that cover as much as 0.2 % of the full outstanding liability. Funding for the RAF has historically focused on only the current liability, and not on funding the non-current liability. It is on this basis that the Fund has continued to trade for three decades, despite being technically insolvent.

Several discussions took place between the RAF and National Treasury during the reporting period. National Treasury intends to continue to fund the RAF on a pay-as-you-go basis.

The net deficit of the RAF has continued to grow *(Graph 3.36)* despite the increase in Fuel Levy received from National Treasury. The increase in the RAF Fuel Levy is not scientifically determined and it is clear that there is no correlation between this and the increase in the need to settle claims.

The total assets balance is higher due to higher cash balances and net fuel levy receivable. The total liabilities are higher mainly as a result of the increase in provision for outstanding claims. Overall, the net deficit has deteriorated further compared to the previous reporting period. Although the RAF has achieved a net surplus before provision for outstanding claims, the net deficit is higher due to the increase in the provision for outstanding claims. Importantly, growth in the deficit is substantially less than in 2011/12.

Solvency must be viewed in conjunction with the movement in the liability for claims incurred but not reported, as outlined in section 3.2.8.



Graph 3.36 – Solvency of the Fund

3.2.8 Total Liability for Outstanding Claims

Consistent with previous years, the RAF makes use of statutory actuaries to estimate the provision for outstanding claims, which includes and is informed by both the liability for claims reported and the claims which have not been reported. The actuaries estimated that the RAF could still expect to pay an estimated total amount of R82.8 billion (in March 2013 monetary terms) in respect of accidents that occurred prior to 1 April 2013. If the RAF held assets of R82.8 billion, this, together with interest earned on the assets, was estimated to be sufficient to cover these future payments. The R82.8 billion is the total estimated discounted liability for outstanding claims.

This estimated liability was determined by separately considering the following four components:

- Personal claims (non-undertakings, non-supplier);
- Supplier claims;
- Undertaking payments; and
- Allowance for legal cases (e.g. Mvumvu, Paixao, etc.)

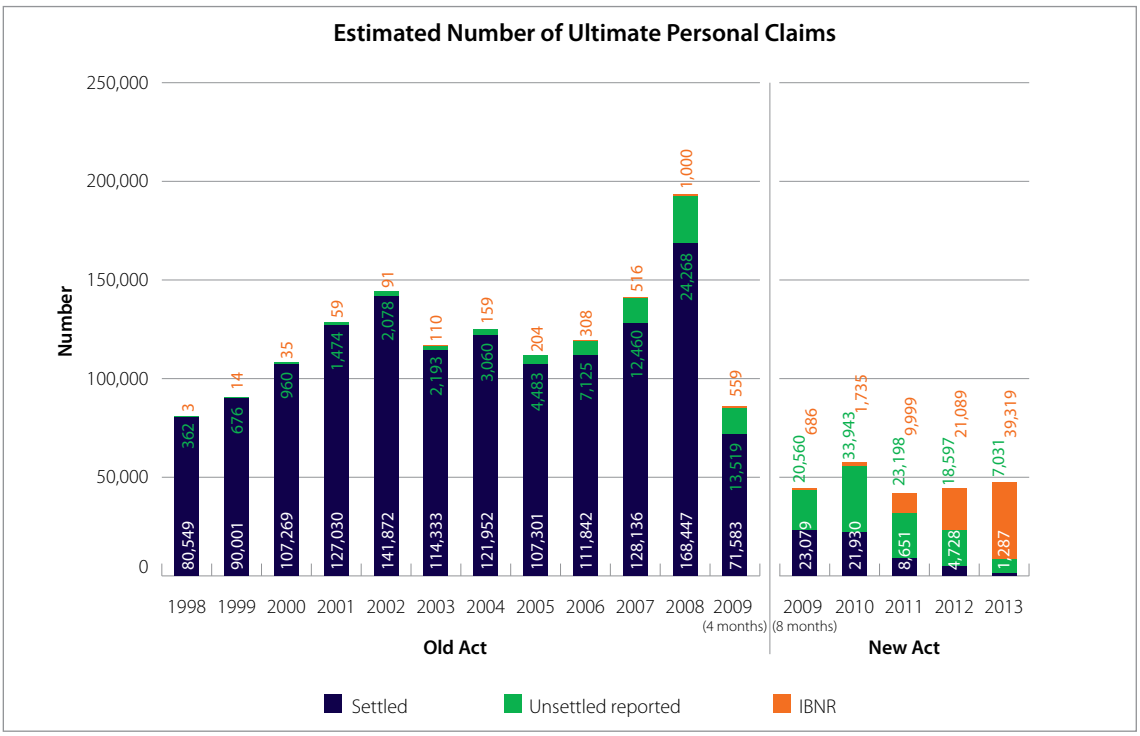
Each component contributed as follows to the total liability:

Component	Liability R'billion	%
Personal claims	75.0	90.6%
Supplier claims	0.6	0.7%
Undertaking payments	5.6	6.8%
Allowance for legal cases	1.6	1.9%

The accounting treatment of the total liability for outstanding claims is explored further in Notes 12 and 34 of the Financial Statements for the year under review.

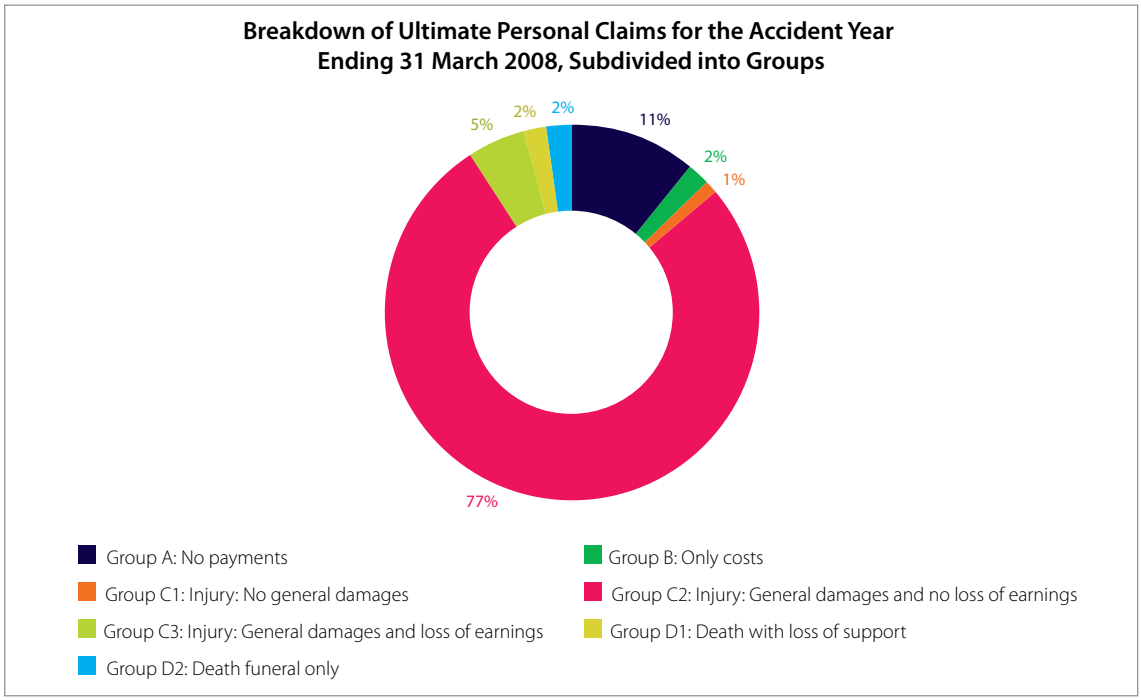
The expected future payments in respect of personal claims were arrived at by first estimating the number of outstanding claims for each accident year, grouping these claims into seven homogeneous groups and then multiplying the estimated outstanding number of claims in each group by the average amount (in March 2013 monetary terms) expected to be paid per claim. These average amounts per group differed per accident year because, on average, larger claims take longer to settle. On the assumption that the investment return on notional assets could have been equal to claims inflation, the total estimated discounted liability equals the liability in March 2013 money terms, which is R82.8 billion.

Graph 3.37 shows the estimated number of outstanding personal claims for each accident year, split up into settled claims, unsettled reported claims and incurred but not reported ("IBNR") claims. The Amendment Act was introduced on 1 August 2008, and the accident periods before and after this date is shown separately.

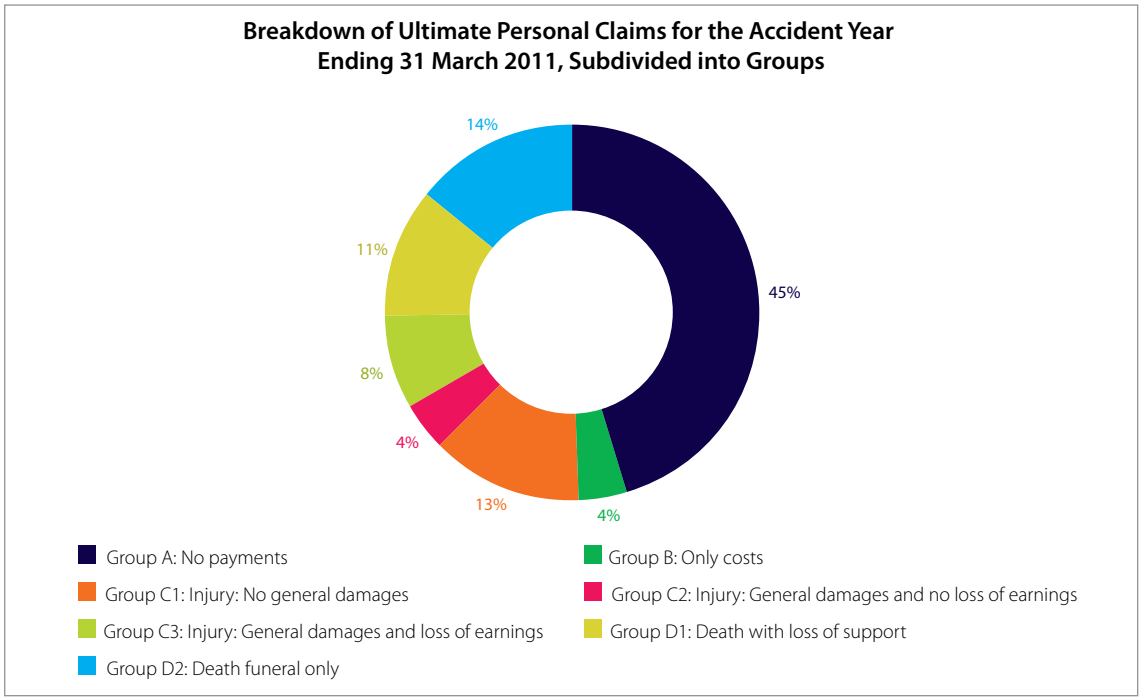


Graph 3.37 – Estimated ultimate personal claims

The estimated number of ultimate personal claims is expected to fall into the groups as shown in *Graph 3.38* and *Graph 3.39* below. The split for accident years 2008 and 2011 is shown seperately to illustrate the impact of the RAF Amendment Act.

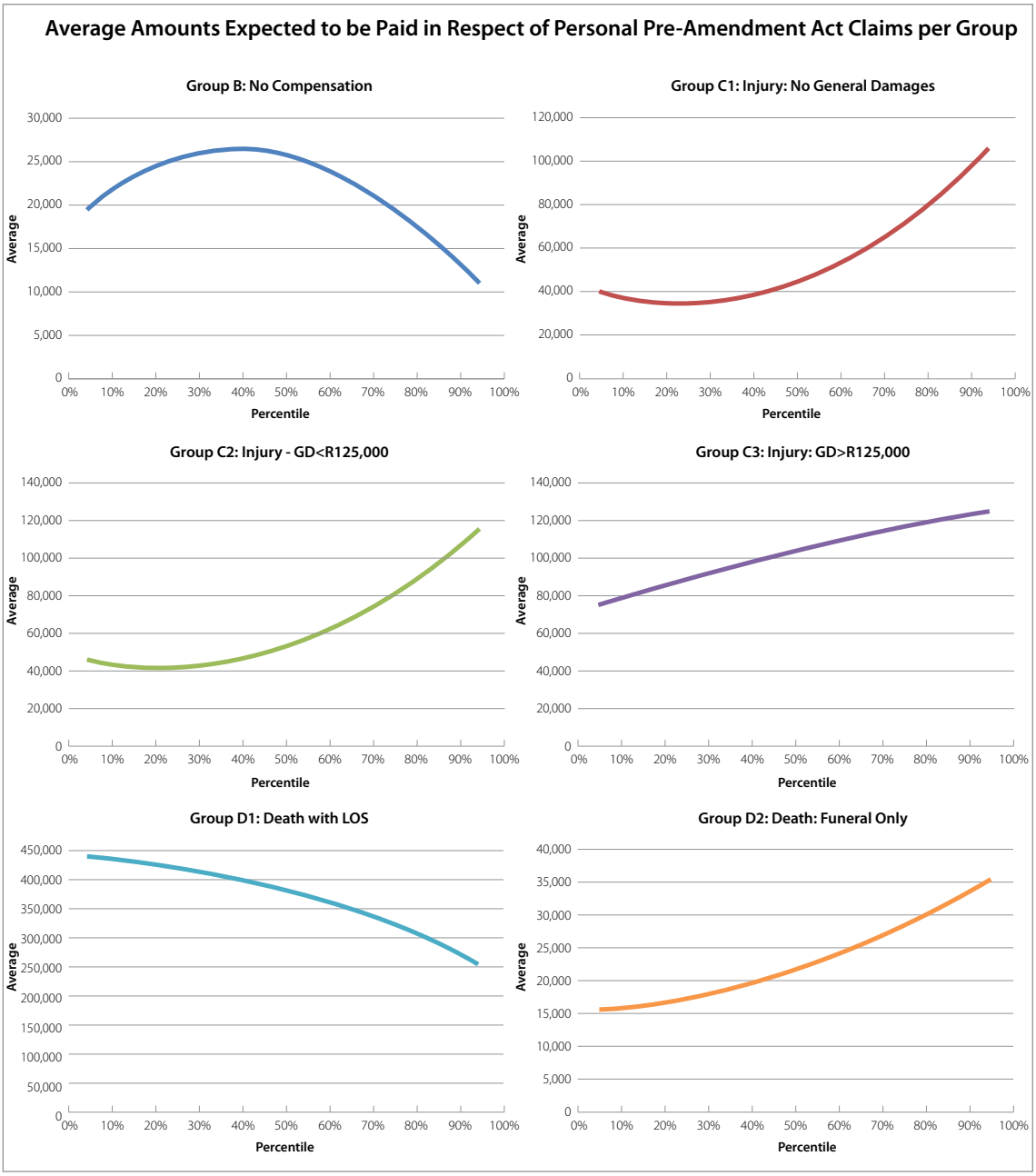


Graph 3.38– Ultimate pre-Amendment Act claims by type



Graph 3.39 – Ultimate pre-Amendment Act claims by type

The average amounts expected to be paid in respect of personal pre-Amendment Act claims falling into each of these groups are different for each accident year (as larger claims take on average longer to finalise). For example, the average amounts (in March 2013 monetary terms) were estimated to be as follows for the different groups (where the x-axis denotes the chronological order (time between accident date and settlement date) *(Graph 3.40)*.



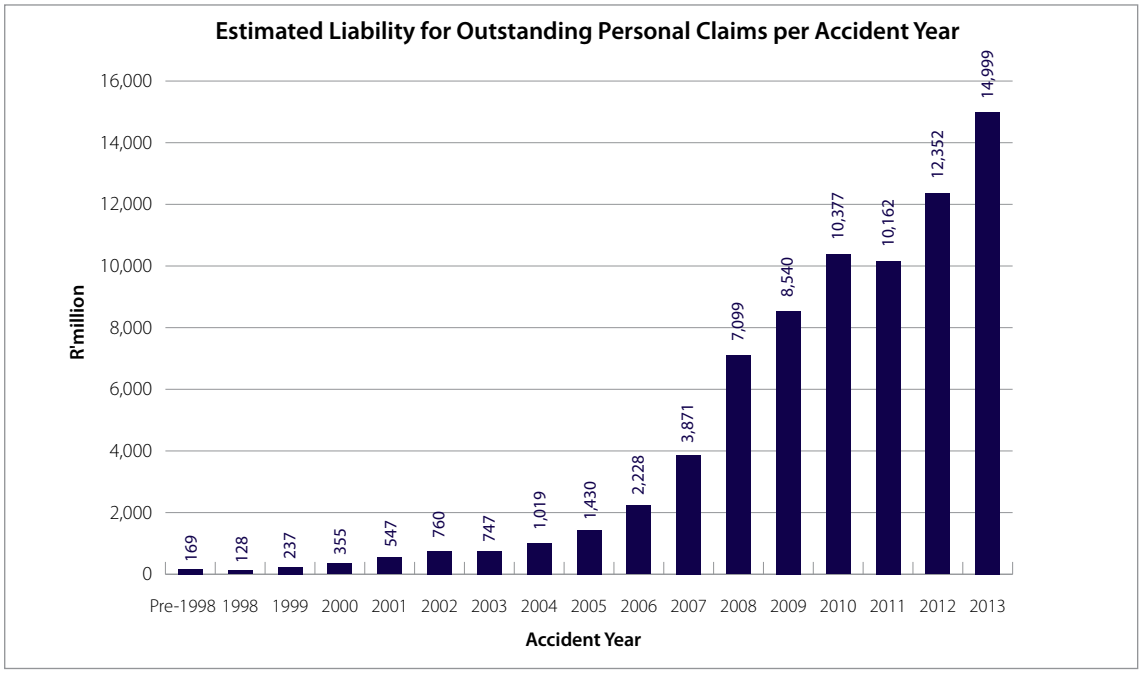
Graph 3.40 – Average amounts expected to be paid – personal pre-Amendment Act claims

For post-Amendment Act claims, there haven't been enough claims settled to allow a similar analysis. Therefore, the RAF calculated the average cost per New Act claim settled to date, and assumed the same future increases or decreases (as above) per group would apply to these amounts for New Act claim settlements.

Most other statistics pertaining to claim payments in this Integrated Annual Report are broken down into 'heads of damage' as opposed to the 'groups' breakdown used for estimating the liability of outstanding claims. Claims falling into any 'group' could have payments in respect of different 'heads of damage'. The table below demonstrates the relationship between the 'groups' and the 'heads of damage'. For example, for the accident year ending March 2007, ultimate payments (excluding undertakings) are expected to be R18,343 million. This is expected to be broken down as follows:

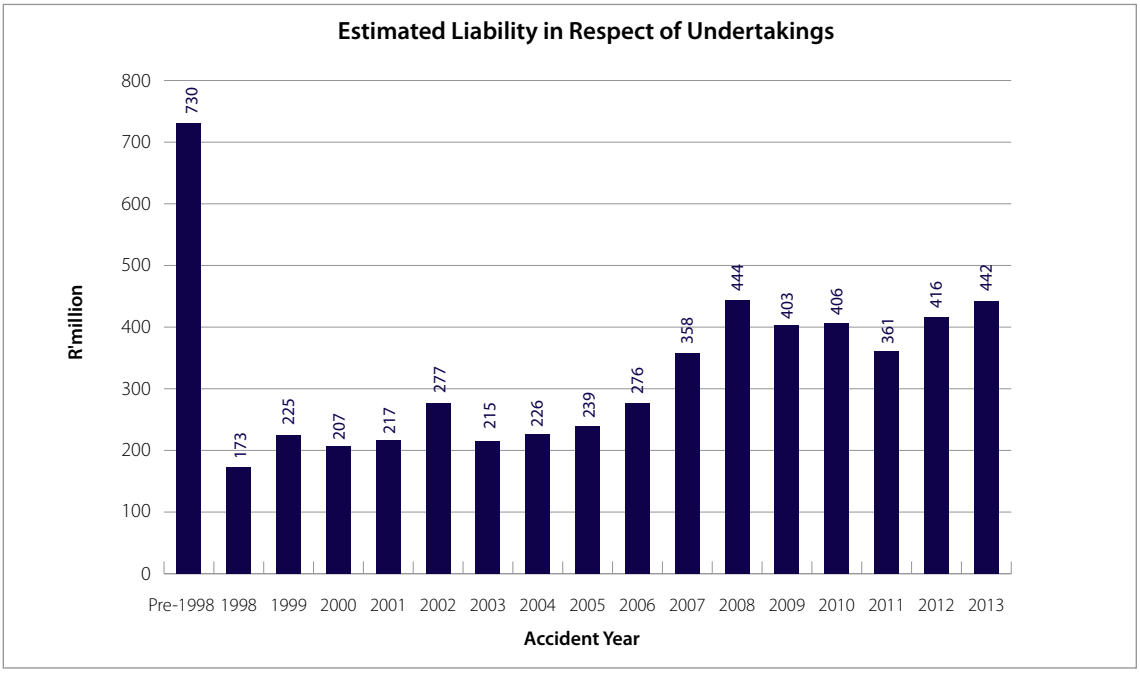
Group:	B R'million	C1 R'million	C2 R'million	C3 R'million	D1 R'million	D2 R'million	Supplier R'million	Total R'million
Heads:								
Medical	0	31	159	509	5	110	361	1,175
Loss of earnings	0	45	627	4,018	30	2	0	4,722
Loss of support	0	0	0	0	621	0	0	621
Funeral	0	0	0	0	2	320	0	322
General damages	0	0	4,950	2,698	14	1	0	7,663
RAF legal	22	11	824	493	48	117	6	1,521
Claimant legal	20	13	1,388	705	57	178	15	2,376
Other	0	0	(16)	(33)	(8)	0	0	(57)
Total	**42**	**100**	**7,933**	**8,390**	**769**	**728**	**382**	**18,343**

The discounted provision in respect of outstanding personal claims (excluding the provision for outstanding liability in respect of undertakings issued and supplier claims) was estimated to be R75 billion, made up as per *Graph 3.41* for the different accident years. It is clear that the liability is largely constituted of a provision for claims over the last six accident years, which still needs to materialise.



Graph 3.41 – Estimated liability for outstanding claims, excluding undertakings

The discounted provision in respect of outstanding undertaking payments was estimated to be R5,614 million, made up as shown in *Graph 3.42* for the different accident years.



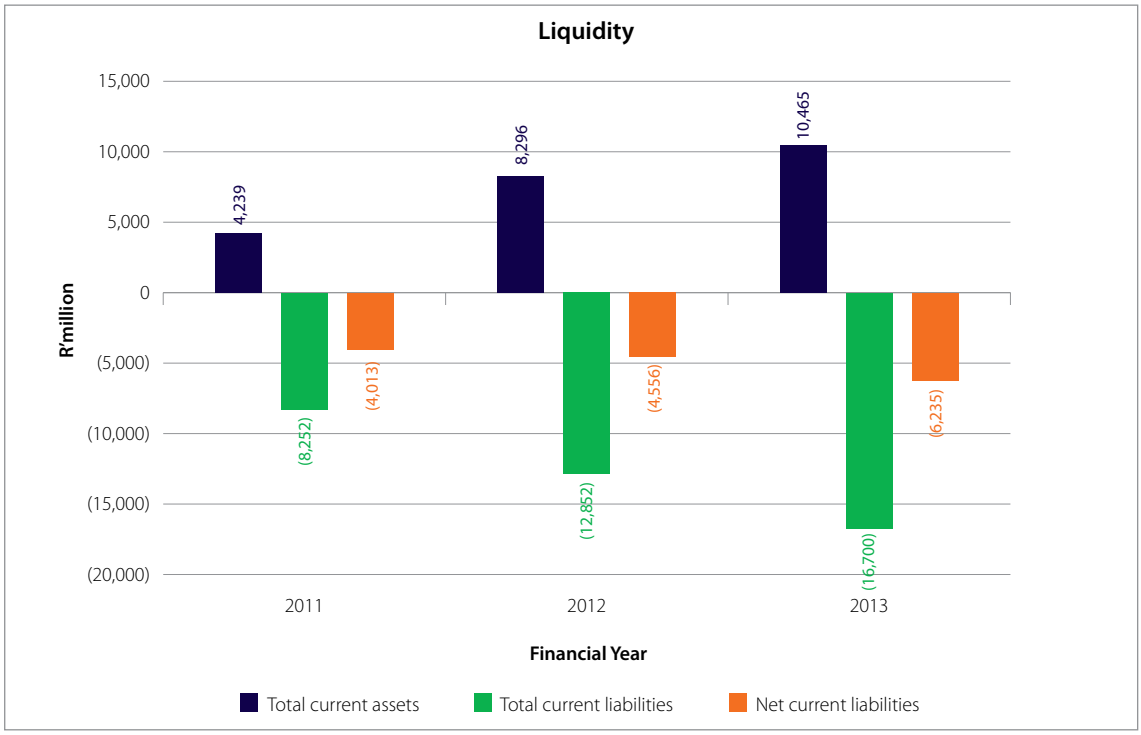
Graph 3.42 – Estimated liability for undertakings

3.2.9 Liquidity and Cash Holdings

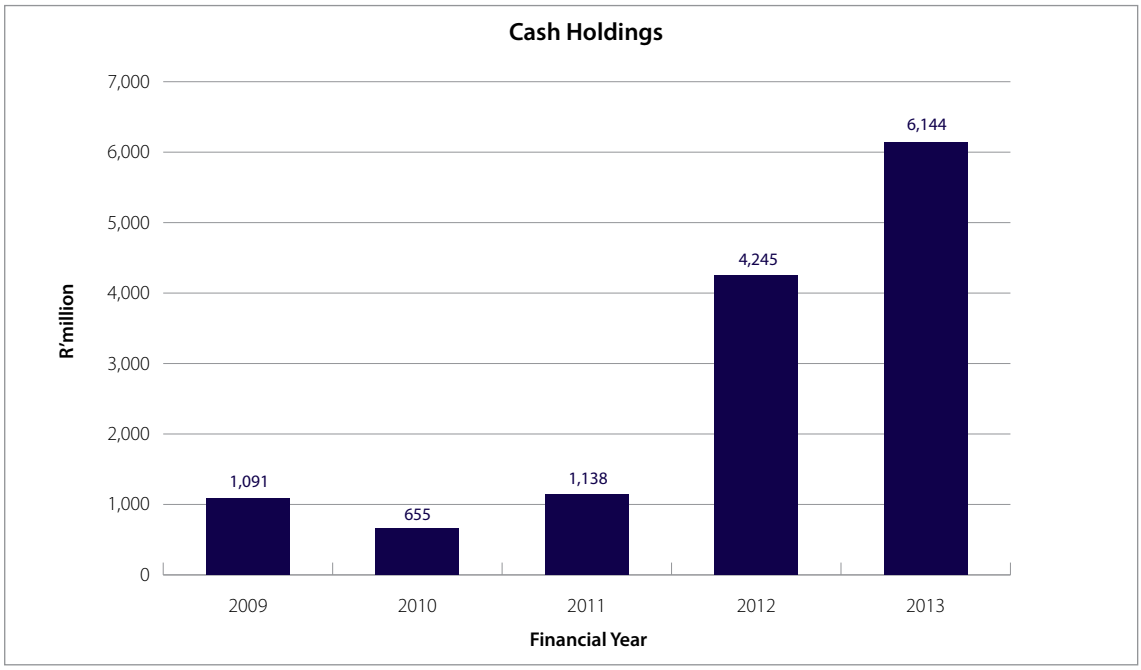
As at 31 March 2013, current liabilities of the RAF exceeded current assets by R6.2 billion (2011/12: R4.6 billion) *(Graph 3.43)*.

Liquidity is managed on a day-to-day basis and claims are paid as and when cash is available. The cash reserve built up in the 12 months of the reporting period in relation to previous financial years. The ideal scenario is to have sufficient cash holdings to pay claims for at least two months in advance at any given point in time. From the graphs below, it is evident that the RAF cash resources are not sustainable.

While the results reflect improved liquidity, the high cash balance of R6.1 billion for the period (2011/12: R4.2 billion) that had accumulated by the end of the reporting period was due to the higher Fuel Levy received and savings in HR and operating costs *(Graph 3.44)*, and is therefore temporary in nature.



Graph 3.43 – Liquidity of the Fund



Graph 3.44 – Cash holdings of the Fund

3.3 Business Support Functions

3.3.1 Information and Communication Technology

According to King III, the risks involved in Information Technology ("IT") governance have become significant, as IT systems have become integral to a company's strategy and business. It also includes the involvement of outside parties such as service providers. The risk associated with using service providers also implies that confidential information may be compromised.

The year saw the establishment of an IT Committee of the Board to ensure that Information and Communication Technology ("ICT") investments going forward are aligned to the RAF's corporate strategy.

The ICT Department established a governance structure that controls its strategies, operations and structures. The department now has a Management Committee with Sub-Committees and an ICT Steering Committee (which is chaired by the Chief Information Officer ("CIO").

During the year under review, ICT systems paid dividends by enabling the RAF to achieve speedy establishment of Hospital Service Centres ("HSCs") in support of the strategy to bring the RAF's service offering to claimants, even in the most remote areas of our country.

The RAF derived value from the investment made to create a so-called 'private cloud'. This contributed significantly to the 'RAF on the Road' campaigns, which have been successful due to the cloud computing that made it possible to set up RAF offices in a vast number of locations on a country-wide basis. The Fund was even able to assist its customers with enquiries and settlement offers.

The ICT Department further assisted the Marketing, Communication and Call Centre Department to establish an up-to-date website. The site was created on the premise of leveraging some technological innovations acquired by the Fund, such as Microsoft SharePoint.

A great deal of attention was placed on assessing the IT Strategy and capacity. It had become apparent that the IT function was in need of capacity enhancement – people, processes and equipment. A revised Strategy, a Business Continuity Plan and IT equipment (hardware, software and resources) were attended to in the year under review. In order for the Fund to succeed, it is a business imperative that the IT environment and capacity is always aligned appropriately to business objectives.

In support of the national strategy of building skills, the ICT Department had two interns in the areas of ICT Security and ICT Networks.

3.3.2 Human Capital

3.3.2.1 Key Focus Areas

King III contains several references to governance matters affecting human resources ("HR"), either directly or indirectly. While certain HR issues are addressed very explicitly, such as performance management, employment equity ("EE"), and succession planning, there are many other areas outlined in King III that should be considered by the Human Capital Department. The RAF recognises that good governance is essential for sound HR practices and the improvement of business performance in an increasingly competitive local and global economic market. As such, the RAF developed its HR Strategy to ensure that its business objectives and plans are achieved within this operating environment. The HR delivery model provides guidelines for employees to act in a manner that enhances the performance objectives of the organisation. One of the key HR achievements for the year under review was the roll-out of the Performance Management System across all levels of the organisation and the organisational realignment process which took place in the latter half of the financial year.

The Performance Management System is aimed at continuously managing the organisational performance, as well as personal performance and personal development. In addition, the system is instrumental in ensuring that each employee understands the organisation's strategic objectives.

During the year under review, the Board approved a revised organisational structure which sought to align the structure to the Fund's strategic objectives and performance priorities, whilst ensuring that control weaknesses, such as the absence of segregation of duties, were addressed. This process was implemented internally and was concluded in full within six months. The focus now is on concluding recruitment processes which will see the new structure fully capacitated and operational.

3.3.2.2 Employee Benefits

3.3.2.2.1 Medical schemes

The RAF conditions of service require that each employee be a member of one of the RAF's accredited medical aids, i.e. Bonitas or Discovery. The necessary deductions are made from employees' salaries and paid over to the medical schemes on their behalf.

3.3.2.2.2 RAF Pension Fund

The RAF has a pension fund in place for all employees. The current fund is based on a defined contribution model where employees are not guaranteed a specific sum at the time of retirement, since this is dependent on the performance of financial markets.

3.3.2.3 Change Management

The RAF faces a period of accelerated change, as it navigates its way to a 'new' organisation, the RABS. Consequently, the shape, structure and responsibilities of its workforce are constantly changing. The Human Capital Department embarked on an extensive change management process and interventions to entrench a culture of performance and to influence staff to become transformational leaders.

The RAF subscribes to a formal approach to change management as depicted below:

Figure 3.6 – The RAF change process

These steps are aimed at:

- Minimising the impact on productivity;
- Avoiding unnecessary turnover or loss of valued employees;
- Eliminating any adverse impact on customers; and
- Equipping employees to deal with any uncertainties on the journey.

The Human Capital Department successfully partnered and supported the following interventions:

The Change Network

The Change Network was bolstered with visible change leaders such as the CEO, Executive Officers and Senior Management teams.

The ultimate objectives of the network are to provide a comprehensive change support framework which would mitigate resistance and build support for the new organisational structure and the transition to RABS.

Further objectives included:

- Managing change effectively and entrenching good practices that will sustain change and establish the foundation for RABS;
- Developing, disseminating and embedding a unique customer service value proposition for the RAF;
- Assisting staff to build inter-departmental relationships aimed at improving businesses performance;
- Building employees' morale and growing their confidence in the RAF's leadership, people, systems and culture; and
- Improving effective communication across the RAF and promoting effective communication with customers and stakeholders.

Communication channels

In partnership with the change leaders, quarterly staff engagements were conducted nationally, providing business information, strategic direction and most importantly obtaining staff's inputs and concerns. Coupled with this, a number of communication platforms, such as an interactive CEO's Blog, were created with the objective of availing staff members with the opportunity to post their issues and concerns in order to obtain clarity and answers.

Leadership Forum

Apart from the quarterly Leadership Forum meetings chaired by the CEO, the RAF held its first extended and special Leadership Forum in January 2013. The event was attended by 177 members of the Executive, Senior Management and Management teams.

Objectives of the Leadership Forum include, but are not limited to:

- A communication and engagement platform chaired by the CEO;
- Key strategic and operational decisions are shared with the organisational Management to cascade to all RAF employees;
- Organisational leaders share information and updates pertaining to their respective business units for noting and action;
- Delegates are updated on key organisational programmes, projects and action items; and
- Board and Executive Management directives are shared.

3.3.2.4 Performance Management

The RAF is resolute in its drive to entrench a performance culture that fosters accountability and customer-centricity. As stated, the overriding purpose of the RAF's Performance Management Strategy is to enable the management of team and individual performance to ensure achievement of the RAF's strategic objectives. Other objectives include the following:

- To instil a performance-driven culture whereby performance and its improvement are seen as a core part of the organisation's principles of operation;
- To improve the quality of Management decision-making by providing the best information so that resources are effectively and efficiently deployed by the organisation;
- To identify whether the organisational strategy and milestones are on track so that stakeholders can be confident that Management is working towards their objectives and for Management to identify situations when objectives are not being met or need to be changed;
- To help to communicate and align strategies across the RAF to ensure that all organisational units are working to achieve the same strategic goals;
- To provide transparency and accountability at both a management and stakeholder level so that all business units can be confident in the processes that they follow and understand their responsibilities in achieving organisational success;
- To assist in meeting compliance reporting requirements outlined by our Shareholder; and
- To support a focus on continuous improvement, which can be facilitated by tracking the progress of key performance indicators over time and between both internal and external benchmarks.

The following key activities were embarked upon during the reporting period:

- The RAF reviewed and aligned its Performance and Development Policy to business objectives and best practice; and
- Quarterly Performance Reviews were introduced, coupled with quarterly coaching performance sessions with Departmental Managers with the objectives to:
  - Link strategic objectives to performance management;
  - Develop ongoing metrics to ensure that all objectives (key performance areas and key performance indicators) are specific, measurable, achievable, realistic and quantifiable;
  - Prepare for performance reviews;
  - Provide and receive feedback; and
  - Manage poor performance.

SAP performance management capability

Continued development and upgrading of the Enterprise Resource Planning System ("SAP") solution facilitated the process of monitoring, measuring and rewarding the performance of employees, towards enhancing efficiency and effectiveness and improving service delivery within the RAF.

Successes

The RAF is proud to report that for the period ending March 2013, 99% of its employees were successfully contracted (i.e. signed their Balanced Scorecards).

3.3.2.5 Remuneration Philosophy

The RAF developed an integrated Remuneration and Reward Model to provide a holistic framework for remuneration and reward, with a view to contributing to organisational success. The Reward Strategy framework aims to assist the Fund to achieve the following:

- Compete for talent in an increasingly competitive labour market, influenced by both local and international demand for skills;
- Retain competent employees who enhance business performance, including groups of employees where a substantial investment has been made in training and development;
- Motivate individual and team performance that create stakeholder and Shareholder value for the business;
- Manage the total cost of employment;
- Achieve most effective returns (employee productivity) for total employee spend; and
- Address diverse employee needs across differing cultures.

To achieve this, the Fund will reward employees in a way that reflects the dynamics of the market and the context in which it operates. The four components of the Reward Strategy are aligned to the strategic direction and business-specific value drivers of the organisation. These are as follows:

- Guaranteed remuneration;
- Variable remuneration;
- Learning and development; and
- The work environment.

The development of the framework entailed a combination of:

- Consultative interviews with Executives to obtain input into the Remuneration and Reward Strategy needed for the RAF;
- External benchmarking and research on best practices against other organisations;
- Alignment and reviewing of related organisational policies; and
- Stakeholder engagement sessions.

Annual Remuneration Reviews

In order for the Fund to maintain appropriate remuneration competitiveness, remuneration is reviewed on an annual basis. The organisation has an agreement with the represented trade union, South African Transport and Allied Workers Union ("SATAWU"), to negotiate annual salary increases on behalf of its members. Annual salary increases are paid in April of each year in line with the organisation's financial year-end. The percentage annual salary increase is mandated by the RAF Board.

3.3.2.6 Talent Management

Talent Forums were established in all departments. The process included Executive, Senior and Middle Management engagement and consultation sessions, preceded by awareness and information sessions conducted with all business unit Managers.

The purpose of Talent Forums is to make strategic decisions regarding the attraction, development, deployment and retention of key talent, and ensuring that succession plans are in place for mission-critical positions. Talent Forums are held at different levels of the organisation in order to escalate issues to the Executive Talent Forum.

Talent Forums provide a structured and systematic way of addressing the current and future people needs of the RAF. They provide a forum to:

- Assess the talent pipeline across all Management levels;
- Moderate individual Manager's assessments of the performance and potential of their reports; and
- Monitor the implementation of talent and succession plans.

Talent Action Plans

Talent Action Plans are developed for each identified employee forming part of the talent pool based on collective and individual talent challenges and succession plans. These are then aligned to the personal development plans of the identified employee.

Talent Review Process

Quarterly reviews are facilitated by the Human Capital Department with the Talent Forums to review the progress made against the identified targets and interventions as per the Talent Action Plan. This is an annual event coupled with the identification of new talent pools per quadrant.

3.3.2.7 Knowledge Management

In today's rapidly changing organisations, there is a need to be able to leverage the knowledge base in order to gain a competitive edge. What necessitated Knowledge Management ("KM") as a strategic function within the RAF is the lack of continuity or posterity of information beyond the change initiatives that the RAF embarked on through the years. In the last quarter of the year under review, the KM function was introduced as one of the Human Capital business units.

The purpose of KM within the RAF is to form a baseline for business improvement and change initiatives by mapping, documenting and sharing purposeful knowledge with the relevant stakeholders which forms part of organisational intellectual capital, such as improved performance, innovation, lessons learnt, survey results and trends, business processes for purposes of continuity and not to re-invent the wheel. It further aims to:

- Transform knowledge resources by identifying and disseminating relevant information;
- Provide a clear knowledge policy framework that will be used by all for purposes of standardisation; and
- To assess current knowledge competencies and plans for the future.

Milestones

Milestones achieved by the KM Function to date include the following:

- The Business Case, for the justification of having KM as a strategic department, has been approved.
- KM business process mapping and specifications are in progress (which will inform the creation of the KM systems architecture and governance).

3.3.2.8 Organisational Diagnostic

The RAF participated in the 'Deloitte Best Company to Work for Survey 2012', which took place in July 2012. The survey aims to identify and celebrate the best companies to work for across the Southern African region as rated by their most important stakeholder group, namely their employees.

The RAF achieved a participation rate of more than 70%, from the sample group of employees selected. The Fund participated in the medium-sized companies' category and was rated 27th out of 36 participating companies.

The feedback received from this survey provides invaluable insights into the Fund's employment priorities and experiences, which in turn serve as the basis to optimise the overall employment experience.

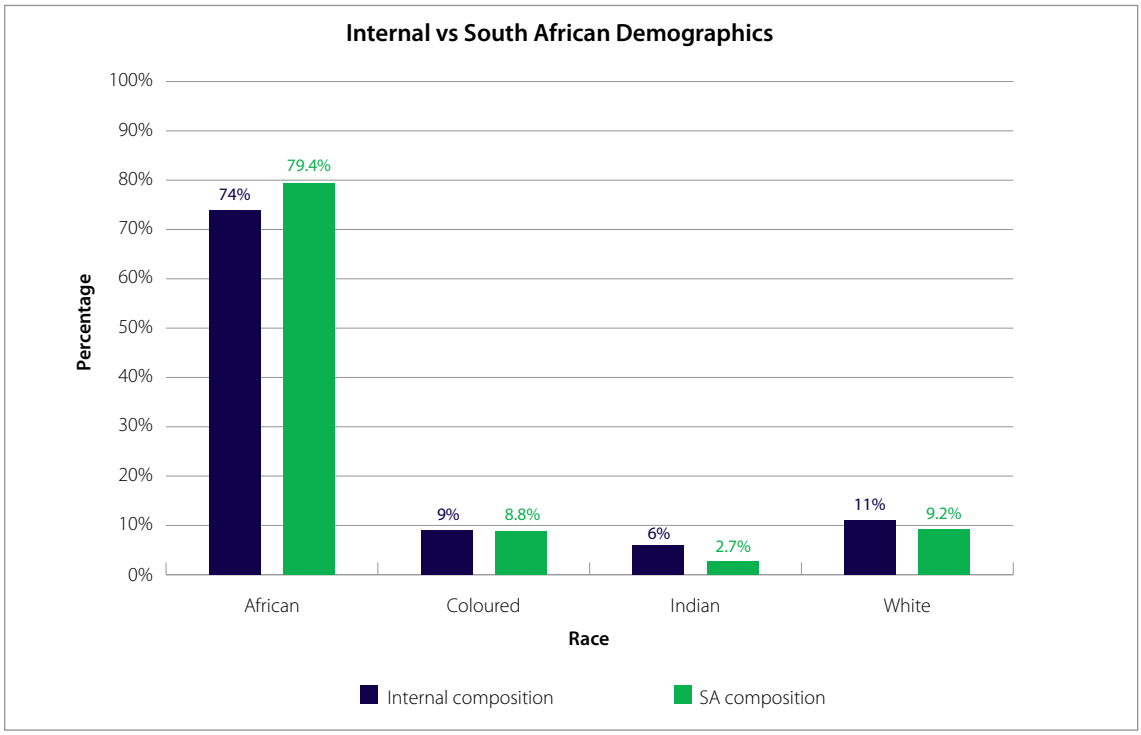
The Human Capital Division presented the results to the Executive Committee, the RAF Leadership Forum and are now engaging Departmental Managers and staff to develop action plans supported by monitoring and evaluation tools.

3.3.2.9 Employment Equity

In terms of the Employment Equity Act, the RAF is a 'designated employer', and as such is obliged to provide annual Employment Equity ("EE") reports on or before 1 October each year. To ensure that the RAF meets both provincial and national EE targets, individual regional targets were set.

The RAF recorded positive progress at most levels.

Graph 3.45 illustrates the internal versus external demographics.

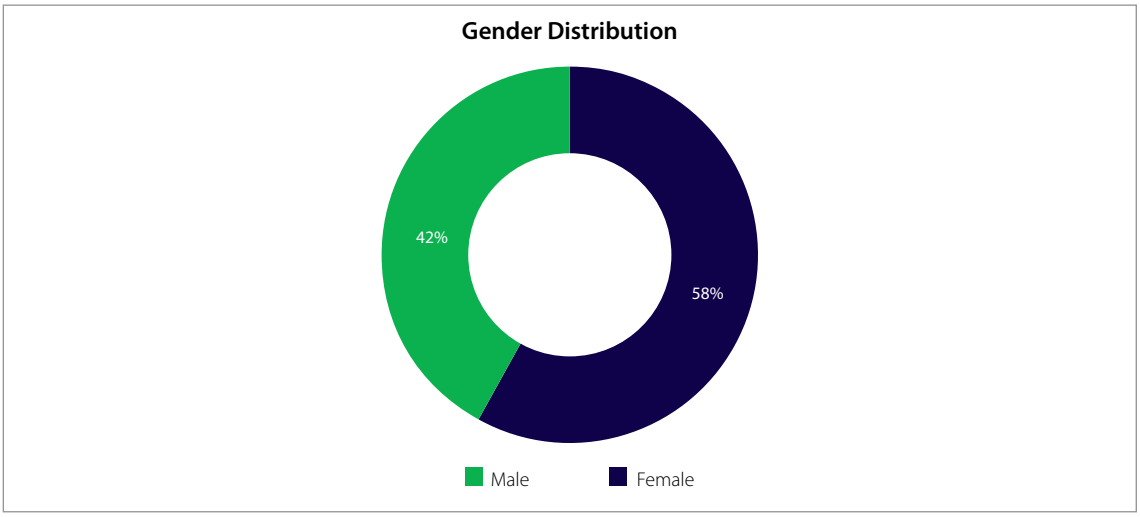


Graph 3.45 – RAF vs. SA demographics

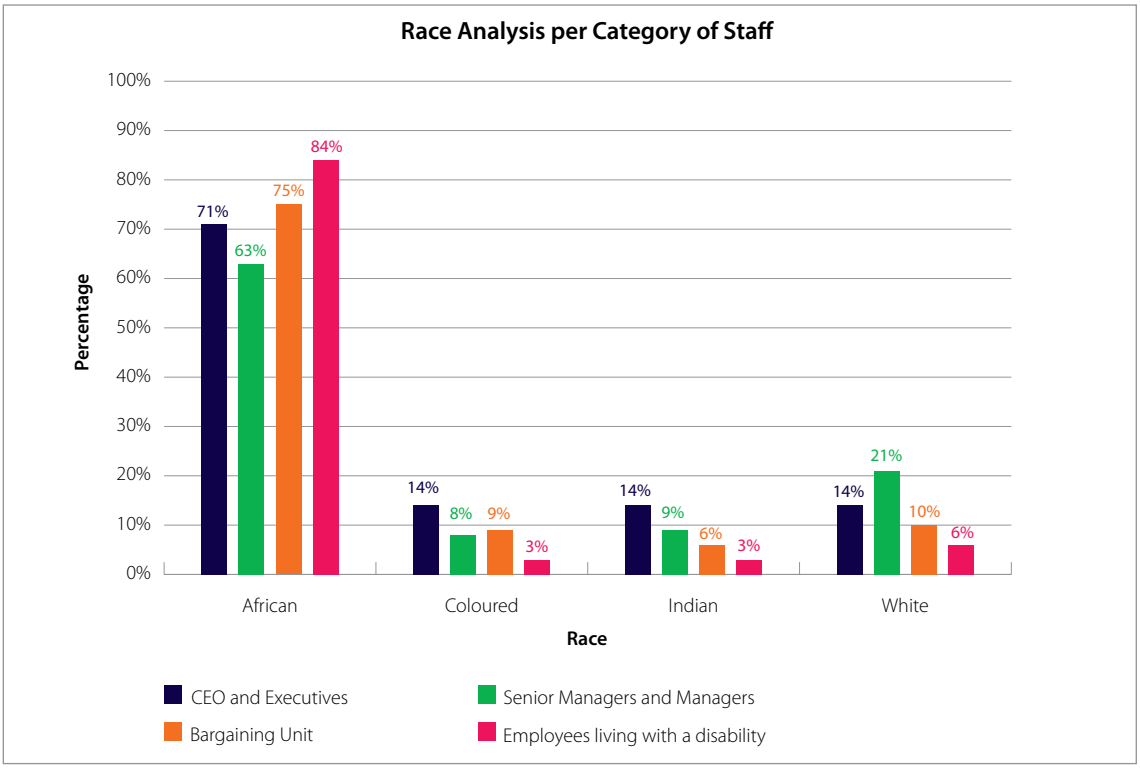
3.3.2.10 Staff Composition

The following table and graphs outline the RAF's staff composition and gender analysis.

	African		African Total	Coloured		Coloured Total	Indian		Indian Total	White		White Total	Grand Total
	Male	Female		Male	Female		Male	Female		Male	Female		
CEO				1		1							1
Bargaining Unit	532	733	1,265	48	98	146	35	66	101	49	114	163	1,675
Managers	60	50	110	7	4	11	10	5	15	17	15	32	168
Senior Management	11	5	16	4		4	1	1	2	6	3	9	31
Top Management	2	3	5							1		1	6
Grand Total	**605**	**791**	**1,396**	**60**	**102**	**162**	**46**	**72**	**118**	**73**	**132**	**205**	**1,881**

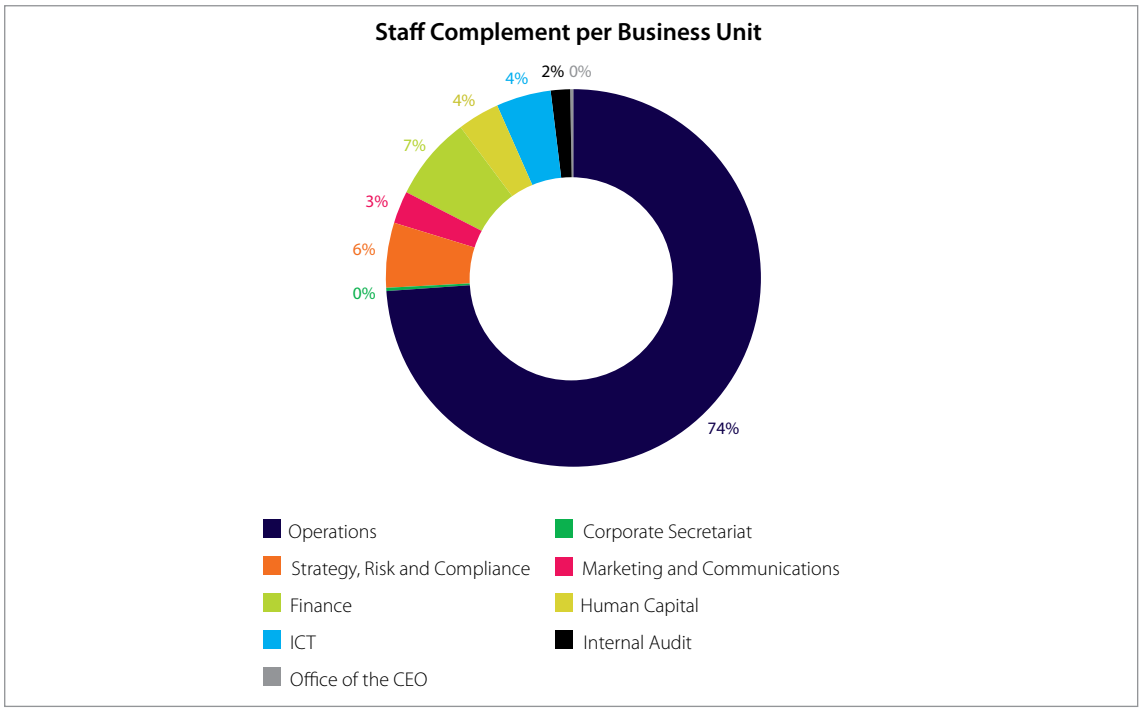


Graph 3.46 – RAF gender distribution



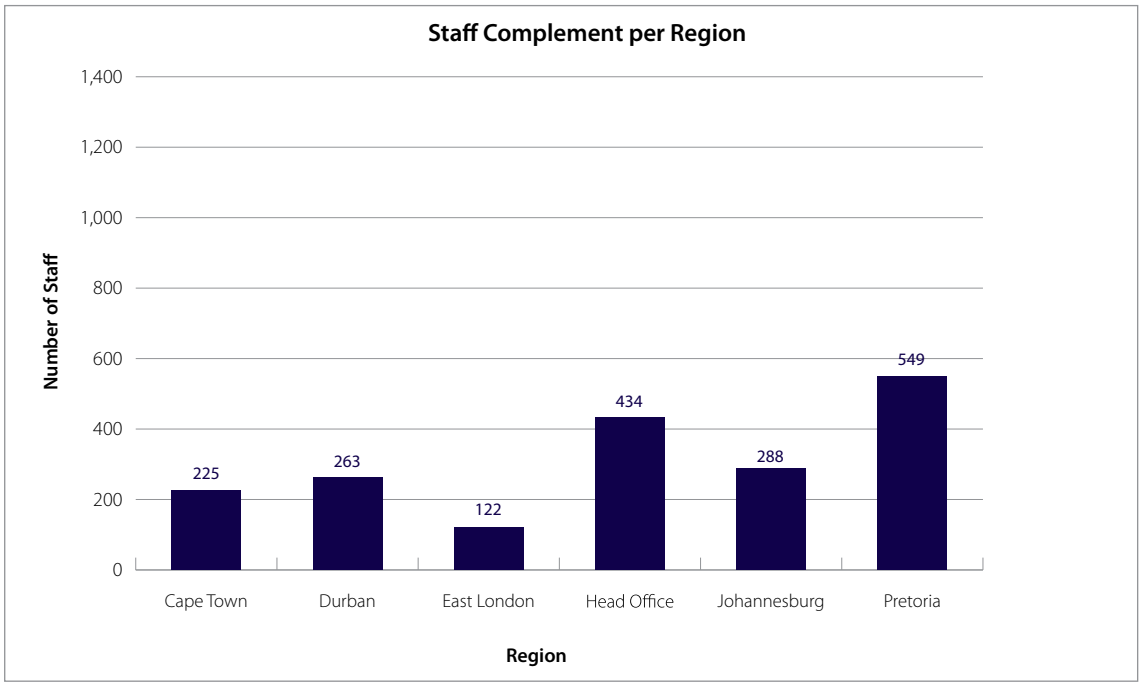
Graph 3.47 – Race per category of staff

The RAF's staff complement, grouped by business unit and by region, as at 31 March 2013 is reflected in *Graphs 3.48* and *3.49*.



Graph 3.48 – Staff complement per business unit

The RAF had 1,881 permanent employees as at 31 March 2013 (2011/12: 1,844). Of these, 75% fall within the core business unit, namely Claims Operations *(Graph 3.48)*.



Graph 3.49 – Staff complement per province

3.3.2.11 Staff Turnover

During the year under review, the RAF had an average turnover in staff of 7.9% due to terminations in the following categories:

Staff Turnover	
Terminations	**Numbers**
Resign – Salary/benefits	76
Expiry of contract	8
Dismissal	4
Death	8
Resign – Personal problems	1
Disability	1
Retirement	2
Abscondment (AWOL)	1
Total	**101**

Staff turnover is further divided to show statistics by age group, gender and race:

Age Group	Terminations	Staff Complement	Turnover Rate
<25	0	29	0.0%
26 – 34	30	563	5.3%
35 – 44	48	924	5.2%
45 – 54	17	289	5.9%
55+	6	76	7.9%
Total	**101**	**1,881**	**5.4%**

Gender	Terminations	Staff Complement	Turnover Rate
Female	48	1,097	4.4%
Male	53	784	6.8%
Total	**101**	**1,881**	**5.4%**

Race	Terminations	Staff Complement	Turnover Rates
African	70	1,396	5.0%
Coloured	8	162	4.9%
Indian	5	118	4.2%
White	18	205	8.8%
Total	**101**	**1,881**	**5.4%**

3.3.2.12 Learning and Development

The RAF continues to implement significant business transformation processes, streamlining services for more efficient, responsive and effective delivery to regional offices and stakeholder groups. Below follows an overview of the key projects that were implemented during this reporting period:

3.3.2.12.1 Learning Academy

The RAF Virtual Learning Academy was established in August 2009. The academy is an organisational entity dedicated to turning business-related learning into action. During the previous reporting period, additional services, such as a library and a Career and Assessment Centre, were established. The library has now incorporated other business-related publications and further focus is on the introduction of e-books in the next financial year. The Career and Assessment Centre provides a host of assessment, succession planning and career coaching services. The centre has now introduced medical training, which includes of the American Medical Association ("AMA") IC 10 codes.

3.3.2.12.2 Leadership development

The RAF's Leadership Strategy and Model considers leadership competence at different levels of organisational complexity and translates leadership competence into three areas, namely leading self, leading others and leading business. The Leadership framework identifies the key competencies required to support the development of employees and addresses the way in which the RAF works, as well as the manner in which employees achieve their targets and objectives. The Leadership Competence Model is conceptually illustrated as follows:

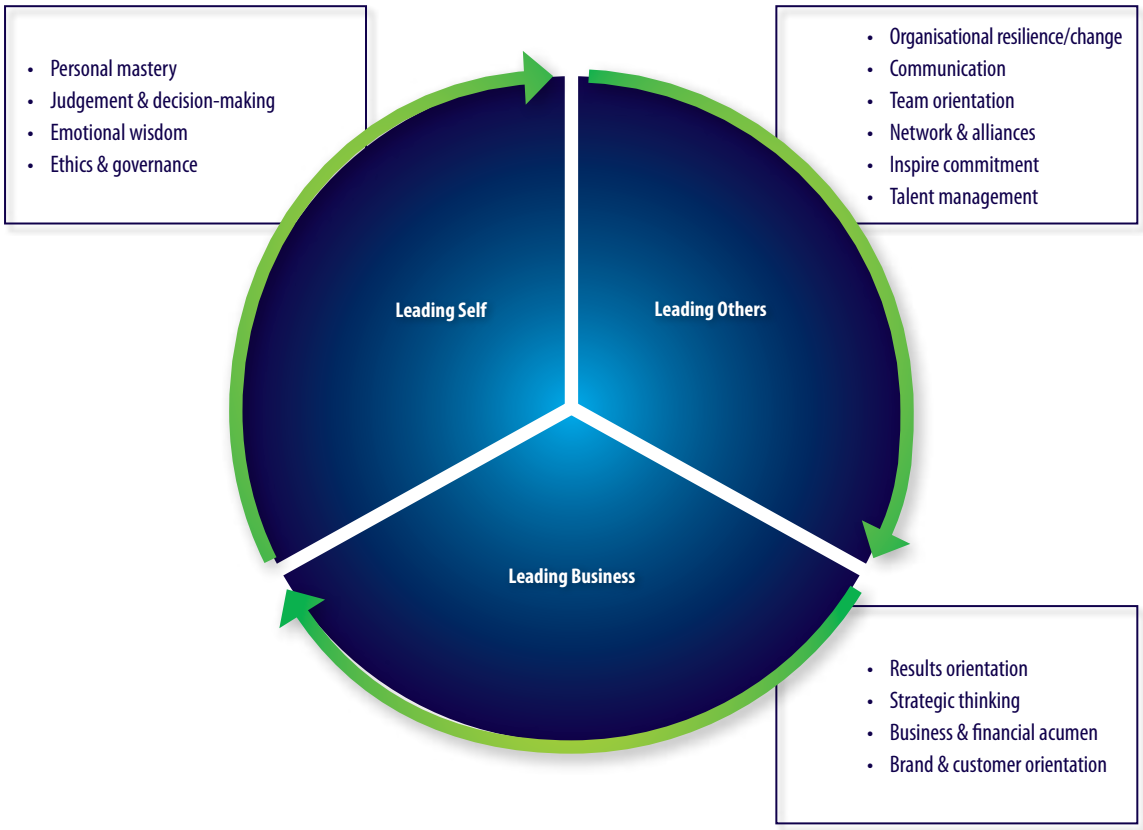


Figure 3.13 – Leadership Development

The model further:

- Supports the organisation by providing concrete examples of the ways of working within the organisation;
- Communicates a clear understanding of the organisational values;
- Identifies the required development areas in order to support a more targeted training and development plan;
- Offers clear examples of how the context/environment assists or impedes the development of behaviours;
- Ensures consistency in the evaluation of employees throughout the RAF; and
- Provides for a common language in the identification of tomorrow's leaders and sourcing within the organisation.

The following elements of this model were implemented during the year under review:

- Supervisory Development Programme: 38 employees at supervisory level completed a seven-module programme;
- Coaching Programme for Managers: A coaching programme for Managers will be delivered in the next financial year to address leadership development gaps;
- Foundation Leadership Programme: 104 staff members attended the Foundation Programme in the current financial year. The programme was specifically aimed at lower levels of the leadership pipeline;
- Management Development Programme: 42 Managers attended the Management Development Programme in the current financial year;
- Other leadership development initiatives: During the year under review, three other programmes aimed at all employees were also implemented, namely Personal Mastery, Resilience, Diversity and Emotional Intelligence for Leaders and a programme relating to Strategy, King III & Risk Management. Resilience training was rolled out during the reporting period and the RAF is in the process of rolling out Customer Service Training for all staff members;
- RAF (Transitional Provisions) Act: Training was rolled out to the affected core business staff members; and
- Adult Basic Education and Training ("ABET"): ABET was rolled out for employees with no qualifications.

3.3.2.12.3 Skills development

The National Skills Development Strategy ("NSDSIII") was launched in August 2010. Central to the strategy are partnerships between employers, public education institutions, private training providers and Sector Education and Training Authorities ("SETAs"), to ensure that cross-sectoral and inter-sectoral needs are addressed. The RAF aligned itself with the strategy through:

- The better use of workplace-based skills development opportunities by optimising the current personal development process within the RAF. The process will in future also be aligned to the performance management review cycle;
- Building career and vocational guidance through the launch of career coaching sessions and by presenting the RAF at various career exhibitions; and
- Addressing the shortage of actuarial skills within the sector in partnership with the Insurance Sector Education and Training Authority ("Inseta") and the South African Actuaries Development Programme ("SAADP").

One of the visions of NSDSIII is to build career and vocational guidance; therefore the RAF is embarking on attending various career exhibitions.

3.3.2.12.4 Internships and learnerships

The RAF continued to participate in a number of Learnership and Internship Programmes to provide valuable learning and work experience to previously disadvantaged individuals. These were undertaken in terms of a three-way agreement between the RAF, service providers and the Inseta.

3.3.2.12.5 Learning Management System

Learning and Development is in the process of introducing a Learning Management System ("LMS"), which will serve as a learning portal for the organisation. The LMS will enable employees to:

- Complete their Performance Development Plans ("PDPs") electronically;
- Access e-books;
- Undertake e-learning; and
- Schedule their own training.

3.3.2.12.6 Operational Toolkit and Electronic Calendar

An Operational Toolkit was successfully launched in 2011 and continues to be updated. One of the innovations is the introduction of competence assessments for core business, which was rolled out in April 2011. The purpose of the assessment is to ensure levels of competence after training and not merely focusing on the transfer of knowledge.

The Operational Toolkit consists of a number of tools and documents to ensure the standardisation and optimisation of operations. The toolkit will enable employees to provide better service delivery.

Learning and Development launched an Electronic Calendar to enable RAF employees to participate in training.

3.3.2.13 Employee Wellness Service

The RAF's Employee Wellness Service ("EWS") provides an integrated approach to employee health and wellness services, as outlined by the Department of Public Service Administration ("DPSA"). The programme is designed to reduce behavioural crises associated with personal problems, assist Management in demonstrating concerns for the well-being of employees, create a supportive and non-discriminatory environment, reduce absenteeism, and enhance productivity.

During the year under review, the utilisation of the department's services increased and the focus has increasingly been on proactive management. The RAF has entered into a partnership with an independent service provider, which provides a 24/7 counselling service to the organisation's employees and their immediate family members. The utilisation of this service reflected a slight decline during the last quarter of the 2012/13 financial year, which is an expected trend seen in organisations where the provision of this service becomes institutionalised. New trends relating to Post-Traumatic Stress Disorder ("PTSD") emerged in the period.

The RAF EWS was benchmarked against other workplace programmes by industrial psychologists and was found to be above average.

3.3.2.13.1 The Objectives of EWS

The EWS is designed to:

- Promote a workplace wellness programme;
- Create awareness, provide care and support on HIV/AIDS and other life-threatening deceases;
- Reduce behavioural crises associated with personal problems;
- Assist Management in demonstrating concerns for the well-being of employees by offering a service to assist employees when struggling to cope with personal issues;
- Create a supportive and non-discriminatory environment;
- Reduce absenteeism; and
- Enhance productivity.

3.3.2.13.2 EWS Programmes

In addition, EWS provides combined counselling and advisory services to employees and Management, while others are referred to a service provider both on a formal referral and self-referral basis. The table below outlines the primary problems experienced by employees.

Different Sites	Head Office	Pretoria	Jhb	Durban	Cape Town	East London
Stress/Depression	14	8	19	14	6	11
Money Management	5	4	-	-	1	13
Organisational Issues	8	4	2	1	1	10
Loss Issues	7	1	14	4	2	2
Relationship Issues	15	4	8	10	1	12
Threatening/Suicide	-	-	-	1	-	-
Trauma Debriefing	-	1	-	-	-	-
Addictive Issues	-	1	2	-	-	3
HIV Disclosure	3	3	2	3	-	-
Physical Health Problems	3	-	3	-	11	48
Physical/Disease Management	64	149	104	119	3	65
Deceased	1	-	-	-	-	-
Trauma	-	-	-	-	-	8
Mental Health	-	-	-	-	-	3
Work-related Stress	-	-	-	-	-	3
Home/Hospital Visits & Flowers	18	57	20	7	17	6
Other (Anxiety/Phobia)	-	-	-	-	-	-

3.3.2.13.2.1 Health risk assessments

A total number of 730 people participated in the annual Wellness Day during May 2012.

Date	Site	HRA Participants
15 May	Durban	100
21/22/23 May	Menlyn	272
22/23 May	Eco Glades	144
24 May	Pretoria	45
24/25 May	Johannesburg	116
25 May	East London	53
Total		**730**

3.3.2.13.2.2 HIV counselling and testing

The Independent Counselling and Advisory Services ("ICAS") South Africa provided HIV counselling and testing services for RAF employees. The testing campaign formed part of an overall HIV/AIDS and Wellness Workplace Strategy, which attempts to address the impact of HIV and other wellness issues on employees. The following table provides an overview and feedback on the Voluntary Counselling and Testing ("VCT") campaign at RAF.

Date	Site	VCT Participants
15 May	Durban	26
21/22/23 May	Menlyn	148
22/23 May	Eco Glades	106
24 May	Pretoria	30
24/25 May	Johannesburg	57
25 May	East London	25
Total		**392**

The HIV/AIDS Programme forms one of the most important pillars of the EWS Model. Like other organisations, the RAF has started to experience the impact of HIV/AIDS. During the reporting period, VCT sessions were held and approximately 45% employees were tested. This rate of participation is above normal workplace standards. Although stigma in the workplace remains a challenge, the high rate of participation reflects the fact that the RAF is embracing employees who are living with HIV and these employees have confidence in the services provided by EWS.

A summary of service provider utilisation as a percentage of employees during the 2012/13 financial year is tabulated below:

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
22.2%	25.1%	36.3%	33.7%

3.3.2.13.3 National days of importance

The RAF participated in the following national days of importance during the year under review:

- Women's Day was celebrated at all branches and each region had a female Board Member as guest speaker;
- Heritage Day was observed at all branches and included various colourful activities;
- International Men's day was celebrated in all regions with different topics affecting men; and
- World Aids Day was commemorated at all branches, with guest speakers and industrial theatre performances.

3.3.2.13.4 Sports

Sport at the RAF is viewed as an integral part of the strategy for employee health and well-being, as well as a tool to unite the diverse population of the organisation. The RAF National Sports Tournament was successfully held in East London on the tenth anniversary of the East London branch in November 2012. A national team was selected by the South African Football Association ("SAFA"), Netball SA and Volleyball SA to participate in an Inter-fund Tournament in Swaziland towards the end of April 2013. Sport not only unites RAF employees, but builds leadership and other skills. The Inter-fund Tournament included participation by other SADC countries such as Botswana, Namibia and Swaziland.

3.3.2.13.5 "RAF on the Road" support

During 'RAF on the Road' sessions, employees were afforded an opportunity to listen to the traumatic stories told by claimants. The EWS team supported employees with debriefing sessions, which assisted in releasing the emotions felt at the time. Some follow-up sessions were also conducted with employees who required further sessions.

3.3.2.13.6 Personal transformation

During the review period, the EWS incorporated a personal transformation component in its programmes. This is a three-level workshop provided by a service provider and designed to assist individuals in all aspects of their lives, thus improving productivity and performance. A total of 56 employees completed two levels of the workshop prior to financial year-end.

3.3.2.13.7 Occupational health and safety

The EWS plays an advisory and co-ordination role in respect of the Occupational Health and Safety Committee to ensure that the RAF adheres to the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993).

3.3.2.13.8 Transformation

Although the EWS does not form part of the Transformation Forum, the Change Management Strategy was developed in conjunction with ICAS in order to mitigate the adverse effects of change as far as possible. Conversely, this has ensured that the EWS is better informed to respond to the needs of RAF employees.

3.3.2.13.9 Executive Health and Wellness Programme

For Executives and Non-Executives alike, stress, travel, long hours and excessive commitments put individuals' overall health at high risk. There is little time for personal needs, including health and fitness. Too often these needs may not be addressed until serious health problems occur. From a governance perspective, a key Executive's risk is a material consideration in terms of business continuity and stakeholders' interests. The RAF has implemented its Executive Health and Wellness Programme, which represents a holistic approach to assist in early identification of any pathological problems and to provide the necessary support. During the year under review, 15 Senior Managers participated in the programme with positive feedback from individual participants.

3.3.3 Risk Management

King III, Chapter 4 is specifically dedicated to risk management. As a public entity, the RAF is required in terms of section 51 of the PFMA, to implement and maintain effective, efficient and transparent systems of financial and risk management, as well as internal controls.

The RAF has adopted an Enterprise-wide Risk Management approach to manage its risks. Risk management methodologies are applied in strategy setting, planning, projects, decision-making and all other business processes. Progressive risk maturity is evident in the organisation.

Risk governance structures are fully operational and a dedicated Risk Management function is in place and is mainly responsible for:

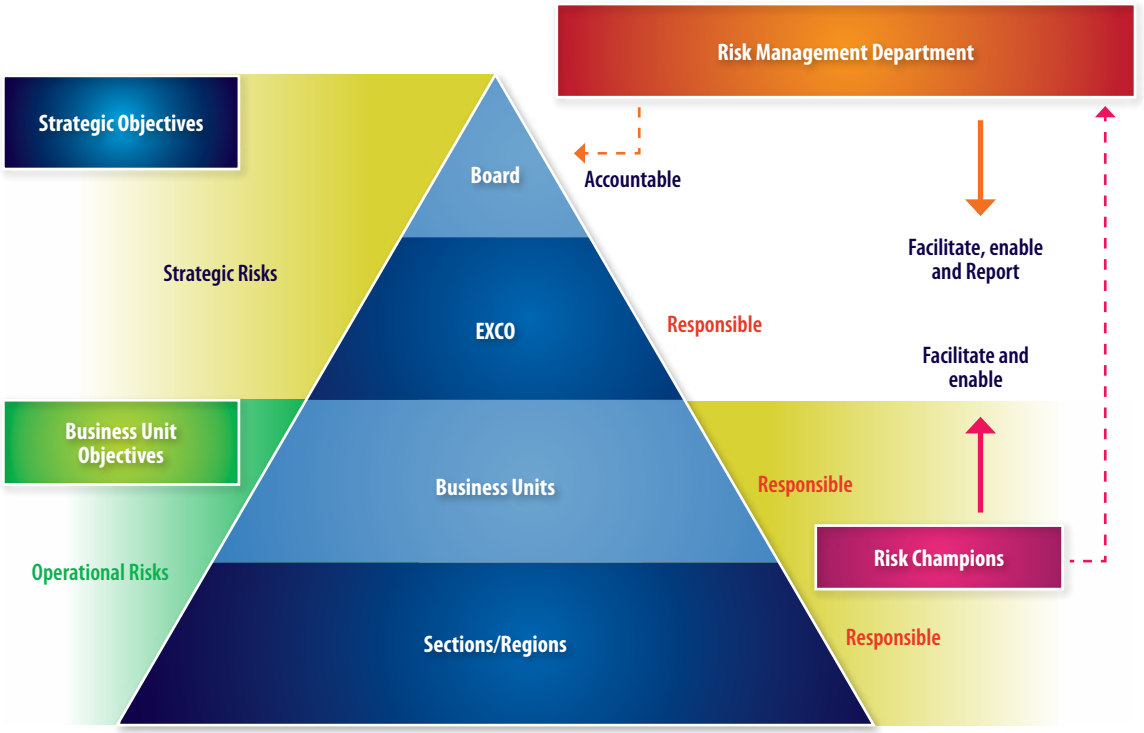
- Exercising specialist expertise to assist the RAF to embed risk management and leverage its benefits to enhance performance;
- Assisting the Board and the CEO in discharging their duties in terms of risk management within the RAF;
- Interacting regularly on strategic risk matters with the Board and appropriate Board Committees and Executive Management;
- Ensuring that risk management in the RAF is in line with the Risk Management Policy and Plan;
- Formulating the risk management methodology most suitable to the RAF, and continuously conducting research into best practices;
- Facilitating the risk assessment process and preparing and updating the RAF risk registers;
- Conducting an independent risk assessment for all business units and activities of the organisation, at least annually, and continuously assessing emerging risks;
- Providing assurance as to the adequacy and effectiveness of the risk management process;
- Reporting to the CEO and the Risk Management Committee on the effectiveness of the risk management process, as well as the risk profile of the RAF;
- Ensuring that Risk Management Strategies adopted are implemented, adequate and effective; and
- Evaluating the adequacy and effectiveness of internal controls designed to mitigate risks.

The RAF differentiates between strategic and operational risks. Strategic risks are identified by the RAF Board as being those risks which threaten the achievement of the RAF's strategic goals and objectives, while operational risks are identified within each business unit as being those risks which are operational in nature and potentially threaten the achievement of business unit objectives.

An annual risk assessment is conducted for both strategic and operational risks, and is aligned with the strategic planning process of the RAF. The risks are documented utilising risk management software, and monitored on an ongoing basis in relation to risk mitigation strategies, relevance of existing risks and the identification and addition of new risks.

Quarterly reporting to the Risk Management Committee includes the updated strategic risk register, business unit reports in terms of the Enterprise-wide Risk Management framework and any other areas of risk of interest to the Risk Management Committee.

Risk Management in the RAF



- The **RAF Board** is accountable for risk management.
- The **EXCO** and Management are responsible for risk management.
- The **Risk Management Department** facilitates risk management processes in the RAF.
- **Business Unit Risk Champions** facilitate risk identification and are enablers of the risk management process.
- **Staff** are responsible for identifying risks and implementing treatment strategies to deal with these risks.

Figure 3.15 – Enterprise-wide Risk Management Approach

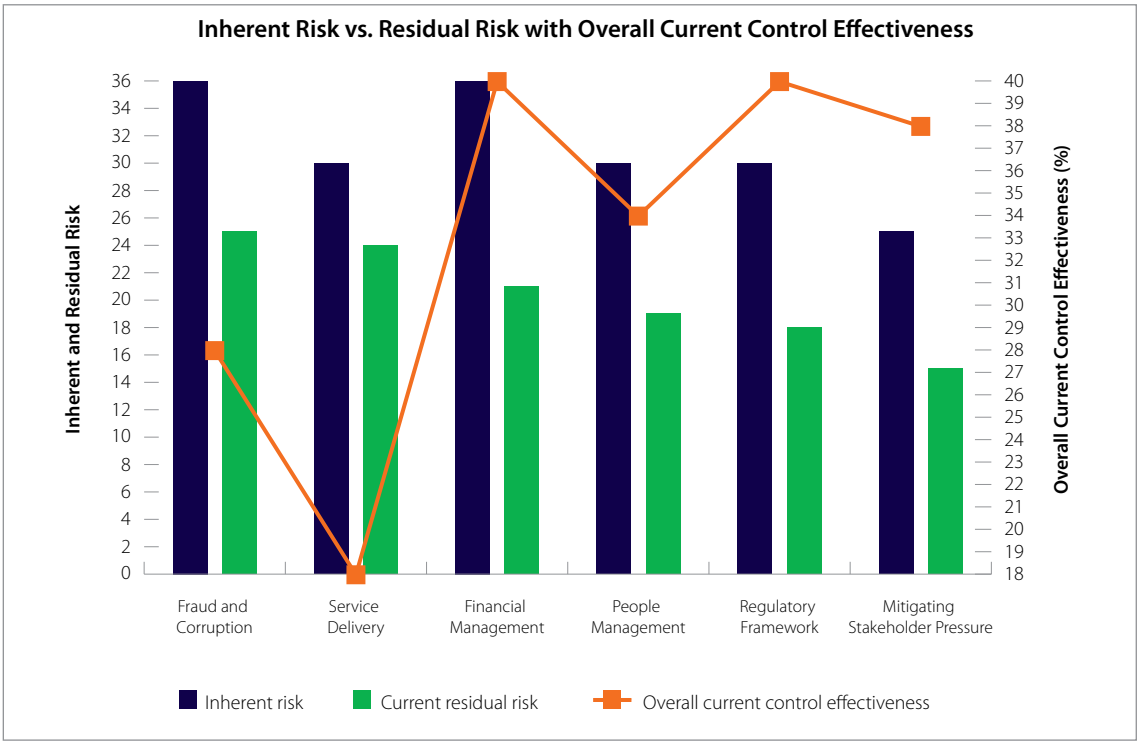
Risk categories utilised by the RAF in its Enterprise-wide Risk Management framework include:

- Strategic risks;
- Project risks;
- Compliance risks;
- Financial management and accounting risks;
- Core business/operational risks;
- Customer services risks;
- ICT risks;
- Reputation and image risks;
- Social and corporate responsibility risks; and
- People risks.

The Board identified six key strategic risks to the RAF for the 2012/13 financial year, which are:

- Financial management;
- People management;
- Service delivery;
- Stakeholder pressure;
- Regulatory framework; and
- Fraud and corruption.

The graph below depicts these strategic risks with the residual and inherent values of each risk having been evaluated as at the end of the second quarter of the 2012/13 financial year.



Graph 3.50 – Inherent versus residual risk

3.3.4 Forensic Investigation Department

In terms of Chapter 3 of King III, the RAF must have and maintain an effective risk assessment process consisting of risk identification, risk quantification and risk evaluation. In conducting these risk assessments, fraud has been identified as one of the top risks for the past four years. Fraud represents a significant risk to the RAF's assets, service delivery, efficiency and reputation.

The RAF experiences the following three categories of fraud:

1. External fraud:
   This is by far the largest threat financially. It takes the form of fraudulent claims against the RAF for compensation. This type of fraud is mainly perpetrated by claiming for injuries where there was no accident, injuries sustained in an accident which took place but where the claimant was not involved, or exaggerating injuries and claiming for loss of future income. Fraud committed where a person passed away in a motor vehicle accident and claimants then claiming to be the spouse with dependants from the deceased and claiming for future loss of support is on the rise;

2. Internal fraud:
   This type of fraud includes typical examples such as staff claiming for overtime that was not worked, the submission of

qualifications that are false, or the provision of false statements on monthly telephone accounts. However, it also includes claim-related fraud where employees manipulate claim information or claim approvals; and

3. External and internal collusion:
   This type of fraud takes many forms, for instance between service providers and staff in the procurement area, or staff who want relatives or friends appointed through irregular means. The largest problem, however, is internal staff colluding with external attorneys to effect mandate changes of both represented and direct claimants. This holds a serious reputational risk for the RAF.

The RAF has and will maintain a zero-tolerance approach towards fraud. In order to more effectively address this risk, several changes have been made in this environment during the past financial year. These include, but are not limited to:

1. Reporting lines:
   The Forensic Investigation Department ("FID") reports to the Risk and Ethics Committee of the Board through the Chief Strategy Officer in the Strategy, Risk and Compliance business unit;

2. Forensic Advisory Committee:
   A dedicated independent committee has been established to assess all new investigations to determine whether the investigation should be conducted and, if so, whether by the FID or be outsourced. If it is to be executed by the FID, they also determine scope, timelines, cost, etc. They also assess finalised investigations to determine possible further actions;

3. Fraud Policy:
   An updated Fraud Policy was approved by the Board. The policy is available on the RAF website, www.raf.co.za; and

4. Forensic Charter:
   A Forensic Charter was approved by the Board. This Charter sets out the channels to be followed when reporting fraud, the responsibilities of RAF staff regarding such reporting, as well as the duties and powers of the FID. This Charter is also available on the RAF website.

Statistics obtained from the FID for the period 1 April 2012 to 31 March 2013 are evident of the extent of fraud experienced by the RAF, as well as the RAF's commitment to combat fraud and corruption.

No. of files received	5,149
No. of files finalised	4,572
No. of arrests	290
No. of convictions	234
No. of statements obtained	1,355
Claim files on hand	6,610

No. of files where fraud was detected	Total
File count	1,685
Claimed value	R297,200,284

Estimated amount of claims where fraud was identified, but already paid out	Total
Compensation paid	R14,387,568
Fees paid	R5,799,520

South African Police Service ("SAPS")	Total
No. of SAPS cases registered	348
Link numbers where CAS numbers has been allocated by SAPS	746
Link numbers awaiting CAS number from SAPS	946

Repudiations	Total
File count	1,487
Claimed value	R243,281,011

3.3.6 Marketing, Communications and Stakeholder Relations

During the year under review, the Marketing, Communications and Stakeholder Relations Department continued to work in unison with the overall objectives of increasing brand awareness, educating the public about the RAF's service offering, promoting the organisation's reputation and image, as well as building mutually beneficial relationships with all stakeholders, especially victims of motor vehicle accidents.

The department was able to build on the success of the previous financial year and positioned the RAF as a caring and trustworthy brand, which provides appropriate cover to all road users within the borders of South Africa; rehabilitates and compensates persons injured as a result of motor vehicle accidents in a timely and caring manner; and actively supports the safe use of our roads.

3.3.6.1 Marketing Platforms

The Marketing unit achieved its objectives through numerous activities, including embarking on various advertising campaigns, customer engagements and brand activations throughout the country. The RAF continued its sponsorships of and participation in events such as the Comrades Marathon, Discovery 702 Walk the Talk, and the Oliver & Adelaide Tambo Liberation Walk. For the first time ever, the Fund participated and created a strategic partnership with the Old Mutual Two Oceans Marathon and the Cape Argus Pick n Pay Cycle Tour. In addition, the organisation sponsored traffic reports on seven national radio stations during the Easter festive season. As pedestrians, runners and cyclists are key vulnerable road user groups, the above platforms were utilised to spread the message of road safety to both participants and audiences alike. The RAF brand obtained widespread media exposure through leveraging on these sponsorships properties, such as television broadcast elements, radio interviews and print publications as value-added offerings. A joint RAF television advert with the DoT was launched during the Easter period promoting road safety and highlighting the fact that the impact of a crash lasts longer than the accident itself. This was broadcasted on all three SABC channels for a higher audience reach and frequency.

Throughout the year, the RAF continued to promote direct claims in its messaging across different marketing platforms. The RAF's flagship customer engagement, 'RAF on the Road', has proven to be a huge success in driving direct claims and demystifying the notion that dealing with the Fund directly is intimidating and a laborious process. The programme has to date enabled the RAF to engage with thousands of claimants and stakeholders, including media, through more than 15 customer engagements across all provinces. Through this platform, the RAF has been able to make settlement offers to the value of R102 million.

The RAF realises that it must constantly communicate with claimants. An SMS facility was launched towards the end of the financial year. Automated claim status messages are generated and sent to claimants in 'real time' as a claim moves through the claims value chain process. The RAF's Marketing unit is also able to send bulk text messages notifying claimants of settlement offers made on their respective claims. Furthermore, the Operations team is able to communicate with a claimant notifying them of outstanding documents that are required in finalising the claim. New features to the system will be added in future as the relationship with claimants evolves.

Between June 2012 and August 2012, the RAF ran a sponsored educational/product knowledge programme called 'RAF on the Spot' on more than 21 community radio stations across the country. The programme entailed a 30-minute segment where each topic was discussed at length with an RAF subject matter expert. The public was in turn given a platform to pose any relevant issues pertaining to a particular topic.

As 2012 was declared the 'Year of the Customer', all marketing, communications and stakeholder relations initiatives were driven with this in mind in order to make this brand promise a reality. The RAF brand received its best ever visibility through numerous marketing platforms including:

- The roll-out of the new corporate brand identity;
- Vehicle branding;
- Research aimed at improving the organisational reputation via a Customer Satisfaction Study and a Stakeholder Perception Survey;
- Stadium branding via RAF digital advert scrolls on Bafana Bafana games, the Absa Premier Soccer League Derby Games and the Currie Cup and Super 15 tournaments;
- Mall activations at the country's top six shopping malls during the Easter weekend; and
- Ongoing regional activations, taxi rank activations and activations at major exhibitions and expos, as well as commuter hubs during Easter and October Transport Month.

Participation in trade shows and conferences included the Rand Easter Show, Indaba Tourism, the Board of Health Funders ("BHF") Conference, Airports Company South Africa ("ACSA") Disability Day, Hospital Open Day and various road safety conferences.

The unit also embarked on an internal and external anti-fraud awareness campaign with online banners placed on the RAF website, fraud-specific leaflets, brochures, posters and participation at a fraud conference.

Going forward, marketing efforts will be aimed at the benefit of claiming directly and the importance of customers realising the advantages of doing so.

3.3.6.2 Communications

The Communications unit continued to provide strategic support to all business functions by increasing internal and external stakeholder knowledge and understanding of the RAF, its service offering, the change management process, as well as profiling the leadership and the RAF's service offering in the media.

Key corporate communication initiatives included the Media and Stakeholder Briefing Session in September 2012, extensive media coverage in particular during the post-festive season period on print, television and radio, and the communication to the represented and direct claimants on the RAF (Transitional Provisions) Act.

Elevation of one of the RAF's key strategic objectives, the reduction of road fatalities and injuries (the Fund's major cost driver) is highlighted in the communication support given to road safety initiatives. These include the Decade of Action for Road Safety 2011–2020, the Comrades Marathon, Discovery 702 Walk the Talk, the Oliver & Adelaide Tambo Liberation Walk, Two Oceans Marathon, Pick n Pay Cape Argus Cyclist Tour, AA/RAF Cyclist Helmet Awareness Campaign and ongoing support of Shareholder events.

Communications built on its existing platforms by introducing social media tools, such as Twitter and Facebook, which have increased the RAF's communication reach and promoted a fruitful conversation with its stakeholders. Other web-based platforms, such as Wikipedia and LinkedIn, are providing important information about the business of the RAF, not just to South Africans, but also international tourists who visit the country.

The intensified communication and media engagements also presented invaluable opportunities to educate claimants and the general public about the RAF claims process, most notably promoting direct claims. This has further been driven through opportunities created via 'RAF on the Road' and the communication around engagements with stakeholders, customers and the media.

The main objectives of the Communications unit include, but are not limited to:

- Providing relevant feedback on strategic decisions;
- Influencing the landscape of media, public and government;
- Shaping and safeguarding the RAF's image and reputation; and
- Providing support to the business at large.

Looking forward, the goal is to elevate all RAF efforts with strategic, focused, proactive and timely communication. The unit will continue to strive for excellence, endeavour to share the RAF's successes and make a difference in the lives of its communities.

3.3.6.3 Stakeholder Relations

The RAF views 'stakeholders' as those individuals, groups of individuals or organisations that affect and/or could be affected by its activities, products or services and associated performance with regard to the issues to be addressed by the engagement. Quality stakeholder engagement supports the notion that there is a growing awareness of how important the contribution of stakeholder reputation is to the value proposition of the organisation.

During the year under review, stakeholder engagements meant actively planning, managing and monitoring the way in which the RAF interacts and builds relationships; providing a clarity of the organisation's role and remit; understanding stakeholder needs and interests; consulting, listening and providing feedback in a positive and helpful way; and providing a fast and efficient, quality service by ensuring effective communication and a positive attitude to stakeholders. In addition, the gap between stakeholder perceptions and the performance of the RAF was managed and measured through different stakeholder platforms to enhance and/or protect corporate reputation and to avoid damage or destruction by any of the RAF's actions. What the RAF does and not only what it communicates became important to shape the perceptions of stakeholders. To this end, an Integrated Marketing, Communications and Stakeholder Relations Strategy provided valuable guidelines for all stakeholder engagements, including face-to-face interactions, presentations, briefings and consultations with both the public and private sector.

In line with best practice, the institutionalisation of stakeholder relations and engagements became a key focus area. The RAF was elected as a member of a number of expert groups and forums, including the Road Safety Expert Group, the World Health Organsiation Global Status Report on Road Safety meetings, the Southern African Development Community ("SADC") Road Safety Forum and the SADC Motor Vehicle Accident ("MVA") Forum. In addition, Memorandums of Agreement ("MoAs") were concluded with private sector institutions, such as South African National Taxi Council ("SANTACO") and the N3 Toll Concession ("N3TC"), as well as Discovery Health.

3.3.6.3.1 Stakeholder groupings

During the reporting period, the RAF's stakeholders were grouped in accordance with their level of impact and influence on the organisation. Through stakeholder relations, the RAF aimed to strengthen support for its strategic objectives, minimise and manage opposition and interference, and enhance Shareholder and Board objectives.

Stakeholder relations during the reporting period were aimed at the following outcomes:

- More equitable and sustainable social development by giving those who have a right to be heard the opportunity to be considered in decision-making processes;
- Enabling better management of risk and reputation;
- Allowing for the pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by single organisations;
- Enabling understanding of the complex operating environments, including market developments and cultural dynamics;
- Enabling learning from stakeholders, resulting in product and process improvements;
- Informing, educating and influencing stakeholders to improve their decisions and actions that will have an impact on the RAF and on society; and
- Contributing to the development of trust-based and transparent stakeholder relationships.

3.3.6.4 Corporate Social Investment

3.3.6.4.1 Integrated Community Development Projects

The RAF acknowledges that its sustainability platform represents the beginning of a journey towards maturity of its sustainability issue management, and is inextricably linked to its business objectives.

The main objectives of the RAF's CSI Strategy include, but are not limited to, the following:

- Focusing on initiatives which enjoy broad-based stakeholders' support, while avoiding handout tendencies which prove unsustainable;
- Ensuring that the communities and beneficiaries of the programmes are actively consulted in the process of project selection, implementation and evaluation;
- Quantifying the cost and benefits of the programmes selected and evaluating them in terms of their ability to contribute to capacity building, improving quality of life and ensuring sustainable development;
- Defining the roles and responsibilities of stakeholders and beneficiaries, with specific emphasis on financial controls and corporate governance compliance;
- Building community awareness and recognition of the role played by the RAF in developing their communities through appropriate and transparent outreach programmes; and
- Contributing to socio-economic upliftment of primarily historically disadvantaged communities.

During the year under review, the RAF apportioned its CSI budget to a vast number of worthy social and environmental initiatives. As the primary focus area for CSI, the RAF identified a number of national projects of an integrated community development nature in the geographic areas where the RAF has a physical presence. Programmes entailed one or more of the following components:

- Sustainable development;
- Environmental development;
- Social justice and equity; and
- Economic development.

Underlying this focus is the RAF's stated policy to support projects that will not only enhance the Fund's core business, but also contribute to the overall improvement of the quality of life of South Africa's citizens. In essence, during the year under review, the Fund aimed for initiatives with broad-based stakeholder support, and avoided those typified as handouts that have proved to be unsustainable. South Africa cannot afford to give a token handout here or there. The needs of millions of citizens are simply too great. Those needs have to be addressed in a meaningful way; in a concerted and compassionate drive to touch and uplift our people in a sustainable manner.

3.3.6.5 Promotion of Road Safety

Road transportation is a critical element supporting and directly contributing to growth in any economy. Road accidents are, unfortunately, a negative consequence of this economic growth affecting both economically active members of society and other citizens. Each year, the lives of thousands of road users are disrupted by road accidents. By all accounts, the death of some 14,000 people every year, the death of at least 1,000 people every month, the death of no less than 38 people every day on South Africa's roads must be described as an epidemic.

Those injured need to access emergency medical care, find appropriate healthcare and treatment, and often require rehabilitation to continue with employment. Children, spouses, dependants, friends and employers of injured or killed road users also share in the burden of road accidents. If injured road users are so disabled that they cannot resume gainful employment, or are killed, their families may suffer for many years.

Statistical data trends show a significant increase in the rate of fatalities and casualties per 100,000 population over the last decade. The severity of crashes is also increasing as more persons are killed per fatal crash and more are injured per casualty crash. It is worth noting that road accidents are caused by a broader range of factors than mere human error. Socio-economic and demographic factors determine the extent of exposure to risk on the roads. Contrary to popular belief, drivers are not the ones most at risk. Nearly half of those who die are 'vulnerable road users' – pedestrians, cyclists, motorcyclists and passengers using unsafe public transport. This inequity is most apparent in developing countries.

External factors, such as road design, maintenance and law enforcement all have a bearing on crash risks and the severity of accidents. Multiple risk factors affect the severity of injuries, including the presence of alcohol and drugs, delays in rescuing injured road users, lack of pre-hospital care, the quality of trauma care and post-crash rehabilitation. Among other factors, these trends have had a significant impact on the RAF's liquidity status.

3.3.6.5.1 The Decade of Action for Road Safety 2011–2020

Just over two years ago, governments around the world embarked on an important initiative that seeks to stop millions of lives being lost annually on the world's roads. Launched in more than 100 countries last May, the Decade of Action for Road Safety 2011–2020 aims to make roads safer in all countries, but particularly those that have so far failed to address their road safety challenges.

The RAF is well aware that road traffic injuries represent a global problem affecting all sectors of society. It also subscribes to the notion that road traffic injuries are a growing public health issue, which disproportionately affects vulnerable groups of road users, including the poor. The greater the number of accidents on South African roads, the greater the liability incurred by the RAF. The Fund, therefore, has a strategic business interest in working together with other stakeholders, as well as initiating its own road safety programmes, to curb the endless carnage on our roads. To this end, the RAF remains actively engaged in efforts to reduce the endless carnage on our roads.

The year saw an increased effort in road safety campaigns aimed at positive behaviour change within identified high risk groupings. In line with the Millennium Development Goals outlined by the United Nations ("UN") General Assembly in a resolution to improve global road safety, the UN proclaimed 2011–2020 the Decade of Action for Road Safety. South Africa is proud to be one of the member countries committed to the Decade of Action. To this end, the RAF and its partners have endeavoured to reduce road fatalities by 50% by 2015. This implies that a decrease of 15% in fatalities is required per annum. If this goal is to be achieved, 27,000 lives will be saved over the next five years.

The RAF believes that behavioural changes are initiated by youth education. To deepen its educational impact, the RAF invested substantial funds and functional effort in various road safety initiatives during the year under review. Its pedestrian crossing and scholar patrol uniform project involved the painting of pedestrian crossings outside primary schools, the issuing of scholar patrol uniforms and training of children countrywide on the proper use of their roads.

By investing in the leaders of tomorrow, the RAF is inculcating awareness of the need for a safe and sustainable South Africa. In working together with other stakeholders to prevent road accidents, it hopes to reduce its liabilities as well as the need for post-crash rehabilitation. To this end, the RAF was a key contributor to both the National Road Safety Debate and the Participatory Education Techniques competitions, which involved learners from all over South Africa.

Both these initiatives were national programmes, targeting secondary school learners, with the aim of increasing awareness of road safety risk factors and preventative measures among the participating learners, the communities from which they hail and those in the audience.

In addition, the RAF again participated in a vast number of road accident prevention campaigns and activities during the reporting period, including, but not limited to:

- The establishment of Community Road Safety Councils;
- Involvement in the development of an Incident Management System ("IMS") Policy framework for South Africa;
- Involvement in the development of a National Road Safety Policy framework;
- Support for post-crash care initiatives in line with the fifth pillar of the Decade of Action for Road Safety 2011–2020;
- Support for Shareholder initiatives, such as one million vehicle checks per month nationally, ongoing alcohol and speed and seatbelt enforcement;
- Representation on various road safety forums, such as the Law Enforcement Technical Committee ("LETCOM"), the Road Safety Expert Forum and SADC Transport Forums;
- Involvement in October Transport Month activities;
- World Remembrance Day;
- National Road Safety Prayer Days across various provinces;
- Festive Season and Easter road safety campaigns;
- The donation of school shoes and reflective back-packs to disadvantaged learners; and
- Road safety conferences.

3.3.6.6 Compliance with the Promotion of Access to Information Act

The Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ("PAIA") permits access to any information held by the state, and any information held by private bodies that is required for the exercise or protection of any rights. It was passed for the specific purpose of giving effect to the constitutional right of access to information. The Act provides a legislative framework that is designed to foster a culture of transparency and accountability, thus enabling society to fully exercise and protect all of the rights enshrined in the Constitution.

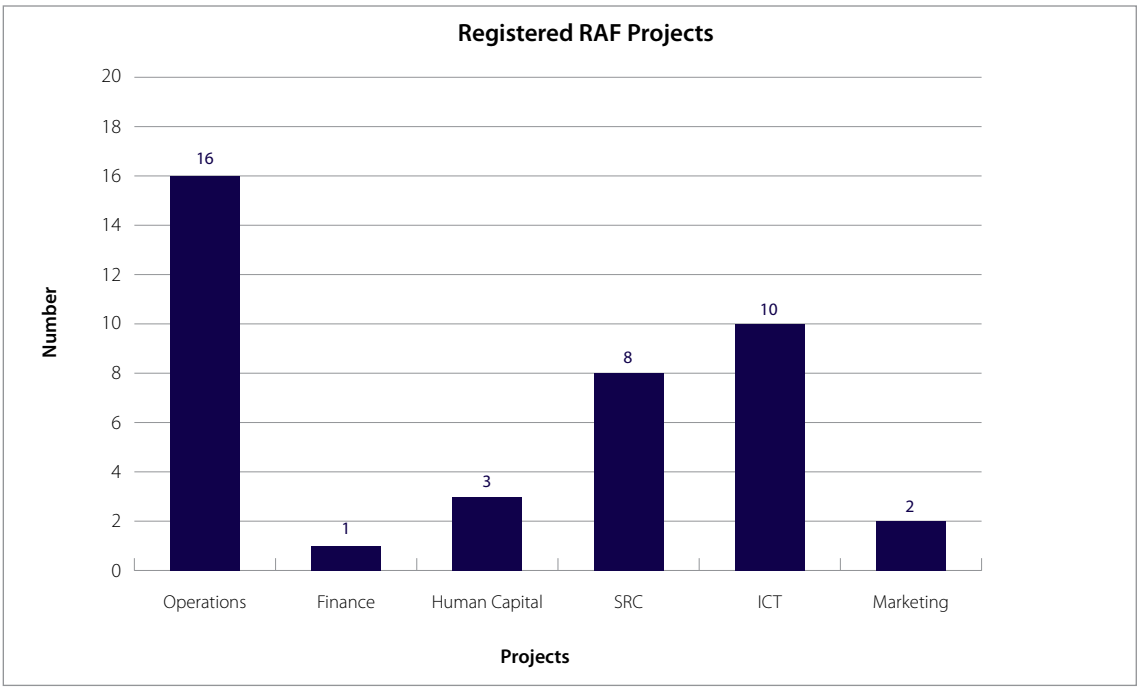
The Stakeholder Relations business unit is responsible for managing the organisation's administrative compliance with this Act. All requests for information are channelled through this business unit and training programmes are in progress to familiarise the entire organisation with the prescripts of the Act.

3.4 Project Management Office

The vision of the Project Management Office ("PMO") is to promote best practice in the execution of projects to achieve the targets set out in the RAF Strategic Plan. The PMO is responsible for defining and maintaining the standards for project management within the organisation, by providing the necessary expertise and guidance.

The PMO manages all transversal projects in line with the RAF project governance framework. During the period under review, the Department implemented a central project management document repository, and approved templates are in place for all project governance documents to ensure consistency. In addition, the RAF appointed a PMO General Manager to bolster the capacity of the Department and add strategic value.

The Department registered more than 40 projects from various RAF business units in financial year. These projects are illustrated in *Graph 3.51* below.



Graph 3.51 – RAF projects

Project governance

The Fund has established an effective governance framework for project management which includes:

- The Project Management Committee;
- The PMO Toolkit; and
- Projects in Controlled Environments, Version 2 ("PRINCE 2").

Key projects

Nelspruit pilot project

On 2 July 2012, the PMO launched a six-month pilot project in Nelspruit to test the Fund's integrated direct claims process. The project comprised the entire claims process, from origination in the HSCs and Community Service Centres ("CSCs"), right through to payment and finalisation at the Provincial Office. The aim is to improve the claims turnaround times for all benefit types.

Organisational structure re-alignment

On 27 August 2012, the RAF Board approved a new organisational structure, informed by key weaknesses identified in the existing structure, as well as highlighted key contextual factors.

The PMO played a key role in the implementation of the new structure, which commenced on 15 October 2012. The office adopted a top-down approach to the five-month implementation process, which included:

1. Executive and staff consultations;
2. Profiling of new and existing positions in line with the new structure;
3. Grading of positions;
4. Migration of staff to the new structure (based on the Migration Strategy);
5. Advertising and filling vacancies;
6. Communications and change activities (including regional road shows);
7. Realigning the SAP and Claims System to accommodate the new structure;
8. Training of staff in new roles;
9. Drafting high-level processes; and
10. Issuing new letters of appointment to staff.

The new organisational structure ensures clear, unambiguous reporting lines with a manageable span of control from the CEO through to Supervisor level. In addition, the structure defined the segregation of duties between claims determination, merits and quantum. Stakeholder management is a key function within the RAF and is now overseen by one function, while quality assurance in the claims environment is entrenched in the structure. Under the new structure, complaints are centrally managed and official correspondence is handled regionally by one team.

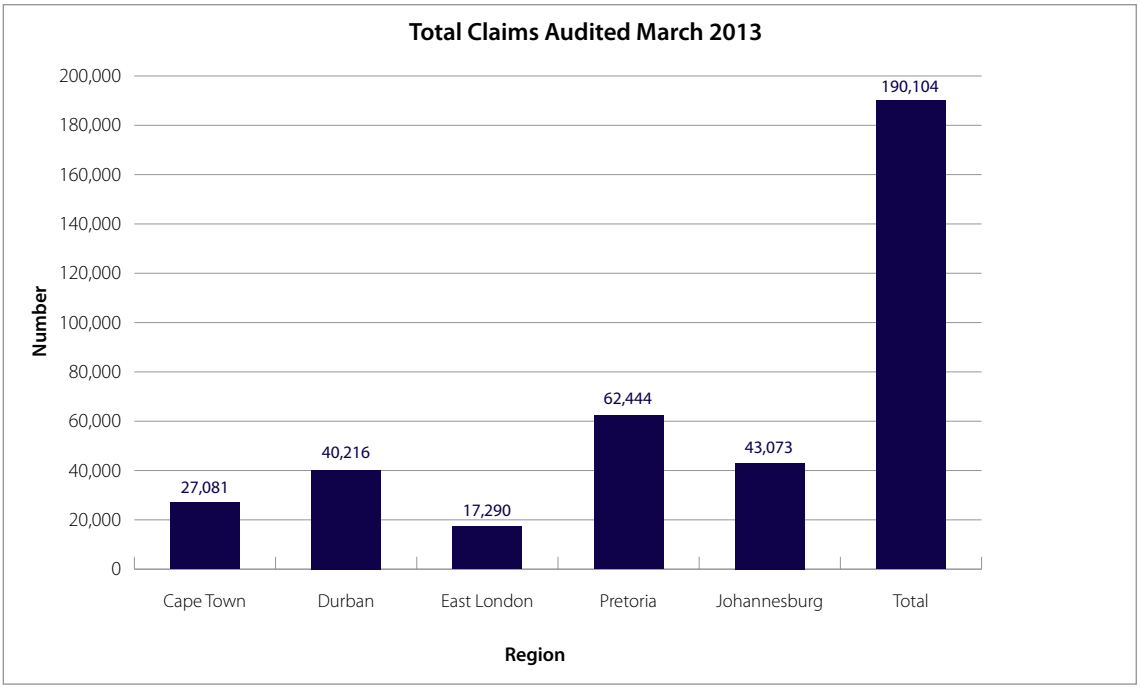
HSC rationalisation and optimisation

During the period under review, the PMO reviewed the 75 HSCs then in place in a rationalisation and optimisation effort. The aim of optimisation was to categorise the hospitals in which the HSCs resides under the National Health Insurance (NHI); to establish minimum operating requirements for a fully functional HSC and to ascertain the HSC's compliance with the above criteria. With regards to rationalisation, the PMO had to identify the hospitals in which the RAF should have a presence and which hospitals should be decommissioned in order to have 75 HSCs in place by financial year-end.

As at 31 March 2013, 76 hospitals were compliant with level 1 functional requirements. These hospitals will be upgraded to level 2 and 3 in the next financial year.

Backlog audit

In addition to the above projects, the PMO conducted the Fund's 'Backlog Audit'. The objective was to assess the size of the RAF's claims backlog. The audit was piloted in East London in September 2012, and was later implemented in all the Regional Offices. The PMO identified 219,725 files to be audited, and 299 permanent and a number of temporary staff members pursued this significant target over the eight-month audit period. The project status at year-end is illustrated in *Graph 3.52* below.



Graph 3.52 – Total audited claims

The backlog audit realised a number of important operational benefits. These are:

- Expedited the ability to make offers on claims;
- Repudiated a large number of files, reducing the Fund's liability;
- Confirmed the location of files which were deemed lost;
- Verified and updated existing claimant and incident information;
- Got a clearer picture of the progress and lifecycle of each file;
- Obtained information on outstanding documents required to finalise claims;
- Learnt some valuable lessons that will guide future activities and operational processes;
- Identified files that need to be dealt with in terms of the Transitional Act; and
- Provided key inputs for the Backlog Reduction Project, which pursues the settlement of identified buckets of claims.

3.5 Performance against Annual Performance Plan Targets for the 2012/13 Financial Year

The RAF complies with government's planning and performance management approach and international best practice, with an emphasis on service delivery. The strategic focus is on achieving outcomes within this service delivery social security context. This planning approach emphasised the need for the RAF to set and achieve clear, measurable outcomes for each strategic objective.

This Annual Performance Plan has performance indicators and targets that the Fund will endeavour to achieve in the upcoming budget year. The performance indicators were aligned across the Fund's annual plans, budgets, and Integrated Annual Report. The Fund is aligned with government's shift to an outcomes-based monitoring and evaluation approach with a focus on result-based management. Result-based management provides a lifecycle to Management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency and accountability.

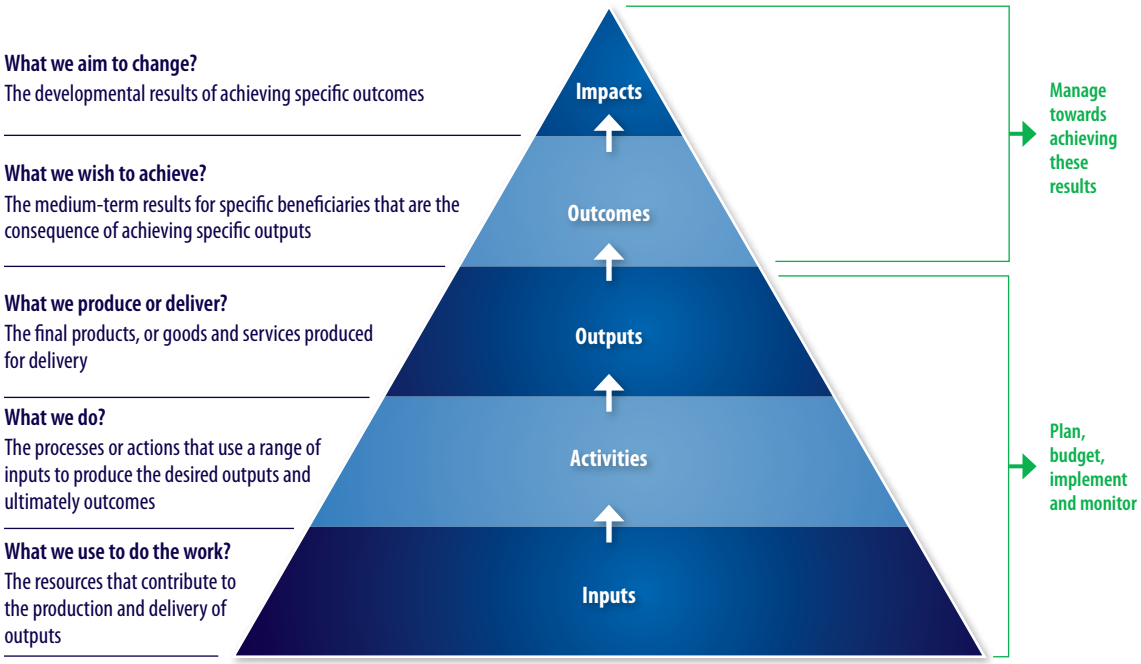


Figure 3.17 – The RAF performance management approach

The RAF concluded a Performance Agreement with the Minister of Transport in terms of which the performance objectives and targets, listed in the schedule below, were agreed upon. Like any other business, the RAF is affected by general economic conditions and other environmental factors, and by the extent to which it manages its costs effectively. Despite difficult operating conditions, the Fund reported good progress against its plan. This is evident when one considers that in the preceding financial year, only 53% of Annual Plan targets were satisfied. Eighty-six percent of the APP targets were met in the year under review.

The RAF's performance against annual performance plan targets, as presented below, was subject to an independent assurance by the Auditor-General of South Africa.

RAF Strategic Objective

A Legislative Dispensation that is Aligned with the Principles of Social Security

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Amend the current legislation	Amend the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as amended	-	The Fund's role in respect of legislative processes was clarified, i.e. the Fund provides support to DoT and DoT drives the legislative process. The Fund can draft any amendments required and submit to DoT, which in turn presents the changes for approval by parliament.	
	Publishing a maximum fee for serious injury assessments	There was no tariff for serious injury assessment.	The indicator was informed by the need for the Fund to regulate the fees charged to the Fund by medical service providers as the cost variation between providers was too great. Operational requirements necessitated that the legal and operational teams meet this target.	
	Publishing a regulation to prescribe a period of 120 days for the acceptance or rejection of RAF 4 form	There was no period prescribed for acceptance or rejection of a RAF 4 form.	The indicator was informed by the need for the Fund to regulate the minimum prescription period to avoid challenges on claims lodged where no acceptance or rejection of the RAF 4 form had been communicated, resulting in the fact that claimants could challenge or submit the form at any stage.	
Publication of regulations on review of medical tariffs	Publishing a non-emergency medical tariff	No tariff for non-emergency treatment.	The indicator was informed by the need for the Fund to regulate the tariffs charged to the Fund by medical service providers as the cost variation between providers was too great.	
Publication of Regulations on review of medical tariffs	Conducting an annual review of emergency medical tariff	Emergency medical tariff effective from 31 August 2008, as revised to take into account inflation retrospectively from 1 August 2009.	No change from previous target.	
• Amend current legislation towards a Comprehensive Social Security System	Review 'serious injury' assessment and amend Road Accident Fund Act 1996 (Act No. 56 of 1996) and 2008 Regulations Act if a quicker and less costly assessment method is established	AMA Guides and narrative test.	The indicator was informed by the need for the Fund to regulate the fees charged to the Fund by medical service providers for assessments and the method used to ensure standardisation and fast track the process.	

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	Submit draft Bill to DoT with motivation.	The target to commence the process in terms of publishing the proposed process and requesting comments regarding the Promotion of Administrative Justice Act ("PAJA") was achieved. In the 3rd and 4th quarter additional requests were received to motivate for comprehensive amendments to the RAF Act to establish a new no-fault dispensation.	On target	The Fund has prepared and submitted motivation for amendments to the RAF Act for the DoT's consideration.
	Support the DoT in publishing regulation for comment and provide input on comments received.	The target to support the DoT in developing and proposing a tariff for serious injury assessment and medical-legal reports was met. Regulation awaits Ministerial approval.	On target	The Fund supported the DoT with the development of a regulation which prescribes a maximum liability cap in respect of serious injuries assessment in terms of the AMA Guides. The final regulation will be published by the Minister.
	Publish regulation and provide input on comments received following publication.	Publication drafted and awaiting Ministerial approval.	On target	The Fund supported the DoT with the development of a regulation which prescribes a specified period within which the RAF 4 Form must be rejected. The final regulation will be published by the Minister.
	Develop specifications and commence procurement process to appoint service providers to develop tariff.	The target to develop a proposed non-emergency tariff, submit to the DoT, and consult with the DoT on the proposed tariff was met. The proposal and consultation took place in the current year, and the procurement process to appoint a service provider has commenced.	On target	The Fund has prepared a draft specification to appoint a service provider, through an open tender process, to develop a non-emergency medical tariff. The draft specification has been submitted to the DoT and the Department of Health ("DoH") for input.
	Review of the emergency medical tariff in Quarter 3.	The annual emergency medical tariff was reviewed.	On target	The adjustment of the emergency tariff was Gazetted on 22 June 2012 in Government Gazette Number 35449.
	Commence procurement process to appoint service providers to establish a serious injury assessment method that is more effective and reasonable than the AMA Guide assessment method.	Specification was done and inputs were received from the DoT, incorporated and approved by the Board to formally request the DoT to publish the final regulation.	On target	An open tender was issued in the reporting period to appoint a panel of advisors to assist with this work.

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
• Legislation to bring into being a no-fault fixed benefit scheme • Provision of inputs to the RABS Steering Committee	Enact legislation to bring into being a no-fault fixed benefit dispensation (RABS)	Dates of submission of proposal/comments to the DoT were met.	No change from previous target.	

RAF Strategic Objective

A Solvent, Liquid and Sustainable RAF

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Reduced deficit and improved sustainability	Percentage reduction in the deficit	(R46.4 billion)* * Restated due to change in accounting policy on reporting provision for outstanding claims as per GRAP 19.	-	
Provision of claims assessed quarterly and independently peer reviewed	Provision for claims incurred to be assessed quarterly and an independent peer review conducted	Revised target.	It was necessary for the Fund to have more frequent modelling of the projection by more than one actuary so as to enable improved analysis of the driving factors.	

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	Support the DoT in compiling a Draft Bill, certified by the office of the Chief State Law Advisor, and compliant with government consultation processes commenced.	The bill was finalised and the DoT is preparing submission to the Minister to publish the bill for comments.	On target	The need for this indicator was informed by the fact that the Fund had to play an integral part in providing support to the DoT to ensure that the Bill is developed and published. The RABS Bill is a strategically important piece of legislation which will address challenges in the current compensation arrangement.

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	By 5% from R46.4 billion in the year 31 March 2012.	R51.5 billion	R7.5 billion	The deficit is driven by the provision for claims incurred. The provision increased in the year under review due to interest-related factors, legislative changes and legal precedents (Mvumvu and Paixao), and a change in the claims case mix. 75% of the increase was due to interest and legislative changes. Despite this, the growth in 2012/13 is half what it was in 2011/12. The indicator was also affected by the backlog which has reduced slightly and the increasing number of accidents. The target set over the medium-term in the strategic plan continues to cater for a reduction in provision and liability. The Fund has implemented numerous measures to ensure that the backlog is reduced. These include more frequent actuarial reviews; a second independent actuarial projection of the provision; operational plans to reduce the number of outstanding claims; and the processing of the RABS Bill which should see the deficit reduced as benefits will be capped.
	Provision for claims incurred assessed annually by statutory actuary and an annual assessment conducted by an independent actuary.	Provision for claims incurred was assessed for the year 2012/13 by the statutory actuary and an annual assessment conducted by an independent actuary.	On target	An independent actuary was appointed to assist with the assessment for claims incurred. The target was met.

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Reduced deficit and improved sustainability	RAF claims data and records audited	Revised target	The auditing of the claims data is necessary for the Fund to understand the current status of all claims and develop initiatives to address them. A dedicated project was initiated with focused teams in all the regions to ensure that the audit is conducted.	
Percentage reduction in legal costs	Reduction in legal costs (year-on-year) – i.e. legal costs as a percentage of claims payments	Revised target	There is a concerted effort by the Fund to reduce the amount of money paid on legal costs for claims, thus the need for the more specific indicator focusing on reduction of legal costs.	
	Increased percentage of direct claims originated (direct personal claims as a percentage of total personal claims)	Revised target	This indicator was necessary to ensure that the Fund can deliver on its mandate and guarantee claimants the receipt of all monies due to them, without incurring legal fees.	
	Reduced % of direct personal claims becoming represented – i.e. % reduction in baseline	Revised target	This indicator is very important for the Fund as it will ensure that it delivers on the promise to pay directly to claimants before the claimants request legal representation.	
Managed and monitored operational costs	Managed and monitored operational costs to improve the sustainability of the Fund	Revised target	The target was revised to focus more on managing operational costs. Operational costs have to be managed to ensure the Fund does not overspend allocated funds for operations. The 10% target will be progressive and incremental in the next financial years to ensure that the Fund continues to manage its costs.	

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	Commence management review of claim files to verify data.	Management completed a review of claims files and data.	On target	Backlog audit was successfully completed. Prior to the audit, the Fund did not know the processing status of the claims which remained open.
	30%	Total legal costs (claimants' and RAF's legal costs) for the 2011/12 financial year were R3,568,285,033 and the total claim payments for 2011/12 were R12,506,556,000. Legal costs as a percentage of total claim payments were 29%. Total legal costs (claimants' and RAF's legal costs) for the 2012/13 financial year were R4,025,031,246 and the total claim payments for 2012/13 were R15,170,931,896. Legal costs as a percentage of the total claims-related payments were 27%.	Reduction of 3% from set target and 2% reduction year-on-year	There was a year-on-year reduction in the ratio of legal costs paid compared to claims payment. The target is progressive and increases every year as the Fund intensifies its initiatives to increase the number of direct claims, this will lead to a substantial decrease in the need to pay legal costs. Measures implemented by management were successful.
	15%	20%	5% from set target	The Fund embarked on a number of projects to encourage claimants to claim directly from the Fund, without the use of attorneys. A baseline was established based on 2011/12 performance and the target will increase in future years.
	Establish the number of direct claims that become represented during the financial year before payment of compensation as a percentage of the total number of open direct claims at the end of the financial year.	The number of direct claims that became represented in the 2012/13 financial year was 1,768 with a quarterly average of 442. A baseline has been established.	On target	It is important for the Fund to continuously monitor this target and ensure that it is reduced year-on-year. Operational and forensic teams prioritised this task and it will remain a key focus.
	10% negative variance on HR, administration and CAPEX budget.	Opex had a favourable variance of 18.3%, and Capex had a favourable variance of 72%.	Target exceeded by 8.3% on OPEX and 62% on CAPEX	The variance in the year under review is due to the moratorium on external appointments which existed until the 3rd quarter and which saw the Fund unable to fill funded vacancies. The moratorium has been lifted and a significant number of appointments are now being made. The CAPEX variance is due to the issuing of tenders being delayed by operational inefficiencies. These have subsequently been attended to by increasing capacity in the Procurement Unit, directing Executives to ensure that the Demand Management Plan is implemented timeously, and by procuring additional administrative support to assist with the issuing of tenders.

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Percentage reduction in legal costs	Reduction in the number of Writs of Execution	Revised target	A Writ of Execution is an indication that the Fund did not perform its duties as per a court order, which is a poor reflection on the Fund. New processes and procedures were implemented to ensure that there is a standardised and effective way to handle Writs and court judgements.	
Reduced deficit and improved sustainability	Accurate forecasting of prevalence of accidents	Revised target	The indicator is necessary to ensure that the Fund has an understanding of the prevalence of accidents and can introduce initiatives to address those areas where the prevalence of accidents is high. The indicator is important for the Fund as it directly affects its liability.	
Improve customer service	Reduced number of open claims	Revised target	The target was set based on 2011/12, which had shown a marked increase in the number of open claims. Clear plans were implemented which included capacity enhancements, actioning the outcome of the audit of open files, implementing new business processes, re-establishing defunct units, and improved management of the performance of the Panel of Attorneys.	
Improve claims processing	Reduced turnaround times (from lodgement date to payment date) for processing of supplier claims, funeral claims and undertakings	Revised target	The target was set based on the 2011/12 average. The target will become more stringent in 2013/14.	
	Reduced turnaround times (from lodgement date to payment date) for processing of claims for loss of earnings/support and general damages	Revised target	It was necessary to separate the non-personal and personal claims due to processing requirements and the nature of the claims. The target was set based on the 2011/12 average. The target will become more stringent in 2013/14.	
Improve customer service	Hospital service centres optimised and national footprint expanded	Revised target	The hospitals currently occupied by the Fund are necessary for the origination of direct claims and in assisting the hospitals with originating their supplier claims. Before the Fund could expand the number of hospitals, it was necessary to ensure that the current hospitals are operating effectively and using standard processes.	
Improve claims processing	All operational procedures reviewed and compliance tested annually	Revised target	It is important for the Fund to review all current procedures and identify gaps where necessary to ensure effective use of the processes and compliance with the procedures.	

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	20% reduction in the number of Writs of Execution.	Total number of Writs in the year 2011/12: 11,656 Total number of Writs in the year 2012/13: 7,842 32% decrease in the number of Writs of Execution has been achieved.	Target exceeded by 12%	The target will continue to increase until Writs are reduced to an acceptable minimum. Unfortunately they cannot be totally eliminated as some fall due immediately.
	Not scheduled in 2012/13.	Not scheduled in 2012/13.	Not scheduled in 2012/13	A baseline will be established in 2013/14.
	250,000 (i.e. stop the increase in open claims).	212,686 open and re-opened claims for the year 31 March 2013.	37,314 decrease from set target	There is a concerted effort by the Fund to reduce the number of open claims as they contribute to the backlog in the Fund.
	365 days.	249 days.	Target exceeded by 116 days	It was necessary to separate non-personal and personal claims due to processing requirements and the nature of the claims. The set target was achieved and the targeted days will be reviewed and reduced in coming years.
	1,400 days.	Annual average turnaround time for loss of earnings/support and general damages was 1,336 days.	Target exceeded by 64 days	It was necessary to separate more complex claims from the supplier, undertakings and funeral claims. Implementation of the backlog audit has contributed towards the achievement of the target as Management was able to identify and prioritise claims that can be settled quickly.
	Quality assurance reviews conducted on 75 Hospital Service Centres (HSCs) and review conducted to confirm optimal locations and staff numbers.	75 functional HSCs were in place, and an assessment was conducted in the current HSCs.	On target	For the RAF to establish an understanding of the functioning and full optimisation of the current HSCs, an assessment was conducted on the existing HSCs. The results from the assessment will be used to continuously improve the quality of the existing HSCs.
	Reviewed in Quarter 3.	All operational procedures were reviewed.	On target	In October 2012 business processes were developed and approved for implementation across the business. The exercise will be conducted annually to ensure there are no gaps left.

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Improve stakeholder relations	Information Collection Agents ("ICAs") operational	Target formed part of the 2011/12 Annual Performance Plan ("APP") to increase the RAF footprint across the country.	Target as per 2011/12 APP was scheduled to commence in 2013/14. The Fund requires information from all stakeholders in the process of settling claims. The establishment of the ICAs is necessary for the Fund to obtain information required in the processing of claims.	
Improve customer service	Reduced prevalence of litigated cases	Revised target	Litigated cases represent high legal costs for the Fund and thus have to be monitored. This indicator goes hand-in-hand with the indicators pertaining to direct claims.	
Reduce prevalence of fraud	Improved fraud conviction rate	Revised target	Fraud has been prevalent in the Fund for many years, but the number of convictions resulting from the investigations were never measured. A project in conjunction with the National Prosecuting Authority ("NPA") was established to ensure there are dedicated prosecutors to focus on RAF-related matters.	
Improve customer service	Number of claimants engaged at road shows per annum	Revised target	It is necessary for the Fund to engage with its customers and to ensure that its services reach them, wherever they are in South Africa.	

RAF Strategic Objective

A Transformed and Capacitated RAF by 2017

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Reduced vacancy rate	Reduction in the vacancy rate	Revised target	To ensure that the Fund is able to meet its mandate, it is necessary to ensure that all vacancies are filled.	

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	Not scheduled in 2012/13.	Not scheduled in 2012/13.	Not scheduled in 2012/13	The project will be implemented with 20 ICAs in 2013/14 and the target will increase in the coming financial years.
	Establish a baseline for the number of claims resulting in litigation during the financial year as a % of open claims at the end of the financial year.	Total number of claims that had summonses (trigger of litigation) was 27,083 as at 31 March 2013. Total open claims as at 31 March 2013 were 195,437. The baseline is established at 14%.	On target	Based on 2011/12 performance, a target was set at 14% and will be increased in the 2013/14 financial year.
	Establish a baseline for the number of convictions during the financial year as a % of the number of investigations during the financial year.	The estimated number of convictions was 250 and the baseline for the conviction rate was established at 4.5%.	On target	The target will be increased in 2013/14.
	15,000 claimants engaged.	Number of claimants engaged at road shows was 13,155.	Partially achieved at 1,845 less than target	The target was based on the 2011/12 average. Though the target was not fully met, a concerted effort has been made to reach out to claimants with the establishment of a project called 'RAF on the Road'. In 2013/14, the target will increase and more 'RAF on the Road' sessions will be conducted.

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	Establish a baseline of opening and end balances of the number of vacant positions as a percentage of the number of budgeted positions and to reduce the vacancy rate by 2%.	Vacancy rate baseline established at 14% for the year to 31 March 2013.	On target	It is important to note that the vacancy rate was affected by the moratorium which was placed on external appointments and substantial increases in the number of available posts were approved in line with the new organisational structure. The moratorium was subsequently lifted and appointments are now being made.

Strategic Outcome	Performance Indicator	Actual Achievement 2011/12	Reason for Change in Performance indicator/Target	
Performance assessments completed to measure operational efficiency	Number of performance assessments to measure operational efficiency	Revised target	It is important for the Fund to conduct performance assessments of all its employees. Performance management helps the Fund to manage productivity and address areas where there are weaknesses.	
Recognition of employees annually	Annual recognition of employees conducted	Revised target	Staff recognition is important to motivate employees. The indicator was included to ensure that highly motivated staff members do their jobs.	
Achievement of Broad-Based Black Economic Empowerment ("BBBEE") targets	RAF's contribution to government's social and economic transformation agenda	100% achieved based on 60% target.	The Fund included this target to ensure that procurement from BBBEE companies is measured. The target was based on the 2011/12 spend and is expected to increase in 2013/14 financial year.	
Achievement of Employment Equity ("EE") targets	RAF's contribution towards government's social and economic transformation agenda	Employment equity target was 85% which was below target by 3%.	The Fund has to support government priorities by ensuring more effort is made to appoint previously disadvantaged candidates. EE targets are important to ensure there is equality in the appointment of staff at the Fund.	

NB. Management will put measures in place to ensure that targets not achieved are met.

Legend

- Target achieved or exceeded
- Target partially achieved
- Target not achieved
- Target not scheduled in 2012/2013

	Planned Target 2012/13	Actual Achievement 2012/13	Deviation from Planned Target to Actual Achievement for 2012/2013	Comment on Deviations From Planned 2012/13 Target
	All staff formally assessed twice per annum.	95% of staff was formally assessed for the year to 31 March 2013.	The 5% not assessed is attributable to staff that were on suspension or maternity leave and new employees who joined in the last quarter of 2012/13	In 2013/14 the target will increase to four assessments a year.
	30	41	11 over set target	The baseline of 30 was created based on 2011/12 information. The baseline will increase in 2013/14.
	80% BBBEE spend (total).	89% BBBEE total spend.	9% over the set target	Procurement processes for selection of service providers were reviewed to ensure BBBEE status is taken into account when appointing a service provider. Due to the Fund's focus on promoting BBBEE in line with the BBBEE Act, and the relevant supply chain management policies, performance targets were exceeded by 9%.
	Achieve/exceed EE target of 90%.	• Female staff (RAF: 59% of the total employees vs. 50/50 national target per Department of Labour. • Black staff (RAF: 74% of total employees vs. national target of 79.2%). • Staff with disabilities (1.7% of total employees vs. 2% Board target).	Not all set targets achieved/ exceeded 90%	EE targets and targets relating to people living with disabilities were included in performance scorecards when hiring Managers. The target will be increasing in the 2013/14 financial year. There was a slight improvement in the number of disabled staff employed.

Section 4

Annual Financial Statements

The financial statements set out on pages 154 to 203, which have been prepared on a going-concern basis, were approved by the Board on 31 July 2013 and were signed on its behalf by:

Dr NM Bhengu
Chairperson of the Board

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE ROAD ACCIDENT FUND

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Road Accident Fund set out on pages 154 to 203, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amount for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Road Accident Fund as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of Matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Going Concern

8. The accounting authority's report on page 150 and note 36 to the financial statements indicate that the Road Accident Fund has accumulated deficits of R51,587,567 and that the public entity's total liabilities exceeded its total assets by R51,463,953

as at 31 March 2013. These conditions, along with other matters as set in the accounting authority's report and note 36, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

Report on other Legal and Regulatory Requirements

9. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined Objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 129 to 141 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with Laws and Regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal Control

14. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria
31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2013.

The Audit Committee is an independent statutory committee appointed by the Board of the RAF. Further duties are delegated to the Audit Committee by the Board of the RAF. This report includes both these sets of duties and responsibilities.

1. Audit Committee Terms of Reference

The Audit Committee has adopted formal terms of reference as its Audit Committee Charter that has been approved by the Board of the RAF. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein. The Charter is available on request.

2. Audit Committee Members and Meeting Attendance

The Audit Committee is independent and consists of eight Non-Executive Directors. It meets at least four times per year, as specified in terms of the Audit Committee Charter.

The Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, External Auditors and other assurance providers (legal, compliance, risk, health and safety) attend meetings by invitation only.

During the year under review five meetings were held.

Audit Committee	26 Apr 2012	24 May 2012	27 Jul 2012	25 Oct 2012	25 Jan 2013	Total
LED Hlatshwayo (Chairperson)	✓	✓	✓	✓	✓	5
T Moyo	✓	✓	✓	✓	✓	5
MJ Ralefatane	✓	×	✓	×	×	2
JN Masekoameng	✓	✓	✓	✓	✓	5
NZ Qunta	✓	✓	✓	✓	✓	5
DS Qocha (until 26 July 2012)	×	✓	n/a	n/a	n/a	1
DK Smith	✓	×	✓	✓	✓	4
T Tenza (DG's Representative)	✓	✓	×	×	×	2
CEO (*Ex officio*)	✓	✓	✓	✓	✓	5

* Apologies were rendered for meetings not attended.

* n/a – Not a member at the time of the specific meeting.

3. Roles and Responsibilities

3.1 Statutory Duties

The Audit Committee's roles and responsibilities include its statutory duties as per the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"), as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board. The Audit Committee executed its duties in terms of the requirements of King III and in instances where King III requirements have not been applied; explanations are outlined in the Corporate Governance Statement included elsewhere in this Integrated Annual Report.

The Committee was responsible for performing its duties as set out in the Audit Committee Charter, which included reviewing the following:

- The effectiveness of the RAF's internal control systems;
- The risk areas of the RAF's operations to be covered in the scope of the Internal and External Audits;
- The accounting and auditing concerns identified as a result of the Internal or External Audits;
- The RAF's compliance with legal and regulatory provisions, in particular the Road Accident Fund Act, 1996 (Act No. 56 of 1996); the PFMA, as well as the National Treasury Regulations;
- The activities of the Internal Audit Department, including its work programmes, co-ordination with the External Auditors, the reports of significant investigations and the responses of Management to specific recommendations;
- The independence and objectivity of the External Auditors;

- The review of the Financial Statements with specific attention to:
  - Underlying accounting policies or changes thereto;
  - Major estimates and managerial judgements;
  - Significant adjustments flowing from the year-end audit;
  - Compliance with effective South African Standards of Generally Recognised Accounting Practice ("GRAP"), the PFMA and other statutory precepts; and
  - The appropriateness of the going-concern assumption.

The Audit Committee undertook the following activities during the year under review:

- Reviewing and approving the Internal Audit Department's Charter and Internal Audit Plan;
- Conducting investigations within its Terms of Reference; and
- Encouraging communication between Members of the Board, Senior and Executive Management, Internal Audit Department; and the External Audit partner.

3.1.1 External Auditors

During the year, the Audit Committee met with the External Auditors and with the Chief Audit Executive without Management being present. The Audit Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

The Audit Committee has satisfied itself that the External Auditors were appointed in line with Chapter 6, Part 4, Sections 58, 59, 60 and 61 of the PFMA.

The Audit Committee, in consultation with Executive Management, agreed to the Engagement Letter, terms, Audit Plan and budgeted audit fees for the 2012/13 financial year.

3.1.2 Financial Statements and Accounting Policies

The Audit Committee has evaluated the Accounting Policies and Financial Statements of the RAF for the year ended 31 March 2013 and concluded that they comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective South African Standards of GRAP issued by the Accounting Standards Board ("ASB").

An Audit Committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the RAF. No matters of significance have been raised in the past financial year.

3.1.3 Internal Financial Controls

The Audit Committee's assessment of the internal controls in the claims environment is that the systems, although enhanced, should still be improved. Despite this, and based on the information and explanations given by Management and the Internal Audit Department, together with discussions held with the Auditor-General of South Africa on the result of their audits, the Audit Committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the Financial Statements, and accountability for the assets and liabilities is maintained.

Based on the results of the formal documented review of the design, implementation and effectiveness of the RAF's system of internal financial controls conducted by the Internal Audit function during the 2012/13 financial year, and considering information and explanations given by Management and discussions with the External Auditor on the results of their audit, the Audit Committee is of the opinion that the RAF's system of internal financial controls is effective and forms a sound basis for the preparation of reliable Financial Statements.

3.1.4 Whistle-blowing

The Audit Committee receives and deals with any concern or complaints, whether from within or outside the RAF, relating to the accounting practices and Internal Audit of the RAF, the content or auditing of the RAF's Financial Statements, the internal financial controls of the RAF and related matters.

3.2 Duties Assigned by the Board

In addition to the statutory duties of the Audit Committee, as reported above, the Board has determined further functions for the Audit Committee to perform, as set out in the Audit Committee Charter. These functions include the following:

3.2.1 Integrated Reporting and Combined Assurance

The Audit Committee fulfils an oversight role regarding the RAF's Integrated Report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties. Furthermore, the Audit Committee oversees co-operation between the Internal and External Auditors, and serves as a link between the Board and these functions.

The Audit Committee considered the RAF's sustainability information as disclosed in the Integrated Report and has assessed its consistency with operational and other information known to the Audit Committee Members, as well as consistency with the Annual Financial Statements. The Audit Committee discussed the sustainability information with Management and has considered the conclusion of the Auditor-General of South Africa. The Audit Committee is satisfied that the sustainability information is reliable and consistent with the financial results.

The Office of the Auditor-General of South Africa performed an assurance engagement on annual performance indicators included under the heading Performance against Objectives that forms part of the RAF's integrated sustainability reporting. It is envisaged that sustainability reporting will become more encompassing in line with the recommendations of King III.

3.2.2 Going Concern

The Audit Committee reviewed a documented assessment by Management of the going-concern basis before agreeing that the adoption of the going-concern basis is appropriate in preparing the Financial Statements.

3.2.3 Governance of Risk

The Board has assigned oversight of the RAF's risk management function to the Risk Management and Ethics Committee. Some members of the Audit Committee are also members of the Risk Management and Ethics Committee to ensure that information relevant to these Committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

3.2.4 Internal Audit

The Audit Committee is responsible for ensuring that the RAF's Internal Audit function is independent and has the necessary resources, standing and authority within the RAF to enable it to discharge its duties. Furthermore, the Audit Committee oversees co-operation between the Internal and External Auditors, and serves as a link between the Board and these functions.

The Audit Committee considered and recommended the Internal Audit Charter for approval by the Board. The Internal Audit function's Annual Audit Plan was approved by the Audit Committee.

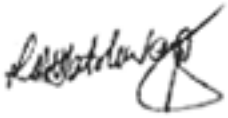
The Internal Audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the RAF's operations. The Chief Audit Executive is responsible for reporting the findings of the Internal Audit work against the agreed Internal Audit Plan to the Audit Committee on a regular basis.

The Chief Audit Executive has direct access to the Audit Committee, primarily through its Chairperson. The Audit Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the Internal Audit function.

3.2.5 Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The Audit Committee has considered, and has satisfied itself with the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of Management responsible for the finance function.



LED Hlatshwayo
Chairperson of the Audit Committee
Date: 31 July 2013

REPORT OF THE BOARD OF DIRECTORS

1. Introduction

The Board of Directors presents its report which forms part of the Annual Financial Statements of the Road Accident Fund ("RAF") for the year ended 31 March 2013 to the Minister of Transport, who is the Executive Authority in terms of section 55(1)(d) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA") as amended by Act No. 29 of 1999.

The RAF, as established by the Road Accident Fund Act, 1996 (Act No. 56 of 1996) ("RAF Act"), is listed as a national Public Entity in accordance with schedule 3A of the PFMA. The Board of Directors acts as the Accounting Authority in terms of the PFMA.

2. Board of Directors and Secretary of the Road Accident Fund

The Board of Directors and Corporate Secretary as at the date of this report are as follows:

Board of Directors, Non-Executive Board Members

Dr NM Bhengu (Chairperson)
Mr V Mahlangu (Vice-Chairperson)
Mr JN Masekoameng
Mr T Moyo
Adv. DS Qocha
Ms NZ Qunta
Adv. MJ Ralefatane
Mr DK Smith
Ms A Steyn
Mr LED Hlatshwayo
Mr T Tenza (Director-General Designee)*

* The Director-General of the Department of Transport or any other Senior Officer in the Department of Transport, designated by him or her for a particular purpose, serves as an *ex officio* member of the Board.

Chief Executive Officer

Dr EA Watson (appointed on 1 July 2012)

Chief Financial Officer

Ms LJ Fosu

Corporate Secretary

Ms JR Cornelius

3. Review of Activities

Principal Activities and Results

To provide appropriate cover to all road users within the borders of South Africa; to rehabilitate persons injured, compensate for injuries or death and indemnify wrongdoers as a result of motor vehicle accidents in a timely, caring and sustainable manner; and to support the safe use of our roads.

The detailed review of the results of the RAF for the year ended 31 March 2013 is included under the Historical Review and the Review of Operations in this Integrated Report.

4. Solvency and Going Concern

We draw attention to the fact that at 31 March 2013, the entity had accumulated deficits of (R51,587,567) and that the entity's total liabilities exceeded its assets by (R51,463,953).

The going-concern basis was used in preparing the Annual Financial Statements. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what the applicable Fuel Levy will be for the financial year. The National Budget, inclusive of the Fuel Levy amount, is submitted and approved by the South African Parliament via the Taxation Amendment Act.

Government also commits to the RAF budget in its Medium Term Expenditure Framework (MTEF). The RAF will manage the cash resources to ensure that short-term liabilities are met.

In the past, the RAF received additional financial support from National Treasury in the form of cash injections over and above the normal Fuel Levy income as and when it faced liquidity problems. During the 2006 financial year, it received a cash injection of R2,502 billion and in the 2009 financial year it received R2,550 billion. The Board and Management are committed to implementing plans to contain the growing deficit caused by the rising provision for outstanding claims.

As part of these plans, the RAF has engaged National Treasury and the DoT in discussions to resolve the short-, medium- and long-term funding position of the RAF.

The following table depicts the total assets and the total liabilities of the RAF over the past five years.

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Total assets	10,717,258	8,572,312	4,566,637	3,878,585	3,395,738
Total liabilities	(62,181,211)	(54,971,745)	(34,481,626)	(32,308,577)	(43,231,115)
	(51,463,953)	**(46,399,433)**	**(29,914,989)**	**(28,429,992)**	**(39,835,377)**

From this table it is clear that the RAF has not been solvent for a number of years. The net deficit has increased by R5,064,520 in the 2012/13 financial year.

5. Subsequent events

No undisclosed material events have taken place between the Statement of Financial Position date and the authorisation of the Annual Financial Statements.

6. Accounting Policies

During the current financial year, a number of new Generally Recognised Accounting Practice ("GRAP") standards were applied for the first time. A list of these standards, as well as a description of the impact, is detailed in Note 2. The application of these standards did not have a significant impact on the Financial Statements.

The Annual Financial Statements are prepared in accordance with the prescribed South African Standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure, of R20,225,838 (2011/12: R22,107,510), relating to interest and sheriff costs, has been disclosed in Note 26 of the Annual Financial Statements.

Interest and sheriff costs – As per the definition of the PFMA, fruitless and wasteful expenditure means "expenditure which was made in vain and could have been avoided had reasonable care been exercised". The amounts listed are costs incurred in the settlement process of claims influenced by the external legal processes and time limits legally enforced on the RAF in the settlement of claims. A portion of the mentioned costs could not be regarded as 'fruitless and wasteful', as in certain instances, it is

physically impossible to comply with the time limits that are in place, i.e. where a writ can be issued against the RAF immediately after a claimant's legal cost bill has been taxed. It must be highlighted that the RAF operates in a highly litigious environment where legal processes place huge demands on its operations.

Disciplinary action has been taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments. During the financial year, people were disciplined, resulting in one final written warning, four written warnings and nine verbal warnings being issued.

8. Addresses

The Road Accident Fund's head office and postal addresses are as follows:

Business address:	Postal address:	Website address:
2 Eco Glades Office Park	Private Bag X178	www.raf.co.za
420 Witch-Hazel Avenue	Centurion	
Centurion	0046	

9. Approval

The Annual Financial Statements set out on pages 154 to 203, which have been prepared on the going-concern basis, were approved by the Accounting Authority on 31 July 2013 and were signed on its behalf by:

Dr NM Bhengu
Chairperson of the Board of Directors
Date: 31 July 2013

Dr EA Watson
Chief Executive Officer
Date: 31 July 2013

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Annual Financial Statements have been prepared in accordance with South African Standards of GRAP, including any interpretations, guidelines and directives issued by the ASB.

The PFMA requires the Accounting Authority to ensure that the RAF keeps full and proper records of its financial affairs. The Financial Statements should fairly present the state of affairs of the RAF, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of the effective South African Standards of GRAP.

The Financial Statements are the responsibility of the Board of Directors. The External Auditors are responsible for independently auditing and reporting on the Financial Statements.

These Financial Statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and have been prepared on the going-concern basis.

The Board of Directors has reviewed the RAF's cash flow forecast for the year ending 31 March 2013 and considered the risks and challenges for the future. In light of this review and the current financial position, the Board is satisfied that the RAF has adequate resources or has access to adequate resources to continue in operational existence in the short-term.

To enable the Board of Directors to meet the above-mentioned responsibilities, it sets standards and implements systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed.

Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout the RAF focus on the critical risk areas identified by operational risk management and confirmed by Executive Management. Both Management and the Internal Audit Department closely monitor the controls and actions taken to correct deficiencies as they are identified.

Based on the information and explanations given by Management and the Internal Audit Department, and discussions held with the Auditor-General of South Africa on the result of their audits, the Board of Directors is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied on for preparing the Financial Statements, and accountability for the assets and liabilities is maintained.

Nothing significant has come to the attention of the Board of Directors to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the Directors, based on the information available to date, the Financial Statements fairly present the financial position of the RAF as at 31 March 2013 and the results of its operations and cash flow information for the year.

The going-concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Amendment Act indicates what applicable Fuel Levy will be for the financial year. The Board believes that the annual Fuel Levy is sufficient to settle current obligations of the RAF.

The Financial Statements of the RAF for the year ended 31 March 2013, which have been prepared on the going-concern basis, have been approved by the Board of Directors and signed on its behalf by:

Dr NM Bhengu
Chairperson of the Board of Directors
Date: 31 July 2013

CORPORATE SECRETARY'S CERTIFICATION

I hereby certify that the RAF has lodged all returns as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act No. 29 of 1999.

Ms JR Cornelius
Corporate Secretary
Date: 31 July 2013

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

	Note(s)	2013 R '000	2012 R '000
Assets			
Current Assets			
Cash and cash equivalents	3	6,143,817	4,245,050
Receivables from non-exchange transactions	4	4,153,511	3,884,349
Receivables from exchange transactions	5	32,721	18,686
Other financial assets	6	132,224	144,927
Consumable stock	7	3,012	2,609
		10,465,285	8,295,621
Non-current Assets			
Property, plant and equipment	8	242,960	214,035
Intangible assets	9	9,013	62,656
		251,973	276,691
Total Assets		10,717,258	8,572,312
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	139,740	84,385
Other financial liabilities	11	333,934	323,762
Provision for outstanding claims	12	14,862,241	11,840,060
Other provisions	13	1,363,742	604,499
		16,699,657	12,852,706
Non-current Liabilities			
Other financial liabilities	11	1,207	531
Provision for outstanding claims	12	45,433,759	42,078,643
Employee benefits	14	46,588	39,863
		45,481,554	42,119,037
Total Liabilities		62,181,211	54,971,743
Net Assets		(51,463,953)	(46,399,431)
Net Assets			
Reserves			
Revaluation reserve		123,614	72,249
Accumulated deficit		(51,587,567)	(46,471,680)
Total Net Assets		(51,463,953)	(46,399,431)

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
Revenue			
Revenue from Exchange Transactions			
Other income	16	3,581	1,664
Reinsurance revenue	17	1,577	79
Investment revenue	18	254,802	112,883
Total Revenue from Exchange Transactions		259,960	114,626
Revenue from Non-exchange Transactions			
Transfer revenue			
Net fuel levies	15	17,380,217	16,989,071
Total Revenue		17,640,177	17,103,697
Expenditure			
Claims expenditure	19	(21,579,683)	(32,587,268)
Reinsurance premiums	20	(25,222)	(22,847)
Employee costs	21	(762,641)	(656,934)
Depreciation and amortisation	22	(61,138)	(63,654)
Finance costs	23	(27,448)	(23,599)
General expenses	24	(299,932)	(238,406)
Total Expenditure		(22,756,064)	(33,592,708)
Deficit for the Year		(5,115,887)	(16,489,011)

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2013

	Revaluation Reserve	Accumulated Surplus	Total Net Assets
	R'000	R'000	R'000
Opening balance as previously reported	65,486	(29,980,475)	(29,914,989)
Adjustments			
Change in accounting policy	-	(2,194)	(2,194)
Balance at 1 April 2011 as Restated	**65,486**	**(29,982,669)**	**(29,917,183)**
Changes in net assets			
Revaluation of land	1,015	-	1,015
Revaluation of buildings	5,748	-	5,748
Deficit for the year	-	(16,489,011)	(16,489,011)
Total changes	6,763	(16,489,011)	(16,482,248)
Balance at 1 April 2012	**72,249**	**(46,471,680)**	**(46,399,431)**
Changes in net assets			
Revaluation of land	7,704	-	7,704
Revaluation of buildings	43,661	-	43,661
Deficit for the year	-	(5,115,887)	(5,115,887)
Total changes	51,365	(5,115,887)	(5,064,522)
Balance at 31 March 2013	**123,614**	**(51,587,567)**	**(51,463,953)**

CASH FLOW STATEMENT
for the year ended 31 March 2013

	Note(s)	2013 R'000	2012 R'000
Cash Flows from Operating Activities			
Receipts			
Fuel levies		17,870,297	16,371,405
Interest income		240,768	98,514
Reinsurance claims received		1,577	79
Other income		3,477	1,664
		18,116,119	16,471,662
Payments			
Employee costs		(762,641)	(656,934)
Claims expenditure		(15,089,532)	(12,506,556)
Finance costs		(27,448)	(23,599)
Reinsurance premiums		(25,222)	(22,847)
Other expenditure		(297,271)	(147,904)
		(16,202,114)	(13,357,840)
Net Cash Flows from Operating Activities	28	**1,914,005**	**3,113,822**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(8,402)	(4,482)
Proceeds from sale of property, plant and equipment	8	104	-
Purchase of other intangible assets	9	(6,940)	(1,926)
Net Cash Flows from Investing Activities		**(15,238)**	**(6,408)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**1,898,767**	**3,107,414**
Cash and cash equivalents at the beginning of the year		4,245,050	1,137,635
Cash and Cash Equivalents at the End of the Year	3	**6,143,817**	**4,245,050**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2013

Budget on Accrual Basis	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	-	-	-	3,581	3,581	37
Reinsurance revenue	-	-	-	1,577	1,577	37
Investment revenue	159,075	-	159,075	254,802	95,727	37
Total revenue from exchange transactions	159,075	-	159,075	259,960	100,885	
Revenue from non-exchange transactions						
Transfer revenue						
Net fuel levies	17,853,056	-	17,853,056	17,380,217	(472,839)	37
Total revenue	18,012,131	-	18,012,131	17,640,177	(371,954)	
Expenditure						
Employee costs	(828,241)	-	(828,241)	(762,641)	65,600	37
Claims expenditure	(13,670,722)	-	(13,670,722)	(21,579,683)	(7,908,961)	37
Depreciation and amortisation	(64,766)	-	(64,766)	(61,138)	3,628	37
Finance costs	(11,132)	-	(11,132)	(27,448)	(16,316)	37
Reinsurance premiums	(28,155)	-	(28,155)	(25,222)	2,933	37
General expenses	(355,147)	-	(355,147)	(299,932)	55,215	37
Total expenditure	(14,958,163)	-	(14,958,163)	(22,756,064)	(7,797,901)	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	3,969,994	-	3,969,994	(5,115,887)	(9,085,881)	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. Accounting Policies

Presentation of Financial Statements

The Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice ("GRAP"), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise. They are presented in South African rands.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in Note 35: Changes in Accounting Policy. Accounting policies changed due to the implementation of standards that became effective in the current financial year. The changes have been applied retrospectively.

1.1 Significant Judgements and Sources of Estimation Uncertainty

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

Impairment testing

A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. These calculations require the use of estimates and assumptions.

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

Outstanding claims provision

The estimation of the ultimate liability arising from claims incurred but not settled at the reporting date is the RAF's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability the RAF 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. More detail on the actuarial assumptions can be found in Note 12: Provision for Outstanding Claims.

Post-retirement benefits

The RAF provides a defined benefit pension plan and a post-retirement medical plan to some of its employees. The measurement of the obligations (and assets) in respect of this liability requires actuarial estimates and valuations. An actuary is engaged to perform these calculations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14: Employee Benefit Obligations.

1. Accounting Policies (continued)

Allowance for doubtful debts

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

Revenue recognition on the Road Accident Fund Fuel Levy

With effect from 1 April 2006, the responsibility for the collection of the Fuel Levy was devolved from the Central Energy Fund to the South African Revenue Service (SARS).

Changes to the Customs and Excise Act, 1964 (Act No. 91 of 1964), have introduced new provisions that require fuel companies to pay 50% of the RAF Fuel Levy at the end of the month following the month of removal of the fuel from the refinery and the remaining 50% at the end of the following month.

The effect of these provisions is that cash receipts of RAF levies do not correspond with the accrual of Fuel Levy revenue by the RAF. This particularly affects the year-end revenue receivable raised from the RAF Fuel Levy. To correctly accrue for the revenue for the period, RAF Management estimates what the expected Fuel Levy income should be based on historical evidence.

Diesel refunds

Diesel refunds are concessions deducted from the fuel levies received. Diesel concessions are granted to certain sectors of the economy on the basis of the level of use by the diesel consumer in primary production activities.

In terms of section 5(2) of the Road Accident Fund Act, 1996 (Act No. 56 of 1996), after being amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), the RAF receives the RAF Fuel Levy net of diesel refund after it has been collected by SARS.

Diesel refunds affect the amount of revenue to be recognised and cannot be measured accurately at the point of revenue recognition. Consequently, Management estimates what the value of the diesel refunds will be. The estimates are based on historical evidence and Management formulates a percentage that is applied to the RAF Fuel Levy. The percentage range for diesel refunds for the current year is 8% to 9% of the gross fuel levy for the year.

Revaluation of land and buildings

Land and buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are done by an independent valuer on an annual basis so that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings measured using the valuation model is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income, and with a relevant capitalisation rate, the market value if calculated.

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets, including infrastructure assets, that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different lengths of useful life, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include those incurred initially to acquire or construct an item of property, plant and equipment, as well as costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Major spare parts and stand-by equipment that are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment that can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs that are a condition of continuing use of an item of property, plant and equipment and that meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land and buildings, which is carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by an independent valuer on an annual basis so that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of land and buildings measured using the valuation model is based on market values. The market value of property is determined by taking into account the market rentals that are paid in the immediate area. The applicable relevant market rental is used to determine potential income. Thereafter, the relevant expenditure is deducted to determine the net income and, with a relevant capitalisation rate, the market value if calculated.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

1. Accounting Policies (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful life of items of property, plant and equipment has been assessed as follows:

Item	Average useful life
Buildings	30 years
Office furniture	15 years
Office equipment	10 years
IT equipment	7 years
Motor vehicles	5 years
Leasehold improvements	3 years

1.3 Intangible Assets

An asset is identified as an intangible asset when:

- It is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- It arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

If an intangible asset is acquired by means of a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research, or on the research phase of an internal project, is recognised as an expense when it is incurred.

An intangible asset arising from development, or from the development phase of an internal project, is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits or service potential;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it has been classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised either on disposal, or when no future economic benefits or service potential are expected from their use or disposal.

1.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction, either directly or through the use of an allowance account, for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The effective interest rate method is a way to calculate the amortised cost of a financial asset or a financial liability, or group of financial assets or financial liabilities, and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, an entity estimates cash flow considering all contractual terms of the financial instrument, for example, prepayment, call and similar options, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts.

There is a presumption that the cash flow and expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flow or the expected life of a financial instrument or group of financial instruments, the entity uses the contractual cash flow over the full contractual term of the financial instrument or group of financial instruments.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

A financial asset is either cash, a residual interest of another entity, or a contractual right to receive cash or another financial asset from another entity, or exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

1. Accounting Policies (continued)

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when it is contractually due.

Residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. This includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital;
- A formal designation of a transfer of resources, or a class of such transfers, by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition, or those that are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading. A financial instrument is held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
  - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets, in terms of classes and category, as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Advance payment i.r.o. suppliers claims	Financial asset measured at amortised cost
Employee debtors	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost
Claims debtors	Financial asset measured at amortised cost
Other deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Rent-a-captive insurance	Financial asset measured at amortised cost

The entity has the following types of financial liabilities, in terms of classes and category, as reflected in the Statement of Financial Position or in the notes thereto:

Class	Category
Trade and other creditors	Financial liability measured at amortised cost
Claim amounts finalised but not paid at year-end	Financial liability measured at amortised cost
Unrecognised portion of straight-lined leases	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade-date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 flow (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade-date accounting. The entity derecognises a financial asset only when:

- The contractual rights to the cash flow from the financial asset expire, are settled or are waived;
- The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

1. Accounting Policies (continued)

- The entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - Derecognises the asset; and
  - Recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability, or a part of a financial liability, from its Statement of Financial Position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, waived or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.5 Tax

Tax expenses

The RAF is exempt from taxation in terms of the provision of section 10(1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962), and section 16 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996).

1.6 Leases

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

Operating leases: lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.7 Consumable Stock

Consumable stock is initially measured at cost, except where consumable stock is acquired through a non-exchange transaction, in which case cost is the fair value as at the date of acquisition.

Subsequently, consumable stock is measured at cost or net realisable value, whichever is lower.

Consumable stock is measured at cost or current replacement cost, whichever is lower, where it is held for distribution at no charge or for a nominal charge; or for consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of consumable stock comprises all costs of purchase, costs of conversion and other costs incurred in bringing the consumable stock to its present location and condition.

The cost of consumable stock is assigned using the weighted average cost formula. The same cost formula is used for all consumable stock with a similar nature and use to the entity.

When consumable stock is sold, the carrying amounts of the consumable stock are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed or related services are rendered. The amount of any write-down of consumable stock to net realisable value or current replacement cost and all losses of consumable stock are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of consumable stock, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of consumable stock seen as an expense in the period in which the reversal occurs.

1.8 Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that brings in cash from continuing use. These cash inflows are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal.

The recoverable amount of an asset or a cash-generating unit is its fair value less cost to sell, or its value in use, whichever is higher. Useful life is either:

(a) The period over which an asset is expected to be used by the entity; or
(b) The number of production or similar units the asset is expected to generate for the entity.

1.9 Impairment of Non-cash-generating Assets

Cash-generating assets are those assets held by an entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that brings in cash from continuing use. These cash inflows are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less the cost of disposal.

1. Accounting Policies (continued)

The recoverable service amount is a non-cash-generating asset's fair value less cost to sell or its value in use, whichever is higher. Useful life is:

(a) The period over which an asset is expected to be used by the entity; or
(b) The number of production or similar units expected to be obtained from the asset by the entity.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of a non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approaches:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined at the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an 'optimised' basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features that are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss, which is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value, if any, on a systematic basis over its remaining useful life.

1.10 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences, such as paid annual leave and paid sick leave, where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related service;
- Payments relating to bonuses, incentives and performance payable within 12 months after the end of the reporting period in which the employees render the related service; and
- Non-monetary benefits for current employees such as medical care, and free or subsidised goods or services such as housing, cars and cellphones.

When an employee has rendered a service to an entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as:

- A liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- An expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of payments relating to bonuses, incentives and performance when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits, other than termination benefits, that are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

1. Accounting Policies (continued)

Multi-employer plans are defined contribution plans, other than state plans and composite social security programmes, or defined benefit plans, other than state plans, that pool the assets contributed by various entities that are not under common control and which use those assets to provide benefits to employees of more than one entity on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate legal entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered a service to an entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service as:

- A liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- An expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments, which are the effects of differences between the previous actuarial assumptions and what has actually occurred, and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets, other than non-transferable financial instruments issued by the reporting entity, that are held by a fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits. These assets are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors, even in liquidation, and cannot be returned to the reporting entity, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity, or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive, that is, when benefits are introduced or changed so that the present value of the defined benefit obligation increases; or negative, that is, when existing benefits are changed so that the present value of the defined benefit obligation decreases. In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in both the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan, other than those included in the actuarial assumptions used to measure the defined benefit obligation, and less any tax payable by the plan itself.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets, if any, out of which the obligations are to be settled directly;
- Plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of the amount determined above or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate that reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity so that the amounts recognised in the Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- The expected return on any plan assets and on any reimbursement rights;
- Actuarial gains and losses;
- Past service cost;
- The effect of any curtailments or settlements; and
- The effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost as well as, where applicable, past service cost. The projected unit credit method, which is sometimes known as the accrued benefit method prorated on service or as the benefit/years of service method, sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefits on a straight-line basis from:

- The date when service by the employee first leads to benefits under the plan, whether or not the benefits are conditional on further service; until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances, including changes in market prices and interest rates, up to the reporting date.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan, and intends either to settle the obligations on a net basis or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1. Accounting Policies (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations at the reporting date for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations, both funded and unfunded, reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in the terms of the plan, or resulting from any constructive obligation that goes beyond those terms, at the reporting date; and
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - Those changes were enacted before the reporting date; or
  - Past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

Termination benefits are recognised as an expense when the RAF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the RAF has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.11 Provisions and Contingencies

Provisions are recognised when:

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

The amount of a provision is an estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a rate before tax that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources such as economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - The activity/operating unit or part of an activity/operating unit concerned;
  - The principal locations affected;
  - The location, function and approximate number of employees who will be compensated for services being terminated;
  - The expenditures that will be undertaken;
  - When the plan will be implemented; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, being those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the ongoing activities of the entity.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer through a binding arrangement.

After their initial recognition, contingent liabilities in entity combinations that are separate are subsequently measured at the higher of the amount that would be recognised as a provision, and the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under prespecified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor;
- Defaults or delinquencies in interest and capital repayments by the debtor;
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- A decline in prevailing economic circumstances that affect the ability of entities to repay their obligations, for example, high interest rates, inflation and unemployment.

Where a fee is received by an entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at the reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets;

1. Accounting Policies (continued)

and the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange, primarily in the form of goods, services or use of assets.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Income

Revenue arising from the use by others of entity assets yielding interest, reinsurance income and other income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and the amount of the revenue can be measured reliably.

Interest is recognised, in either surplus or deficit, using the effective interest rate method.

Other income comprises fees that are collected for published tenders, vending machines and parking fees received from employees.

1.13 Revenue from Non-exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity. These benefits represent an increase in net assets as opposed to increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange, primarily in the form of cash, goods, services or use of assets.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is seen as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation seen as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and allots an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. The main income received by the RAF is a levy that is based on fuel sales known as the RAF Fuel Levy. The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by the National Treasury. RAF Fuel Levy amendments are communicated via the Minister of Finance's annual Budget Speech.

The RAF 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 RAF.

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

1.14 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing Costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded, such as capital or current.

Borrowing costs are recognised as an expense in the period during which they are incurred.

1.16 Translation of Foreign Currencies

Foreign currency transactions

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

At each reporting date:

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

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

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flow arising from transactions in a foreign currency is recorded in rands by applying the exchange rate between the rand and the foreign currency at the date of the cash flow to the foreign currency amount.

1.17 Claims Payments

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

Claims incurred

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

Outstanding claims provision

Provision is made at year-end for the estimated cost of claims incurred but not yet settled at the reporting date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, including previous experience in claim patterns, claim settlement patterns and trends in claim frequency.

1. Accounting Policies (continued)

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

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

Contingent liability for claims IBNR

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

Reinsurance contracts held

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

The contracts entered into by the RAF with reinsurers, under which the RAF is compensated for losses on one or more 'contracts' issued by the RAF and that meet the classification requirements for the insurance contracts into which it enters, are classified as reinsurance contracts held. Only the rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

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 charged to the Statement of Financial Performance over the period that the cover is provided based on the expected pattern of the reinsured risks.

Due to uncertainty regarding the successful realisation of the claims, the RAF does not recognise reinsurance assets, except for claims that have already been lodged with reinsurers and liability acknowledged.

1.18 Comparative Figures

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

1.19 Fruitless and Wasteful Expenditure

Fruitless expenditure, as defined in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"), is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Irregular Expenditure

Irregular expenditure, as defined in section 1 of the PFMA, is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) This Act; or
(b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury's Practice Note No. 4 of 2008/09, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following, effective from 1 April 2008:

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required, with the exception of updating the Note to the Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year, and for which condonement is being awaited at year-end, must be recorded in the irregular expenditure register. No further action is required with the exception of updating the Note to the Financial Statements.

Where irregular expenditure was incurred in the previous financial year and is condoned only in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and that was not condoned either by National Treasury or by the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose it in the relevant Note to the Financial Statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme or expenditure item, be disclosed as such in the Note to the Financial Statements and be updated accordingly in the irregular expenditure register.

1.21 Budget Information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent). This is given effect through authorising legislation, appropriation or similar means.

General-purpose financial reporting by the entity provides information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2012 to 31 March 2013.

The Financial Statements and the budget are prepared on the same basis of accounting, so a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts, and movements of greater than 10% will be assumed material.

1.22 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

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

2. New Standards and Interpretations

2.1 Standards and Interpretations Effective and Adopted in the Current Year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the Financial Statements currently presented in accordance with the SA Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- The approved and final budget amounts;
- The actual amounts on a comparable basis; and
- By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the Financial Statements, and a cross-reference to those documents is made in the notes.

Where an entity prepares its budget and Financial Statements on a comparable basis, it includes the comparison as an additional column in the primary Financial Statements. Where the budget and Financial Statements are not prepared on a comparable basis, a separate statement is prepared, the Statement of Comparison of Budget and Actual Amounts. This statement compares the budget amounts with the amounts in the Financial Statements adjusted to be comparable to the budget.

A comparable basis means that the budget and Financial Statements:

- Are prepared using the same basis of accounting, either cash or accrual;
- Include the same activities and entities;
- Use the same classification system; and
- Are prepared for the same period.

The effective date of the standard is for years beginning on or after 1 April 2012.

The entity has adopted the standard for the first time in the 2013 Financial Statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the Financial Statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, a financial liability or a residual interest, an entity considers the substance of the contract and not only the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where an entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, such as bank deposits, receivables and payables, are measured at amortised cost. At initial recognition, however, an entity can designate such an instrument to be measured at fair value.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an entity's Statement of Financial Position and Statement of Financial Performance, as well as the nature and extent of the risks an entity is exposed to as a result of its Financial Statements. Some disclosures, such as the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 1 April 2012.

The entity has adopted the standard for the first time in the 2013 Financial Statements.

The adoption of this amendment has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the Financial Statements.

2.2 Standards and Interpretations Early Adopted

The entity has chosen to early adopt the following standards and interpretations:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires an entity to recognise:

- A liability where an employee has provided service in exchange for employee benefits to be paid in the future; and
- An expense where an entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share-based payment transactions.

The effective date of the standard is for years beginning on or after 1 April 2013.

The entity has early adopted the standard for the first time in the 2013 Financial Statements. The impact of the standard is set out in Note 35, Changes in Accounting Policy.

2.3 Standards and interpretations Issued but Not Yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2013 or later periods:

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's Financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties, and by transactions and outstanding balances with such parties.

An entity that prepares and presents Financial Statements under the accrual basis of accounting, in this standard referred to as the reporting entity, shall apply this standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items above is required; and
- Determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate Financial Statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual Financial Statements.

Disclosure of related-party transactions and outstanding balances, including commitments, as well as relationships with related parties, may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is for years beginning on or after 1 April 2013. The entity expects to adopt the standard for the first time in its 2014 Financial Statements. The adoption of this standard is not expected to affect the results of the entity, but may result in more disclosure than is currently provided in the Financial Statements.

	2013 R '000	2012 R '000

3. Cash and Cash Equivalents

Cash and cash equivalents include the following:

Short-term deposits	6,138,000	4,112,400
Current accounts	1,322	111,053
Deposit accounts	4,464	21,564
Cash on hand	31	33
	6,143,817	**4,245,050**
Cash and cash equivalents held by the entity that are not available for use	4,464	21,564

The effective interest rate on call deposits was 5.15% in 2013 and 5.06% in 2012.

4. Receivables from Non-exchange Transactions

Fuel Levy receivable	4,153,511	3,884,349

The RAF Fuel Levy is recovered directly from the oil refineries by SARS and are paid into the National Revenue Fund. SARS pays the funds into the National Revenue Fund after certain deductions are made in terms of section 47 of the Customs and Excise Act, 1964 (Act No. 91 of 1964), section 5 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996), as well as Schedule No. 6 to the Customs and Excise Act, 1964 (Act No.91 of 1964). National Treasury then pays these levies from the National Revenue Fund to the RAF.

Approximately 50% of the levies due are payable by the refineries at the end of the month following the month of removal from the refinery, and the remaining 50% at the end of the following month.

This amount is reduced by any bad debts the refineries have sustained that need to be refunded by the RAF.

5. Receivables from Exchange Transactions

Interest receivable from money market investments	32,721	18,686

6. Other Financial Assets

At Amortised Cost

Advance payment i.r.o supplier claims and other	14,532	19,383
Employee debtors	2,093	898
Sundry debtors	2,731	4,465
Rent-a-captive insurance	113,689	109,726
Other deposits	181	342
Claims creditors	7,409	11,318
	140,635	146,132
Impairments of sundry and claims creditors	(8,411)	(1,205)
	132,224	**144,927**

Current Assets

At amortised cost	132,224	144,927

	2013 R '000	2012 R '000
Financial Assets at Amortised Cost		
Financial assets at amortised cost past due but not impaired		
Financial assets that are past due but are not considered to be impaired amount to R13,315,000 as of 31 March 2013, and R23,496,000 in 2012.		
The breakdown of amounts past due but not impaired is as follows:		
Advance payment i.r.o supplier claims and other (greater than 90 days)	12,930	12,584
Employee debtors (greater than 90 days)	289	-
Sundry debtors (greater than 90 days)	1	1,850
Claims debtors (greater than 90 days)	95	9,062
Financial assets at amortised cost impaired		
Claims and sundry debtors were R8,411,344 as at 31 March 2013, and R1,205,359 in 2012. These were impaired and provided for.		
The breakdown of amounts is as follows:		
Sundry debtors	2,069	-
Claims debtors	6,342	1,205
Reconciliation of Provision for Impairment of Financial Assets at Amortised Cost		
Sundry debtors		
Opening balance	-	636
Provision for impairment	2,164	-
Amounts written off as uncollectible	(95)	-
Doubtful debt recovered	-	(636)
	2,069	-
Claims debtors		
Opening balance	1,205	-
Provision for impairment	6,301	1,205
Amounts written off as uncollectible	(1,164)	-
	6,342	1,205

The creation and release of provision for impairment receivables have been included in Note 24: General Expenses.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

7. Consumable Stock

Consumable stock	3,012	2,609

Included in consumable stock is printing paper, printer cartridges and stationery.

8. Property, Plant and Equipment

	2013			2012		
	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Land	24,852	-	24,852	17,148	-	17,148
Buildings	126,996	(12)	126,984	86,067	(3)	86,064
Furniture and fixtures	26,973	(14,171)	12,802	25,906	(12,758)	13,148
Motor vehicles	12,478	(8,489)	3,989	11,854	(6,689)	5,165
Office equipment	33,181	(20,553)	12,628	32,143	(17,756)	14,387
IT equipment	187,924	(126,623)	61,301	190,807	(116,941)	73,866
Leasehold improvements	16,294	(15,890)	404	16,294	(12,037)	4,257
Total	**428,698**	**(185,738)**	**242,960**	**380,219**	**(166,184)**	**214,035**

Reconciliation of Property, Plant and Equipment – 2013

	Opening Balance	Additions	Disposals	Revaluations	Accumulated Depreciation of Disposed Assets	Depreciation	Total
Land	17,148	-	-	7,704	-	-	24,852
Buildings	86,064	134	-	43,661	-	(2,875)	126,984
Office furniture	13,148	1,075	-	-	-	(1,421)	12,802
Motor vehicles	5,165	625	-	-	-	(1,801)	3,989
Office equipment	14,387	1,084	(44)	-	44	(2,843)	12,628
IT equipment	73,866	5,483	(8,362)	-	8,281	(17,967)	61,301
Leasehold improvements	4,257	1	-	-	-	(3,854)	404
	214,035	**8,402**	**(8,406)**	**51,365**	**8,325**	**(30,761)**	**242,960**

Reconciliation of Property, Plant and Equipment – 2012

	Opening Balance	Additions	Disposals	Revaluations	Accumulated Depreciation of Disposed Assets	Depreciation	Total
Land	16,133	-	-	1,015	-	-	17,148
Buildings	82,867	215	-	5,748	-	(2,766)	86,064
Office furniture	14,556	366	(1,357)	-	1,016	(1,433)	13,148
Motor vehicles	6,915	352	-	-	-	(2,102)	5,165
Office equipment	17,463	460	(122)	-	122	(3,536)	14,387
IT equipment	88,525	3,089	(5,043)	-	4,961	(17,666)	73,866
Leasehold improvements	9,688	-	-	-	-	(5,431)	4,257
	236,147	**4,482**	**(6,522)**	**6,763**	**6,099**	**(32,934)**	**214,035**

Revaluations

The effective date of the revaluations was 19 March 2013. Revaluations were performed by an independent valuer, Mr Goosen, the Professional Associated Valuer of Corporate Valuations CC. Corporate Valuations CC is not a related party of the RAF.

Land and buildings are revalued independently every year, in accordance with the RAF policy.

The valuation was performed using the income capitalisation method to determine the market value by discounting the future income flow to a present value. A discount rate of 9.75% was used to discount the income.

9. Intangible Assets

	2013			2012		
	Cost/ Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer software	64,725	(55,712)	9,013	156,866	(94,210)	62,656

Reconciliation of Intangible Assets – 2013

	Opening Balance	Additions	Intangible Assets Derecognised	Amortisation	Total
Computer software	62,656	6,940	(30,206)	(30,377)	9,013

Reconciliation of Intangible Assets – 2012

	Opening Balance	Additions	Amortisation	Total
Computer software	91,453	1,926	(30,723)	62,656

Other Information

The Board of Directors decided on 29 October 2012 to discontinue the use of the Fineos claims system. The software is accounted for as an intangible asset. The carrying amount of this intangible asset was R30,206 million as at 31 March 2013. The Fineos system was derecognised in accordance with GRAP 31 paragraph 111(b) because there is no future economic benefit or service potential that is expected from its use or disposal.

	2013 R '000	2012 R '000
10. Payables from Exchange Transactions		
Accrual for overtime	2,273	438
Accrual for leave	36,307	30,981
Accrual for 13th cheque	7,294	8,291
Accrual for performance bonuses	93,866	44,675
	139,740	84,385
11. Other Financial Liabilities		
At Amortised Cost		
Trade and other creditors	51,822	154,506
Claim amounts finalised but not paid at year-end	282,112	169,256
Unrecognised portion of straight-lined leases	1,207	531
	335,141	324,293
Total Other Financial Liabilities	335,141	324,293
Non-current Liabilities		
At amortised cost	1,207	531
Current Liabilities		
At amortised cost	333,934	323,762

12. Provision for Outstanding Claims

Reconciliation of Provision for Outstanding Claims – 2013

	Opening Balance	Additions	Utilised During the Year	Total Provision for Outstanding Claims	Claims IBNR	Total Claims Liability Including IBNR
Provision for outstanding claims	53,918,703	21,579,684	(15,202,387)	60,296,000	22,542,000	82,838,000

Reconciliation of Provision for Outstanding Claims – 2012

	Opening Balance	Additions	Utilised During the Year	Total Provision for Outstanding Claims	Claims IBNR	Total Claims Liability Including IBNR
Provision for outstanding claims	33,547,050	32,587,268	(12,215,615)	53,918,703	18,688,860	72,607,563

	2013 R '000	2012 R '000
Non-current liabilities	45,433,759	42,078,643
Current liabilities	14,862,241	11,840,060
	60,296,000	**53,918,703**

For the 2013 valuation, adjustments were made to the methodology used in the previous valuation. The key adjustments were:

- The RAF used different criteria to group personal claims;
- The method used to value the post-Amendment Act liability was significantly altered. Previously this liability was calculated using the 2007 (Old Act) accident year as a base, and making adjustments. For the 2013 valuation, the RAF used the actual New Act data, and performed a methodology very similar to the Old Act method.

The discounted outstanding claims liability as at 31 March 2013, net of reinsurance, was estimated to be R82.8 billion (2011/12: R72.6 billion). This R82.8 billion should be interpreted as the expected monetary amount that, together with notional investment income on this amount, would be sufficient to cover future payments in respect of accidents that occurred prior to 1 April 2013. The estimate of the outstanding claims liability increased by R10.2 billion from the March 2012 estimate.

Definitions as per GRAP 19

- **Provision:** A liability of uncertain timing or amount.
- **Liability:** Present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
- **Obligating event:** An event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.
- **Contingent liability:** A possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

From the above definitions, there is no doubt that all the claims reported to the RAF and registered by the RAF constitute a liability. However, what is not certain is when it will be paid and how much will be paid based on the environment within which the RAF operates. Hence, the valuation amount relating to reported claims is classified as provision for outstanding claims and is as such recognised in the Statement of Financial Position as at the reporting period. The provision amount recognised in the balance sheet as at 31 March 2013 amounted to R60.3 billion.

With regard to the IBNR, the claims are neither reported to the RAF, nor registered by the RAF, therefore no assessments have been made in terms of the RAF Act to determine whether the RAF has an obligation or not. Therefore there is no obligating event. The obligating event depends on the assessments being done in terms of the RAF Act. From this, there is no doubt that the valuation amount to the extent that it relates to IBNR should not be recognised in the Statement of Financial Position, but be disclosed by way of note as contingent liability until it meets the definition of a provision. The IBNR amount disclosed as a contingent liability amounts to R22.5 billion.

It was further estimated that, had the Amendment Act not been introduced, the liability would have been approximately R12.9 billion higher (i.e. a total liability of approximately R73.2 billion). If the actual future experience is as expected, the outstanding claims liability is expected to increase at a lower rate than claims inflation during the next five years, as the effect of the Amendment Act filters through. Thereafter, it is expected to increase with claims inflation, as well as any increase in the number of accidents.

Method Used in Determining the Provision for Outstanding Claims

The calculation of the provision for outstanding claims was divided into the following components:

1. Personal claims (pre- and post-Amendment Act); and
2. Undertakings.

Method Used to Estimate Liability for Personal Claims:

Non-undertaking, non-supplier claims were subdivided into the following groups:

- Group A: Nil claims: Claims with no compensation payments and no expense payments;
- Group B: Small claims: Claims with no compensation but some expenses;
- Group C: Injury claims, further split into the following:
  - Group C1: No general damages;
  - Group C2: General damages, but no loss of earnings;
  - Group C3: General damages, with some loss of earnings; and
- Group D: Death claims, further split into the following:
  - Group D1: Death claims with loss of support; and
  - Group D2: Death claims with only funeral costs, but no loss of support.

The reason for subdividing non-supplier claims into these groups was to obtain homogeneous groups. The claims in the different groups have very different characteristics. Estimates of future payments based on historical data are better if homogeneous groups are used.

The liability in respect of personal claims was estimated as follows:

- The number of ultimate and hence the number of outstanding claims for each accident interval was estimated;
- It was estimated how many of the outstanding non-supplier claims (both reported and IBNR) are expected to fall into each group;
- The average amount expected to be paid on outstanding claims in each group was estimated, taking into account that past experience showed that, on average, larger claims in each group took longer to finalise than smaller claims;
- The outstanding liability was then estimated by multiplying the estimated number of outstanding claims in each group by the average amounts for the respective groups, for each accident year;
- Amounts already paid in respect of open claims were then deducted and further amounts payable in respect of finalised claims were then estimated and added. These additional payments were also taken into account in determining the average amounts;
- The liability of all open limited passenger claims that occurred prior to 1 August 2008 became unlimited (referred to as the Mvumvu liability) and was also added; and
- The liability as a result of the Paixao judgement was also allowed for.

12. Provision for Outstanding Claims (continued)

Method Used to Estimate Liability for Undertakings

Considering historical payments, it seems as if undertaking payments in respect of accidents up to 2003 have stabilised. For these accident years, the RAF estimated the liability for future payments by multiplying the annual amounts paid (taken as the annual average of the amounts paid during the past four financial years in March 2013 monetary terms) with an annuity factor based on the average age of claimants receiving these benefits and a net discount rate of 0% per year. The result therefore shows future payments in current monetary terms.

For accident years 2001 to 2003, current annual payments ranged between R1,433 and R1,748 per estimated ultimate number of Group C3 claims (average R1,583). For claims in respect of accident years 2004 onwards, it was assumed that ultimate annual undertaking payments would be a similar factor (R1,583) of ultimate Group C3 claims.

Discounted and Undiscounted Provisions

The method outlined above leads to an estimate of R60.3 billion for outstanding payments (in March 2013 monetary terms) in respect of accidents prior to 1 April 2013. The table below summarises the overall results, based on future claims inflation of 8% per year (2% above assumed Consumer Price Index ("CPI") of 6%) and a discount rate of 8% per year (2% above assumed CPI of 6%) – further assuming past payment patterns will be repeated in future. Note that the undiscounted liability for undertakings is shown in March 2013 terms without allowing for future inflation. This is done because the RAF is of the opinion that an undiscounted liability in respect of undertakings is meaningless, considering the long-term nature of undertakings.

The discounted liability for supplier claims included in the above is R113 million (2011/12: R91 million).

	March 2013 Monetary Terms	Discounted Liability	Undiscounted Liability
	R'million	R'million	R'million
Pre-Amendment Act	22,828	22,828	31,274
Post-Amendment Act	33,262	33,262	45,569
Undertakings	4,206	4,206	4,206
Total	**60,296**	**60,296**	**81,049**

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are:

- The proportion of the number of claims falling into each of the defined groups (taking into account that some groups take on average longer to finalise) will remain similar to the past experience;
- The average amount payable per claim in each defined group (taking into account that larger claims take on average longer to finalise) will remain similar to the past experience, allowing for claims inflation of 2% above price inflation;
- The reporting pattern observed for post-Amendment Act claims; and
- Payments in respect of undertakings will follow similar patterns as in the recent past.

Movement in Outstanding Claims Liability including IBNR	Notes	Personal: Old Act R'billion	Personal: New Act R'billion	Undertakings R'billion	Supplier R'billion	Total R'billion
Opening balance		**29.0**	**38.7**	**4.4**	**0.5**	**72.6**
Unwinding	1	2.3	3.1	0.4	-	5.8
Payments	2	(10.1)	(4.9)	(0.2)	(0.6)	(15.8)
Accidents since 31March 2012	3	-	14.5	0.3	0.4	15.2
New Paixao case	4	-	1.1	-	-	1.1
Mvumvu provision	5	-	-	-	-	-
Unexpected increase	6	1.7	0.3	0.7	0.3	3.0
Reclassification of D claims	7	0.1	0.9	-	-	1.0
Closing balance		**23.0**	**53.7**	**5.6**	**0.6**	**82.9**

Notes

Note 1: This represents interest credited to the liability at the rate of 8% (the RAF's assumption for future investment returns).

Note 2: The RAF expects actual claim payments made during the inter-valuation period, to result in a corresponding release in the liability.

Note 3: This represents the expected new claims for the inter-valuation period.

Note 4: The RAF sets out the impact of the Paixao case.

Note 5: This is the amount required in addition to the items above, to add up to the newly calculated liability (on a similar basis). For the Old Act, most of this item relates to average claim amounts that are higher than what was anticipated at the previous valuation. For the New Act, the RAF moved to a totally different calculation methodology (similar to the methodology used to value Old Act claims) which resulted in a slightly higher provision.

Note 6: In previous valuations, it was assumed that the introduction of medical tariffs in the New Act would lead to a reduction in the average claim of 25% for undertaking claims. There is nothing in the data that suggests that this expectation materialised and the RAF therefore removed the 25% reduction factor, resulting in an increase in the undertakings liability.

Note 7: To date, the RAF has have assumed that status "D" implied "Deleted" claims and thus excluded them from its investigation. However, the table above shows that, of the 17,926 claims that had status "D" at the start of the valuation period, almost 2,300 changed statuses during the year to either "Open" or "Finalised".

Sensitivity Analysis

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. Should the materiality level of an individual variable change, however, an assessment of reasonable possible changes to that variable in the future may be required.

The RAF believes that the stated discount liability of R60.3 billion is reasonable. It was calculated on a best estimate basis. The actual payments will differ from the estimated liability, as the estimate was based on certain variables and assumptions. The sensitivity of some of the assumptions is shown below:

Numbers in R'bn	Note	Outstanding Reported Claims R'billion	IBNR R'billion	Total R'billion
Base scenario		60.3	22.5	82.8
Faster runoff	1	60.3	19.7	80.0
Slower progression of average claims	2	58.7	22.1	80.8
Fewer assumed nil claims	3	65.0	24.6	89.6

Notes

Note 1: The current IBNR calculation methodology assumes that the speed with which claims will be reported in future, will be in line with what has been observed to date. The RAF will therefore over-reserve if the actual reporting speed for recent reporting quarters has been quicker than observed in the past. In this sensitivity it shows the impact on the provision where if claims reported to date (in respect of accidents on or after 1/4/2009) are 10% higher than what is normally the case.

Note 2: The current methodology assumes (in line with actual experience to date) that claims that take longer to settle, are generally settled for higher amounts. Since very little New Act claims have been paid to date, the assumed increase pattern is based on Old Act claims alone. Should the increase in the average claim per settlement delay be less marked under the New Act, the RAF will be over-reserving. This scenario assumes that the increase in the average claim per settlement delay under the New Act is only 90% of what it observed under the Old Act.

Note 3: It is currently assumed that a material number of open claims will settle as nil claims. If the RAF's assumption is too high, it could be materially understating the provision. This scenario assumes that only 90% of the claims currently assumed to settle as nil claims will actually settle as such.

13. Other Provisions

In terms of legislation, the RAF has an obligation to refund a portion of 88c per litre (80c per litre in 2011/12) relating to the diesel usage in other sectors where vehicles are not used. The provision is calculated based on actual claims from these sectors processed through SARS. The provision is settled on a quarterly basis, with the provision at year-end based on the last quarter's results. These results are generally finalised after year-end and after all rebates have been taken into account.

	2013 R '000	2012 R '000
Opening balance	604,499	287,989
Increase in provision charged to income	2,484,942	1,547,076
Provision utilised	(1,725,699)	(1,230,566)
	1,363,742	604,499

14. Employee Benefit Obligations

Defined Benefit Plan

Post-retirement Pension Benefit Plan

The RAF operates a pension fund that provides benefits on both defined benefit and defined contribution plans for permanent staff. This fund is administered on behalf of the RAF by pension fund administrators and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

The Pension Funds Act requires a statutory actuarial valuation every three (3) years.

The defined benefit plan fund was actuarially valued, using the projected unit credit method as at 31 March 2013. The valuation revealed that the assets of the fund represent 162.9% (184.6% in 2011/12) of the liabilities. This is after minimum withdrawal values had been provided for in terms of the Pension Funds Second Amendment Act, 2001 (Act No. 39 of 2001), for existing members from a date 12 months after the surplus apportionment date (31 March 2003).

The RAF has carried out a surplus apportionment exercise. As the surplus apportionment has not yet been approved by the Financial Services Board, the RAF has not recognised an asset in respect of the surplus.

The assets of the plan mainly consist of investments.

The active members who were entitled to a defined benefit on retirement have converted to a defined contribution funding arrangement. The fund therefore no longer has a defined benefit obligation towards them.

	2013 R '000	2012 R '000
Staff costs - defined benefit plan expense		
Current service cost	-	177
Interest cost	3,202	3,948
Expected return on plan assets	(6,274)	(7,471)
Actuarial (gain)/loss recognised in the current year	11,269	(1,190)
Movement in unrecognised post-employment benefit asset	(8,197)	8,704
Total expensed in the Statement of Financial Performance	-	4,168

	2013 R '000	2012 R '000
The amount included in the Statement of Financial Position arising from the defined benefit plan is:		
Present value of the plan liability: end of the year	(46,863)	(44,567)
Fair value of plan assets: end of the year	76,375	82,277
Unrecognised post-employment benefit asset	**29,512**	**37,710**
Actual return on plan assets		
Expected return on plan assets	6,274	7,471
Actuarial gain/(loss) on plan assets	(8,365)	632
Actual return on plan assets	**(2,091)**	**8,103**
The principal actuarial assumptions used for accounting purposes:		
Discount rate pre-retirement	7.51%	8.54%
Price inflation	5.63%	5.94%
Salary escalation	n/a	7.94%
Pension increases	3.94%	4.20%
Post-retirement interest rate	3.43%	4.21%
Expected return on fund assets	7.81%	9.54%

Other assumptions

Post-retirement mortality

PA(90) mortality table rated down by two years.

Proportions married

Marital status of pensioners was used.

Post-retirement Medical Aid Plan

The RAF operates a post-employment medical benefit scheme that covers employees who were appointed prior to 1 May 1998.

The latest valuation of the RAF's liability in respect of post-retirement benefits for the financial year-end was performed on 31 March 2013 and will be valued at annual intervals thereafter.

Twenty-eight pensioners qualify for this benefit and approximately 10% of employees are prospectively entitled to this benefit. The initial liability and future increases thereof are charged to surplus or deficit.

No plan assets are shown as the medical benefits are unfunded.

The amounts recognised in the Statement of Financial Position are as follows:

	2013 R '000	2012 R '000
Carrying value		
Present value of the defined benefit obligation – wholly unfunded	(46,588)	(39,863)
The fair value of plan assets includes:		
Changes in the present value of the defined benefit obligation		
Opening balance	(39,863)	(33,802)
Contributions by plan participants	542	469
Net expense recognised in the Statement of Financial Performance	(7,267)	(6,530)
	(46,588)	**(39,863)**

14. Employee Benefit Obligations (continued)

	2013 R '000	2012 R '000
Net expense recognised in the Statement of Financial Performance		
Current service cost	(2,325)	(1,770)
Interest cost	(3,364)	(3,071)
Actuarial (gains)/losses	(1,578)	(1,689)
	(7,267)	**(6,530)**

Key Assumptions Used

Assumptions used at the reporting date:

Discount rates	7.51%	8.54%
Healthcare cost inflation	7.44%	7.94%
Real discount rate	0.06%	0.55%
Expected average retirement age	59	59
Spouse age gap	3	3
Normal retirement age	60	60
Proportion married at retirement	80%	100%
Continuation at retirement	100%	100%

Other assumptions

Mortality: Pre-expected retirement age	SA85-90 light
Mortality: Post-expected retirement age	PA(90) mortality table rated down by one year

Expected Return on Assets

There are currently no assets set aside in respect of the post-employment medical scheme liability. No assumptions specific to the assets have been made.

Expected contributions to the plan during the subsequent 2013/14 financial period: R789,000.

Other assumptions

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. A half percentage point change in assumed healthcare cost trends rates would have the following effects:

	0.5% Increase	0.5% Decrease
Effect on the aggregate of the service cost and interest cost	(4,142)	4,742
Effect on defined benefit obligation	42,446	51,330

Amounts for the current and previous four years:

	2013 R '000	2012 R '000	2011 R '000	2010 R '000	2009 R '000
Defined benefit obligation	46,588	39,863	33,802	28,123	24,842

	2013 R '000	2012 R '000
15. Net Fuel Levies		
Gross fuel levies	19,865,159	18,536,147
Less: diesel rebate	(2,484,942)	(1,547,076)
	17,380,217	16,989,071
16. Other Income		
Other recoveries	3,578	1,578
Foreign exchange gains	3	86
	3,581	1,664

Recoveries relate to minor recoveries that do not form part of the normal business of the RAF, such as bad debts recovered, parking income and Sector Education and Training Authority refunds.

17. Reinsurance Revenue		
Revenue received in terms of high-value claims insured by reinsurance companies and commutation offers received from same	1,577	79
18. Investment Revenue		
Interest Revenue		
Interest received from money market investments	249,811	108,369
Interest received from rent-a-captive insurance	4,991	4,510
Other interest received	-	4
	254,802	112,883
19. Claims Expenditure		
Claims paid	15,089,532	12,506,556
Claims finalised and not paid	282,112	169,256
Reversal of claims finalised and not paid	(169,256)	(460,197)
Net increase in claims provision	6,377,295	20,371,653
	21,579,683	32,587,268
20. Reinsurance Premiums		
Paid to reinsurers during the year	25,222	22,847
21. Employee-related Costs		
Total staff costs	762,641	656,934
Included in staff costs are:		
Contributions to defined benefit plan	-	7,281
Contributions to defined contribution plan	58,780	45,816
Contributions to post-retirement healthcare benefit	7,267	6,530
	66,047	59,627

The active members who were entitled to a defined benefit on retirement converted to a defined contribution funding arrangement. The fund no longer contributes towards the defined benefit plan.

As at 31 March 2013, 1,881 staff members were employed by the RAF (2011/12: 1,844).

	2013 R '000	2012 R '000
22. Depreciation and Amortisation		
Depreciation: Buildings	2,875	2,765
Depreciation: Leasehold improvements	3,854	5,431
Depreciation: Motor vehicles	1,801	2,102
Depreciation: Office furniture	1,421	1,432
Depreciation: Office equipment	2,843	3,535
Depreciation: Computer equipment	17,967	17,667
Depreciation: Intangibles	30,377	30,722
	61,138	63,654
23. Finance Costs		
Foreign exchange losses	-	271
Interest charged by creditors	29	80
Interest charged on claims	27,419	23,248
	27,448	23,599
24. General Expenses		
Auditors remuneration	3,992	6,130
Computer expenses	59,293	53,627
Consulting and professional fees	44,589	33,976
Insurance	4,473	4,018
Lease rentals on operating lease	42,887	40,264
Marketing	18,904	12,949
Motor vehicle expenses	3,178	2,520
Printing and stationery	7,024	5,452
Security	4,391	4,962
Telephone and fax	12,257	13,702
Travel: local	15,034	9,989
Travel: overseas	566	1,681
Loss on sale or derecognition of asset	30,285	424
Electricity	8,733	7,509
Maintenance	8,377	9,051
Operating costs	9,307	8,684
Board Members' expenses	3,131	2,744
Board Members' fees	5,280	4,824
Bad debts	8,465	1,599
	290,166	224,105

The expenses indicated above are viewed as material and have therefore been separately disclosed. Travel locally has increased as a result of heightened Management interventions. Bad debts have increased as a result of Management attending to the debtor's book in the current year. Consulting costs have increased as a result of contracts entered into in 2011/12 that pertained to the organisational remodelling required under the New Operating Model.

25. Taxation

The RAF is exempt from taxation in terms of the provision of section 10 (1)(cA)(i) of the Income Tax Act, 1962 (Act No. 58 of 1962) and section 16 of the Road Accident Fund Act, 1996 (Act No. 56 of 1996).

	2013 R '000	2012 R '000

26. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure	20,226	22,108

Interest and sheriff costs:

As per the definition of the PFMA, fruitless and wasteful expenditure means 'expenditure which was made in vain and could have been avoided had reasonable care been exercised'. The amounts listed are costs incurred in the settlement process of claims influenced by external legal processes and time limits legally enforced on the RAF in the settlement of claims. A portion of the mentioned costs could be regarded as potentially 'fruitless and wasteful' as, in certain instances, it is physically impossible to comply with the time limits that are in place, that is, where a writ can be issued against the RAF immediately after a claimant's legal cost bill has been taxed. It must be highlighted that the RAF operates in a highly litigious environment where legal processes place huge demands on its operations.

Disciplinary action has been taken against staff members as a result of negligence resulting in the payment of sheriff and interest costs, as well as duplicate payments. During the financial year, people were disciplined, resulting in one final written warning, four written warnings and nine verbal warnings being issued.

27. Irregular Expenditure

Irregular expenditure: current year	4,327	7,042
Amounts condoned	(4,327)	(7,042)
	-	-

Non-compliance with supply chain management practices resulted in irregular expenditure being incurred.

28. Cash Generated from Operations

Deficit	(5,115,887)	(16,489,011)
Adjustments for:		
Depreciation and amortisation	61,138	63,654
Deficit/(surplus) on sale or derecognition of assets	30,180	424
Movements in retirement benefit assets and liabilities	6,725	6,061
Movements in provisions	6,377,296	20,371,653
(Decrease)/increase in diesel rebate provision	759,243	316,510
Changes in working capital:		
Consumable stock	(403)	(244)
Receivables from exchange transactions	(14,035)	(14,369)
Other receivables from non-exchange transactions	(269,162)	(934,176)
Trade and other receivables from exchange transactions	12,707	(381)
Payables from exchange transactions	66,203	(206,299)
	1,914,005	3,113,822

29. Related Parties

The RAF is an entity created by statute, with the Minister of Transport being the Executive Authority representing the government of South Africa. The RAF is a schedule 3A Public Entity in terms of the PFMA. The related party disclosures are in terms of the requirements of International Public Sector Accounting Standard ("IPSAS") No. 20. The related parties of the RAF mainly consist of departments, state-owned entities, other public entities in the national sphere of government and key Management personnel of the RAF, or its Executive Authority and close family members of related parties. The list of public entities in the national sphere of government is provided by National Treasury on its website, www.treasury.gov.za. National Treasury also provides the names of subsidiaries of public entities.

Although the RAF transacted with other public entities within the national sphere of government, none of the related parties identified influenced, or was influenced by, the RAF during the reporting period and therefore no related-party transactions with other entities in the national sphere of government are disclosed. All these transactions took place at arm's length.

The following transactions were concluded with key Management of the RAF in terms of employment contracts entered into with the RAF (please refer to Note 30 – Board and Executive Members' emoluments for detail information relating to compensation of Members and other Key Management).

	2013 R '000	2012 R '000
Compensation to Members and Other Key Management		
Key Management compensation	17,626	23,956

30. Board and Executive Members' Emoluments

Non-Executive Directors

The Executive Authority approves the remuneration of the Board. Remuneration of Non-Executive Directors is benchmarked against the norms for organisations of a similar size and in line with the guidelines issued by the Executive Authority.

Non-Executive Directors receive a fixed monthly remuneration. Remuneration is not determined by meeting frequencies and escalated by inflationary adjustments only.

Executive Remuneration

The CEO makes recommendations to the Board concerning the remuneration of Executives ("EXCO") and the Board approves the remuneration of EXCO members, including that of the CEO. Factors influencing the remuneration of EXCO members include level of skill, experience and contribution to organisational performance.

The RAF introduced a performance-based remuneration for its Management staff by linking annual salary increases to individual contributions. Management receives an annual increase based on a combination of Consumer Price Index information and individual performance. The organisation conducts an annual salary survey/benchmark to ensure that Management rewards and remuneration are market related and kept at levels that will assist the organisation to retain and attract key leadership skills. The RAF aims to remunerate in line with the 50th percentile (median) of the market to recruit and retain the Management team to lead the organisation. Over and above the basic salary, staff members receive a performance incentive as a percentage of their total cost of employment.

All EXCO members are employed on fixed-term contracts of employment.

Executive

2013	Salary R'000	Leave Pay R'000	Gratuity/ Lump Sum R'000	Pension Contributions R'000	Medical Contributions R'000	Total R'000
Dr EA Watson (appointed 1 July 2012)	2,666	-	-	-	34	2,700
Mr A Gernandt	2,003	137	-	227	58	2,425
Ms LJ Fosu	1,873	-	-	183	63	2,119
Mr SS Ramessur (ending 6 March 2013)	1,281	96	-	165	58	1,600
Mr MI Mvelase (acting CEO until 30 June 2013)*	1,636	-	726	164	-	2,526
Mr DJ Hlabangane (ending 15 August 2012)	440	93	672	49	20	1,274
Ms LM Steele (ending 31 December 2012)	957	201	-	97	-	1,255
Ms NA Jafta	1,215	-	-	119	27	1,361
Mr RHS Matabane (appointed 1 September 2012)	865	-	-	90	35	990
Ms UM Oliphant (ending 31 March 2013)	1,198	-	-	155	23	1,376
	14,134	527	1,398	1,249	318	17,626

* Please note that the lump sum payment was for an acting allowance.

2012	Salary R'000	Leave Pay R'000	Performance Bonus R'000	Pension Contributions R'000	Medical Contributions R'000	Total R'000
Mr A Gernandt	1,844	-	336	209	53	2,442
Ms LJ Fosu	1,558	-	-	155	41	1,754
Mr SS Ramessur	1,261	-	274	151	53	1,739
Mr MI Mvelase	1,450	-	238	150	-	1,838
Mr DJ Hlabangane	1,083	-	197	109	44	1,433
Ms LM Steele	1,171	-	237	119	-	1,527
Ms NA Jafta	691	-	-	70	15	776
Mr JRD Modise	3,522	956	4,767	342	41	9,628
Mr AAA Seedat	77	-	-	8	4	89
MR RD Stewart	281	-	-	32	6	319
Ms MP Moiloa	1,041	-	-	95	15	1,151
Ms UM Oliphant	1,126	-	-	113	21	1,260
	15,105	956	6,049	1,553	293	23,956

30. Board and Executive Members' Emoluments (continued)

Non-Executive

2013	Members' Fees R'000	Total R'000
Dr NM Bhengu	724	724
Mr V Mahlangu	555	555
Mr JN Masekoameng	550	550
Mr T Moyo	498	498
Adv. DS Qocha	515	515
Ms NZ Qunta	515	515
Adv. MJ Ralefatane	498	498
Mr DK Smith	498	498
Ms A Steyn	482	482
Mr LED Hlatshwayo	531	531
	5,366	5,366

2012	Members' Fees R'000	Total R'000
Dr NM Bhengu	690	690
Mr V Mahlangu	529	529
Mr JN Masekoameng	459	459
Mr T Moyo	505	505
Adv. DS Qocha	459	459
Ms NZ Qunta	459	459
Adv. MJ Ralefatane	505	505
Mr DK Smith	505	505
Ms A Steyn	459	459
Mr LED Hlatshwayo	254	254
	4,824	4,824

31. Risk Management

Overview

The RAF is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, liquidity risk and market risk, which comprises interest rate risk, currency risk and other price risk. The risks the RAF primarily faces because of the nature of its assets and liabilities are liquidity risk, interest rate risk and currency risk.

Liquidity Risk

Liquidity risk is the risk that the RAF will not be able to meet its financial obligations as they fall due. 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 RAF's short-, medium- and long-term funding and liquidity management requirements. The RAF manages liquidity risk by maintaining sufficient cash reserves and by matching financial assets and liabilities as far as is practical.

Reinsurance is also used to manage liquidity risk.

The following table analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period between the Statement of Financial Position and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On Demand R '000	1–3 Months R '000	1–5 Years R '000	Total R '000
At 31 March 2013				
Trade and other creditors	(51,816)	-	-	(51,822)
Claims creditors	(282,112)	-	-	(282,112)
Cash and cash equivalents	6,143,817	-	-	6,143,817
Rent-a-captive insurance	113,689	-	-	113,689
At 31 March 2012				
Trade and other creditors	(154,506)	-	-	(154,506)
Claims creditors	(169,256)	-	-	(169,256)
Cash and cash equivalents	4,245,050	-	-	4,245,050
Rent-a-captive insurance	109,726	-	-	109,726

Credit Risk

The RAF has exposure to credit risk, which is the risk of financial loss to the RAF if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the RAF is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due with respect to claims debtors;
- Amounts due with respect to study loans and bursaries (this risk is very minimal as the amounts are immaterial);
- Short-term call deposits;
- The ultimate amount due from the self-funding claims reinsurance policy; and
- Fuel Levy debtors.

The nature of the RAF's exposure to credit risk, as well as the policies and processes for managing the credit risk, have not changed significantly from the prior period.

Potential concentrations of credit risk consist mainly of short-term cash. Money market instrument operations are entered into only with well-established and reputable financial institutions.

It is the RAF's policy to grant bursaries and study loans, relevant only to its line of business, to employees. Monthly instalments are deducted directly from payroll in relation to study loans.

The rent-a-captive insurance includes an amount set aside as a self-funding claims reinsurance policy. This policy will be utilised to fund the first R100 million of the retention amount of the claims reinsurance policy in the event of a catastrophic claim being instituted against the RAF. The deposit amount represents the balance of the special experience account, an account the insurer maintains for the purposes of recording this policy. The insurer is a well-established and reputable financial institution.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the settled amount in the event a gross claim is paid. The RAF, however, remains liable to its claimants regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the RAF is exposed to credit risk.

The RAF monitors the financial condition of reinsurers on an ongoing basis and periodically reviews its reinsurance arrangements.

The carrying amounts of financial assets and reinsurance assets included in the Statement of Financial Position represent the RAF's exposure to credit risk in relation to these assets. As at 31 March 2013, the RAF did not consider there to be a significant concentration of credit risk that had not been adequately provided for.

31. Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the RAF's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on investment.

The RAF is also exposed to foreign exchange fluctuations where claims from foreigners have been lodged, and damages for future medical expenses and loss of earnings or support are claimed in a foreign currency. When such claims are settled, the RAF pays the compensation as soon as possible after settlement date so as to minimise the risk of foreign exchange fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market interest rates. The RAF is exposed to interest rate risk, as it invests funds in the money market at floating interest rates. As at 31 March 2013, no derivative financial instruments were used to manage the RAF's exposure to interest rate risk.

All liquid funds are invested with registered South African banking institutions with maturities of 90 days or less, thereby minimising interest rate risk.

Interest rates of interest-bearing debts are linked to the prime overdraft rate.

The interest rate applicable to study loans and bursaries is equivalent to the official rate of interest for determining a fringe benefit, as approved by the Minister of Finance from time to time. The interest rate applicable to the payments of interest on capital and legal costs is determined by the Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975).

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts, the sensitivity is associated solely with the former, as the carrying amounts of the latter are not directly affected by changes in the interest rate.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the RAF's deficit for the year ended 31 March 2013 would decrease/(increase) by R31.3 million (2011/12: decrease/(increase) by R13.6 million). This is mainly attributable to the RAF's exposure to interest rates on its floating rate investments. The sensitivity analysis has been determined based on the exposure to interest rates for the RAF's non-derivative instruments at the financial reporting date. The analysis was prepared assuming the investments at year-end were constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

Foreign Exchange Risk

The financial items that are exposed to currency risk at the reporting date are claims that have not yet been paid to foreign claimants. The engaging of forward cover is considered on a case-by-case basis if the period between making an offer and final payment is material. As at 31 March 2013, no derivative financial instruments were used to manage the RAF's exposure to foreign currency risk, and only fixed-term forward cover contracts were utilised.

The carrying amount of the RAF's outstanding foreign currency denominated claims	2013 R '000	2012 R '000
Liabilities		
USD	4,047	17,456
GBP	1,757	1,757
Euro	11,612	12,606

The following table details the RAF's sensitivity to a 10% increase and decrease in the rand against the relevant foreign currencies. A sensitivity rate of 10% is used when reporting foreign currency risk internally to key Management personnel. This represents Management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency-denominated claims at the reporting date and adjusts their translation at the period end for a 10% change in foreign currency rates. The figures above indicate an increase in surplus or deficit where the presentation currency strengthens 10% against the relevant currency. For a 10% weakening of the presentation currency against the relevant currency, there would be an equal and opposite impact on the surplus or deficit, and the balances above would be negative.

	USD Impact R'000	GBP Impact R'000	Euro Impact R'000	All Foreign Currencies R'000
2013	3,733	2,462	13,711	19,906
2012	13,403	2,157	12,913	28,473
	17,136	**4,619**	**26,624**	**48,379**

32. Insurance Risk Management

Overview

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

This note presents information about the RAF's exposure to insurance risk and the RAF's objectives, policies and processes for managing this risk.

The RAF has developed, implemented and maintained a sound and prudent Insurance Risk Management Strategy that encompasses all aspects of its operations, including the reinsurance risk retention limits. Key aspects of the processes established to mitigate insurance risk include:

- The maintenance and use of sophisticated management information systems, which provide reliable and up-to-date data on the risks to which the business is exposed at any time;
- Actuarial models, using information derived from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process;
- Catastrophic accidents are modelled and the RAF's exposures are protected by arranging reinsurance to limit the losses arising from an individual event. The retention and limits are approved by the RAF's Board; and
- Only reinsurers with credit ratings equal to AA, or in excess of a minimum level determined by Management, are accepted as participants in the RAF's reinsurance agreements.

Reinsurance Income

The RAF enters into reinsurance treaties with major international reinsurance companies to cover catastrophic accidents. The RAF recovered R1,576,729 (2011/12: R79,088) from reinsurers during the current financial year in respect of claims settled by the RAF.

Foreign Claims

The number of claims by foreign visitors to South Africa continues to rise as the volume of visitors to the country increases. As most of these claims are paid in the applicable foreign currency and these claimants enjoy unlimited benefits, foreigners' claims form a large portion of high-value claims. At 31 March 2013, 14% (2011/12: 14%) of the value of the provision for outstanding claims in excess of R5 million was made up of claims by foreign nationals. It is important to note, however, that the actual claimed amount can exceed the estimated value of the claim.

32. Insurance Risk Management (continued)

Claims Reinsurance

In terms of section 4(1)(d) of the Road Accident Fund Act, 1996 (Act No. 56 of 1996), the RAF may procure reinsurance for any risk undertaken in accordance with this Act. Simultaneously, section 51(1)(a)(i) of the PFMA states as a condition that a public entity must ensure it has and maintains effective, efficient and transparent systems of financial and risk management.

The RAF, through its reinsurance brokers, procures reinsurance cover and negotiates reinsurance treaties. The RAF's reinsurance treaties are all excess or loss agreements. The reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amount, as per the relevant treaty subject to an indexation clause as contained in the treaties. The RAF will accept terms provided by reinsurers only if they have acceptable ratings.

The ratings are done by Standard & Poor's and AM Best Company, which are international-quality rating companies. The RAF currently places its limited reinsurance cover with a South African company, AIG SA, and the unlimited cover is placed with reinsurers based in London. The current limited cover has a set retention level of R100 million and, in terms of the treaty, the reinsurer's liability is limited to paying up to R300 million per any one loss occurrence event, on account of each and every loss occurrence. The unlimited cover placed in the London reinsurance market provides for cover in excess of R400 million per any loss occurrence event, on account of each and every loss occurrence.

The RAF must report to reinsurers all losses, that is, all claims arising from an accident, likely to exceed the notification amounts as specified in the respective reinsurance treaties.

In terms of the reinsurance treaties, the reinsurers indemnify the RAF for that part of the ultimate net loss (total amount paid) which exceeds the retention amounts as specified in the treaties, subject to the indexation clause.

The following table illustrates the notification amounts and retention amounts for the respective annual reinsurance treaties:

Accident Year	Notification Amount R	Retention Amount R
1984/85	500,000	1,500,000
1985/86	500,000	1,500,000
1986/87	3,000,000	5,000,000
1987/88	3,000,000	5,000,000
1988/89	1,000,000	2,500,000
1989/90	1,000,000	3,000,000
1990/91	1,000,000	3,000,000
1991/92	1,000,000	4,000,000
1992/93	1,000,000	4,500,000
1993/94	2,000,000	4,500,000
1994/95	2,000,000	5,000,000
1995/96	2,000,000	5,000,000
1996/97	2,000,000	10,000,000
1997/98	5,000,000	10,000,000
1998/99	5,000,000	10,000,000
1999/00	7,500,000	15,000,000
2000/01	15,000,000	20,000,000
2001/02	15,000,000	20,000,000
2002/03	15,000,000	50,000,000
2003/04	15,000,000	50,000,000
2004/05	15,000,000	50,000,000
2005/06	15,000,000	100,000,000
2006/07	15,000,000	100,000,000
2007/08	75,000,000	100,000,000
2008/09	75,000,000	100,000,000
2009/10	75,000,000	100,000,000
2010/11	75,000,000	100,000,000
2011/12	75,000,000	100,000,000
2012/13	75,000,000	100,000,000

The RAF monitors its reinsurance risk on a quarterly basis by reviewing and updating reports to reinsurers which indicate the current status with regard to matters reported to reinsurers. Furthermore, regular reports are run against the RAF's database to identify potential reportable matters, as a proactive measure.

Directors' and Officers' Liability Insurance

The RAF manages the risks that its Directors and Officers are exposed to by way of Directors' and Officers' liability insurance.

The RAF's current Directors' and Officers' insurance cover is placed with two underwriters respectively. The total limit of indemnity per claim is R250 million and to all in the aggregate.

	2013 R '000	2012 R '000
33. Commitments		
Already Contracted for but not Provided for		
Property, plant and equipment	7,674	-
Intangible assets	3,232	5,168
Operating expenditure	2,949	-
	13,855	5,168
Not yet Contracted for and Authorised by Members		
Intangible assets	-	19,037

This committed expenditure will be financed by existing cash resources.

Operating Leases – as Lessee (Expense)		
Minimum lease payments due		
Within one year	50,093	8,718
In second to fifth year inclusive	10,650	2,134
	60,743	10,852

Operating lease payments represent rentals payable by the RAF for some of its office properties. The leases have varying terms, escalation clauses and renewal rights.

34. Contingencies

Claims Incurred but not yet Reported (IBNR)

Estimated claims incurred but not yet reported 2013: R22.5 billion.
Estimated claims incurred but not yet reported 2012: R18.7 billion.

The RAF estimates accidents that have occurred that could result in claims. These claims have not been lodged. The claims could result in a claim if the claimant, the nature of the claim and injuries, and the manner of submission of the claims satisfy the requirements of the RAF Act. Importantly, not every claim lodged is eligible for payment. The reason these are not accounted for as a provision is because the obligating event, that is, the lodging of a valid claim, has not yet taken place and is not within the control of the RAF.

Other Contingent Liabilities

There are a number of outstanding corporate legal matters. These are as follows:

- Litigation by service providers (eight matters);
- Other (27 matters); and
- Other litigation/disputes (16 matters).

34. Contingencies (continued)

The provision for outstanding claims is calculated by the statutory actuary after taking into consideration relevant external litigation and other costs in order to settle the claims.

Because the system of compensation administered by the RAF is based on the law of delict requiring claimants to prove both fault and damages, the RAF is continuously engaged in litigation. Although the provision calculated by the actuaries attempts to cover all these litigated claims, the inherent uncertainty of the outcome means that there may be additional contingent liabilities.

In addition, the RAF is involved in other commercial and labour-related litigious matters. The quantum of this exposure is not disclosed, as these matters are *sub judice*.

Guarantees

The RAF has ceded to Absa a special deposit account with a balance of R4,464,116 as at 31 March 2013 as security for the guarantees issued, and facilities and loans granted by Absa on behalf of the RAF.

The RAF has signed the following sureties prior to 31 March 2013:

	2013 R '000	2012 R '000
SA Mutual Life Assurance Society: Durban office	300	300
Ryckloff Beleggings: Johannesburg office	2,700	2,700
Quantum Leap Investments 94 (Pty) Ltd: Newcastle office	5	5
Zig Zag Properties (Pty) Ltd: Port Elizabeth office	18	18
Faerie Glen Waterpark (Pty) Ltd: Centurion office	969	969
Card facilities (fleet cards)	472	472
	4,464	4,464

35. Changes in Accounting Policy

The Financial Statements have been prepared in accordance with the SA Standards of GRAP on a basis consistent with the prior year, except for the adoption of the following new or revised standards:

- GRAP 104: Financial Instruments;
- GRAP 24: Presentation of Budget Information in the Financial Statements; and
- GRAP 25: Employee Benefits.

GRAP 25: Employee Benefits

During the year, the RAF changed its accounting policy with respect to the treatment of post-retirement employee benefits to conform to the benchmark treatment of GRAP 25: Employee Benefits. The entity now recognises actuarial gains and losses as they arise and does not use the 10% corridor approach. The corridor approach states that actuarial gains and losses may not be recognised if they are within 10% of the value of the asset or liability. GRAP 25 does not allow this approach, so the entity must recognise all actuarial gains and losses as they arise. The adjustment was applied retrospectively.

The aggregate effect of the changes in accounting policy on the Financial Statements for the year ended 31 March 2013 is as follows:

	2013 R '000	2012 R '000
Statement of Financial Position		
Employee costs	(3,883)	1,689
Statement of Financial Performance		
Employee benefits obligation	-	(3,883)
Retained earnings	3,883	2,194

36. Going Concern

The RAF draws attention to the fact that as of 31 March 2013, the entity had accumulated deficits of (R51,587,567) and that the entity's total liabilities exceeded its assets by (R51,463,953).

The going-concern basis was used in preparing the Annual Financial Statements. This basis presumes funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. On an annual basis, following the Minister of Finance's Budget Speech in Parliament, the Taxation Laws Amendment Act, 2009 (Act No.17 of 2009) indicates what the applicable Fuel Levy will be for the following financial year. The National Budget, inclusive of the Fuel Levy amount, is submitted and approved by parliament via the Taxation Laws Amendment Act, 2009 (Act No. 17 of 2009).

Government also commits to the RAF's budget in its Medium-Term Expenditure Framework. The RAF will manage its cash resources to ensure that short-term liabilities are met.

In the past, the RAF received additional financial support from National Treasury in the form of cash injections over and above the normal Fuel Levy income as and when it faced liquidity problems. During the 2006 financial year, it received a cash injection of R2,502 billion; and in the 2009 financial year, it received R2,550 billion. The Board and Management are committed to implementing plans to contain the growing deficit caused by the rising provision for outstanding claims.

37. Budget Differences

Material Differences Between Budget and Actual Amounts

The material differences can be explained as follows:

Investment revenue

The difference in actual investment revenue from the budget is as a result of higher cash balances than budgeted for and lower average interest return forecast in the budget of 4.5%, compared with the actual average interest rate of 5.2%.

Employee costs

The budgeted staff for the financial year 2012/13 is 2,100 versus the actual of 1,881 actual staff for the same period. The filling of vacant positions was affected by the implementation of a new organisational structure, provided for in the entity's approved Strategic Plan, which sought to rationalise historic structures, and control weaknesses and operational impediments. The filling of positions according to the new structure, commenced in October 2012 and more than 150 appointments had been made by year-end. This work will continue in the new financial year.

Claims expenditure

The cash claims paid for the year was R15.1 billion, compared with the budgeted amount of R12.6 billion because Management introduced measures to increase the number of claims paid so as to reduce the backlog. Furthermore, the budget for 2012/13 forecasted the claim provision to increase by R1 billion, whereas the actual movement for the financial year 2012/13 was an increase of R6.4 billion.

Finance costs

The budget for 2012/13 assumed that efficiencies would be put in place to settle claims more quickly, which would have resulted in the reduction of interest on late payment of claims, hence the variance.

General expenses

The variance between the budgeted amount and the actual amount is mainly because of the delay in implementing projects budgeted for. This was because of the changing of the organisational structure, as explained under employee costs.

Section 5

Additional Information

ADDITIONAL INFORMATION

ANNEXURE I

Global Reporting Initiative (GRI) Index

An index to the Road Accident Fund Integrated Annual Report 2012/13, based on the Global Reporting Initiative (GRI) sustainability reporting guideline criteria, is provided in the table below.

GRI Reference	Description	Reference in the Integrated Annual Report	Page
Strategy and analysis	Statement of senior decision-makers, description of impacts, risks and opportunities	Messages from the Chairperson and CEO	26
Organisational profile	Organisational profile and details, and scale of organisation, ownership and significant changes introduced	RAF at a Glance	6
		RAF Locations – Contact Information	209
		Governing Structure	36
		Messages from the Chairperson and CEO	26
		Organisational Performance	57
		Legal Framework	58
Report parameters	Report profile, scope and boundaries	Scope of the Report	3
		RAF at a Glance	6
		Historical Review	14
		Messages from the Chairperson and CEO	26
		Leadership	36
		Corporate Governance	42
		Organisational Performance	57
		Legal Framework	58
		Performance Against Objectives	129
		Governance of Sustainability	122
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Governance, commitments and engagements	Governance, commitments to external initiatives and stakeholder engagement	Vision, Mission and Core Values	9
		Historical Review	14
		Leadership	36
		Corporate Governance	42
		Organisational Performance	57
		Governance of Sustainability	122
		Stakeholder Engagement	120
Management approach and key performance indicators	Economic performance, service offering, role and impact on SA economy, human resources	Historical Review	14
		Organisational Performance	57
		Human Capital	102
		Performance Against Objectives	129
		Governance of Sustainability	122
		Annual Financial Statements	154
Environmental framework	Environmental impact	Governance of Sustainability	122
Social performance indicators, labour practices and decent work	Employment, labour/management relations, occupational health and safety, training and skills	Human Capital	102

ANNEXURE II

List of Abbreviations/Acronyms

ABET	Adult Basic Education and Training
ACC	Accident Compensation Corporation (New Zealand)
ACSA	Airports Company South Africa
AMA	American Medical Association's Guides to the Evaluation of Permanent Impairment
Amendment Act	RAF Amendment Act, 2005 (Act No. 10 of 2005)
APP	Annual Performance Plan
ASB	Accounting Standards Board
BAU	Benefit Administration Unit
BHF	Board of Health Funders
Bill	RAF Benefit Scheme Bill 2013
BBBEE	Broad-Based Black Economic Empowerment
CA (SA)	Chartered Accountant (South Africa)
CAF	Confederation of African Football
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COIDA	Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993)
COO	Chief Operations Officer
CPI	Consumer Price Index
CSC	Community Service Centre
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
CSN	Customer Service Network
CSSS	Comprehensive Social Security System
Defence Act	The Defence Act, 2002 (Act No. 42 of 2002)
DME	Department of Minerals and Energy
DoE	Department of Energy
DoH	Department of Health
DoT	Department of Transport
DPSA	Department of Public Service and Administration
ECS	Employer of Choice Survey
EE	Employment Equity
EWS	Employee Wellness Services
EXCO	Executive Management Committee
FASSA	Fellow of the Actuarial Society of South Africa
FID	Forensic Investigation Department
GDP	Gross Domestic Product
GIBS	Gordon Institute of Business Science
GM	General Manager
GRAP	Generally Recognised Accounting Practices
GRI	Global Reporting Initiative
HC	Human Capital
HR	Human Resources
HSCs	Hospital Service Centres
IBNR	The number of claims incurred but not yet reported
ICA	Information Collection Agent
ICAS	Independent Counselling and Advisory Services
ICT	Information and Communications Technology
IDTT	Inter-Departmental Task Team
IFRS	International Financial Reporting Standards
IMS	Incident Management System
Inseta	Insurance Sector Education and Training Authority
IPSAS	International Public Sector Accounting Standard
IT	Information Technology

King III	King Code on Corporate Governance
KM	Knowledge Management
KPI	Key Performance Indicator
LETCOM	Law Enforcement Technical Committee
LMS	Learning Management System
MANCOSA	Management College of Southern Africa
MBA	Master of Business Administration
MBL	Master of Business Leadership
Minister	Minister of Transport
MoA	Memorandum of Agreement
MVA	Motor Vehicle Accident
N3TC	N3 Toll Concession
NAB	National Association of Broadcasters
Necsa	South African Nuclear Energy Corporation
NOM	New Operating Model
NPA	National Prosecuting Authority
NSDSIII	National Skills Development Strategy
PAA	Public Audit Act, 2004 (Act No. 25 of 2004)
PAIA	Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
PCOT	Portfolio Committee on Transport
PDP	Performance Development Plan
POP	Patient Outreach Programme
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PMO	Project Management Office
PRINCE 2	Projects in Controlled Environments, Version 2
PTSD	Post-Traumatic Stress Disorder
RABS	Road Accident Benefit Scheme
RABSA	Road Accident Benefit Scheme Administrator
RAF	Road Accident Fund
RAF Act	Road Accident Fund Act, 1996 (Act No. 56 of 1996)
RAU	Rand Afrikaans University
REMCO	Remuneration and Human Resources Committee
RTMC	Road Traffic Management Corporation
SAADP	South African Actuaries Development Programme
SADC	Southern African Development Community
SAFA	South African Football Association
SANDF	South African National Defence Force
SANTACO	South African National Taxi Council
SAP	Enterprise Resource Planning System
SAPS	South African Police Service
SAPIA	South African Petroleum Industry Association
SARS	South African Revenue Service
SATAWU	South African Transport and Allied Workers Union
SCOPA	Standing Committee on Public Accounts
SETAs	Sector Education and Training Authorities
SIU	Special Investigating Unit
SM	Senior Manager
Transitional Act	RAF (Transitional Provisions) Act, 2012 (Act No. 15 of 2012)
UK	United Kingdom
UN	United Nations
UNIN	University of the North
Unisa	University of South Africa
USA	United States of America
VCT	Voluntary Counselling and Testing
Wits	University of the Witwatersrand
WIPO	World Intellectual Property Organization

ANNEXURE III

List of Contacts

Satellite Offices

Province	City	Location	Physical Address	Contact Number
Gauteng	Pretoria	Middestad Building	252 Andries (Thabo Sehume) Street	012 621 1617
Mpumalanga	Nelspruit	Sanlam Centre	Office 25, Bell Street	013 754 2380/1/2/3/4
Limpopo	Tzaneen	-	21 Peace Street	015 307 6489
Limpopo	Polokwane	Library Gardens	Cnr Grobler and Schoeman Street	015 291 3951
Free State	Welkom	Nedbank Building	Suite 105, Ryk Street	057 357 1198
Easterm Cape	Port Elizabeth	Main Post Office Building	259 Goven Mbeki Avenue	041 505 5911
Easterm Cape	Port Elizabeth	Corner House	156 Govan Mbeki Avenue	041 505 5902/5914
Western Cape	Cape Town	Standard Bank Building	1 Thibault Square	021 408 3677/3690

RAF Hospital Service Centres

Town	Hospital	RAF Landline	Address
MPUMALANGA			
Nelspruit	Rob Ferreirra	013 741 3551/2	Cnr Madiba Drive and Piet Retief Street
Tonga	Tonga	013 785 0650	Nkomazi Rural, Tonga Village Hospital, Main Road
Standerton	Standerton	017 712 5872	Cnr Beyers Naude and Kruger Streets, Standerton
Witbank	Witbank	Not Available	Cnr President and Coert Steynberg Street, Witbank
Evander	Evander	017 632 4480	Cnr Bologna and Luasanna Street, Evander
Kwa-Mhlanga	Kwa-Mhlanga	013 947 3659	1128 Section C, Kwa-Mhlanga Village, Kwa-Mhlanga
Mmamehlake	Mmamehlake	012 721 2391	Mmametlhake Village, Pakop Road, Hammanskraal
KWAZULU-NATAL			
Pietermaritzburg	Edendale	033 395 4033	Main Road, Edendale, Kwazulu-Natal
Durban	Addington	031 332 3006 031 365 4170	16 Erskine Terrace, South Beach, Durban
Umlazi	Prince Mshiyeni	031 906 0918 031 906 0881	2 Mangosuthu Highway, Umlazi
Chatsworth	RK Khan	031 403 2258	336 RK Khan Circle, Croftdene, Chatsworth
Newcastle	Newcastle	034 314 5164	4 Hospital Street, Newcastle
Madadeni	Emadadeni	034 312 4301	Section 5, Madadeni
Ladysmith	Ladysmith	036 631 4586	36 Malcom Road, Ladysmith
Durban	King Edward	031 205 4586 031 205 8256	Cnr Sydney and Rick Turner (Francois) Road, Umbilo
Pietermaritzburg	Greys	033 342 9023 033 342 7546	Town Bush Road, Chase Valley, Pietermaritzburg
Empangeni	Ngwelezane	035 794 2669	Thanduyise Road, Ngwelezane Township, Empangeni
Stanger	Stanger	Not Available	Cnr King Shaka and Patterson Street, Stanger
Port Shepstone	Port Shepstone	Not Available	Cnr Cornor and Bazley Street, Port Shepstone
NORTHERN CAPE			
Upington	Gordonia	054 331 0636	Scröder Street, Upington
Kimberley	Kimberley	053 832 1282/0877	144 Du Toitspan Road, Kimberley
Colesburg	Manne Dipico	051 753 2151	Hospital Street, Colesburg, 9795

Town	Hospital	RAF Landline	Address
LIMPOPO			
Polokwane	Polokwane	015 297 0450	Cnr Hospital and Dorp Street, Polokwane
Mankweng	Mankweng	015 267 0234	Houtbosdorp Street, Mankweng
Mokopane	Voortrekker	015 483 1419	2 Geiser Street, Mokopane
Mahwelereng	Mokopane	015 483 2639	Dudu Madisah Drive, Zone 1, Mahwelereng
Phalaborwa	Maphutha Malatji	015 769 1520	Mpahutha Malatji Street, Namakgale, Phalaborwa
Bela Bela	Bela Bela	014 736 3397	54 Chris Hani Drive, Bela Bela
Jane Furse	Jane Furse	013 265 1555	Jane Furse Village, Nebo Magistrate Circuit, Jane Furse
Tohoyandou	Tshilidzini	015 964 1169	R524 Phundamaria Main Road, Shayandima
Elim	Elim	015 556 3496	145 Mhangeskraal Street, Makhabo, Elim
Burgersfort	Dilokong	013 214 7265	Cnr R37 Driekop and Modikwa Mine, Burgersfort
Giyane	Nkhensani	015 812 0039	Main Road, Giyani
Tzaneen	Letaba	Not Available	Tzaneen Lydenburg Road, Letaba
Lephalale	Ellisrus	Not Available	Cnr Ngoako Ramotlogi and Chris Hani Drive, Lephalale
Musina	Musina	Not Available	N1 Building, Cnr National and Whyte Road, Musina
WESTERN CAPE			
Cape Town	New Somerset	021 402 6422	Cnr Beach and Lower Potswood Road, Green Point
Cape Town	GF Jooste	Not available	Duinefontein Road, Manenberg, Cape Town
Cape Town	Tygerberg	021 933 8924	Fransie van Zyl Avenue, Bellville, 7530
Cape town	Groote Schuur	021 447 2666	Groote Schuur Drive, Observatory, Cape Town
Paarl	Paarl	021 860 2569	Cnr Hospital Street and Bergrivier Boulevard, Paarl
Stellenbosch	Stellenbosch	021 883 3074	Cnr Roux Road and Merriman Street, Stellenbosch
Worcester	Worcester	023 347 8976	Murray Street, Worcester
Robertson	Robertson	023 626 2710	Van Oudtshoorn Street, Robertson
Vredenburg	Vredenburg	Not Available	Voortrekker Street, Vredenburg
George	George	Not Available	Davidson Road, George
GAUTENG			
Johannesburg	Charllotte Maxeke	011 642 6709	17 Jubilee Road, Parktown, Johannesburg
Tembisa	Tembisa	011 920 2831	Industry Road, Olifantsfontein, Johannesburg
Ga-Rankuwa	Dr George Mukhari	012 560 0420 012 560 0423	3111 Setlogelo Street, Ga-Rankuwa
Hamanskraal	Jubilee	012 717 3151 012 717 2397	92 Jubilee Road, Temba
Pretoria	Kalafong	012 373 4217	Klipspringer Road, Atteridgeville, Pretoria
Pretoria	Tshwane District	012 329 5167	Dr Savage Road, Pretoria
Boksburg	Tambo Memorial	011 892 1941	Railway Street, Boksburg
Johannesburg	Helen Joseph	011 482 8323	Perth Road, Auckland Park, Johannesburg
Springs	Far East Rand	Not Available	Hospital Road, New State Areas, Springs
Krugersdorp	Leratong	011 410 4621	1 Adcock Street, Chamdor, Krugersdorp
Katlehong	Natalspruit	011 909 3449	146 Hospital Street, Ketlehong
Johannesburg	Chris Hani Baragwanath	Not Available	Old Potchefstroom Road, Moreleta Park, Soweto
Vereeniging	Sebokeng	Not Available	Mosheshwe Street, Sebokeng
Heidelberg	Heidelberg	Not Available	Cnr HF Verwoerd and Hospital Street, Heidelberg
Pretoria	Steve Biko	Not Available	Dr Savage Road, Pretoria

Town	Hospital	RAF Landline	Address
EASTERN CAPE			
East London	Frere	043 722 5056	Amalinda Drive, Amalinda, East London
Port Elizabeth	Livingstone	041 451 0504	Stanford Road, Korsten, Port Elizabeth
Port Elizabeth	Dora Nginza	041 451 0504	Spondo Road, Zwide
Umthatha	Nelson Mandela	047 502 4716	Nelson Mandela Drive, Mthatha
Uitenhage	Uitenhage	041 995 1111	Channer Street, Uitenhage
Mdantsane	Cecila Makiwane	Not available	Site 1506, Mdantsane Township
Mount Frere	Madzikane Ka Zulu	Not available	Hospital Street, Mount Frere
NORTH WEST			
Klerksdorp	Tshepong	018 465 2272	45 Benji Oliphant Street, Uraniaville, Klerksdorp
Mafikeng	Mafikeng	018 383 2081	Lomanyeng Village, Danville Location, Mafikeng
Rustenburg	JS Tabane	014 592 5297	Cnr Bosch and Hestek Streets, Rustenburg
Rustenburg	Moses Kotane	Not Available	Lekwadi Section, Phatsima Road, Rusternburg
Brits	Brits	012 252 7874	127 Crocodile Street, Brits
Potchefstroom	Potchefstroom	Not Available	Cnr Kruis and Chris Hani Streets, Potchefstoom
FREE STATE			
Bloemfontein	Pelonomi	051 432 9952	Dr Belcher Road, Heidedal, Bloemfontein
Bloemfontein	Universitas	051 432 9952	Paul Kruger Avenue, Bloemfontein
Welkom	Bongani	057 355 3124/3130	Numbi Road, Hazyview
Qwa Qwa	Qwa Qwa	Not Available	Mampoi Street, Phuthaditjhaba
Parys	Parys	056 811 2155	8 Hospital Road, Parys

RAF CONTACT DETAILS

Head Office:

2 Eco Glades Office Park,
420 Witch-Hazel Avenue, Centurion
Private Bag X178, Centurion, 0046

Menlyn Office:

Road Accident Fund Building,
38 Ida Street, Menlopark, Pretoria, 0081
Private Bag X2003, Menlyn, 0063
Tel: +27 12 429 5000

Major Regions:

Pretoria

Road Accident Fund Building,
38 Ida Street, Menlopark, Pretoria, 0081
PO Box 2743, Pretoria, 0001
Tel: +27 12 429 5000

Pretoria (Customer Service Centre)

Middestad Building,
252 Andries (Thabo Sehume) Street, Pretoria, 0002
PO Box 2743, Pretoria, 0001
Tel: +27 12 429 5202

Johannesburg

Marble Towers, 29th Floor, 212 Jeppe Street
(Cnr Jeppe and Von Wielligh Street), Johannesburg, 2001
Private Bag X02, Johannesburg, 2000
Tel: +27 11 223 0000

East London

Metropolitan Building, 4th Floor
(Cnr Drury Lane and Caxton Street), East London, 5200
Private Bag X9000, East London, 5200
Tel: +27 43 702 7800

Durban

The Embassy Building, 12th Floor,
199 Anton Lembede Street (previously Smith Street),
Durban, 4001
Private Bag X54371, Durban, 4000
Tel: +27 31 565 2800

Cape Town

1 Thibault Square, 7th Floor, Long Street, Cape Town, 8001
PO Box 2443, Cape Town, 8000
Tel: +27 21 408 3300

Other Customer Contact Centres:

Refer to Annexure III

Customer Care Share Call Number: 0860 23 55 23 • **Anonymous Fraud Hotline:** 0800 00 59 19
Website: www.raf.co.za • **Facebook:** RAF road SA • **Twitter:** @RAF_SA
Auditors: Auditor-General of South Africa • **Bankers:** Standard Bank

Head Office

2 Eco Glades Office Park, 420 Witch-Hazel Avenue, Centurion
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0860 235 523

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