



# ANNUAL REPORT 2005





## WE FUND

- Maintenance, rehabilitation and construction of the national road network.
- Construction and maintenance of major urban arterial roads.
- Traffic-related maintenance of urban roads and streets.
- Traffic law enforcement and traffic information systems.
- Road safety functions.
- Road research.

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## OUR VISION

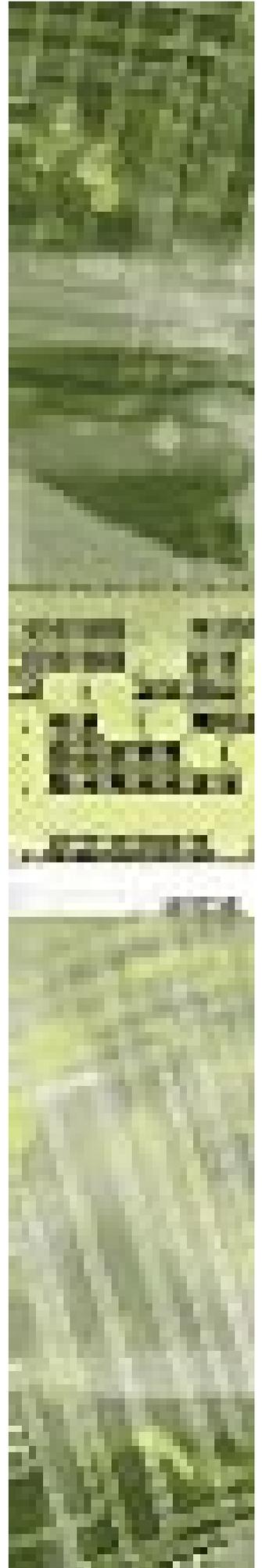
To achieve a safe and economically efficient road sector.

## OUR MISSION

To manage Namibia's road user charging system to provide a safe and economically efficient road sector, for the benefit of all road users.

## OUR VALUES ARE

- **SAFETY** – to promote and contribute towards a safe national road sector
- **EFFICIENCY** – to promote the efficient use of resources
- **EQUITY** – to apply principles of equity in determining rates for road user charges
- **EFFECTIVENESS** – to implement effective monitoring and control mechanisms to enable us to achieve our objectives
- **TRANSPARENCY** – to be fair, open and equitable in our operations by subscribing to ethical standards
- **PROFESSIONALISM** – to provide professional services to all our stakeholders
- **ACCOUNTABILITY** – to ensure reporting to road users and utilisation of resources
- **INTEGRITY** – to apply truthfulness in our operations and reporting at all times



# 1. CHAIRMAN'S REPORT



It gives me as the Chairperson of the Board of Directors of the Road Fund Administration great pleasure to present the Annual Report for the year ended 31 March 2005.

Section 3 of the Road Fund Administration Act provides the Road Fund Administration with a specific mandate, namely to manage the road user charging system in such a manner as to secure and allocate sufficient funding for the management of the national road network and certain related expenses.

As in previous years, the challenges to secure the funds requested for the development and preservation of the most valuable asset in the Namibian economy continued and became even more challenging through the year under review.

On the planning side of projects, it needs to be pointed out that the Medium- to Long-term Roads Master Plan was released during 2004 which serves as a basis for funding requirements for projects and programmes to be executed in the pursuance of a safe and economically efficient road sector. This plan has assisted and will continue assisting in determining the future direction of road user charging.

I am happy to report that all the road user charging instruments, except the mass distance charges, are in place and that the Road Fund Administration is constantly improving the collection mechanisms. The long-wait-

ed implementation of the mass distance charging system that was planned for 1 April 2005 has now been postponed.

Based on the current levels of road user charges and the resultant revenue streams from the different instruments, it is evident that the current requirements cannot be funded on a sustainable basis. For this reason, the attempts to implement the only outstanding instrument, namely the Mass Distance Charges, and to have the levels of the current road user charging instruments increased to levels at which sustainable funding is achieved.

As far as the RFA 10 Loan Stock is concerned, the Road Fund Administration is backed by a sovereign guarantee to the amount of N\$750 million from the Ministry of Finance. To date, tranches to the total of N\$650 million were issued of which N\$250 million was issued during the year under review. The Board of Directors had in principle decided not to issue further tranches due to the lower than envisaged levels of revenue which might jeopardise the punctual repayment of the loan stock. However, despite the Road Fund Administration's challenges to secure the funds requested for the defrayal of the expenditures according to Section 17 of the RFA Act, the Road Fund Administration has been able to pay the required interest amounts at the scheduled times.

On behalf of the Road Fund Administration, I wish to express our sincere gratitude to the Government of Namibia, through our line Minister, the Honourable Saara Kuugongelwa-Amadhila and her staff, for their firm support and guidance towards the Road Fund Administration. Further, the Road Fund Administration is grateful for their support as far as the RFA 10 Loan Stock and subsequent guarantees are concerned. Without

their support, some of the projects that were undertaken would not have materialised. Furthermore I would like to extend my gratitude to the Ministry of Finance for their continuous efforts to obtain donor support for the funding of road projects.

I would like to thank the Ministry of Works, Transport and Communication as well as the Roads Authority for their valued partnership in working towards the achievement of our common vision of a safe and economically efficient road sector in Namibia. The working relationship between the Road Fund Administration and the Roads Authority has, throughout the year been one of "healthy tension", as one of the primary legislative obligations of the Road Fund Administration is to monitor the activities and expenditure of the Roads Authority.

On a sad note, the Road Fund Administration and the Road Sector at large experienced the loss of a stalwart in its history, with the passing away of Dr Klaus Dierks in 2004. Dr Dierks unselfishly served the Road Fund Administration as Director and was one of the initiators of the Namibian road sector reform. Dr Dierks will be remembered for his overall contribution to the development of Namibia; more specifically for his passion and vision for the Namibian road sector.

In conclusion, I wish to compliment the other members of the Road Fund Administration Board of Directors, Ms Teckla Lameck, Mr Harald Schmidt and Mr Gersom Katjimune, for their active support and valuable contributions towards the development of the Road Fund Administration during the year under review. I also wish, on behalf of the Board, to thank the management and staff of the Road Fund Administration for their dedication and hard work during the year under review.

# 2. BOARD OF DIRECTORS

## 2.1 Appointment of the Board of Directors

In terms of the RFA Act (Section 4) the Board of Directors of the RFA is appointed by the Honourable Minister of Finance, in consultation with the Honourable Minister of Works Transport and Communication, for a three-year period. The Board of Directors is responsible for the policy, control and management of the RFA.

At the end of the RFA's financial year under review, the Board of Directors consisted of the following Directors:

Chairman - Mr Titus Haimbili	(appointed 13 June 2003)
Directors - Mr Gersom Katjimune	(renewed 13 June 2003)
- Ms Teckla Lameck	(appointed 13 June 2003)
- Mr Harald Schmidt	(renewed 13 June 2003)

During this financial year one of the Directors, Dr Klaus Dierks, passed away. Dr Dierks unselfishly served the RFA as Director and was one of the initiators of the Namibian road sector reform. Dr Dierks will be remembered by all at the RFA for his overall contribution to the development of Namibia; more specifically for his passion and vision for the Namibian road sector.

## 2.2 Meetings of the Board of Directors

The RFA Act (Section 9) requires that the Board of Directors meet at such times and places as the Board may determine, however at least one meeting per quarter must take place.

During the period under review the Board of Directors held 12 meetings on the following dates:

- 01 April 2004	(Board Meeting 02/2004)
- 29 April 2004	(Board Meeting 03/2004)
- 17 June 2004	(Board Meeting 04/2004)
- 31 August 2004	(Board Meeting 05/2004)
- 08 December 2004	(Board Meeting 06/2004)
- 28 February 2005	(Board Meeting 01/2005)
- 17 July 2004	(Extraordinary Board Meeting 02/2004)
- 22 September 2004	(Extraordinary Board Meeting 03/2004)
- 08 October 2004	(Extraordinary Board Meeting 04/2004)
- 17 December 2004	Extraordinary Board Meeting 05/2004)
- 13 January 2005	(Extraordinary Board Meeting 01/2005)
- 18 February 2005	(Extraordinary Board Meeting 02/2005)

These meetings made decisions amongst others on the RUCS implementation, management of the Road Fund, procurement contracts, compliance of approved authorities, RFA policies to be adopted and recruitment of staff for the RFA. Throughout the year the Board of Directors had promoted the development of the Namibian national road network, while ensuring efficient use of resources, uncompromising accountability and complete transparency in the transport sector.

## 2.3 Committees of the Board of Directors

In line with the King Report on Corporate Governance, the Board recognised the importance of having more focussed deliberations on issues and utilising Directors where their respective fields of expertise can be best utilised. To this effect the Board of Directors commissioned the following Board Sub-Committees, assisted in the execution of their duties by the CEO and Managers:



RFA Directors - From left to right: Mr Gersom Katjimune, Mr Harald Schmidt, Mr Titus Haimbili (Chairman) and Ms Teckla Lameck.



### 2.3.1. Audit Committee

The primary role of the Audit Committee is to assist the Board of Directors in fulfilling its supervisory responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with the laws and regulations and the accounting standards.

This provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the board for its approval or final decision. The membership, resource, responsibilities and authorities of the Committee to perform its role effectively, are stipulated in its detailed terms of reference, which may be amended by the Board of Directors as and when required. The Committee is constituted in the terms of requirements of sound corporate governance practice and operates within that framework.

The Audit Committee initially consisted of both Directors and representatives from external stakeholders, e.g. Ministry of Finance, Office of the Auditor General, Ministry of Local Government and Housing. However during 2004, in an effort to improve efficiency and effectiveness, the Board of Directors restructured all Board Sub-Committees.

#### The Audit Committee thus consisted of the following Directors:

- Mr Gersom Katjimune      Chairman
- Mr Harald Schmidt      Director

During the period under review the Audit Committee held one meeting.

### 2.3.2 Human Resources Committee

The Human Resources Committee mainly considers contentious human resources related issues:

- permanent staff recruitment and selection
- staff remuneration, including bonuses
- board remuneration
- management's performance appraisals
- organisational development
- training and development

### The Human Resources Committee consisted of the following

#### Directors:

- Mr Harald Schmidt      Chairman
- Ms Teckla Lameck      Director
- Mr Gersom Katjimune      Director

During the period under review the Human Resources Committee held 3 meetings.

### 2.3.3 Payment Committee

The Payment Committee was established to mainly monitor compliance by approved authorities when claiming reimbursement of expenses incurred for RFA funded projects. Upon compliance, the Committee approved payments to be made from the Fund Account.

#### The Payment Committee consisted of the following Directors, who also co-signed RFA payments that exceeded a Board approved amount:

- Late Dr Klaus Dierks      Chairman
- Ms Teckla Lameck      Director

As a result of the time constraints of the Directors, the Payment Committee could not meet on a regular basis. The Directors however liaised with one another on payments to be approved.

### 2.3.4 Tender Committee

The Tender Committee's key responsibility is to guide the Administration in terms of the procurement of goods and services. In this regard the Committee reviews and recommends to the Board of Directors procurement of goods and services that exceed a Board approved amount.

#### The Tender Committee consisted of the following Directors:

- Ms Teckla Lameck      Chairperson
- Late Dr Klaus Dierks      Director
- Mr Harald Schmidt      Director

During the period under review the Tender Committee held 5 meetings.

# 3. CORPORATE OVERVIEW

The RFA is able to perform its mandate through the following internal divisions:

- 3.1 Office of the CEO
- 3.2 Audit and Review
- 3.3 Corporate Services
- 3.4 Fund Management
- 3.5 Programme Management Policy and Advice

Each of these divisions is headed by a manager who is responsible for the effective and efficient management of the resources under his/her authority.

## 3.1 Office of the CEO

The Office of the CEO is tasked with the responsibility to ensure that the administration of the RFA is in accordance with the RFA Act, as well as policies and directions received from the Board of Directors.

This entails that the CEO provides visionary leadership to the RFA in ensuring that it is managed in a safe, efficient and cost-effective manner; and in doing so, maximizes shareholder interest and further the objectives of managing the RUCS with the goal of achieving a safe and economically efficient road network.

## 3.2 Audit Review

Audit and Review is tasked with the responsibility to provide the RFA with independent and objective advice with respect to the adequacy and effectiveness of its internal control measures. It performs internal auditing and monitors all revenue collected and disbursed from the Road Fund.

In the absence of finding a suitable candidate for the position of Manager: Audit and Review, the Board agreed that the Management function of the Division be outsourced to PriceWaterhouseCoopers (PWC) for a period of one year. In addition to managing the division, the two Internal



**Arthur Loftie-Eaton, Manager: Programme Management, Policy and Advice, Penda Kiyala: Chief Executive Officer, Desmond Basson, Manager: Fund Management, Mary Hansen, Manager: Corporate Services**

Auditors in the RFA's employ at the time were also seconded to PWC for the duration of the contract. During their time at PWC they received intensive on-the-job training in the field of Internal Auditing. Reporting to the RFA was done on a monthly basis by PWC, consisting of written as well as follow-up meetings to discuss the audits being carried out as well as the training progress of the Internal Auditors.

During the period under review the Division, in addition to an Annual Audit Plan, produced the following reports that was approved by the Audit Committee and endorsed by the Board of Directors:

- Internal Audit Report: Human Resources
- Internal Audit Report: Payments to the Roads Authority
- Internal Audit Report: Cross Border Charges
- Internal Audit Report: Fuel Levies

### 3.3 Corporate Services

Corporate Services is one of the four divisions within the Road Fund Administration (RFA). Our vision is to become a partner of choice in achieving and fulfilling the business objectives of the RFA.

Our goals and objectives include providing to the RFA:

- a functional IT section aligned to the business objectives of RFA
- a HR and personnel management system with accurate information to support all relevant stakeholders (internal and external)
- a public relations strategy that responds to stakeholder needs in a pro-active manner
- a reliable and dependable secretarial support to the corporate
- a responsive administration and logistic support system

#### 3.3.1 Staffing and Employment

The RFA has a relatively small staff complement, totalling 17. The labour turnover is fairly low, with 3 staff members having left the employ of the RFA during the period under review. One additional clerical position was created, that of Office Administrator and the data processors were increased from 3 to 4. The RFA staff complement at the end of the period under review, grouped per category and gender were as follows:

Category	Total	Males	Females
CEO	1	1	0
Management	3	2	1
Professional	1	1	0
Clerical	11	4	7
Unskilled	1	0	1

During 2004 the RFA reviewed and implemented the following amended human resources policies:

- Remuneration Policy
- Job Evaluation Policy

This exercise was coupled with a comprehensive job evaluation process covering all positions within the RFA and the development of a new market-related salary structure.

#### 3.3.2 Training and Development

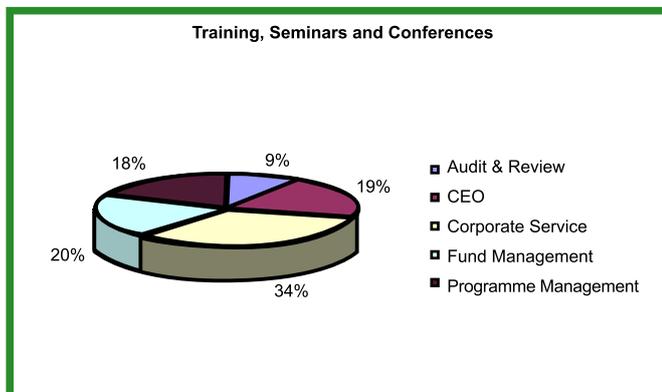
The RFA acknowledged the importance of maintaining an above average skills base and has committed itself to keep abreast of developments within the respective fields of expertise required to attain its vision and mission. The RFA thus, in its attempts to empower and develop its employees, strives to train each staff member to perform his/her job effectively and to help develop occupational potential for possible future assignments within the RFA.

For the period under review the RFA awarded funding to its employees for the following qualifications, mainly through distance learning and attending part-time classes:

Qualification	No.	Institution
Undergraduate degrees	3 2	University of South Africa Polytechnic of Namibia
Honours degrees	1	University of South Africa
Masters degrees	1 2	University of Stellenbosch Edinburgh Business School
Professional qualifications	1	Institute of Internal Auditors, RSA

The RFA encourages its staff members to constantly enhance their understanding of certain disciplines and topics relating to the functions and

duties of their respective jobs. To reinforce this commitment the RFA annually appropriates 5% of its payroll to informal training. This usually takes the form of short courses and workshops. The following represents the informal training provided for RFA employees during the period under review:



### 3.3.3 Information Technology

The Information Technology department was established and became operational at the start of the financial year. All operational tasks that had previously been outsourced were brought in-house and are now fully functional.

Major hardware acquisitions included the purchase of a new server and the replacement of obsolete personal computers with more modern desktops and laptops. On the software side the Microsoft Volume Licensing regime was implemented to legalise all Microsoft software that was in use, while the payroll function was automated to Softline VIP Payroll and integrated with the RFA's accounting system, to also automate the information exchange between the two systems.

The RFA's network infrastructure was updated to reduce bottlenecks by increasing the internal bandwidth. Access to external networks was also upgraded from a shared 64 kilobits per second to an RFA dedicated 64 kilobits per second leased line.

### 3.3.4 Public Relations

In terms of the RFA Act (Act No. 18 of 1999), the RFA as a public entity and custodian of public funds, is obligated to report to its stakeholders, especially the road users, on how it spends the funds collected through the RUCS. In addition, when contemplating the implementation of new road user charges and/or increasing existing road user charges, stakeholders have to be consulted in the process.



During the period under review the RFA had the following stakeholder consultations:

- Annual Business Plan Consultations on the 26<sup>th</sup> July 2004
- Mass Distance Charges Implementation Meeting on the 24<sup>th</sup> February 2005

All increases in road user charges were also published in at least two daily newspapers, as per requirement of the RFA Act. The RFA Business Plans and Annual Reports are also available at its offices for scrutiny by its stakeholders.

### 3.4 Fund Management

Fund Management is responsible for the revenue collection, safekeeping of funds and disbursement of funds to approved authorities. The division is the custodian of the fuel levy refunding system and its operations, and is also responsible for the overall accounting functions of the Road Fund and RFA.

### 3.5 Programme Management Policy and Advice

This division is primarily responsible for the development, formulation and implementation of the RUCs. This includes the determination of the amount of RUCs, the manner of collection and the actual allocation of such funds to Approved Authorities.

The division, in consultation with the CEO, also advises the Ministers responsible for Transport and Finance on matters pertaining to the maintenance and application of the RFA Act and regulations promulgated in terms of the Act.

The division is also tasked with the responsibility to monitor compliance by the RA and other Approved Authorities in terms of the operations of the RFA Act, its regulations and policies, and conditions applicable to funding allocations from the RFA.



# 4. PROJECTS AND PROGRAMMES ON THE MANAGEMENT OF THE ROAD USER CHARGING SYSTEM

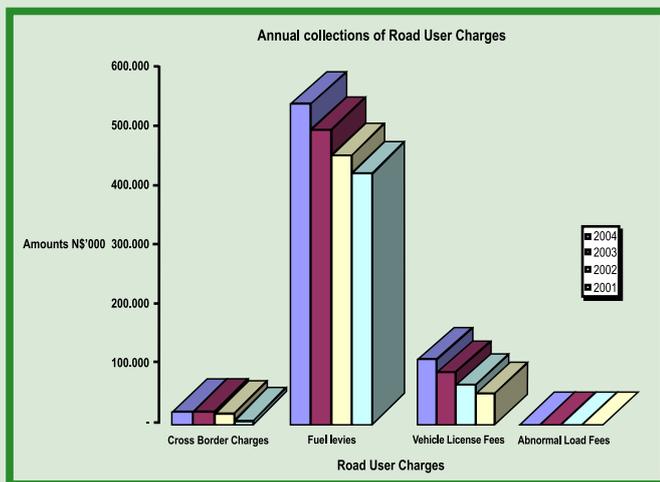
## 4.1 Road User Charging System

### 4.1.1 Overview of Road User Charging System

The road user charging system comprises mainly the determination of funding for projects and programmes submitted to the Road Fund Administration for funding, the determination of the consequent rates of road user charges, and the imposition and collection of road user charges into the Road Fund. As fuel levies are also included in the price of fuel used off-road, the Administration operates a system for the refunding of fuel levies on diesel used off-road (almost all petrol is used on-road).

Funding determinations and road user charges are discussed hereafter.

The Road User Charges remained inadequate to fund the expenditure of the Approved Authorities. The Road Fund Administration issued a further amount of N\$250 million of the RFA 10 Loan Stock to supplement the revenue derived from the collection of road user charges. Below is an indication of the increase in collection of road user charges (Narrates a link between efficiency/effective collections and increases in the rate of the charges).



### 4.1.2 Mass-Distance Charges

Except for abnormal load fees collected by the Roads Authority for the Administration, no mass-distance charge fees were levied during the year under review. The phased introduction thereof was planned for the financial year 2004.

The implementation of the Mass Distance Charging system was post-

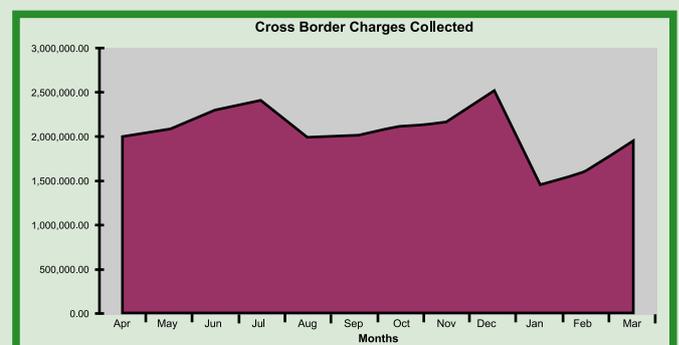
poned to investigate the latest available technologies for the smooth implementation, levying and billing of the vehicles that would attract the MDC. Implementation is planned for the 2005/06 financial year.

### 4.1.3 Abnormal Load Fees

The rate applicable for the Abnormal Load Fees was increased by 15% starting April 2004. The Road Fund Administration collected about N\$1,36 million which compares favourably to the N\$1,17 million collected the previous year. The Roads Authority, acting in terms of the Road Traffic and Transport Act, 1999, collects the Abnormal Load Fees on behalf of the Road Fund Administration. Ideally the Abnormal Load Fees should not be regarded as a means of collection of road user charges but rather as a punitive charge which would deter transporters from loading and travelling with abnormal loads on our roads.

### 4.1.4 Cross Border Charges

The previous rate for charging Cross Border Charges was increased by 15% (percent) while the rate payable to the agent was reduced from 35% to approximately 19% of total collection, annually. The Cross Border Charging system is operated on an agency basis for the Administration by Africon Namibia for one year. It is expected that the Cross Border Charging system would be managed on a 3-year contract basis for the foreseeable future. The fees for the agent are paid out from the revenue collected as an operational expense of the system.

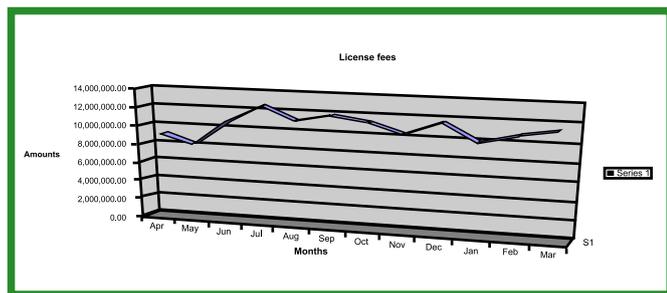


### 4.1.5 Licence and Registration Fees

Licence and Registration fees were increased by 15% on 1 April 2004. These fees constitute the second-highest revenue source of the Road

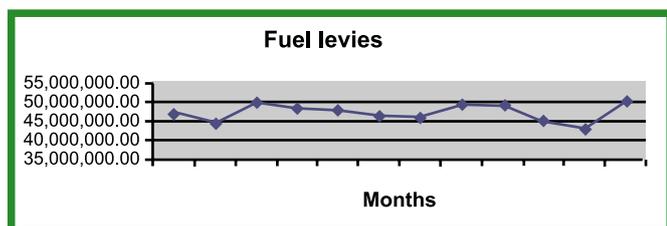


Fund. The amount collected for 2004/05 was N\$129.0 million compared to N\$109, 6 million the previous year. This represents an increase of 17.7%.



#### 4.1.6 Fuel Levies

Since the establishment of the Road Fund Administration, the fuel levy increases requested were not granted due to a variety of reasons. No increases were granted during the 2004/05 financial year. An amount of N\$567.2 million was collected during 2004/05 compared to N\$537.9 million during 2003/04. This constituted an increase of 5.4%. The increases are ascribed to increased fuel usage due to increased vehicle volumes and general economic activities in the country. Fuel levies are collected by means of direct deposits by oil companies into the Fund Account.



#### 4.1.7 Other Charges

Interest received on investments and on the Fund current account is deemed to be road user charges and amounted to N\$15,1 million and N\$0.875 million respectively. The receipts on investments and interest on current accounts amounted to N\$26, 6 million and N\$1,028 million respectively. Notably the interest rates on investments were higher in the previous financial year than in the current financial year.

### 4.2 Funding Determinations

#### 4.2.1 Management of the National Road Network

The management of the national road network is the responsibility of the Roads Authority in terms of the Roads Authority Act, 1999 (Act 17 of 1999). The Roads Authority annually submits a budget for projects and

Contributions towards Traffic Related Maintenance for Local Authorities		
Local Authorities	Total received in financial year	Percentage of expenditure to Local Authorities
Arandis	199,950	0.48
Aranos	17,479	0.04
Eenhana	393,138	0.94
Gibeon	629,248	1.50
Gobabis	1,832,126	4.37
Grootfontein	1,231,939	2.94
Henties Bay	58,789	0.14
Karibib	104,523	0.25
Katima Mulilo	1,000,000	2.38
Keetmanshoop	2,656,501	6.34
Lüderitz	867,048	2.07
Mariental	1,408,169	3.36
Okahandja	201,909	0.48
Omaruru	2,002,498	4.78
Ondangwa	1,865,732	4.45
Ongwediva	73,198	0.17
Oshakati	330,194	0.79
Otavi	776,747	1.85
Otjiwarongo	1,407,433	3.36
Outjo	2,015,555	4.81
Rehoboth	554,621	1.32
Rundu	1,905,692	4.54
Swakopmund	3,009,911	7.18
Tsumeb	525,250	1.25
Usakos	151,540	0.36
Walvis Bay	2,844,902	6.78
Windhoek	13,868,120	33.07
TOTAL	41,932,210	100

programmes, including the administrative expenses of the Authority, to the Road Fund Administration.

For the year under review, the funding for projects and programmes forming part of the management of the national road network continued to be determined mainly on the basis of the Medium- to- Long-term Roads Master Plan of the Roads Authority was not yet available for determining the optimum level of expenditure on the management of the national road network that would minimise total road transportation costs commensurate with demand in the long run.

Due to the financial constraints experienced by the road user charging system, the manner of funding (being the allocation of the funds actually at the disposal of the Road Fund) was dictated by the following considerations and necessities:

- Continued funding of projects ongoing from previous financial years;
- Continuation of routine maintenance work, which is mostly

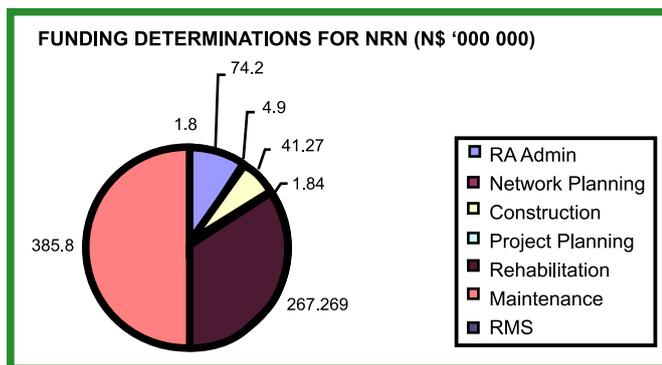
contractually committed to the Roads Contractor Company;

- Honouring the Government's previous commitments to donor agencies regarding the commencement of certain previously delayed projects.

While the determination of the amount of funding, which should have been collected for defraying the cost of the management of the national road network based on economic efficiency principles, could not be performed precisely, it is difficult for the Administration to express itself on the discrepancy between such theoretically optimum amount and the manner in which funding could be allocated due to funding constraints. Strong indications existed, however, that the actual allocation is significantly below the optimal allocation that should be achieved for full cost recovery from road users of the cost of managing the national road network.

During the year under review the following main rehabilitation projects were funded:

To completion the Windhoek – Aris and Okahandja – Otjiwarongo roads and as ongoing projects Ondangwa – Oshikango, Mururani Gate – Rundu and Kongola – Katima Mulilo.



#### 4.2.2 Maintenance of urban roads and streets

The Road Fund paid contributions to Local Authorities, which had been published in the Official Gazette as Approved Authorities in terms of Section 1 of the RFA Act, for the traffic-related maintenance of urban roads and streets. The funding determinations were made in accordance with Section 20 read together with Section 17 of the RFA Act, based on the budgets submitted and the agreements concluded between the Administration and the Local Authorities.

As in the case of the national road network, the manner of funding determinations for urban roads and streets was constrained by the funding that could be raised through the road user charging system in the year under review. However, the more significant constraint in the case of funding the majority of smaller local authorities was their lack of capacity



for planning, budgeting and executing road maintenance works. A system to assist such smaller authorities was developed. The benefits of this system were noticeable in the year under review in that 53% more Local Authorities received funds from the Fund than the previous year.

In the year under review, no contributions were made to expenses on the planning, design, construction and maintenance of major urban arterial roads, as none have yet been designated as such in accordance with the RFA Act.

#### 4.2.3 Traffic Information System (NaTIS)

The Namibian Traffic Information System (NaTIS), operated by the Roads Authority, is currently recognised as the only system eligible for funding from the Road Fund under this budget item. While it is the prerogative of the Minister responsible for Transport to apportion, in terms of Section 111 (3) of the Road Traffic and Transport Act, 1999, certain fees collected by the Roads Authority through NaTIS to the Roads Authority, such apportionment has not been made yet. As an interim measure, all fees collected by the Roads Authority, together with licence fees collected on behalf of the Administration, have been paid over to the Administration. The Road Fund has consequently funded the operational expenses of NaTIS, while Government has been funding the capital expenses thereof.

Together with revenue collected through NaTIS other than licence fees, sufficient funds were made available to continue the operations of NaTIS without significant constraints.

#### 4.2.4 Traffic Law Enforcement

The Approved Authorities, which submitted budgets for traffic law enforcement expenses in the year under review, were the Roads Authority and the municipalities of Henties Bay, Keetmanshoop, Swakopmund, Walvis Bay and Windhoek.

The Roads Authority's budget was for the funding of the functions of its Road Traffic Inspectorate, which are primarily to control the overloading of heavy vehicles on the national road network and to operate the weigh-bridge infrastructure. As these controls are of direct and major relevance to the management of the national road network and the amount of funding to be collected through the road user charging system, the funding determination made by the Road Fund Administration in this case was for the full amount budgeted.

The determination of funding for traffic law enforcement functions performed by other qualifying authorities was constrained by difficulties in

applying the economic efficiency principles of the RFA Act to traffic law enforcement in general, and by the limited availability of funds. After consultation with the Approved Authorities involved, the Administration used the provisions of section 17 of the RFA Act to make a determination of the amount and manner of funding for these functions. The methodology to be applied in determining the amount of money is included in the section 19(2) rules and principles.

Local Authority	Disbursement
Henties Bay	132,557.00
Keetmanshoop	358,262.00
Swakopmund	1,366,171.00
Walvis Bay	1,193,011.00
Windhoek	7,824,435.00
Total	10,874,436.00

#### 4.2.5 Vehicle and Driver Testing

The Roads Authority has taken over some of the vehicle and driving testing functions from the Namibian Police. As in the case of NaTIS, pending the apportionment of income deriving from such functions to the Roads Authority, as an interim measure, such income has been paid over to the Road Fund Administration. The Administration has funded the operational expenses of the Roads Authority related to the performance of the relevant functions mainly out of such income, but with the approval of the Minister of Finance, the Road Fund has made a minor contribution to this function in the financial year under review.

PM in co-operation with FM to discuss achievements and constraints.

#### 4.2.6 Road Research

No applications for funding or recognition as Approved Authorities were received from road research institutes in the year under review. Minor road research expenses were funded through the budgetary allocation to the Roads Authority.

#### 4.2.7 Road Safety Agency

The RFA Act provides for the defrayal of expenses of the Central Road Safety Fund, but pending the enactment of the Road Safety Bill, 2003, no funding determination has been made yet.

### 4.3 Determination of rates of road user charges

The determination of the rates of road user charges follows the determination of the amount and manner of funding based on the analysis of budgets submitted by the Roads Authority and other Approved Authorities, and the economic warrants of the amounts requested in these budgets for the funding of projects and programmes. Such an analysis requires a medium- to long-term view of economically justified funding levels, as particularly the manner of funding (funds actually allocated in any specific year) and the level of road user charges are closely linked, and must be developed in a manner that aims at the achievement of the economically optimal level of funding while at the same time avoiding “substantial” (the wording used, but not defined, in the RFA Act) increases in road user charges in any one year.

A medium- to long-term view of economically justified levels of funding for the national road network, which requires about 85% of the funding provided by the Road Fund, was developed in the form of the Roads Authority’s Medium- to Long-Term Roads Master Plan.

As it was evident that road user charges are currently still significantly below the required rates to achieve the long-term optimum funding level, the Administration continued to pursue the implementation of continued moderate increases in road user charges to alleviate a need for “substantial” increases in future, once a comprehensive road user charging strategy can be developed. Unfortunately, the Administration was unable to agree with the Ministry of Mines and Energy on such increases regarding road user fuel levies. With revenue from fuel levies comprising about 75% of the road user charging revenue, the Administration unfortunately found itself obliged to implement increases in licence fees and cross border charges of about 15%. However, with this action taken the Administration was unable to at least keep increases in revenue more or less in line with roadworks cost increases due to inflation.

The table below presents the history of fuel levies since the inception of the Administration.

The aim of steadily increasing road user charges to avoid a need for sudden increases in future, once the long-term optimal level of funding for the national road network has been determined, has therefore been unattainable due to Government’s policy of limiting fuel levy increases as imposed on the Road Fund Administration by the Ministry of Mines and Energy.

The implication of the above is that, if Government is still committed to the policy of full cost recovery from road users for the economically justified portion of road network provision and maintenance costs as en-

trenched in the RFA Act, it is foreseeable that substantial increases of road user charges will be unavoidable in future.

Road user charge fuel levy rates				
Implementation				
Date	Levy [N\$/l]		% Levy Increase	
	Diesel	Petrol	Diesel	Petrol
2000-01-01	0.70	0.80	n/a	n/a
2000-04-01	0.60	0.68	n/a	n/a
2001-09-01	0.62	0.73	3.33%	7.35%
2003-01-15	0.73	0.73	17.74%	0.00%
2005-04-01	0.77	0.77	5.48%	5.48%

Note: Tax on fuel before road user charges. After conversion of tax into RUC + tax

### 4.4 Fund Management

#### 4.4.1 Revenue Collections

##### 4.4.1.1 Fuel levies

Fuel levies are collected at the point of sale by the oil companies and paid directly into the Road Fund on the 15<sup>th</sup> of each month. Oil companies that do the collection for the Administration are BP, Caltex, Engen, Shell and Total.

##### 4.4.1.2 Licence fees

Licence fees are collected through NaTIS operated by the Roads Authority on an agency basis for the Ministry of Works, Transport and Communication. Local Authorities (Municipalities) appointed by NaTIS as agents throughout the country pay collected fees into the Road Fund on a daily basis.

##### 4.4.1.3 Cross border charges

Cross border charges are payable by foreign registered vehicles that temporarily cross into Namibian borders. The cross border charges are collected by an agent and his/her sub-agents at designated border posts.

On 1 April 2004, the level of cross border charges was increased by 15%.

##### 4.4.1.4 Other revenue

Other revenue of the Road Fund administrative fees retained both cross border charges and fuel levy refunds. The Road Fund Administration retains a small margin of the amount refundable to the cross border charges as well as fuel levies retained to cover the cost of operating and maintaining the refunding systems.

#### 4.4.2 Fuel Levy Refunding System

Fuel levies refunded to off-road users are handled in terms of the Administration’s fuel levy refunding policy, which provides for refunds to be

made only on diesel used off-road by sectors of industry identified to be eligible for refunds. The eligible sectors are:

- Agriculture (agronomic and live stock)
- Construction (building and civil)
- Fishing
- Mining
- Rail (TransNamib)

Refunding rates are determined on a sector basis. The Road User Charging System Review project undertaken by the Administration in the year under review has confirmed the current system to be close to optimal, with some recommended improvements, considering that a compromise between equity, cost and various other factors is required.

#### **Road User Charges were collected by the following agents:**

- Africon/Artitech Joint Venture: collection of cross-border charges
- Petroleum Companies: collection of fuel levies
- Roads Authority (through Natis) collection of licence fees and abnormal load charges.
- The Administration operated an in-house fuel levy refunding system for the refunding of the road user charges on diesel used off-road by registered users in qualifying industries.

#### **4.4.3 RFA 10 Loan Stock Issue**

The first tranche, on recommendation of the Government, of the RFA 10 Loan Stock, at a nominal value of N\$100 million was issued on 21 November 2002. The issue was only realised after the NSX granted a listing. The second tranche of N\$100 million nominal value of the RFA 10 Loan Stock was issued on 27 February 2003, trading at a premium of

N\$700,163. A third tranche of N\$200 million was issued on 16 October 2003 at a premium of N\$13,648,798

On 18 October 2004 a further amount of N\$250 million was issued.

The Road Fund Administration may issue subsequent tranches of the Loan Stock to a nominal value of N\$750 million. The Loan Stock is backed by a sovereign guarantee, is carried at a nominal value and is recognised at date of issue. Interest on the Loan stock is payable semiannually at a coupon of 13%.

#### **4.4.4 Sinking Fund for Loan Stock Capital Redemption**

Investec Namibia was appointed during the current year to assist with the establishment and management of the sinking fund for the repayment of the RFA 10 Loan Stock. An amount of N\$40 million was deposited in November 2004 as seed capital for the sinking fund.

#### **4.4.5 Loans to be on-loaned by Government**

Before the establishment of the Road Fund Administration, the Government procured concessional loans from various donor agencies for financing specific road projects. In accordance with the Road Fund Administration Act, the responsibility for some or all of these could be transferred to the Road Fund. Government has since adopted a sovereign debt management strategy in accordance with which national debts would be kept on the Government's books.

Since its inception, the Administration has not taken up any new concessional loans.





**Medardus Kangombe**  
Systems Administrator

**Alexander Botha**  
Senior Accountant:  
Revenue Collection

**Wilika Kalambo**  
Cleaner

**Florence Billy**  
Data Processor

**Basil Dax**  
Engineer

## 5. ACHIEVEMENTS IN RELATION TO THE DRAFT PERFORMANCE STATEMENT

NOTE: As our performance statement submitted to the Minister of Finance has not yet been acknowledged by the latter, I propose that we claim to have worked in accordance with the draft statement as submitted. Every Division should thus study the current Draft PS and report its achievements and constraints compared to that, under the headings below.

### 5.1 Strategies intended to be employed by the Administration to achieve the objects of the Act

#### 5.1.1 Funding to be raised by way of road user charges

The RFA Act defines the road user charging system as a system providing for the independent regulation of road funding in accordance with economic efficiency criteria and full cost recovery from road users comprising, in sequential order, the following:

- (i) the determination of the amount of funding for road projects and programmes;
- (ii) the determination of the manner in which such amount of funding shall be allocated;
- (iii) the determination, and the imposition, of the types and rates of road user charges.

Economic efficiency criteria therefore primarily determine the funding to be procured through the road user charging system, and that road user charges should be set to recover funding requirements. Consequently, funding requirements reflect on the rates of road user charges, except for the effects of growth in the revenue base and loan financing. The latter, however, provides only a temporary reprieve, causing both a deferment of expenditure to future years and an additional interest burden, which will consequently require higher road user charges in future.

Furthermore, Section 20(4)(b)(ii) of the Act requires the manner in which funding allocations are made to be such as to avoid substantial increases in the rates of road user charges in any one year while maintaining a reasonable stability, in real terms, in the rates of road user charges in the longer term.

The only way in which simultaneous effect can be given to the above provisions of the Act, namely: (a) to fund roads at the economically efficient level, (b) to fully recover costs through road user charges, and (c) to maintain stable real rates of road user charges, was supported by the adoption of the MLTRMP which includes every road project and programme which has been evaluated as to its economic viability and which then spreads the funding of such projects and programmes over the planning period. Loan funding is considered viable mainly where peak funding demands are unavoidable and need to be smoothed out to reduce a short-term peaking effect in road user charges.

Against the above background the Administration experienced constraints in that a peak funding demand resulted from past under-funding of roads and the subsequent postponement of projects, requiring a significant deficit having to be financed.

Although, due to the last mentioned constraint that the required amount of funding to achieve the object of a "safe and efficient road sector", as required by Section 3 of the RFA Act, could not yet be quantified reliably, strong indications exist that the current amount of funding collected through the road user charging system is still inadequate to achieve this object.

The strategy of the Road Fund Administration for overcoming these obstacles rests on:



**Talaska Katjiruru**  
Financial Accountant

**Jean Prinz**  
Receptionist & Secretary

**Desley Somseb**  
Office Administrator

**Leilah Elago**  
Accountant: Refunds & Creditors

**Taliya Hamupembe**  
Data Processor

- co-operation with the Roads Authority towards the implementation of the Medium- to Long-Term Roads Master Plan;
- co-operation with the Ministry of Works, Transport and Communication and traffic law enforcement agencies on the development of a Traffic Law Enforcement Management System, which will provide the justification for traffic law enforcement funding from the Road Fund;
- the implementation of the recommendations of the Road User Charging System Review, which was completed in the financial year 2004/05;
- the introduction of mass distance charges on heavy vehicles in the financial year 2005/06;
- the preparation of an optimised road user charging strategy, based on the Medium- to Long-term Roads Master Plan and the Road User Charging System Review;
- obtaining a general acceptance by stakeholders, including involved Government Ministries, of the proposed road user charging policy and strategy.

### **5.1.2 Types and rates of road user charges to be implemented**

The road user charging system (RUCS) encompasses the following instruments:

- a) Registration and licence fees, Section 18(1)(c)
- b) Fuel levies on diesel and petrol (gasoline), Section 18(1)(d)
- c) Mass distance charges, Section 18(1)(a)
- d) Abnormal load permit fees (which are a form of mass distance charges), Section 18(1)(c)
- e) Cross border traffic fees on foreign vehicles, section 18 (1) (b)

Of the aforementioned RUCS instruments, the mass distance charges have not yet been implemented. The implementation of the MDC system was planned for 1 April 2005. However, the implementation was stopped by the Minister of Finance.

The MDC will at this stage be imposed based only on mass and distance travelled. The basis for the mass determination will at this stage be the vehicle tare (empty vehicle mass), until the RFA has been able to determine the gross vehicle mass (GVM, maximum laden mass) of the affected vehicles. A study, as a matter of priority, in this regard is in progress and will be completed in about 6 months. All diesel-powered vehicles with a tare of above 3000 kg, and all trailers with a tare of above 2000 kg, will be affected.

The basis for the distance determination will be average annual travelling distances determined as part of the RUCS Review based on a publication of the SA Road Carriers Association.

For all affected vehicles, the MDC will be calculated and must be paid annually in advance, together with the annual licence fee, on the basis of tare and assumed annual average distance driven.

The payment of MDC will be linked to the period of validity of vehicle licences (either a full calendar year, or such shorter time as may apply when a vehicle is deregistered for any reason). Therefore, it will be possible to operate the first stage FFA-MDCS using the facilities of the NaTIS vehicle registration and licensing system and it will not be necessary to issue a separate MDC licence disk (which NaTIS would in any event not be able to do).

In the interest of completeness of legal instruments pertaining to road user charges imposition, it was decided to combine the imposition of registration / licence fees and MDC in one notice.

### **5.1.3 Consultation and public relations policy**

A stakeholder consultation workshop on the Road Fund Administration's

Business Plan for the period 2004/05 – 2008/09 was held on 26 July 2004 to which all stakeholders as identified in consultation with the Minister of Finance were invited. These included, notably, the National Planning Commission, the Ministry of Finance, the Ministry of Works, Transport and Communication, the Ministry of Mines and Energy, the Ministry of Home Affairs and the Roads Authority.

## **5.2 Manner in which effect will be given to provisions of the Act**

### **5.2.1 The provisions of Section 19 of the Act**

Section 19(1) of the Act requires the Administration, in determining roads and measures prescribed under section 16(5) of the Roads Authority Act.

Section 17(2) of the Act permits the Administration to determine the types and maximum amounts of expenditure to be incurred with regard to those categories of expenditure that may be funded out of the Road Fund in terms of Section 17(1) of the Act which do not have to do with the national road network, i.e. support for the traffic law enforcement and adjudication function, the operation of driver and vehicle testing stations, the operation of traffic information systems, etc. This allows the Administration to make determinations where the economic efficiency principle cannot be strictly applied.

Implementation of the provisions of Section 19 requires a practical interpretation of an “economically efficient” road sector, which is not defined in the Act, according to best current practice, and this is reflected by the rules and principles which the Administration is required to frame in terms of Section 19(2) of the Act.

Regarding Section 19(1)(a)(ii) of the Act, the implementation of a “safe” road sector is interpreted as compliance with the minimum road standards and measures prescribed by the Minister of Works, Transport and Communication in terms of the Roads Authority Act.

### **5.2.2 The rules and principles referred to in Section 19(2) of the Act**

The preparation of rules and principles pertaining to urban roads and streets, traffic law enforcement, traffic information systems, vehicle and driver testing, and road research was completed in the year under review.

## **5.3 The policies to be followed by the Administration in the making of investments and the borrowing of monies**

### **5.3.1 Policies with regard to the making of investments**

The policy of the Administration to date has been to invest monies only in call accounts, which have during the period of review, due to the relatively high level of interest rates, yielded satisfactory returns at the least possible risk.

### **5.3.2 Policies with regard to the borrowing of money**

A Loan Portfolio Policy for the Administration was completed during the year under review. Since then, the Road Fund Administration has taken note of Government's intended strategy on sovereign debt management. Except for the completion of RFA 10 Loan Stock issues, the RFA has avoided taking up any further loans.



## **5.4 The measures to be implemented by the Administration in order to protect the liquidity of the Fund**

### **5.4.1 Liquidity of the Fund**

#### **The measures to be implemented by the Administration in order to protect the liquidity of the Fund.**

The liquidity of the Fund has been adequately protected by the issue of RFA 10 Loan Stock to the amount of N\$200 million in October 2003.

To maintain the liquidity of the Fund while continuing with those projects of the management of the national road network that have been committed in terms of the Road Fund Administration Business Plan for 2003/05, further tranches of loan stock would have to be issued until 2005/06 up to a maximum amount of N\$750 million, whereafter the redemption of capital will commence.

### **5.4.2 Measures to ensure the liquidity of the Fund**

The liquidity of the Fund has been adequately protected by the issue of RFA 10 Loan Stock to the amount of N\$ 200 million in October 2003.

To maintain the liquidity of the Fund while continuing with those projects of the management of the national road network that have been committed in terms of the Road Fund Administration Business Plan for 2003/04, further tranches of loan stock would have to be issued until 2005/06 up to a maximum amount of N\$750 million, whereafter the redemption of capital will commence.



**ROAD FUND ADMINISTRATION**  
**ANNUAL FINANCIAL STATEMENTS**  
**ADMINISTRATION ACCOUNT**  
as at 31 March 2005

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE ROAD FUND**

**ENTITY INFORMATION**

Registered address:	Maerua Park Office Block Third Floor Centaurus Road Windhoek Namibia
Postal address:	Private Bag 13372 Windhoek Namibia
Auditors:	Saunderson Theron & Partners Namibia
Bankers:	Bank Windhoek

Road Fund Administration was enacted by the Road Fund Administration Act 1999 (Act 18 of 1999).

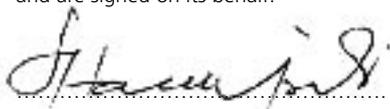
<b>CONTENTS</b>	<b>Page</b>
Statement of responsibility by the board of directors	26
Report of the independent auditors	27
Report of the directors	28
Balance sheet	29
Income statement	30
Statement of changes in funds	30
Cash flow statement	31
Notes to the financial statements	32 - 36
Supplementary information: Detailed income statement	37 - 38

**ROAD FUND ADMINISTRATION**  
**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

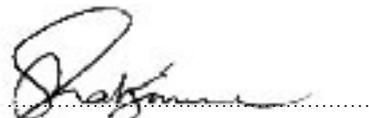
1. The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information of the Road Fund Administration (Administration Account) ("the entity"). The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Road Fund Administration Act 1999 (Act 18 of 1999).
2. The directors are also responsible for the entity's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.
3. The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Road Fund Administration has adequate resources in place to continue in operation for the foreseeable future. These financial statements support the viability of the entity.
4. The financial statements have been audited by the independent auditors, Saunderson Theron & Partners who were given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.
5. The audit report of Saunderson Theron & Partners is presented on page 27.

The financial statements set out on pages 28 to 38 were approved and authorized for issue by the board of directors on 5 December 2005 and are signed on its behalf.



**T Haimbili**

Windhoek



**G Katjimune**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF  
ROAD FUND ADMINISTRATION (ADMINISTRATION ACCOUNT)**

We have audited the annual financial statements of Road Fund Administration (Administration Account) ("the entity") set out on pages 28 to 36 for the year ended 31 March 2005. These financial statements are the responsibility of the directors of the entity. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with statements of Namibian Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management and
- evaluating the overall financial statements presentation.

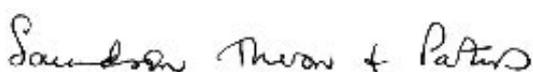
We believe that our audit provides a reasonable basis for our opinion.

**Audit opinion**

In our opinion, the financial statements fairly present, in all material respects, the financial position of the entity at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice.

**Unaudited supplementary information**

The detailed income statement set out on pages 37 and 38 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly do not express an opinion thereon.



**SAUNDERSON THERON & PARTNERS**

**CHARTERED ACCOUNTANTS (NAMIBIA)**

**REGISTERED ACCOUNTANTS**

**Windhoek**

**5 December 2005**

## ROAD FUND ADMINISTRATION

### DIRECTORS' REPORT

#### ADMINISTRATION ACCOUNT

as at 31 March 2005

1. The directors present their annual report which forms part of the audited financial statements of the Road Fund Administration (Administration Account) ("the entity") for the year ended 31 March 2005.

#### General review

2. The object of the Administration Account is to provide the administration framework within which the road user charging system is managed as contemplated in the Road Fund Administration Act 1999 (Act 18 of 1999). The funding and the payment of expenditure for the management of the road user charges are accounted for in separate financial statements of the Fund Account.
3. No matter which is material to the financial affairs of the entity has occurred between 31 March 2005 and the date of approval of these financial statements.

#### Results

4. Full details of the entity's financial position and its results are set out on pages 29 to 38.

#### Directors and secretary

5. The following are the entity's directors:

	<b>Appointed</b>	<b>Resigned</b>
T Haimbili (Chairperson)	13/06/2003	
G Katjimune	25/10/1999	
H Schmidt	25/10/1999	
K Dierks	13/06/2003	Deceased
T Lameck	13/06/2003	
V Richter	25/10/1999	6/13/03

6. The secretary of the entity is Ms M.H.Hansen whose business and postal addresses are:

Maerua Park Office Block	Private Bag 13372
Third Floor	Windhoek
Centaurus Road	Namibia
Windhoek	
Namibia	

#### Entity nature

7. The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act 1999 (Act 18 of 1999). The Act requires that separate financial statements are prepared for the Administration and the Fund Account of the Road Fund Administration respectively.

**ROAD FUND ADMINISTRATION**

**BALANCE SHEET**

**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	2	782,224	124,473
<b>Current assets</b>			
Trade and other receivables	3	224,849	393,871
Cash and cash equivalents	4	250	493,913
Total assets		1,007,323	1,012,257
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Accumulated funds		505,173	667,180
<b>Current liabilities</b>			
Bank overdraft		46,506	-
Other payables	5	455,644	345,077
Total equity and liabilities		1,007,323	1,012,257

**ROAD FUND ADMINISTRATION**

**INCOME STATEMENT**

**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	Notes	2005 N\$	2004 N\$
Revenue	1.6	<b>8,631,053</b>	7,530,496
Administrative expenses		<b>(8,804,161)</b>	(7,520,828)
Net operating surplus / (deficit) for the year	6	<b>(173,108)</b>	9,668
Finance income	7	<b>11,101</b>	9,795
Net surplus / (deficit) for the year		<b>(162,007)</b>	19,463

**ROAD FUND ADMINISTRATION**  
**STATEMENT OF CHANGES IN FUNDS**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	2005 N\$	2004 N\$
<b>Accumulated funds</b>		
At the beginning of the year	<b>667,180</b>	647,717
Net surplus / (deficit) for the year	<b>(162,007)</b>	19,463
At the end of the year	<b>505,173</b>	667,180

ROAD FUND ADMINISTRATION

CASH FLOW STATEMENT

ADMINISTRATION ACCOUNT

as at 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>Cash flow from operating activities</b>			
Net operating surplus / (deficit) for the year		<b>(173,108)</b>	9,668
Adjusted for non-cash flow items:			
Depreciation		<b>144,072</b>	125,532
Working capital changes	<b>9</b>	<b>279,589</b>	314,242
Other		<b>1,277</b>	-
<b>Cash in/(out)flow from operating activities</b>		<b>251,830</b>	449,442
Finance income	<b>7</b>	<b>11,101</b>	9,795
Net cash in/(out)flow from operating activities		<b>262,931</b>	459,237
Cash flow from investing activities			
Equipment acquired	<b>2</b>	<b>(803,100)</b>	(25,887)
Net cash outflow from investing activities		<b>(803,100)</b>	(25,887)
<b>Net change in cash and cash equivalents</b>		<b>(540,169)</b>	433,350
<b>Cash and cash equivalents</b>			
at the beginning of the year		<b>493,913</b>	60,563
at the end of the year	<b>4</b>	<b>(46,256)</b>	493,913

**ROAD FUND ADMINISTRATION**  
**NOTE TO THE FINANCIAL STATEMENTS**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

**1. Principal accounting policies**

The annual financial statements are compiled in accordance with the historical cost convention modified by the restatement of financial instruments to fair value, except where otherwise stated. The principal accounting policies set out below are consistent with those applied in the previous year and comply with Namibian Statements of Generally Accepted Accounting Practices.

**1.1 Equipment**

All equipment is initially recorded at cost. Cost includes all costs directly attributable to bring the assets to working condition for their intended use. All equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of the assets over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Office Equipment	3 years

The Road network is owned by the Namibian Government and local authorities. As a result these assets are excluded from the annual financial statements of the Road Fund Administration.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Assets purchased at a cost below N\$1 000 are expensed when incurred. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

**1.2 Trade receivables**

Trade receivables are carried at original cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

**1.3 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and short-term fixed deposits held with financial institutions.

**1.4 Taxation**

The Road Fund Administration is a Public Entity in terms of the Income Tax Act and is consequently exempt from taxation.

**ROAD FUND ADMINISTRATION**  
**NOTE TO THE FINANCIAL STATEMENTS (continued)**  
**ADMINISTRATION ACCOUNT**  
**as at 31 March 2005**

1.5                    **Provisions**

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.6                    **Revenue**

Revenue represents grants received from the Fund Account of the Road Fund Administration. Revenue is recognized at nominal value on an accrual basis.

1.7                    **Financial instruments**

The Road Fund Administration is a party to financial instruments arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable and accounts payable.

1.7.1                *Credit risk*

Potential concentrations of credit risk consists principally of short-term cash and cash equivalent investments. The entity only deposits short-term cash surpluses with major banks of high credit standing and, by policy, limits the amounts of credit exposure to any one financial institution.

1.7.2                *Interest rate risk*

As part of managing interest rate exposure, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

1.8                    **Retirement benefit costs**

The majority employees of the organization were members of the Government Institution Pension Fund until January 2003, where after the transfer to OMEB-Orion Pension Fund was effected. Some employees are members of the Sanlam Retirement Annuity Fund and/or Professional Provident Society Fund (defined contribution). The assets are held in separate trustee-administrated funds. These funds are funded by payments from employees and by the employer.

The employer's contributions to the defined contribution pension plan (Government Institution Pension Fund/ OMEB-Orion Pension Fund), the Retirement Annuity Fund and Professional Society Fund are charged to the income statement in the year to which they relate.

**ROAD FUND ADMINISTRATION**  
**NOTE TO THE FINANCIAL STATEMENTS (continued)**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

2. **Property, plant and equipment**

	<b>Computer equipment N\$</b>	<b>Furniture and fittings N\$</b>	<b>Motor vehicles N\$</b>	<b>Total N\$</b>
<b>31 March 2005</b>				
Opening net book amount	88,556	35,917	-	<b>124,473</b>
Additions	584,968	38,158	179,974	<b>803,100</b>
Fixed asset adjustment	-	(1,277)	-	<b>(1,277)</b>
Charge for the year	(79,967)	(40,109)	(23,996)	<b>(144,072)</b>
<b>Closing net book amount</b>	<u>593,557</u>	<u>32,689</u>	<u>155,978</u>	<u><b>782,224</b></u>
Cost	883,767	394,581	179,974	<b>1,458,322</b>
Accumulated depreciation	(290,210)	(361,892)	(23,996)	<b>(676,098)</b>
Net book amount	<u>593,557</u>	<u>32,689</u>	<u>155,978</u>	<u><b>782,224</b></u>
<b>31 March 2004</b>				
Opening net book amount	125,815	98,303	-	<b>224,118</b>
Additions	22,049	3,838	-	<b>25,887</b>
Assets written off	-	(1,393)	-	<b>(1,393)</b>
Charge for the year	(59,308)	(64,831)	-	<b>(124,139)</b>
<b>Closing net book amount</b>	<u>88,556</u>	<u>35,917</u>	<u>0.00</u>	<u><b>124,473</b></u>
Cost	298,799	357,700	-	<b>656,499</b>
Accumulated depreciation	(210,243)	(321,783)	-	<b>(532,026)</b>
Net book amount	<u>88,556</u>	<u>35,917</u>	<u>0.00</u>	<u><b>124,473</b></u>
			<b>2005</b>	<b>2004</b>
			<b>N\$</b>	<b>N\$</b>

3. **Trade and other receivables**

Prepayments	<b>37,067</b>	<b>37,067</b>
Receiver of Revenue - Value Added Tax	<b>53,819</b>	<b>297,498</b>
Other receivables	<b>133,963</b>	<b>59,306</b>
	<u><b>224,849</b></u>	<u><b>393,871</b></u>

**ROAD FUND ADMINISTRATION**  
**NOTE TO THE FINANCIAL STATEMENTS (continued)**  
**ADMINISTRATION ACCOUNT**  
**as at 31 March 2005**

	2005 N\$	2004 N\$
<b>4. Cash and cash equivalents</b>		
Bank and cash on hand	-	493,913
For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the following:		
Bank balances	<b>(46,506)</b>	493,663
Cash on hand	<b>250</b>	250
	<b>(46,256)</b>	493,913
<b>5. Other payables</b>		
Accruals	<b>193,763</b>	44,884
Provision for leave pay	<b>261,881</b>	300,193
	<b>455,644</b>	345,077
<b>6. Net operating surplus / (deficit) for the year</b>		
Net operating surplus / (deficit) for the year is stated after charging:		
Auditors' remuneration		
Audit fees	<b>68,407</b>	93,217
Depreciation	<b>144,072</b>	124,139
Computer equipment	<b>79,967</b>	59,308
Furniture and fittings	<b>18,447</b>	19,112
Motor vehicles	<b>23,996</b>	-
Office equipment	<b>21,662</b>	45,719
Directors' remuneration	<b>250,992</b>	299,205
Services as directors	<b>250,992</b>	254,055
Consultation fees	-	45,150
Professional services	<b>1,835,120</b>	623,792
Rental and lease charges	<b>313,739</b>	281,241
Staff costs	<b>4,851,346</b>	4,253,559

**ROAD FUND ADMINISTRATION**  
**NOTE TO THE FINANCIAL STATEMENTS (continued)**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	2005	2004
	N\$	N\$
<b>6. Net operating surplus / (deficit) for the year (continued)</b>		
<i>Future minimum operating lease payments</i>		
	<b>Up to one year</b>	<b>1 to 5 years  More than 5 years</b>
31 March 2005	271,192	1,355,960 1,627,152
<b>7. Finance income</b>		
Interest income	11,101	9,795
<b>8. Staff and retirement benefit costs</b>		
Number of current employees	16	12
Salaries and wages paid to staff	4,356,050	3,823,858
Employer contribution to retirement benefits of current staff	495,296	429,701
<b>9. Working capital changes</b>		
Trade and other receivables	169,022	325,173
Trade and other payables	110,567	(10,931)
	279,589	314,242
<b>10. Related party transactions</b>		
<b>Directors' remuneration</b>		
Directors' remuneration is disclosed in note 6.		
<b>Revenue</b>		
The total revenue of N\$ 9,270,721 represents grants received from the Fund Account of the Road Fund Administration.		

**ROAD FUND ADMINISTRATION**  
**UNAUDITED DETAILED INCOME STATEMENT**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	2005 N\$	2004 N\$
<b>Revenue</b>	<b>8,631,053</b>	7,530,496
<b>Less: Administrative expenses</b>	<b>8,804,161</b>	7,520,828
Advertising and promotions	<b>264,884</b>	336,203
Auditors' remuneration		
Audit fees	<b>68,407</b>	93,217
Asset expenditure		
Computer equipment	<b>6,890</b>	8,066
Furniture and fittings	<b>13,780</b>	8,806
Office equipment	<b>667</b>	5,046
Bank charges	<b>8,969</b>	20,083
Cleaning material	<b>1,974</b>	3,123
Conferences and seminars	<b>119,727</b>	41,383
Depreciation		
Computer equipment	<b>79,967</b>	59,308
Furniture and fittings	<b>18,447</b>	19,112
Office equipment	<b>21,662</b>	45,719
Motor Vehicles	<b>23,996</b>	-
Donations made	<b>15,150</b>	10,000
Directors' remuneration		
Services as directors	<b>250,992</b>	254,055
Consultation fees	-	45,150
Entertainment	<b>29,047</b>	30,702
E-mail and internet services	<b>27,936</b>	54,714
Fines and penalties	-	30
Insurance	<b>90,172</b>	67,496
IT Support services	<b>53,688</b>	126,624
Legal fees	<b>90</b>	4,099
Motor vehicle expenses	<b>1,480</b>	-
Postal and courier services	<b>18,633</b>	19,310
Printing and stationery	<b>115,811</b>	98,417
Professional services	<b>1,835,120</b>	623,792
Protective clothing	<b>47,068</b>	-
Reading material	<b>8,999</b>	14,791
Rental and lease charges	<b>313,739</b>	281,241
Repairs and maintenance	<b>15,918</b>	6,231
Salaries and wages	<b>4,851,346</b>	4,253,559
Security services	-	4,239
Subscription fees	<b>14,526</b>	7,397
Balance carried forward	<b>8,319,085</b>	6,541,913

**This statement is unaudited and does not form part of the financial statements**

**ROAD FUND ADMINISTRATION**  
**UNAUDITED DETAILED INCOME STATEMENT (continued)**  
**ADMINISTRATION ACCOUNT**

as at 31 March 2005

	2005 N\$	2004 N\$
Balance brought forward	<b>8,319,085</b>	6,541,913
Subsistence and travel	<b>268,759</b>	142,514
Special projects	-	653,663
Staff training	<b>107,095</b>	80,427
Telephone and fax	<b>73,348</b>	70,118
Water and electricity	<b>35,874</b>	32,193
<b>Net operating surplus for the year</b>	<b>(173,108)</b>	9,668
<b>Finance income</b>		
Interest income	<b>11,101</b>	9,795
<b>Net surplus for the year</b>	<b>(162,007)</b>	19,463

**This statement is unaudited and does not form part of the financial statements**

**ROAD FUND ADMINISTRATION**  
**ANNUAL FINANCIAL STATEMENTS**  
**FUND ACCOUNT**

for the year ended 31 March 2005

**APPENDIX B**  
**THE ROAD FUND ADMINISTRATION**

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**ENTITY INFORMATION**

Registered address:	Maerua Park Office Block Third Floor Centaurus Road Windhoek Namibia
Postal address:	Private Bag 13372 Windhoek Namibia
Auditors:	Saunderson Theron & Partners P.O.Box 24305 Windhoek
Bankers:	Bank Windhoek

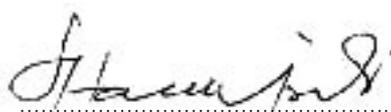
Road Fund Administration was enacted by the Road Fund Administration Act 1999 (Act 18 of 1999).

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Statement of responsibility by the board of directors	40
Report of the independent auditors	41
Report of the directors	42
Balance sheet	43
Income statement	44
Statement of changes in funds	45
Cash flow statement	46
Notes to the financial statements	47 - 53
Supplementary information: Detailed income statement	54 - 55

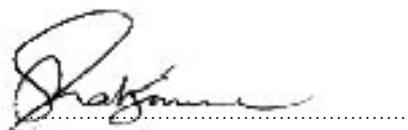
**ROAD FUND ADMINISTRATION**  
**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS**  
**FUND ACCOUNT**  
**for the year ended 31 March 2005**

1. The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information of the Road Fund Administration (Fund Account) ("the entity"). The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Road Fund Administration Act 1999 (Act 18 of 1999).
2. The directors are also responsible for the entity's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.
3. The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Road Fund Administration has adequate resources in place to continue in operation for the foreseeable future. These financial statements support the viability of the entity.
4. **Going concern**  
The Fund's liabilities exceed assets due to the fact that the assets (road network) procured with the loans are not reflected as an asset of the Fund and reflected as an expense. The directors are however satisfied that adequate measures to ensure that the Fund continues as a going concern have been instituted including continued support from the Government as referred under note 4 of the financial statements.
5. The financial statements have been audited by the independent auditors, Saunderson Theron & Partners who were given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.
6. The audit report of Saunderson Theron & Partners is presented on page 41.

The financial statements set out on pages 42 to 55 were approved and authorized for issue by the board of directors on 5 December 2005 and are signed on its behalf.



T Haimbili



G Katjimune

Windhoek

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF  
ROAD FUND ADMINISTRATION (FUND ACCOUNT)**

We have audited the annual financial statements of Road Fund Administration (Fund Account) ("the entity") set out on pages 42 to 53 for the year ended 31 March 2005. These financial statements are the responsibility of the directors of the entity. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with statements of Namibian Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management and
- evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

**Audit opinion**

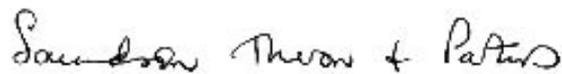
In our opinion, the financial statements fairly present, in all material respects, the financial position of the entity at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice.

**Emphasis of matter**

Without qualifying our opinion above, we draw your attention to the note on going concern in the directors' statement. This matter indicates the existence of a material uncertainty which may cast doubt on the ability of the Fund to repay its liabilities when they fall due for repayment.

**Unaudited supplementary information**

The detailed income statement set out on page 54 and 55 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly do not express an opinion thereon.



**SAUNDERSON THERON & PARTNERS**

**CHARTERED ACCOUNTANTS (NAMIBIA)**

**REGISTERED ACCOUNTANTS**

**Windhoek**

**5 December 2005**

**ROAD FUND ADMINISTRATION  
DIRECTORS' REPORT  
FUND ACCOUNT**

for the year ended 31 March 2005

1. The directors present their annual report which forms part of the audited financial statements of the Road Fund Administration (Fund Account) ("the entity") for the year ended 31 March 2005.

**General review**

2. The object of the Fund Account is to manage the road user charging system in such a manner to secure and allocate sufficient funding for the payment of expenditure as contemplated in the Road Fund Administration Act 1999 (Act 18 of 1999), with a view to achieving a safe and economically efficient road sector in Namibia.
3. Road User Charges are levied in terms of Section 18(1) of the Road Fund Administration Act 1999 (Act 18 of 1999) ("the Act"), to raise the required revenue over the long term. Transfers are made to the Roads Authority and approved Authorities in terms of Section 20(1) of the Act to cover their expenditure incurred on the maintenance and construction of the national road network.
4. During the year under review one tranche of RFA 10 Loan Stock of N\$ 250 million were raised in terms of the entity's medium term funding requirements. This is set out in more detail in note 4 to the financial statements.

**Results**

5. Full details of the entity's financial position and its results are set out on pages 43 to 55. Disbursement transfers referred to in paragraph 3 above are set out in the statement of changes in funds on page 45.

**Directors and secretary**

6. The following are the entity's directors:

	<b>Appointed</b>	<b>Resigned</b>
T Haimbili (Chairperson)	13/06/2003	
GKatjimune	25/10/1999	
H Schmidt	25/10/1999	
K Dierks	13/06/2003	Deceased
T Lameck	13/06/2003	
V Richter	25/10/1999	13/06/2003

7. The secretary of the entity is Ms. M.H.Hansen whose business and postal address are:

Maerua Park Office Block	Private Bag 13372
Third Floor	Windhoek
Centaurus Road	Namibia
Windhoek	
Namibia	

**Entity nature**

8. The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act 1999 (Act 18 of 1999). The Act requires that separate financial statements are prepared for the Administration and the Fund Account of the Road Fund Administration respectively.

**ROAD FUND ADMINISTRATION**

**BALANCE SHEET**

**FUND ACCOUNT**

for the year ended 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>ASSETS</b>			
Property, plant and equipment		28,996	-
<b>Current assets</b>		<b>342,971,000</b>	305,364,507
Trade and other receivables	2	113,419,482	145,889,445
Cash and cash equivalents	3	189,551,518	130,000,000
Investments		40,000,000	29,475,062
<b>Total assets</b>		<b>342,999,996</b>	305,364,507
<b>FUNDS AND LIABILITIES</b>			
Reserves			
Accumulated deficit		(556,509,954)	(308,939,631)
<b>Non-current liabilities</b>			
Loan stock	4	650,000,000	400,000,000
<b>Current liabilities</b>		<b>249,509,950</b>	214,304,138
Bank overdraft	3	-	7,917,793
Provisions	5	20,459,430	17,635,033
Trade and other payables	6	229,050,520	188,751,312
<b>Total funds and liabilities</b>		<b>342,999,996</b>	305,364,507

**ROAD FUND ADMINISTRATION**

**INCOME STATEMENT**

**FUND ACCOUNT**

for the year ended 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>Revenue</b>	<b>1.7</b>	<b>759,749,029</b>	674,165,650
Fuel levies		<b>567,256,913</b>	537,929,100
Project funding received from the Ministry of WTC			
Natis Operations		<b>19,380,528</b>	0
- funding received		<b>37,517,105</b>	8,571,000
- funding not utilized		<b>(18,136,577)</b>	(8,571,000)
Other operating income		<b>173,111,588</b>	136,236,550
<b>Operating expenses</b>		<b>(164,790,659)</b>	(164,809,751)
Operating expenses - current year		<b>(164,790,659)</b>	(164,809,751)
<b>Administrative expenses</b>		<b>(66,835)</b>	(54,553)
<b>Operating surplus for the year</b>		<b>594,891,535</b>	509,301,346
Other income			
Premium on loan stock issued		<b>10,950,325</b>	13,648,798
Other expenses			
Loan stock agency- and trust fees		<b>(1,602,198)</b>	(1,053,714)
<b>Net surplus for the year before finance (expense)/income</b>		<b>604,239,662</b>	521,896,430
Net finance (expense)/ income	<b>7</b>	<b>(56,101,952)</b>	(10,285,792)
Net surplus for the year before utilization of funds (page 7)		<b>548,137,710</b>	511,610,638

**ROAD FUND ADMINISTRATION**  
**STATEMENT OF CHANGES IN FUNDS**  
**FUND ACCOUNT**  
for the year ended 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>Accumulated deficit</b>			
At the beginning of the year		<b>(308,939,631)</b>	(151,122,043)
Fundamental error	9	<b>(14,796,895)</b>	-
Net surplus for the year before utilization of funds		<b>548,137,710</b>	511,610,638
<b>Utilization of funds:</b>			
Road Fund Administration (Administration account)		<b>(8,622,754)</b>	(7,531,865)
Local Authorities		<b>(51,733,450)</b>	(48,374,525)
Roads Authority	8	<b>(720,554,934)</b>	(613,521,836)
At the end of the year		<b>(556,509,954)</b>	(308,939,631)

**ROAD FUND ADMINISTRATION**

**CASH FLOW STATEMENT**

**FUND ACCOUNT**

for the year ended 31 March 2005

	Notes	2005 N\$	2004 N\$
<b>Cash flow from operating activities</b>			
Net surplus for the year before finance (expense)/ income		<b>589,442,767</b>	521,896,430
Adjustment for non-cash transactions			
Movement in provisions balance		<b>2,824,397</b>	8,721,544
Working capital changes	10	<b>72,769,171</b>	(95,204,259)
Cash inflow from operating activities		<b>665,036,335</b>	435,413,715
Net finance (expense)/income	7	<b>(56,101,952)</b>	(10,285,792)
Disbursement transfers		<b>(780,911,138)</b>	(669,428,226)
<b>Net cash (out)/inflow from operating activities</b>		<b>(171,976,755)</b>	(244,300,303)
<b>Cash flow from investing activities</b>			
Property, plant and equipment acquired		<b>(28,996)</b>	-
Investments made during current year		<b>(10,524,938)</b>	(29,475,062)
<b>Net cash flow from investing activities</b>		<b>(10,553,934)</b>	(29,475,062)
<b>Cash flow from financing activities</b>			
Loan stock raised	4	<b>250,000,000</b>	200,000,000
<b>Net cash flow from financing activities</b>		<b>250,000,000</b>	200,000,000
Net change in cash and cash equivalents		<b>67,469,311</b>	(73,775,365)
<b>Cash and cash equivalents</b>			
at the beginning of the year		<b>122,082,207</b>	195,857,572
at the end of the year	3	<b>189,551,518</b>	122,082,207

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FUND ACCOUNT**

for the year ended 31 March 2005

**1. Principal accounting policies**

The annual financial statements are compiled in accordance with the historical cost convention modified by the restatement of financial instruments to fair value, except where otherwise stated. The principal accounting policies set out below are consistent with those applied in the previous year and comply with Namibian Statements of Generally Accepted Accounting Practices.

**1.1 Taxation**

The Road Fund Administration is a Public Entity in terms of the Income Tax Act and is consequently exempt from taxation.

**1.2 Trade receivables**

Trade receivables are carried at original cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

**1.3 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and short-term fixed deposits held at financial institutions.

**1.4 Provisions**

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The Road Fund Administration provides for post retirement medical benefits and leave pay accruals. Due to the nature of the relationship between the Road Fund Administration and the Roads Authority, it is necessary for the Road Fund Administration to provide for the present value of the costs, which will have to be reimbursed to the Roads Authority once the Roads Authority make cash payments in terms of post retirement medical benefits to its retired employees and leave pay accruals.

Retention monies retained by the Roads Authority for projected expenditure are provided for.

**1.5 Loan stock**

Loan stock is carried at nominal value and is recognized at date of issue.

**1.6 Project funding**

Project funding income is determined with reference to grants utilized to date. The portion of funds not yet utilized is included in the trade and other payables balance.

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FUND ACCOUNT**

for the year ended 31 March 2005

**1.7 Revenue**

Revenue mainly comprises fuel levies charges, vehicle license fees, abnormal load fees and cross border charges levied. Revenue is recognized on an accrual basis at the relevant rates established by the entity. Project funding income is determined with reference to relating expenses incurred to date of total expenses to be incurred.

**1.8 Financial instruments**

The Road Fund Administration is a party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, loan stock, accounts receivable and accounts payable.

**1.8.1 Credit risk**

Potential concentrations of credit risk consists principally of short-term cash and cash equivalents and investments. The entity only deposits short-term cash surpluses with major banks of high credit standing and, by policy, limits the amounts of credit exposure to any one financial institution.

**1.8.2 Interest rate risk**

As part of managing interest rate exposure, interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

**1.8.3 Funding risk**

The risk that the Road Fund Administration will encounter difficulty in raising funds to meet funding requirements, is reduced by the probable Government support in the form of guarantees.

**1.9 Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Refer to note 9 for full details in this regard.

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FUND ACCOUNT**

for the year ended 31 March 2005

	2005 N\$	2004 N\$
2. Trade and other receivables		
Accrued income	<b>57,865,274</b>	56,702,543
Accrued fuel levies	<b>50,771,131</b>	50,115,075
Accrued interest	<b>1,331,932</b>	2,392,873
Accrued vehicle license fees	<b>1,575,131</b>	1,416,899
Funding for construction and rehabilitation: KFW	<b>3,025,636</b>	1,555,336
Accrued cross border charges	<b>1,033,461</b>	1,172,360
Sundry debtors	<b>127,983</b>	-
Funding: Ministry of Works, Transport and Communication	-	50,000
Receiver of Revenue - VAT refundable	<b>31,701,906</b>	73,582,476
Roads Authority - transfers refundable to RFA	<b>23,295,476</b>	15,288,220
Other receivables	<b>556,826</b>	316,206
	<b>113,419,482</b>	145,889,445
3. Cash and cash equivalents		
Bank overdraft	-	(7,917,793)
Bank balances	<b>39,551,518</b>	-
Fixed deposits - current	<b>150,000,000</b>	130,000,000
	<b>189,551,518</b>	122,082,207

Fixed deposits are held with various financial institutions for a maximum period of 90 days. Effective interest rates applicable vary between 7.5% and 8.01%.

The bank overdraft facility of N\$50 million, guaranteed by the Namibian Government, is reviewed during November of each year.

For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the above balances.

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FUND ACCOUNT**  
for the year ended 31 March 2005

		<b>2005</b>	2004
		<b>N\$</b>	N\$
4.	Loan stock	<b>650,000,000</b>	400,000,000
4.1.	The first tranche of RFA 10 Loan Stock (nominal value of N\$100 million) was issued on 21 November 2002 and the NSX has granted a listing for the loan stock to commence on the same date. The second tranche of N\$ 100 million nominal value RFA 10 Loan Stock was issued on 27 February 2003 and the capital raised amounted to N\$ 100 700 163. The premium of N\$ 700 163 was recognized as income in that financial year. A third tranche of N\$ 200 million were issued on 16 October 2003 and the total capital raised amounted to N\$ 213 648 698. The premium of N\$ 13 648 798 were recognized as income in that financial year. A forth tranche of N\$ 250 million were issued on 18 October 2004 and the total capital raised amounted to N\$ 274,484,250. The premium of N\$ 10,950,356 and interest of N\$ 13,534,250 were recognized as income in the current financial year.		
4.2.	The nominal value of N\$ 650 million is repayable on the maturity date of 21 November 2010. A coupon rate of 13% nacs applies, with semi-annual coupon payment dates of 21 May and 21 November each year.		
4.3.	The Government of the Republic of Namibia has for the time being granted a guarantee in favour of the RFA 10 Loan Stock Trust in the capital amount of N\$ 650 million.		
4.4.	The Road Fund Administration may issue subsequent tranches of the RFA 10 Loan Stock to a nominal amount of N\$ 750 million, subject to their actual funding requirements.		
5.	<b>Provisions</b>	<b>2005</b>	2004
		<b>N\$</b>	N\$
	<b>Leave pay</b>	<b>3,225,638</b>	2,065,108
	At beginning of the year	<b>2,065,108</b>	1,091,207
	Provision for the year	<b>1,160,530</b>	973,901
	<b>Post-retirement medical aid obligations</b>	<b>10,068,000</b>	9,756,413
	At beginning of the year	<b>9,756,413</b>	3,400,392
	Provision for the year	<b>311,587</b>	6,356,021
	<b>Retention funds</b>	<b>7,165,792</b>	5,813,512
	At beginning of the year	<b>5,813,512</b>	4,421,890
	Provision for the year	<b>1,352,280</b>	1,391,622
	<b>Total provisions</b>	<b>20,459,430</b>	17,635,033
	<b>Total provisions consist of:</b>		
	Balance at beginning of the year	<b>17,635,033</b>	8,913,489
	Provision for the year	<b>2,824,397</b>	8,721,544
		<b>20,459,430</b>	17,635,033

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FUND ACCOUNT**  
for the year ended 31 March 2005

**5.1 Provisions (continued)**

The Road Fund Administration is responsible for reimbursing costs incurred by the Roads Authority in terms of the Road Fund Administration Act 1999 (Act 18 of 1999). In the current year, Roads Authority was required to recognize N\$ 1,160,530 and N\$ 311,587 for post retirement medical benefits and leave pay provisions respectively in terms of accounting statement AC 116 and a further N\$ 1,352,280 in respect of project retention funds currently held by the Roads Authority. Due to the relationship between the Road Fund Administration ("RFA") and Roads Authority ("RA"), it is necessary for the RFA to provide for the present value of the cost in terms of accounting statement AC 130 which will have to be reimbursed to the RA once cash payments are made in terms of post retirement medical benefits (refer to note 11.1.), leave pay accruals (refer to note 11.2) and project retention funds held by the RA.

<b>6. Trade and other payables</b>	<b>2005</b>	2004
	<b>N\$</b>	N\$
	<hr/>	<hr/>
Trade creditors	<b>5,275,485</b>	1,100,502
Other payables		
Fuel levy refunds	<b>30,389,224</b>	25,628,420
Loan stock interest	<b>37,320,834</b>	8,169,399
Fuel levy overpayment claim	<b>5,150,653</b>	-
Accruals for disbursement transfers	<b>132,777,748</b>	104,300,321
- Roads Authority	<b>100,851,317</b>	80,278,691
- Local Authorities	<b>31,926,431</b>	24,021,630
Project funding not utilized	<b>18,136,577</b>	49,552,670
Grants: Natis Operations		
- Current year	<b>18,136,577</b>	32,413,787
	<hr/> <b>229,050,520</b> <hr/>	<hr/> 188,751,312 <hr/>
<b>7. Net finance (expense)/ income</b>		
Accrued interest on loan stock issued	<b>(82,606,838)</b>	(37,909,125)
Interest - trade investments	<b>25,629,879</b>	26,594,980
Interest - current account	<b>875,007</b>	1,028,353
	<hr/> <b>(56,101,952)</b> <hr/>	<hr/> (10,285,792) <hr/>

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FUND ACCOUNT**  
for the year ended 31 March 2005

	2005 N\$	2004 N\$
<b>8. Disbursement transfers to Roads Authority</b>		
Transfers net of VAT	<u>720,554,934</u>	<u>613,521,836</u>
<b>9. Fundamental reallocation</b>		
A fundamental reallocation was made with regards to loan stock interest which was underprovided the previous financial year		
Underprovision of Loan stock interest	<u>14,796,895</u>	<u>-</u>
	<u>14,796,895</u>	<u>0.00</u>
<b>10. Working capital changes</b>		
Trade and other receivables	32,469,963	(57,299,813)
Trade and other payables	40,299,208	(37,904,446)
	<u>72,769,171</u>	<u>(95,204,259)</u>

**ROAD FUND ADMINISTRATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FUND ACCOUNT**  
for the year ended 31 March 2005

**Other notes**

**11. Contingencies**

**11.1 Post retirement medical aid obligation**

The latest actuarial valuation of the Roads Authority medical aid fund indicates a deficit of about N\$ 8,9 million. The directors resolved to provide for this deficit in terms of accounting statement AC 130. The movement in the balance of this provision is included in the income statement in terms of the statutory funding arrangements as set out in the applicable Roads Authority Act 17 of 1999 and the Road Fund Administration Act 1999 (Act 18 of 1999) (refer to note 5)

**11.2 Leave pay obligation**

The leave pay obligation of the Roads Authority for the current year, required to be provided for in terms of accounting statement AC116 by the Roads Authority, amounted to N\$ 3,225,638 to be revised annually). The directors resolved to provide for this obligation in terms of AC 130. The movement in the balance of this provision is included in the income statement in terms of the statutory funding arrangement as set out in the Roads Authority Act 17 of 1999 and the Road Fund Administration Act (Act 18 of 1999) (refer to note 5).

**11.3 Government loans**

In terms of Section 17(1)(i) of the Road Fund Administration Act 1999 (Act 18 of 1999), the Road Fund Administration is obliged to utilize the money available in the Fund to make payments, as the Minister may determine in respect of the capital, interest and incidental cost or charges of any loan obtained by the Government of Namibia, before the commencement of the Act, for any purpose related to the management of the national road network. The Minister has not yet made any determination to this effect.

**11.4 Fuel levy refund accrual**

Due to a backlog in processing of fuel levy refund claims, it is not possible to estimate the full extent of the fuel levy refund liability arising from claims received not yet processed at year end.

**12. Related party transactions**

An amount of N\$8,622,754 (2004:N\$7,531,865) was utilized by the Fund for distribution to the Administration Account of the Road Fund Administration.

**ROAD FUND ADMINISTRATION**  
**UNAUDITED DETAILED INCOME STATEMENT**  
**FUND ACCOUNT**

for the year ended 31 March 2005

	2005 N\$	2004 N\$
<b>Revenue</b>	<b>759,749,029</b>	674,165,650
Fuel levies	<b>567,256,913</b>	537,929,100
Vehicle license fees	<b>129,355,700</b>	109,615,038
Project funding received from the Ministry of WTC		
Natis Operations	<b>19,380,528</b>	-
- funding received	<b>37,517,105</b>	8,571,000
- funding not utilized	<b>(18,136,577)</b>	(8,571,000)
Labor-based Projects	-	-
Cross border charges	<b>24,634,942</b>	22,179,678
Funding for construction and rehabilitation: KFW	<b>14,571,813</b>	-
Fuel levy administration fees retained	<b>3,182,345</b>	3,025,246
Abnormal load fee	<b>1,366,788</b>	1,416,588
<b>Operating expenses</b>	<b>(164,790,659)</b>	(164,809,751)
Fuel levy refunds	<b>159,098,625</b>	148,920,668
RUC System Development	-	455,681
Cross border charges - administration fees	<b>4,742,671</b>	6,438,487
Provisions	<b>240,718</b>	8,721,544
Fuel levy administration costs	<b>540,145</b>	254,347
Vehicle license fees refunds	<b>147,478</b>	13,503
Cross border charges - road signs	<b>13,890</b>	-
Cross border charges - refunds	<b>7,132</b>	5,521
<b>Administrative expenses</b>		
Bank charges	<b>(66,835)</b>	(54,553)
<b>Operating surplus for the year</b>	<b>594,891,535</b>	509,301,346
<b>Other income</b>		
Premium on loan stock issued	<b>10,950,325</b>	13,648,798
<b>Other expenses</b>		
Loan stock agency- and trust fees	<b>(1,602,198)</b>	(1,053,714)
<b>Net surplus for the year before finance (expense)/income</b>	<b>604,239,662</b>	521,896,430
<b>Net finance( expense)/income</b>	<b>(56,101,952)</b>	(10,285,792)
Accrued interest on loan stock issued	<b>(82,606,838)</b>	(37,909,125)
Interest - trade investments	<b>25,629,879</b>	26,594,980
Interest - current account	<b>875,007</b>	1,028,353
<b>Net surplus for the year before utilization of funds</b>	<b>548,137,710</b>	511,610,638

**ROAD FUND ADMINISTRATION (1)**  
**UNAUDITED PROJECT FUNDING FROM MINISTRY OF WTC**  
**FUND ACCOUNT**

	Grants received N\$	Transfer N\$
<b>Labour based projects</b>		
Badea:Whk-Aris	<b>2,919,278</b>	
2004	<b>2,919,278</b>	-
Onyati-Onyuulaye-Onku (Project No. 0008)	<b>8,175,689</b>	(4,448,325)
2004	<b>2,101,000</b>	-
2003	<b>6,074,689</b>	(386,516)
2002	-	-
2001	-	-
Mpungu (Project No 0018)	<b>6,136,000</b>	(427,467)
2004	<b>200,000</b>	-
2003	<b>5,936,000</b>	(427,467)
2002	-	-
2001	-	-
Nepara (Project No 0019)	<b>5,536,000</b>	(354,214)
2004	<b>1,000,000</b>	-
2003	<b>4,536,000</b>	(354,214)
2002	-	-
2001	-	-
Bukalo-Ikumwe (Project No 0020)	<b>2,370,000</b>	(13,497,579)
2004	<b>2,370,000</b>	(11,118,525)
2003	-	(2,379,054)
2002	-	-
2001	-	-
Omwaanda-Opuwo (Project No 0004)	<b>2,000,000</b>	(19,175,195)
2004	<b>1,000,000</b>	(7,916,733)
2003	<b>1,000,000</b>	(7,418,605)
2002	-	(3,839,857)
2001	-	-
<b>Total Labour-based projects per year:</b>		
	<b>7,220,278</b>	(24,265,264)
2004	<b>19,916,698</b>	(10,184,175)
2003	-	(3,839,857)
2002	-	-
2001	<b>27,136,976</b>	(38,289,296)
Traffic Information System - Natis Operations	<b>8,571,000</b>	-
2004	<b>9,099,605</b>	(5,036,208)
2003	<b>5,728,000</b>	(906,538)
2002	<b>9,163,000</b>	(908,976)
2001	-	-
	<b>32,561,605</b>	(6,851,722)

*This statement is unaudited and does not form part of the financial statements.*

