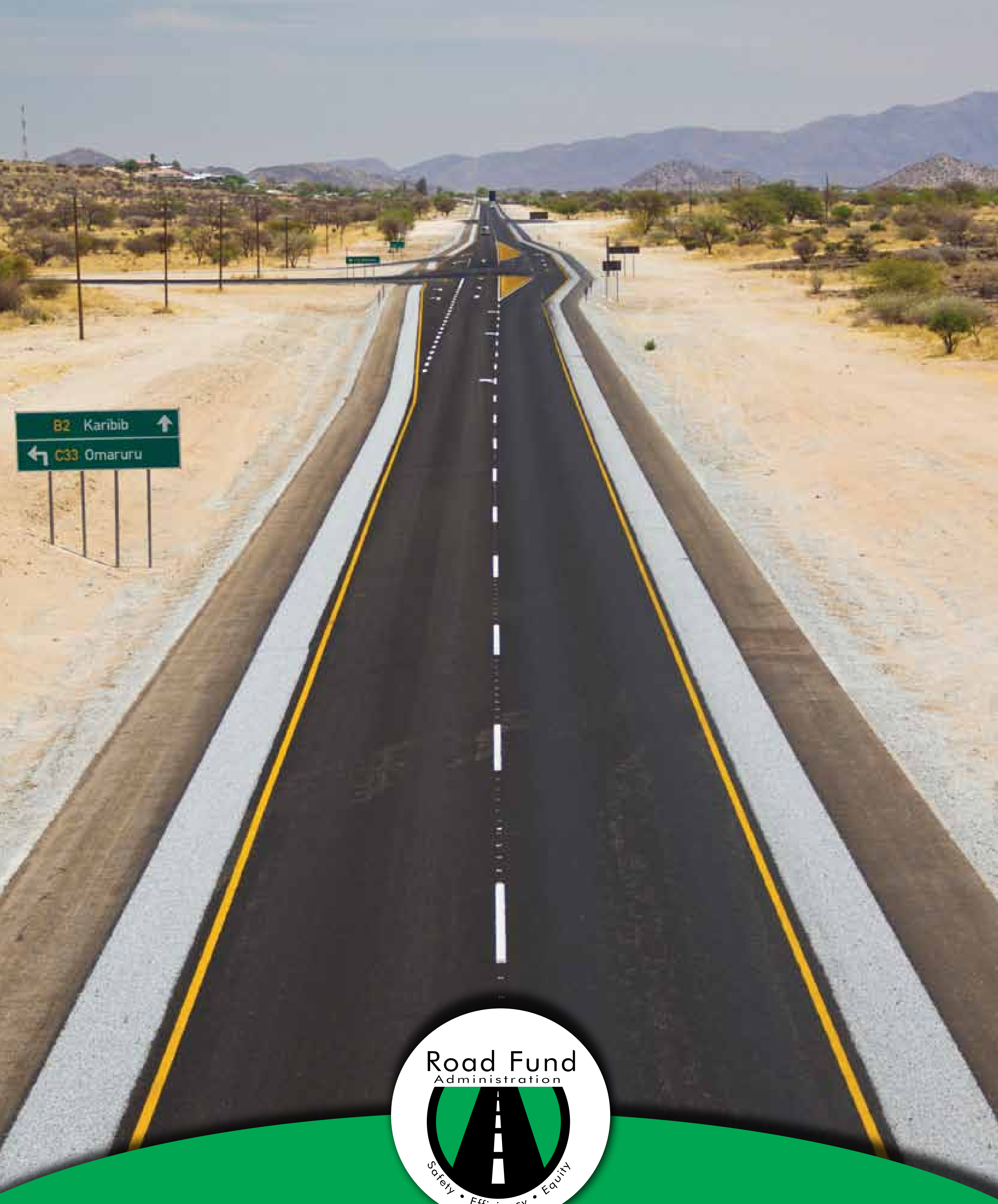

Road Fund
Administration

Safety • Efficiency • Equity

ANNUAL REPORT 2011/2012

CONTENTS

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Road Fund Administration
Safety • Efficiency • Equity

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VISION

To achieve a safe and economically efficient Road Sector in Namibia.

MISSION

To manage Namibia's Road User Charging System to provide Funds for a safe and economically efficient Road Sector for all Road Users.

CORE VALUES

The Administration has committed itself to the following Core Values:

Efficiency

Promote efficient use of resources.

Equity

Apply principles of equity in determining rates of Road User Charges.

Effectiveness

Implement monitoring and control mechanisms to enable the achievement of our objectives.

Transparency

Act fairly and openly in our operations by subscribing to ethical standards.

Accountability

Ensure reporting to all stakeholders on utilisation of resources.

Integrity

Apply truthfulness and consistency in all our operations.

Safety

Promote and contribute towards a safe National Road Sector.

CHAIRPERSON'S REPORT

I am pleased to present the Road Fund Administration's (RFA) Annual Report for the period ending 31 March 2012.

Total revenue raised by the RFA by way of Road User Charges (RUCs) accelerated to N$1.29 billion by 2011/12, from N$1.16 billion collected in the previous year, thanks to several measures to improve revenue performance over the year.

These positive developments occurred during the tenure of the previous Board of Directors. I am thus indebted to the latter for the stewardship and strategic guidance provided over the affairs of the Administration during the reporting period.

This Report is presented simultaneously with the 2012/13 Annual Report. As it is the case with the 2010/11 Annual Report, an audit review on the 2011/12 Financial Statements needed to be done afresh in order to comply with the new audit requirements. In particular, the financial statements for this period as considered and approved during the tenure of the previous Board, comprised separate statements for the Administration and the Fund. Meanwhile the Namibian Stock Exchange Regulations require each entity with stock listed on the Namibian Stock Exchange (NSX) to present consolidated financial statements. As a result of the RFA's Loan Stock being listed on the NSX, the RFA needed to comply with this welcome regulatory innovation. The financial statements presented in this report are now in compliance with this requirement.

Indeed, the primacy of efficient road infrastructure in supporting the competitiveness of the national economy, trade facilitation and the promotion of regional integration and connectivity, cannot be overemphasized. The key arteries in this regard include the Trans-Kunene, Trans-Caprivi, Trans-Kalahari and Trans-Orange Highways. These national road assets represent 60 percent of the international traffic generated within our borders. Optimal provision of resources for both new roads development and the maintenance of the existing road infrastructure is critical.

Mr. Penda Ithindi, Chairperson.

During the reporting period, the following major road maintenance projects were accomplished or on-going:

- North: MR 120: Okatana – Endola – Onunho;
- North East: Divundu Bridge Widening;
- South: Mariental Bridge No. 157, and
- East: Gobabis Weighbridge.

The Government, operating through the Ministry of Works and Transport, has also invested in key road development projects across the country including, inter alia:

Gravel Roads

1. Outapi – Okapalelona Border Post (13.6 km);
2. DR 3448 Kaisosis Cuma (59.1 km); and
3. Okatana – Ongwediva – Onamutai (17 km).

Bitumen roads

1. TR15/1: Tsintsabis – Katwitwi Section C (57.9 km); and
2. MR 125: Liselo Linyanti – Singalamwe - Kongola (TR8/6), 35 km out of 205 km.

However, the sustainability of the required funding for new road development and associated maintenance work needs to be considered jointly at every new investment decision point. As has been observed for quite some time now, a gap has been growing between new road development on the one hand, and the maintenance of the growing road infrastructure outlay on the other hand. The former has expanded significantly and maintenance continues to lag behind. This widening financing gap calls for all Stakeholders to work together towards a sustainable and integrated funding framework to ensure that the quality of our road network is kept in good condition. Government, the Administration and development partners need to work together towards the adoption of such a framework. As part of its contribution to this coordinated approach, the RFA develops Five-Year Business Plans, representing five-year rolling budgets with revenue estimates and expenditure outlook as well as a schedule of projects to be funded.

The RFA's revenue projections in its Five Year Business Plan for 2011/12 – 2015/16 averaged some N$1.5 billion per annum. However, current estimates indicate that about 2,400 km (approximately 38 percent) of our paved road network is in need of rehabilitation and resurfacing works. A similar statistic applies to the unpaved road network. These estimates suggest that an additional annual allocation in the region of N$1.4 billion, over and above what could be raised through RUCs, is needed for the next five years to address the backlog in road maintenance, lest deterioration continues to escalate.

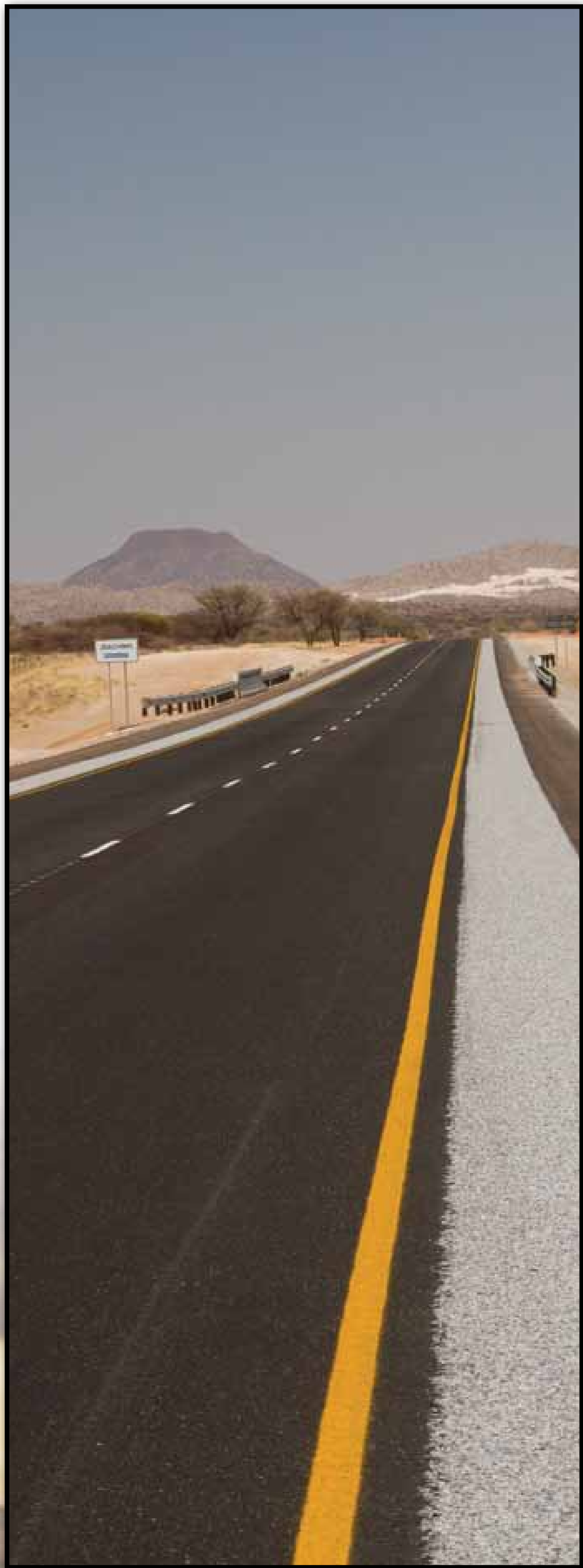
A year ago, our continent celebrated its Golden Jubilee since the founding of the Organization of African Unity in 1963. Looking forward, Africa has resolved to unleash its growth potential during the next 50 years and reclaim its position on the global development agenda, by adopting Agenda 63 as the continent's development framework. A key catalyst for Agenda 63 is the development of strategic infrastructure to facilitate intra-Africa trade and regional integration agenda. Namibia should seize this opportunity to continue improving its strategic roads infrastructure so as to enhance connectivity and the future competitiveness of the domestic economy.

CHAIRPERSON'S REPORT

The RFA is steadily repositioning itself to continue playing a meaningful role in the future development agenda of our country. My colleagues and I, who are entrusted with the corporate governance of the Administration, will continue to safeguard the financial soundness of the Fund. At the same time, our management team will not relent to improve internal efficiency, put into operation measures to enhance revenue collection from a wider base as well as finding innovative funding mechanisms. Needless to state, prudent expenditure management is indispensable in ensuring financial soundness and the long-term sustainability of the Fund. Equally important is the quality of expenditure, since road users and taxpayers demand value for money. In this regard the RFA will continue to work collaboratively with the Government and other stakeholders such as the Roads Authority and Roads Contractors Company to increasingly achieve and maintain optimum quality of roads construction.

I wish to extend my gratitude to the multitude of Road Users for honouring their financial obligations by timely paying their Road User Charges such as Licence Fees, Cross Border Charges and Mass Distance Charges. I wish also to use this opportunity to implore upon those Road Users with overdue payments to honour their obligations in good time. I sincerely thank the Staff Members of the RFA for their timeless efforts to deliver services to our clients. My colleagues and I shall continue to cherish the good tradition of collaboration and make good use of the inputs provided by our stakeholders and the Public at large in the quest to continually improve our services.

The RFA recommits itself to elevate its role by overcoming the emerging challenges and seizing opportunities, as well as to continue managing the resources under its mandate prudently. Going forward, the Administration will utilise its resources to strengthen its administrative capacity and embark upon initiatives aimed at improving internal efficiency and revenue productivity.



Andreas P. Ithindi
Chairperson: Board of Directors


B2
Karibib 30
Swakopmund 205
Coastal Couriers
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EXECUTIVE SUMMARY

The Road Fund Administration has been mandated to manage a Road User Charging System and the Road Fund, from which collected Funds are disbursed to designated beneficiaries in the Roads Sector. This is encapsulated in the Mission of the Road Fund Administration.

Section 3 of the Road Fund Administration Act (Act 18 of 1999), provides the 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 expenditures.

The Administration's basic role is therefore that of a road Funding regulator in which it must, in the first place, aim to meet the economically justified Funding requirements of the Roads Authority and other Approved Authorities.

Secondly, the RFA should act as trustee on behalf of Road Users to ensure that they receive value for their money and that the revenue from the Road User Charging System is utilised for their exclusive benefit.

The Vision of the RFA is to apply these collected Funds in such a way to achieve a safe and economically efficient Road Sector in Namibia.

The Core Values of the RFA amongst others are the promotion of efficient use of resources. It should also apply principles of equity in determining rates of Road User Charges. The effective implementation of monitoring and control mechanisms enables the RFA to achieve its main objectives.

The Road Fund Administration must act in a transparent way in its operations by subscribing to ethical standards. Through reporting to all stakeholders on the utilisation of resources the RFA promotes accountability. Its integrity as an organisation is reflected in the application of truthfulness and consistency in all the operations of the RFA.

Namibia is fortunate by having a well-developed National Road Network. This lessens the road use costs for Road Users.

The main challenge, which the RFA is facing, together with other agencies such as the Roads Authority, is the maintenance of the existing Road Network as well as the development of new infrastructure to link all Namibians in order for nobody to be excluded from the benefits of economic development.

The RFA would like to express its sincere appreciation to the Ministry of Works and Transport as well as the Roads Authority for being valuable partners in the endeavour and quest to achieve the common vision of realising a safe and efficient Roads Sector in Namibia.

Without the unrelenting support of Management and Staff of the RFA in achieving the vision and mission of the RFA, the successes and conquering difficult times would not have been possible.

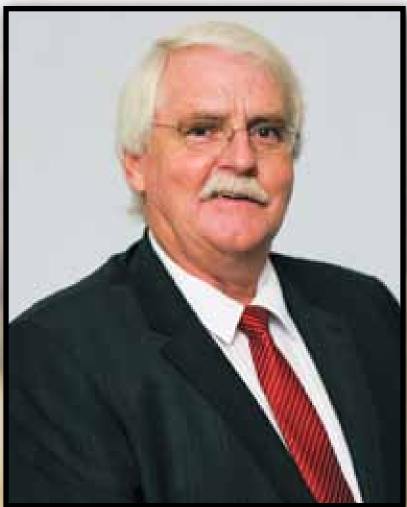
We should continue with this practice for Namibia to maintain a world-class Road Network and remaining a leader in this field in the SADC Region.

BOARD OF DIRECTORS
(Until 21 December 2012)

Ms. Angeline Simana-Paulo, Chairperson.

Mr. Tarah N. Shaanika.

Ms. Alma Nambundunga.



Mr. Adriaan van der Merwe.

Mr. Frans Kwala.

BOARD OF DIRECTORS
(Until 21 December 2012)

The Honourable Minister of Finance, in consultation with the Honourable Minister of Works and Transport, appoints the Board of Directors for a three-year period, in terms of the Road Fund Administration Act (Act 18 of 1999), (Section 4). The Board of Directors is responsible for the policy, control and management of the Administration.

For the 2011/2012 Financial Year, the Board of Directors consisted of the following Directors:

Chairperson - Ms. Angeline Simana-Paulo (appointed 28 June 2006),

Directors - Mr. Tarah Shaanika (resigned on 30 November 2011),

- Mr. Frans Kwala (appointed 15 October 2009),
- Mr. Adriaan van der Merwe (appointed 26 March 2010), and
- Ms. Alma Nambundunga (appointed 26 March 2010).

Meetings of the Board of Directors

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

During the 2011/2012 Financial Year, the Board of Directors held meetings on the following dates:

- 20 May 2011
- 15 July 2011
- 21 July 2011
- 11 August 2011
- 20 September 2011
- 6 October 2011
- 27 October 2011
- 16 November 2011
- 2 December 2011
- 2 February 2012

Committees of the Board of Directors

In line with the principles and guidelines of the King III Report on Corporate Governance, the Board recognized the importance of more focused deliberations on critical performance areas, thus best utilizing Directors in their respective fields of expertise. To this effect the Board commissioned the following Committees. In executing their duties within the respective Committees the Board Members were assisted by the CEO and Managers.

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 controls, the audit process, and the Fund's processes for monitoring compliance with laws and regulations as well as accounting standards.

This Committee further provides a forum for the discussion of business risk and control issues, for the development of relevant management interventions and recommendations for consideration by the Board for final decision and approval.

Membership, resources, responsibilities and authorities of the Committee to perform its role effectively, is stipulated in its Terms of Reference, which may be amended by the Board of Directors as and when required.

The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

The Audit Committee consisted of the following members:

Chairperson - Ms. Alma Nambundunga, and
Director - Mr. Frans Kwala.

During the 2011/2012 Financial Year, the Audit Committee held meeting one meeting on the following date:

- 1 February 2012

Human Resources Committee

The Human Resources Committee mainly considers contentious human resource related matters as well as human resource development related questions such as:

- Permanent staff recruitment, selection and retention,
- Staff remuneration and bonuses,
- Board member remuneration,
- Management's performance appraisal,
- Organizational development, and
- Training and development

The Human Resources Committee consisted of the following members:

Chairperson - Mr.Tarah Shaanika (Resigned on 30 November 2011), and
Director - Ms. Alma Nambundunga.

During the 2011/2012 Financial Year, the Human Resources Committee held one meeting on the following date:

- 1 February 2012

Mr. Shaanika resigned on 30 November 2011 and was replaced as Chairperson of the Human Resources Committee by Mrs. Namundunga. Mr. Kwala joined the Human Resources Committee as a member from this date on.

Investment Committee

One of the key performance areas of the Administration is the management of Funds that it collects with different instruments and the disbursement thereof to approved authorities.

The Investment Committee overlooks and controls how cash Funds that are available for investment from time to time are managed and invested for the Road Fund.

Further, the Administration issued Loan Stocks, guaranteed by Government, and the management of these Funds as well as the required loan repayment reserves are in the focus of the Investment Committee.
The Investment Committee consisted of the following members:

Chairperson - Mr. Adriaan van der Merwe, and
Director - Mr.Tarah Shaanika (resigned on 30 November 2011).

During the 2011/2012 Financial Year, the Investment Committee held one meeting on the following date:

- 1 February 2012

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 Tender Committee monitors adherence to the procurement policy and further reviews and recommends to the Board the procurement of goods and services that exceed the procurement delegation of management.

The Tender Committee consisted of the following members:

Chairperson	-	Mr. Adriaan van der Merwe, and
Director	-	Mr.Tarah Shaanika (resigned on 30 November 2011).

Mr. Shaanika resigned on 30 November 2011 and was replaced by Mr. Kwala. The Tender Committee held no meetings during the period under review.

CORPORATE OVERVIEW

The Road Fund Administration performs its mandate through the following internal Divisions:

1. Office of the CEO.
2. Corporate Services.
3. Programme Management, Policy and Advice.
4. Fund Management.
5. Audit and Risk Management.
6. Information and Communication Technology.

OFFICE OF THE CEO

The Office of the CEO was vacant during the 2011/2012 Financial Year.

The CEO is responsible for the administration of the RFA in accordance with the Road Fund Administration Act (Act 18 of 1999) and policies and directions given by the Board of Directors.

The CEO should provide visionary leadership to the Administration, ensuring that it contributes to a safe, effective and economically efficient Road Network. In doing so, shareholder interests should be optimally considered and the Road User Charging System should be managed in such a way as to provide affordable road transport infrastructure to serve the Namibian economy and all Road Users in general.

CORPORATE SERVICES

Corporate Services is an important partner and facilitator for all other Divisions and for achieving the RFA's business objectives. Its portfolio includes Staffing and Employment; Training and Development and Public Relations.

Staffing and Employment

During the period under review the Administration experienced a staff turnover rate of 21 percent, resulting in a substantial vacuum being left at Management level. At the year-end of 31 March 2012, the staff complement was as depicted in the table below.

Level	Number of positions	Filled		Vacancies
		Male	Female	
CEO	1	0	0	1
Management	6	2	1	3
Professional	8	7	1	0
Administration	17	5	12	0
Labour	1	1	0	0
Totals	**33**	**15**	**14**	**4**

Training and Development

The Administration granted assistance to four of its employees to pursue graduate and post-graduate studies at tertiary institutions in Namibia and South Africa. The assistance was granted in the form of study grants and loans amounting to close to N$ 100,000.00, as well as study leave.

Additional training and development initiatives included the attendance of seminars and conferences by staff members in their respective fields of expertise. It also included more direct on-the-job-training and coaching for those staff members seconded to act in managerial positions.

Public Relations

In terms of the Road Fund Administration Act (Act 18 of 1999), the Administration as a public Fund 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 Road User Charges (RUCs). In addition, when contemplating the implementation of new RUCs and/or increasing existing RUCs, stakeholders have to be consulted during the process.

FUND MANAGEMENT

The Fund Management Division is responsible for some of the core business activities of the Administration, being revenue collection, safekeeping of funds and disbursement of Funds to the 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 the RFA.

Road User Charging System

The Road User Charging System (RUCs) comprises mainly the determination of Funding for projects and programmes submitted to the Administration for Funding, the determination of the consequent rates of RUCs, and the imposition and collection of Road User Charges as part of the Road Fund.

The RFA employed the following agents in the year under revew:

- Petroleum companies: collection of Fuel Levies;
- Roads Authority: collection of Registration and License Fees as well as Abnormal Vehicle and Load Charges.

At all of Namibia's border posts, Cross Border Charges as well as Mass Distance Charges are collected from all foreign registered vehicles entering Namibia and using its Road Network. This collection function has been outsourced to Iroko Investments.

The Administration operated an in-house Mass Distance Charging System for Namibian registered vehicles and a Fuel Levy Refunding System.

The Revenue Sources Table below summarizes the revenues collected from the Road User Charging System during the 2011/2012 Financial Year in comparison to the 2010/2011 Financial Year, while the following sub-sections provide detailed deliberations.

The overall revenue collection during 2011/2012 increased by 13.32 percent from 2010/2011.

REVENUE RESOURCES	2010/2011	2011/2012
Fuel Levy	N$ 852,321,154	N$ 937,823,256
Mass Distance Charges – Local	N$ 30,982,292	N$ 41,575,629
Mass Distance Charges – Foreign	N$ 7,048,334	N$ 9,855,760
Abnormal Vehicle and Load Charges	N$ 7,374,782	N$ 8,676,909
Cross Border Charges	N$ 67,182,292	N$ 78,360,010
Vehicle Registration and Licence Fees	N$ 323,275,561	N$ 383,466,846
TOTAL Road User Charges REVENUE	N$ 1,288,184,415	N$ 1,459,760,410

Fuel Levies

During the 2011/2012 Financial Year no increases in the Fuel Levies were granted.

An amount of N$ 937.8 million was collected during 2011/2012 compared to N$ 825.3 million during 2010/2011. This constitutes an increase of 13.63 percent.

DATE	FUEL LEVY	
	DIESEL	PETROL
2000/01/01	0,70	0,80
2000/04/01	0,60	0,68
2001/09/01	0,62	0,73
2003/01/15	0,73	0,73
2005/04/27	0,77	0,77
2006/06/07	0,82	0,82
2006/12/13	0,88	0,88
2007/12/14	0,90	0,90
2009/04/14	0,94	0,94
2010/08/18	0,99	0,99
2011/03/16	-	1,04

Mass Distance Charges

Mass Distance Charges (MDCs) are travelling distance charges provided for in Section 18(1)(a) of the Act. These charges are calculated in relation to the mass of the vehicle and the distance travelled and apply to all vehicles with a gross vehicle mass (GVM) exceeding 3,500 kg.

For foreign registered vehicles, MDCs are collected at the border posts together with Cross Border Charges. For Namibian registered vehicles, MDCs are collected by the RFA at its head office.

An amount of N$ 51.4 million was collected during 2011/2012 compared to N$ 38.0 million during 2010/2011. This constitutes an increase of 35.23 percent. The split between MDC collected from foreign registered vehicles at the border posts compared to the charges collected from locally registered vehicles at the RFA head office is 19.1 percent : 80.9 percent.

The RFA will commence with the collection of MDCs from foreign registered vehicles itself from the start of the 2012/2013 Financial Year, after the expiry of the contract with agent Iroko Investments at the end of the 2011/2012 Financial Year.

Abnormal Vehicle and Load Charges

The Roads Authority, acting in terms of the Road Traffic and Transport Act, 1999, collects Abnormal Load Fees on behalf of the Road Fund Administration.

Abnormal vehicles and loads operate under exemption permits assessed and delivered by the Roads Authority. Fees for such permits derive from Section 18(1)(a) of the RFA Act and are based on travelling distances, vehicle dimensions and load characteristics. The amount of revenue generated by this charge is limited. The volume of traffic is mostly influenced by activities in the mining and construction sectors, which generate the largest movement of abnormal goods and equipment items.

An amount of N$ 8.7 million was collected during 2011/2012, compared to N$ 7.4 million in 2010/2011. This constitutes an increase of 17.57 percent.

Cross Border Charges

Entry fees in respect of all motor vehicles, not registered in Namibia that temporarily enter Namibia, are provided for in Section 18(1)(b) of the Act and are collected through the Cross Border Charge (CBC) instrument.

The RFA will commence with the collection of CBCs from foreign registered vehicles itself from the start of the 2012/2013 Financial Year, after the expiry of the contract with agent Iroko Investments at the end of the 2011/2012 Financial Year.

An amount of N$ 78.3 million was collected during 2011/2012 compared to N$ 67.2 million during 2010/2011. This constitutes an increase of 16.51 percent. Expenditure for the administration of the system to Iroko amounted to N$ 9.9 million during 2011/2012 compared to N$ N$ 10.7 million during 2010/2011, a decrease of 7.5 percent.

Vehicle Registration and Licence Fees

The collection of Registration and Annual Licence Fees in respect of vehicles registered in Namibia (Section 18(1)(c)) is managed by the Roads Authority as delegated by the Minister responsible for Transport. The total revenue generated through this instrument relates directly to the total number of vehicles registered in the country and the applicable Licence Fees. These fees are the second highest revenue source for the Road Fund.

Investments

The investment portfolio of the Fund increased from N$ 287,727,373, held at the 31 March 2011, to an amount of N$ 358,139,995 as at 31 March 2012. The majority of these assets were held under management by Investec and was invested in a diversified High Income Fund portfolio. Interest on trade investments and on current account balances amounted to N$ 29,979,784. Interest paid on the Loan Stock amounted to N$ 31,350,000, resulting in a net financing expense of N$ 1,370,216 for the year under review.

Liquidity

The Road Fund Administration, as a matter of policy, keeps its Funds as liquid assets. The liquidity position has increased slightly from 1.44:1 in 2011 to 1.69.1 in 2012, but still portraying a healthy liquidity position with sufficient reserves.

Accumulated Deficit

The Funds deficit has reduced, as shown in the Table below:

Fuel Levy Refunding System

As Fuel Levies are also included in the price of fuel used for off-road purposes, the Administration operates a system for the refunding of Fuel Levies on diesel used off-road. Almost all petrol is used on-road.

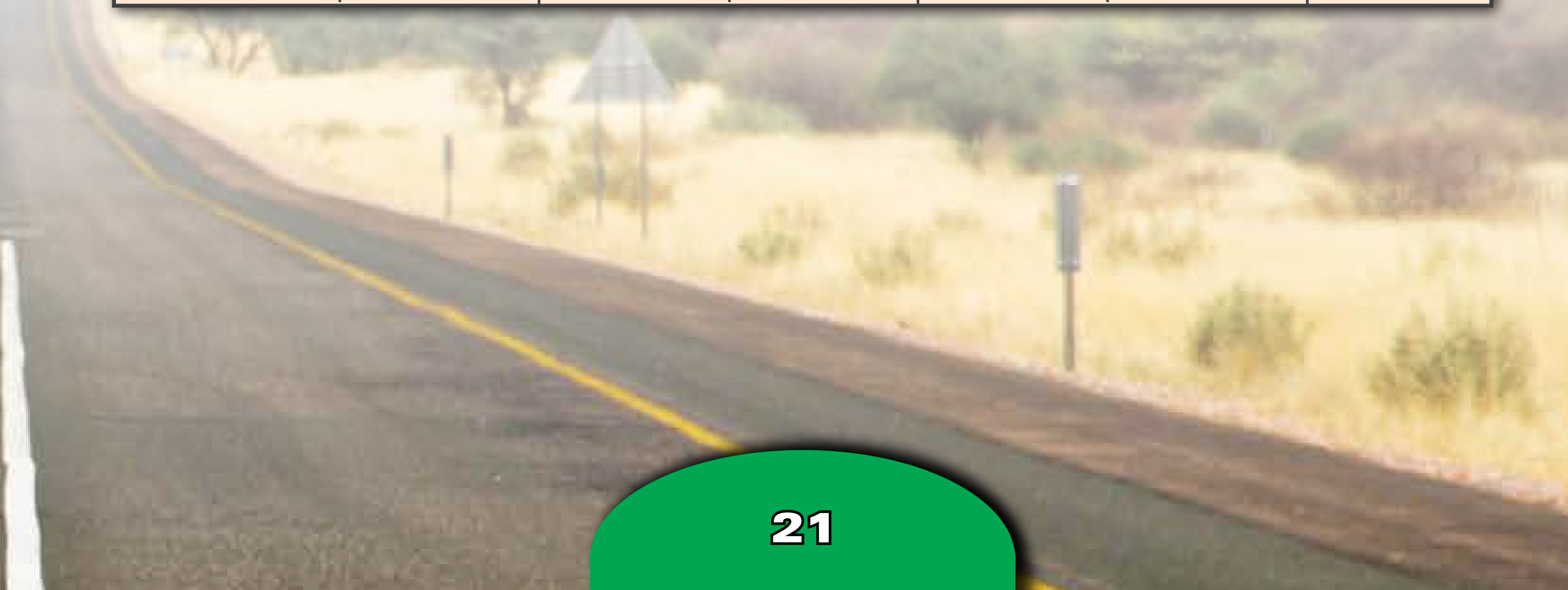
Fuel Levies refunded to Off-Road Users are handled in terms of the Administration's Fuel Levy Refunding Policy, which provides for reFunds to be made on fuel used off-road by sectors identified to be eligible for reFunds. Refunding rates are determined on a sector basis.

The eligible sectors are:

- Agriculture (Agronomic and Livestock);
- Construction (Building and Civil);
- Fishing;
- Mining; and
- Rail (TransNamib).

During 2011/2012, Fuel Levy Refunds, amounting to N$ 186.3million, were paid to registered Off-Road Users, compared to N$ 185 million during 2010/2011.

FINANCIAL YEAR	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Accumulated Deficit	**-758,403,967**	**-670,114,248**	**-337,638,228**	**-159,666,915**	**-153,940,094**	**(46,611,043)**
Loan Stock Balance	**658,370,000**	**570,620,000**	**495,620,000**	**478,616,551**	**330,000,000**	**330,000,000**



PROGRAMME MANAGEMENT, POLICY AND ADVICE

The Division is responsible for the development and implementation of policies on Road User Charges, the determination of the amount and the manner in which Funds accruing from the Road User Charging System are to be allocated to road projects and programmes, and the conditions subject to which the RFA makes such funding allocations.

Subsequent to the allocation of Funds to beneficiaries, being the Roads Authority and other Approved Authorities, the Division carries out monitoring programmes to verify that beneficiaries utilise the allocated Funds in compliance with the terms of the RFA Act, regulations and policies, and the funding conditions imposed by the RFA.

The Division further supports the Chief Executive Officer in advising the Ministers responsible for Finance and Transport on matters pertaining to the application and maintenance of the RFA Act and regulations promulgated in terms of the Act.

Funding Determinations

For the year under review, the determination of funding was again guided by financial constraints rather than achieving optimal economic efficiency, as determined in accordance with the RFA Act. The RFA was repeatedly not allowed to implement the optimal level of Road User Charges (RUCs), in particular the adjustment of the Fuel Levy, which accounts for about 65 percent of the RUC revenue.
Revenue from Road User Charges therefore continued to be far below the required level of funding to facilitate the optimal preservation of the National Road Network.

Funding allocation decisions were guided by the following principles:

- Continuation of funding for on-going projects, which had been contractually committed to in previous financial years; and
- Improved funding for maintenance and rehabilitation works.

A Cabinet Memorandum was prepared and submitted to the Honourable Minister of Works and Transport, which proposed a five cent increase of the fuel levy to adjust the levy in line with the increase of the consumer price index of 2011. Further, it was proposed to have this adjustment granted for the following financial years, based on the annual consumer price index increase of the respective previous years. Until the end of this reporting period, no response has been received.

The German development bank, KFW, provides Funding to enhance the transport sector, which also includes the RFA. Through the Ministry of Works and Transport, consultancy services were contracted and the following projects have commenced:

- **Sector-wide Budgeting and Monitoring**

None of the financial accounts of any of the organisations involved in the Road Sector provides for a comprehensive overview of the different funding channels and actual spending. It should refer to the sector's annual, medium term and long term work plans, such as annual budgets, five-year business plans, or the Medium to Long Term Roads Master Plan. However, this is not only a matter of shortcomings in the tracking of expenditure. A need was identified to establish a single, comprehensive procedure to serve as a reference for project preparation and execution. It should cover the entire life cycle of a project, provide for tracking of the financial progress and serve as a reliable guide for the performance auditing of the Roads Sector. This project commenced in February 2012 and its completion is expected early in the next financial year. It is envisaged to develop and implement an electronic system for this purpose.

- **Revision of the Procedures Agreement between RA and RFA**

Parallel to the streamlining of above budgeting and monitoring processes, the agreement between the RFA and the Roads Authority is to be reviewed and updated. This involves procedures regarding budgeting, project selection, implementation procedures, payment and monitoring procedures. Both parties have encountered shortcomings that delayed funding availability, as well resulting in unclear reporting and monitoring procedures. The project finalization is expected within the 2012/13 Financial Year.

- **Improvement of Mass-Distance Charge (MDC) Collection System**

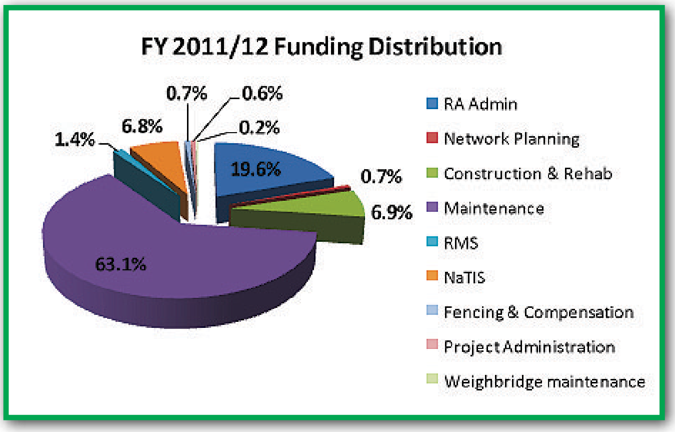
The current MDC Collection System is receiving only about 50 percent of the expected revenues to be generated.. This system is based on log-books completed by the owners and drivers of vehicles themselves, which creates a risk of easy manipulation and evasion of MDCs. It is thus considered to be full of loopholes and inequitable.

Through the in-sourcing of the RFA's border activities and the upgrading of the related computer monitoring system, it has been possible to close some loopholes. Fraudulent activities have been reduced and revenues increased by about one million Namibian Dollars per month already during the initial phase of the implementation. It is envisaged to further assess alternatives to the self-reporting system, the most efficient system for Namibia's conditions, the implementation thereof, related administrative costs, and the expected additional revenue. The study is expected to yield results, which could be considered as a trial run, early in the 2012/13 Financial Year.

Contribution to the Management of the National Road Network

The Chart and the Table on page 25 depict the RFA's allocation of funds to the Roads Authority for the management of the National Road Network (in N$ '000,000), for the previous financial year as well as for the year under review.

During the 2011/12 Financial Year, the RFA contrib-



uted N$ 33.8 million (13 percent of the RFA budget allocation) to the design and construction of the following development and labour-based projects, as well as bridge improvement and bridge (and weighbridge) construction projects.
The allocations are far below the estimates provided by the Roads Authority:

- MR 120: Okatana – Endola – Onunho;
- DR 3642: Okahao – Outapi;
- DR 3643: Ekamba – Onkani;
- DR 3603: Onayena – Okankolo;
- Divundu Bridge Widening;
- Okanjengedi Bridge;
- Ongwediva Bridge;
- Rehoboth – Mariental, Bridge No. 157;
- Rehoboth – Mariental, Bridge No. 158;
- Rehoboth – Mariental, Bridge No. 2312; and
- Gobabis Weighbridge.

Furthermore, the RFA contributed to the updating and revision of the Suite of Procedures Manuals of the Roads Authority, which is an important reference document for the implementation and management of all RA projects.

Contribution to the Maintenance of Urban Roads and Streets

The RFA paid contributions to the traffic related maintenance of urban roads and streets to Local Authorities, which had been published in the Government Gazette as Approved Authorities. The Funding determinations were made in accordance with the RFA Act, Sections 17 and 20, based on budgets submitted by the Local Authorities.
Funding for 51 Approved Local Authorities and all 13 Regional Councils was included in the budget for the maintenance of urban roads, and N$ 69.5 million was disbursed (87 percent of the RFA budget allocation).

As in the case of the National Road Network, fund allocation for urban roads and streets were constrained by the Funding raised through the Road User Charging System during the year under review.

However, the most significant constraint in funding the majority of the smaller Local Authorities was their lack of capacity in planning and budgeting for

Funding allocationsfor the Management of the National Road Network (N$'000,000)

Description	2010/2011	2011/2012	% Increase
RA Administration	189.0	200.3	6.0 %
Network Planning	6.2	7.1	14.8 %
Construction & Rehabilitation	51.9	70.1	34.9 %
Maintenance	649.0	644.2	-0.7 %
RMS	17.1	14.7	-14.0 %
NaTIS	45.9	69.9	52.1 %
Fencing & Compensation	5.1	7.0	37.6 %
Project Adminisration Costs	17.5	6.2	-64.7 %
Weighbridge Maintenance	2.4	1.8	-24.7 %

road maintenance works. Some consultancy firms providing professional assistance to Local Authorities deliver doubtful results, while their charges burden funds by between 20 percent and 30 percent.

In view of the above challenges, the RFA intends to embark upon a project to improve funding efficiency; empower Local Authorities and local businesses; reduce overhead costs (i.e. consultancy costs) and ensure that value for money is received. This will provide the Management with a tool for improved control over the implemented local maintenance activities.

The project is provisionally envisaged to include the following key components:

- A database of Local Authority road and street networks;
- Establishment of service levels for the different types of Local Authorities, for which the RFA would provide funding;
- Condition record of the network, and gap analysis against the established desired road conditions/service levels;
- Costing of standardized periodic maintenance interventions;
- A data base of all maintenance interventions with regards to items such as dates, works, costs, materials and firms;
- Development of standardized and documentation for the implementation of periodic maintenance activities, such as:
  - Standard documentation for consulting services, including terms of reference and conditions of contract,
  - Standard tender documentation for construction works, including tender rules, tender forms, general and particular conditions of contract, project specifications and quality requirements, generic schedule of quantities for main and SME contractors,
  - Procurement procedures for consultancy services and for maintenance works, and
  - Guidelines and procedures for the administration and management of projects; and
- The feasibility of implementing further efficiency improvement measures with the involvement of the RA is still to be investigated in consultation with the RA.

Contribution to Traffic Management and Road Safety

The promotion of a safe Road Sector implies that organizations, which assume responsibility for the management of traffic and road safety, should be supported.

The RFA financed the operations of the Namibian Traffic Information System (NaTIS), managed by the RA's Division: Transport Information and Regulatory Services. This included its administrative costs of N$ 69.86 million (93 percent of the RFA budget allocation), while Government Funded its capital expenses.

The Approved Authorities, which submitted budgets for law enforcement expenses for the 2011/12 Financial Year, were the Roads Authority, the Namibian Police, and the municipalities of Henties Bay, Keetmanshoop, Otjiwarongo, Swakopmund, Walvis Bay and Windhoek.

The Funding determinations for traffic law enforcement functions of the Local Authorities were constrained by a limited availability of funds, while the RA was disbursed its full budget requirement, N$ 30.1 million (94 percent of the RFA budget allocation).

These Funds allocated to the RA were for the Road Traffic and Transport Inspectorate, which monitors the overloading of heavy vehicles on the National Road Network and operates the weighbridge infrastructure.

The RFA Act provides for the provision of funds for the National Road Safety Council for programmes aimed at addressing road safety. However, no programmes were submitted for funding and thus no funds were disbursed during 2011/2012.

AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Division provides an independent and objective control system within the Administration ensuring efficiency principles being adhered to and corporate governance being observed.

Risk Management tools are applied for the safeguarding of assets, maintenance of reliable financial information and compliance with applicable laws, regulations and policies.

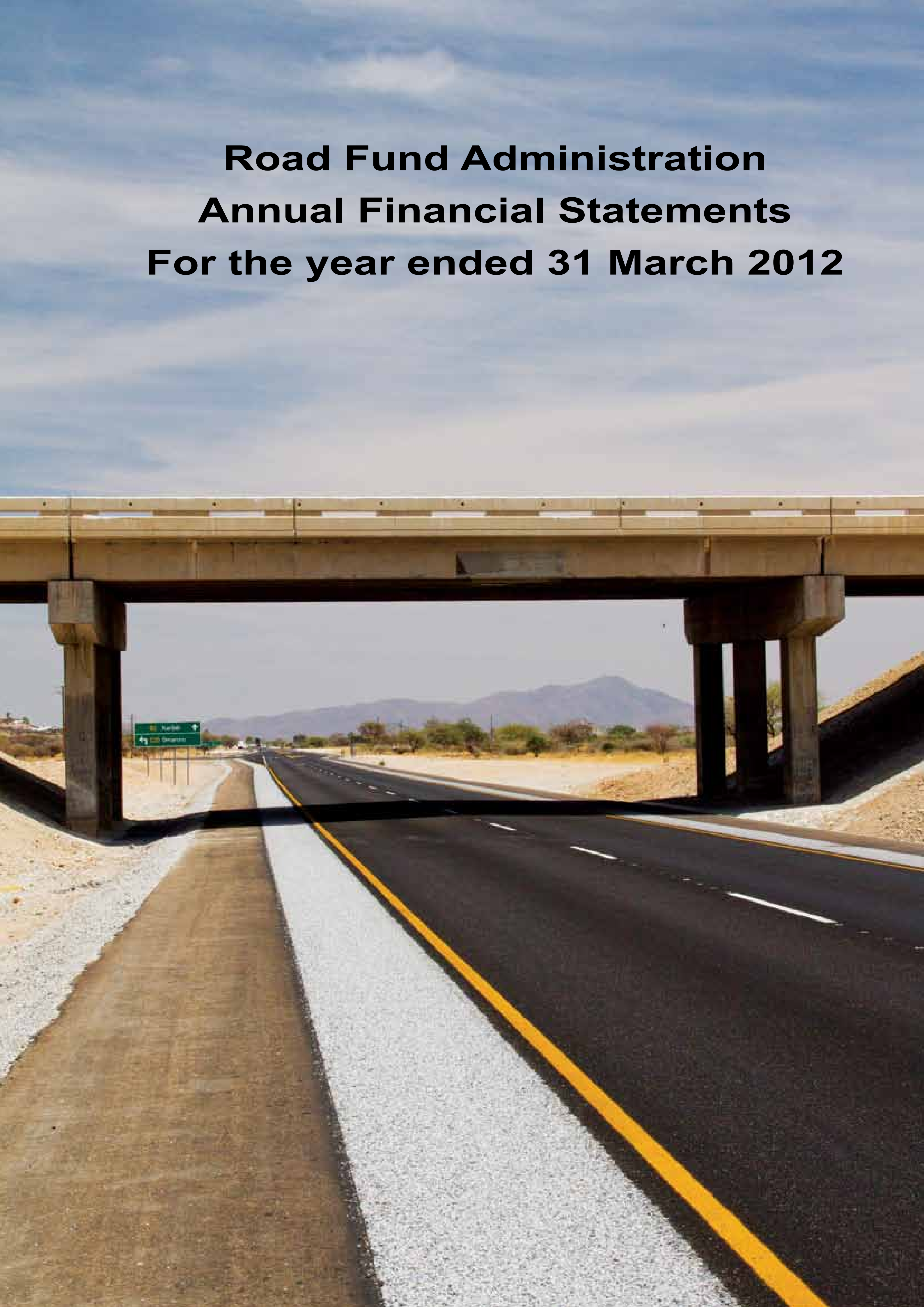
The Division performs internal audits, monitors all revenues collected and funds disbursed from the Road Fund, and provides advice to all Divisions.

INFORMATION AND COMMUNICATION TECHNOLOGY

The Information & Communication Technology Division is responsible for advising Board and Management in providing technological vision and leadership in the process of developing, implementing, operating and maintaining the Road Fund Administration's ICT systems.

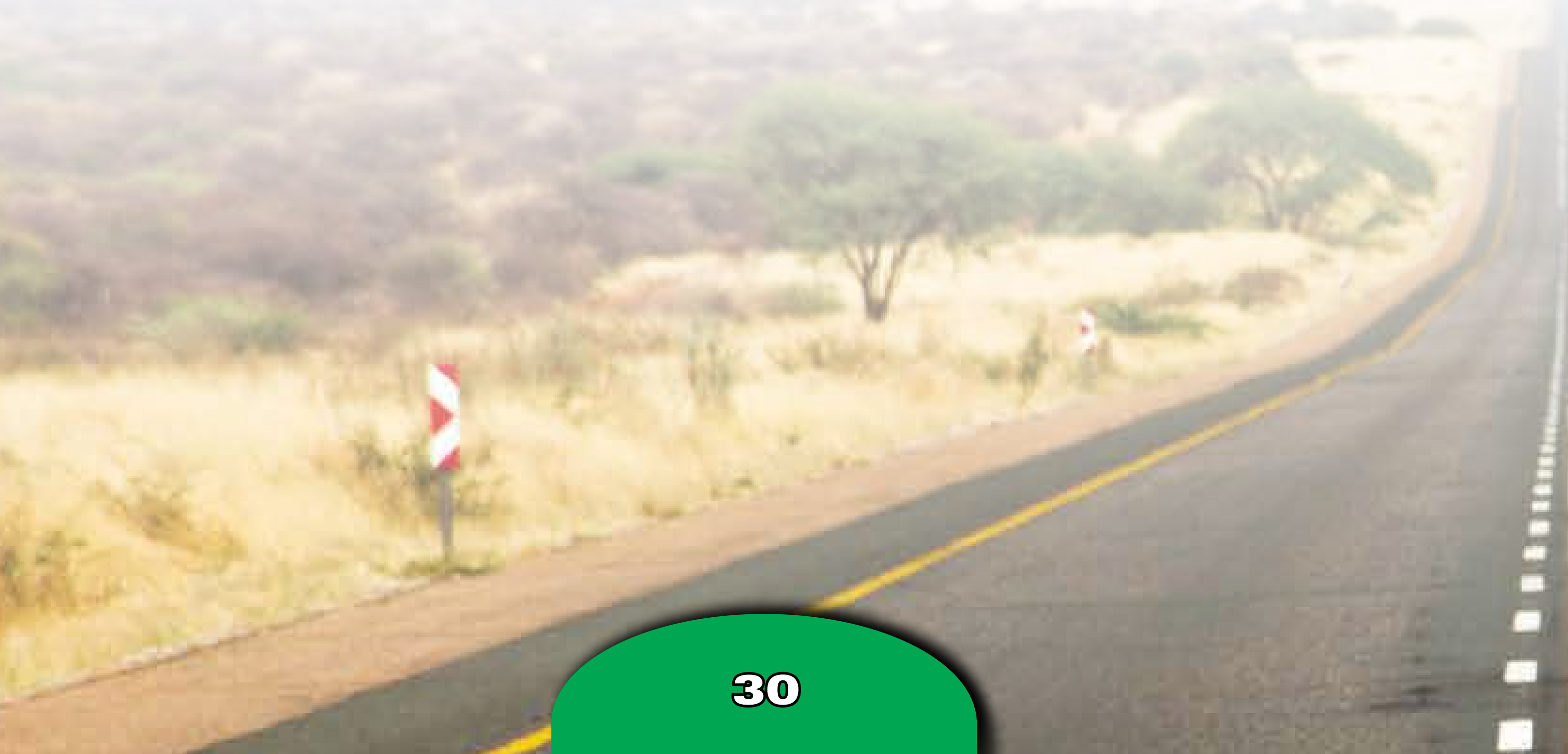
It also provides guidance in the execution of ICT strategic plans in order to optimize the use of ICT in support of its operations.

Road Fund Administration
Annual Financial Statements
For the year ended 31 March 2012



General Information

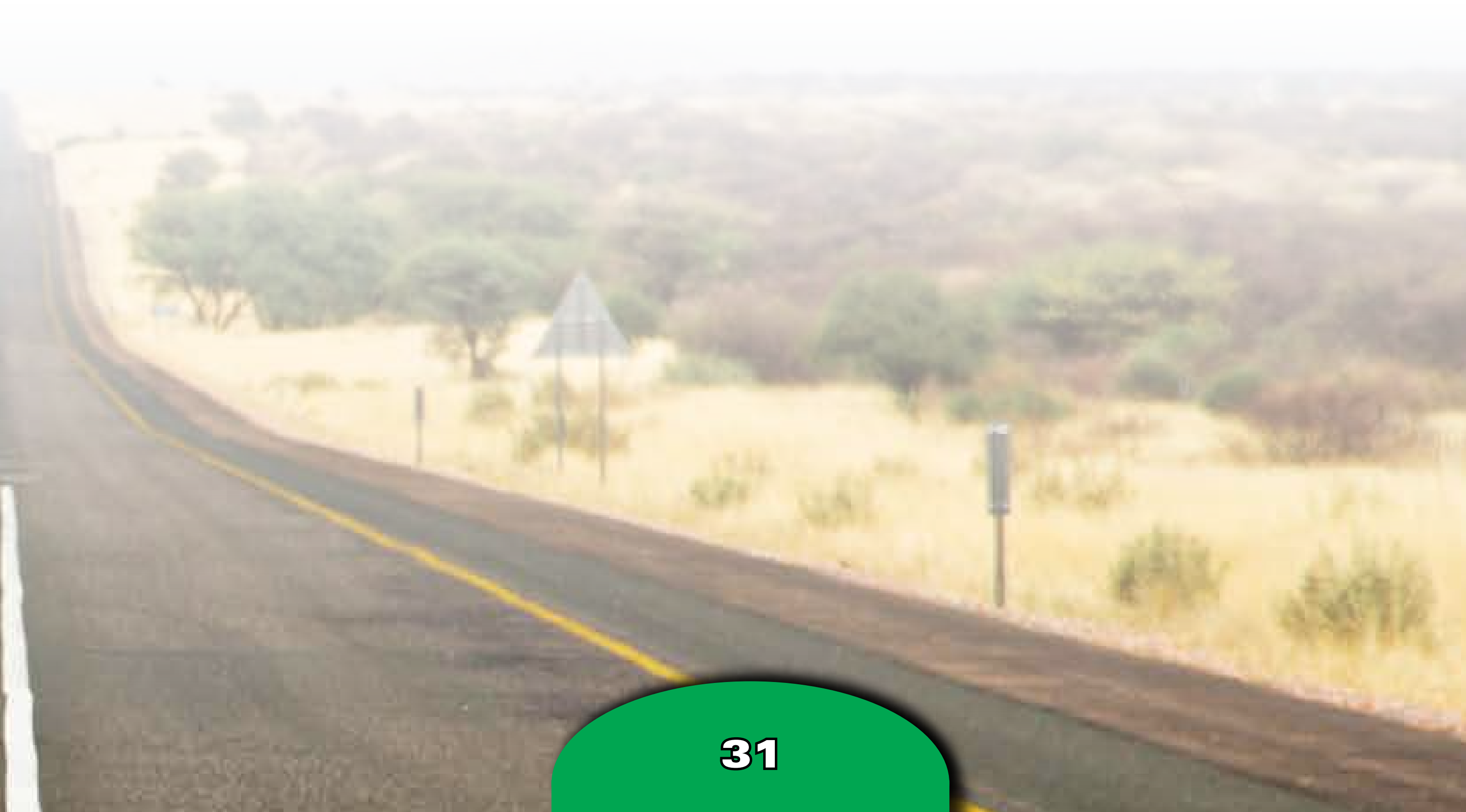
Nature of business and Principal Activities	To manage Namibia's Road User Charging System so as to achieve a safe and economically efficient Road Sector, for the benefit of all Road Users.
Directors	P. Ithindi (Chairperson) E. O. Asino-Joseph S. Amunkete A. Avafia D. Maxwell
Business Address	3rd Floor Maerua Park Office Block Centaurus Road Windhoek Namibia
Postal Address	Private Bag 13372 Windhoek Namibia 9000
Bankers	Bank Windhoek Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia) PwC, a partnership duly organised according to the laws of the Republic of Namibia (hereafter referred to as "PwC", "we", "us", our")



Annual Financial Statements for the year ended 31 March 2012

Contents

The Reports and Statements set out below comprise the Annual Financial Statements presented to the beneficiaries:



Directors' Responsibilities and Approval

The Directors are required in terms of the Road Fund Administration Act to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Fund's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the Fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

The independent auditors are responsible for independently reviewing and reporting on the Fund's Annual Financial Statements. The Annual Financial Statements have been examined by the Fund's independent auditors and their report is presented on pages 33 - 34.

The Annual Financial Statements set out on pages 35 to 60, which have been prepared on the going concern basis, were approved by the board on 9 December 2013 and were signed on its behalf by:

P. Ithindi (Chairperson)
9 December 2013

A. Avafia (Director)

Independent Auditor’s Report

To Road Fund Administration

We have audited the Annual Financial Statements of Road Fund Administration, which comprise the Statement of Financial Position as at March 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors’ Report, as set out on pages 35 to 60.

Directors’ Responsibility for the Annual Financial Statements

The Fund’s Directors are responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the Auditor‘s judgement, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Fund’s preparation and fair presentation of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Statements.

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

Basis for Qualified Opinion

Mass Distance Charges (Foreign) and Cross Border Charges: The Fund’s accounting records do not provide sufficient evidence supporting revenue from Mass Distance Charges and Cross Border Charges amounting to N$ 88,215,770.00 which was collected by Iroko Investments on behalf of Road Fund Administration at Namibian border posts. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the completeness, accuracy, occurrence as well as cutoff of Mass Distance Charges and Cross Border Charges collected at the borders for the year under review.

Independent Auditor's Report

Mass Distance Charges (Local): The Fund's accounting records do not provide sufficient evidence supporting local Mass Distance Charges.

We noted that the assessments are not recorded in the year that customers of the Fund travelled. As a result, we were unable to obtain sufficient appropriate audit evidence whether all Local Mass Distance Charges for the year have been recorded in the financial period. We could therefore not satisfy ourselves as to the completeness and cutoff of revenue collected from Mass Distance Charges (Local).

License Fees: The Fund's accounting records do not provide sufficient evidence supporting the revenue component of the statement of comprehensive income amounting to N$ 383,466,846 in respect of Vehicle Licence Fees. These fees are recorded on a cash basis rather than accrual basis of accounting. As a result, we were unable to obtain appropriate audit evidence to satisfy ourselves regarding the completeness, accuracy as well as cutoff of Licence Fees collected for the year under review.

Completeness of Fuel Levy Refunds: The Fund's accounting records do not provide sufficient evidence supporting the accrual of Fuel Levy Refunds amounting to N$ 96,272,190 at year-end. There were no satisfactory audit procedures that we could have performed to obtain reasonable assurance that all the Fuel Levy Refunds at year-end were properly recorded. As a result, we were unable to determine whether any adjustments would be required in respect of Fuel Levy Refunds accrual at year-end, and the related elements making up the statements of income, changes in equity and cash flows.

Qualified Audit Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Annual Financial Statements present fairly, in all material respects, the financial position of Road Fund Administration as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Road Fund Administration Act.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the Directors' Report which indicates that, as at 31 March 2011, the Fund's total liabilities exceeded its total assets by N$ 46,611,043 (2011: N$ 153,940,094). The Directors' Report indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Fund's ability to continue as a going concern.

PricewaterhouseCoopers

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner
Windhoek
9 December 2013

Directors' Report

The Directors submit their annual report for the year ended 31 March 2012.

1. Review of Activities

Main business and operations

The Fund is engaged in to manage Namibia's Road User Charging System so as to achieve a safe and economically effecient Road Sector, for the benefit of all Road Users and operates principally in Namibia.

The operating results and state of affairs of the Fund are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net surplus of the Fund was N$ 107 329 051 (2011: N$ 4 308 349).

2. Going Concern

We draw attention to the fact that at 31 March 2012, the Fund had accumulated losses of N$ 46 611 043 and that the Fund's total liabilities exceeded its assets by N$ 46 611 043.

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

The ability of the Fund to continue as a going concern is dependent on a number of factors. The most significant of these is that the Directors continue to procure Funding for the ongoing operations for the Fund.

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the Trust Deed up to such amount equal to the value of the issued loan stock of N$ 330,000,000, plus interest, penalty interest and any other mount payable by the RFA.

3. Events after the Reporting Period

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

4. Directors

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

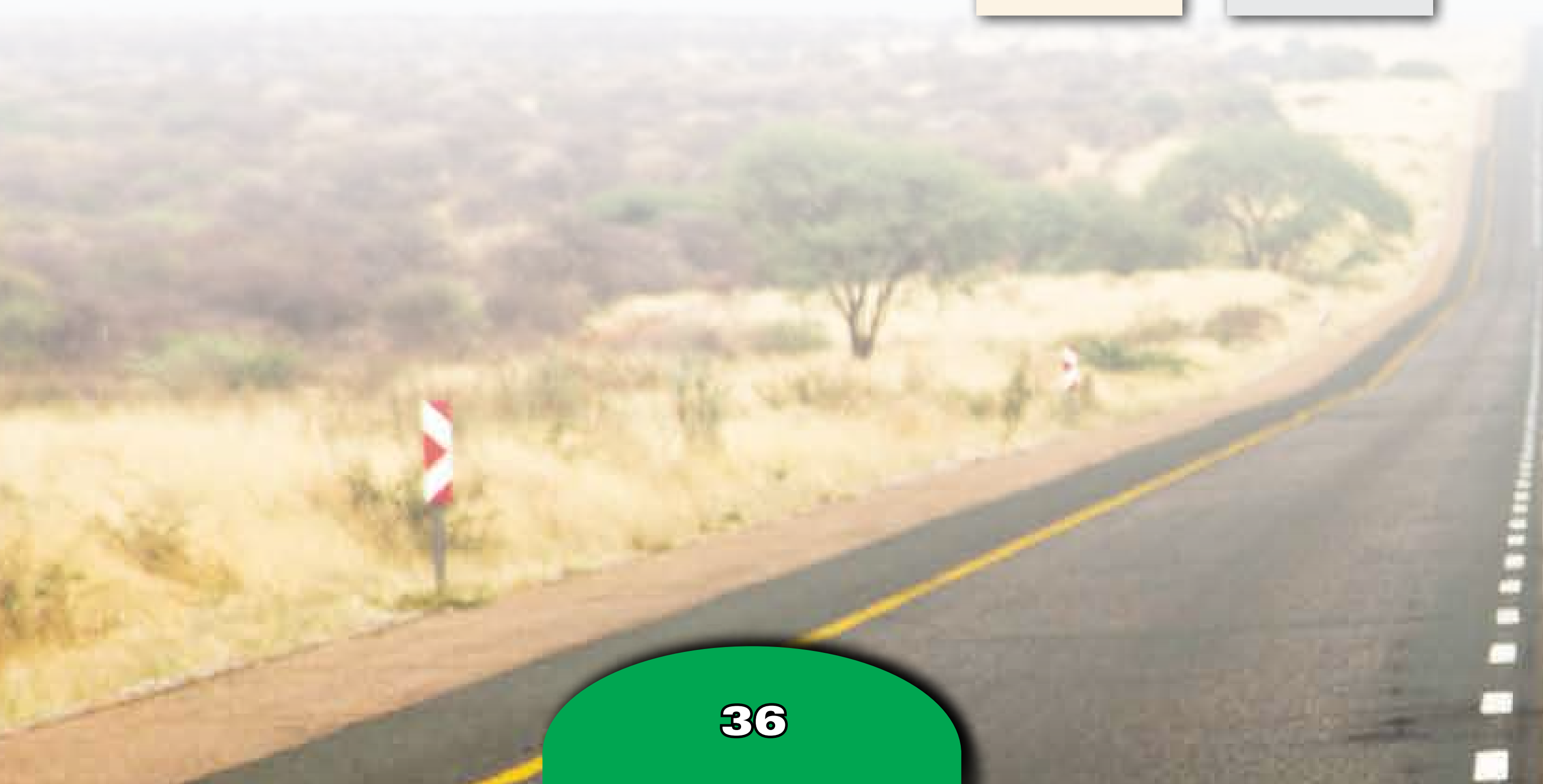
Name	Nationality	Changes
A. Simana - Paulo	Namibian	Resigned 21 December 2012
F. M. Kwala	Namibian	Resigned 15 October 2012
A. N. Nambundunga	Namibian	Resigned 21 December 2012
T. N. Shaanika	Namibian	Resigned 30 November 2011
A. C. Van der Merwe	Namibian	Resigned 21 December 2012
P. Ithindi (Chairperson)	Namibian	Appointed 21 December 2012
E. O. Asino-Joseph	Namibian	Appointed 21 December 2012
S. Amunkete	Namibian	Appointed 21 December 2012
A. Avafia	Namibian	Appointed 21 December 2012
D. Maxwell	Namibian	Appointed 21 December 2012

5. Auditors

PricewaterhouseCoopers will continue in office for the next year in accordance with Road Fund Administration Act.

Statement of Financial Position

	Note(s)	2012 N$	2011 N$
Assets			
Non-Current Assets			
Property, plant and equipment	4	5 764 787	4 808 901
Current Assets			
Investments	5	358 139 995	287 727 373
Trade and other receivables	7	98 427 704	97 283 317
Cash and cash equivalents	8	217 839 163	187 665 458
		674 406 862	572 676 148
Total Assets		680 171 649	577 485 049
Equity and Liabilities			
Equity			
Accumulated deficit		(46 611 043)	(153 940 094)
Liabilities			
Non-Current Liabilities			
Other Financial Liabilities	9	330 000 000	330 000 000
Current Liabilities			
Trade and other payables	10	396 782 692	401 425 143
Total Liabilities		726 782 692	731 425 143
Total Equity and Liabilities		680 171 649	577 485 049



Statement of Comprehensive Income

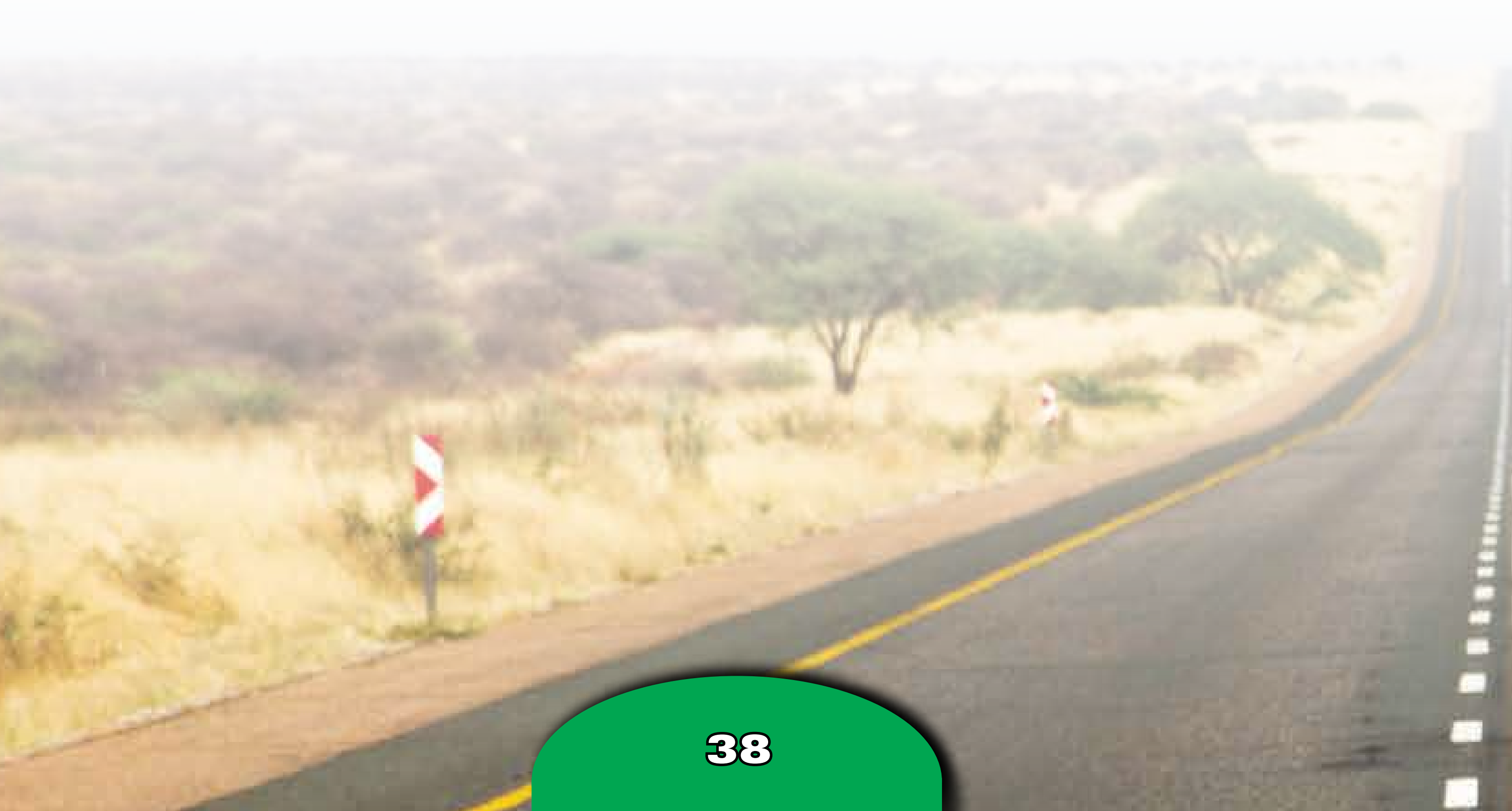
	Note(s)	2012 N$	2011 N$
Revenue	12	1 459 758 410	1 288 184 415
Other income	14	5 623 204	9 900 322
Operating expenses		(1 356 682 347)	(1 288 054 658)
Operating surplus	13	**108 699 267**	**10 030 079**
Investment revenue	15	29 979 784	38 025 367
Finance costs	16	(31 350 000)	(43 747 097)
Surplus for the year		**107 329 051**	**4 308 349**
Other comprehensive income		-	-
Total comprehensive income		**107 329 051**	**4 308 349**
Total comprehensive surplus attributable to:			
Beneficiary of the Fund		107 329 051	4 308 349

Statement of Changes in Equity

	Accumulated Deficit N$	Total Equity N$
Balance at 01 April 2010	(158 248 443)	(158 248 443)
Changes in equity		
Total comprehensive income for the year	4 308 349	4 308 349
Total changes	4 308 349	4 308 349
Balance at 01 April 2011	(153 940 094)	(153 940 094)
Changes in equity		
Total comprehensive income for the year	107 329 051	107 329 051
Total changes	107 329 051	107 329 051
Balance at 31 March 2012	(46 611 043)	(46 611 043)

Statement of Cash Flows

	Note(s)	2012 N$	2011 N$
Cash flows from operating activities			
Cash generated from operations	18	103 841 868	(132 933 767)
Interest income		29 979 784	38 025 367
Finance costs		(31 350 000)	(43 747 097)
Net cash from operating activities		**102 471 652**	**(138 655 497)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1 885 325)	(616 710)
Sale of financial assets		(70 412 622)	26 871 721
Net cash from investing activities		**(72 297 947)**	**26 255 011**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(148 616 551)
Net cash from financing activities		**-**	**(148 616 551)**
Total cash, cash equivalents and bank overdrafts movement for the year		30 173 705	(261 017 037)
Cash, cash equivalents and bank overdrafts at the beginning of the year		187 665 458	448 682 495
Total cash, cash equivalents and bank overdrafts at end of the year	8	**217 839 163**	**187 665 458**



Accounting Policies

1. Basis of preperation

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, and the Road Fund Administration Act. The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal Accounting Policies set out below. They are presented in Namibian Dollars.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade receivables and loans and receivables

The Fund assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the profit or loss, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Accounting Policies

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

Impairment Testing

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Post employment Medical Aid obligation

The cost of post retirement medical aid benefits is determined using actuarial valuations. These valuations involve making assumptions about discount rate, staff turnover, rate of increase in compensation costs and mortality rates. Due to the longterm nature of these plans, such estimates are subject to significant uncertainty.

1.2 Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the Fund; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of Property, Plant and Equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The revaluation surplus in equity related to a specific item of Property, Plant and Equipment is transferred directly to retained earnings when the asset is derecognised.

Land is not depreciated. Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years
Computer equipments	3 years

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

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

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.3 Financial Instruments

Classification

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

- Financial assets at fair value through profit or loss - designated;
- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the Financial Instruments were obtained / incurred and takes place at initial recognition. Management determines the classification of its financial assets at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments. The Fund classifies Financial Instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Accounting Policies

Financial Instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For Financial Instruments, which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on Financial Instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent Measurement

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

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest. Dividend income is recognised in profit or loss as part of other income when the Fund's right to receive payment is established.

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

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

Fair Value Determination

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

Impairment of Financial Assets

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

For amounts due to the Fund, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Accounting Policies

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to Directors, Managers and Omployees

These financial assets are classified as loans and receivables.

Trade and Other Receivables

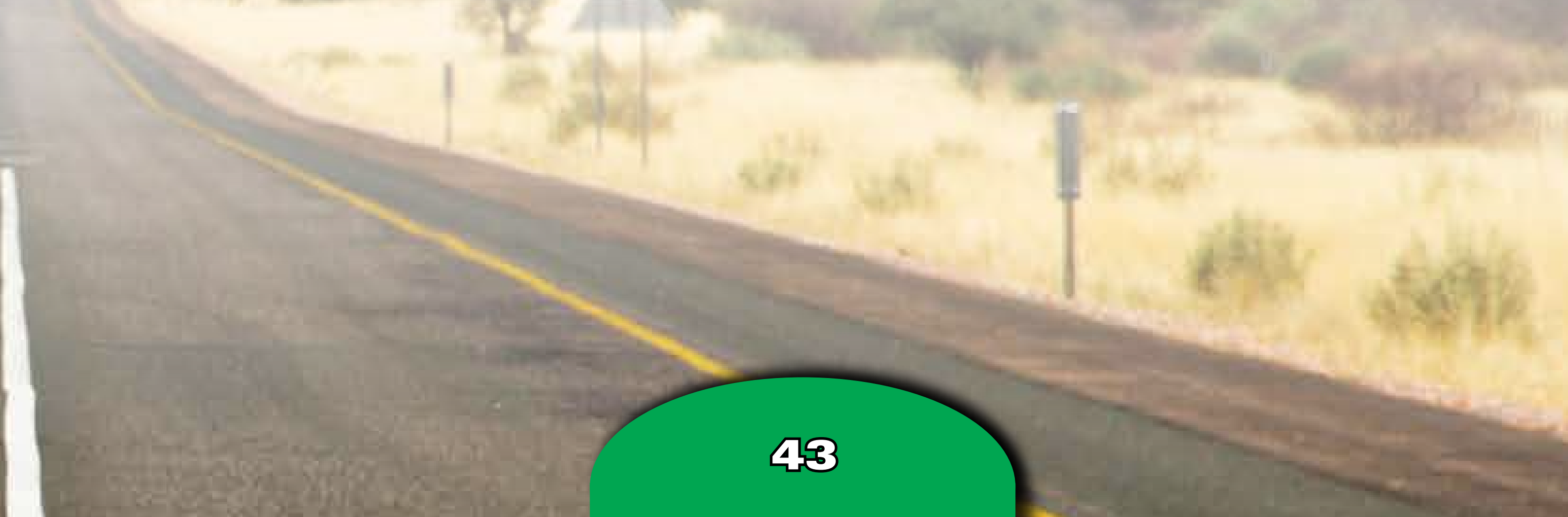
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is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

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

Trade and other receivables are classified as loans and receivables.

Trade and Other Payables

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



Accounting Policies

Cash and Cash Equivalents

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

Bank Overdraft and Borrowings

Bank Overdrafts and Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Fund's accounting policy for borrowing costs.

Bank Overdrafts and Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.4 Income tax

Current Tax Assets and Liabilities

The Road Fund Administration is a Public Entity in terms of the Income Tax Act and is consequently exempted from income taxation. The Fund was deregistered for VAT in April 2006 and it was not deemed to be a VAT vendor.

1.5 Leases

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

Operating Leases – Lessee

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

Any contingent rents are expensed in the period they are incurred.

1.6 Impairment of Non-financial Assets

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

Accounting Policies

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee Benefits

Short-term Employee Benefits

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

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

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

Accounting Policies

Defined Contribution Plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Fund no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The Fund has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Fund's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 20.

Post employment medical aid obligation

The latest actuarial valuation of the Roads Authority post employment medical benefit indicates a deficit of about N$ 63,102,789 (2011: N$ 41,999,726). The Directors resolved to provide for this deficit in terms of International accounting statement IAS 19. he movement in the balance of the provision is included in the income statement in terms of the statutory Funding rrangements as set out in the applicable Road Authority Act (Act 17 of 1999) and the Road Fund Administration Act (Act 18 of 1999) (refer to Note 10).

Accounting Policies

1.9 Government Grants

Government Grants are recognised when there is reasonable assurance that:

- The Fund will comply with the conditions attaching to them; and
- The grants will be received.

Government Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

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

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

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

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense. Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a government grant.

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Finance Income

Interest is recognised, in profit or loss, using the effective interest rate method.

Road User Charges

Road User Charges revenue of the Fund comprises of Road User Charges levied in terms of Section 18 (1) of the Road Fund Administration Act (Act 18 of 1999). These Road Users Charges comprise mainly of Fuel Levies, Vehicle Licence Fees, Cross Border Charges, Mass Distance Charges and Abnormal Loading Fees. Such charges are recognised on the accrual basis and upon collection from the Road Users.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and Interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Fund's accounting periods beginning on or after 1 April 2012 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
Amendment to IFRS 1, 'First time adoption' on government loans 0	1 January 2013
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting	1 January 2013
Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'	1 January 2013
IAS 19, "Employee benefits"	1 January 2013
IFRS 9 – Financial Instruments (2009,2010 and 2011)	1 January 2015
Amendments to IAS 32 – Financial Instruments: Presentation	1 January 2014
Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities	1 January 2014
IFRS 10 Consolidated Financial Statements	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

3. Risk Management

Capital Risk Management

The Fund's Capital Risk Management should be considered together with its mandate as a provided for in the Road Fund Administration Act (Act 18 of 1999).

The objective of the Fund is to manage the Road User Charges in such a way to secure and allocate sufficient Funding for the payment of expenditures with a view to achieve a safe and economically sufficient Road Sector.

The Fund's objectives when managing the capital are to safeguard its ability to continue as a going concern so that it can continue to meet its financial obigations as and when they fall due without compromising on the execution of its mandate.

Notes to the Annual Financial Statements

Financial Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The fair values of all the Fund's financial assets (cash and cash equivalent, trade and other receivables) and liabilities (trade and other payables) approximate their carrying value due to its short-term nature. The fair value of Loan Stock is calculated by discounting future cash flows at a fair rate of return.

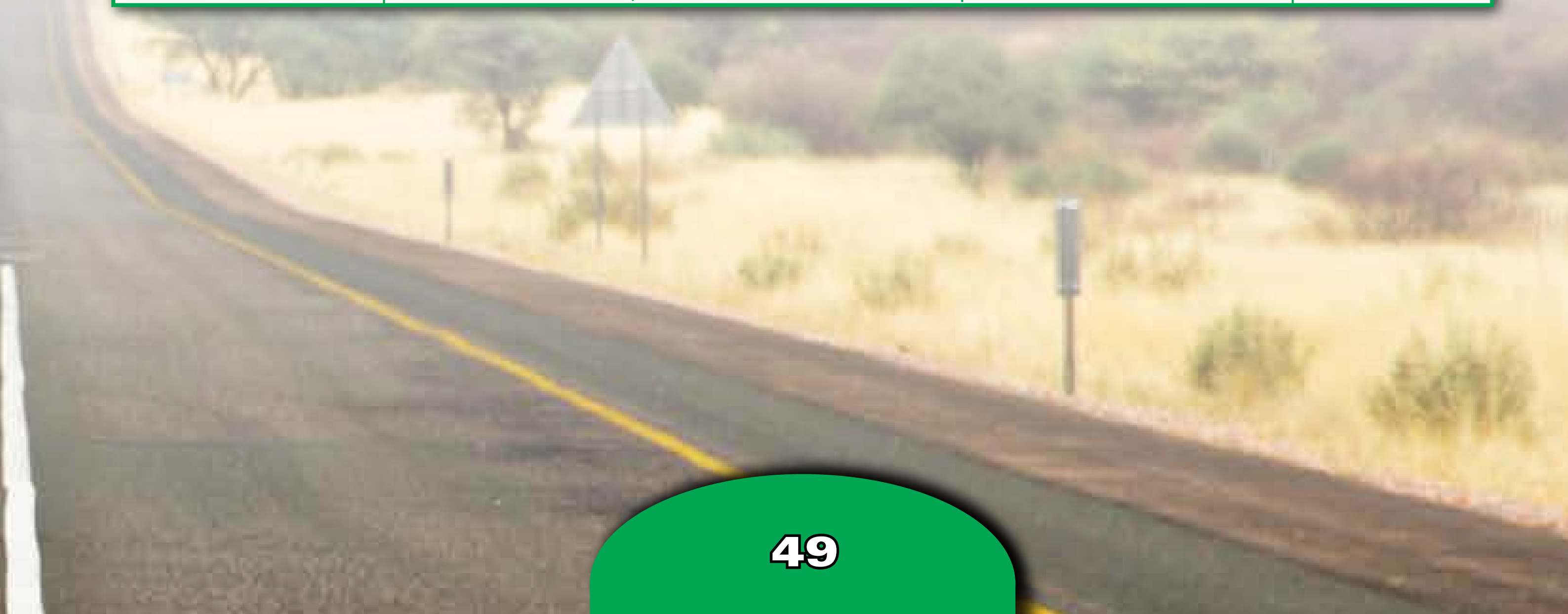
Liquidity Risk

Liquidity Risk refers to the risk that the Fund will encounter difficulty in meeting its obligations associated with the financial liabilities.

The Fund's risk to liquidity is a result of the Funds available to cover future commitments. The Fund manages Liquidity Risk through an ongoing review of future commitments and credit facilities. Cash flows forecasts are prepared and adequate utilised borrowings are monitored.

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

At 31 March 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade & Other Payables	390 307 363	-	-	-
Loan Stock	-	-	330 000 000	-
At 31 March 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and Other Payables	353 996 308	-	-	-
Loan Stock	-	-	-	330 000 000



Notes to the Annual Financial Statements

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the trust deed up to such amount equal to the value of the issued Loan Stock, plus interest, penalty interest and any other mount payable by the RFA.

Interest Rate Risk

Interest rate risk is the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Fund's cash flow interest rate risk results mainly from its exposure to floating rate bearing long- and short-term Funds invested. The Fund is not exposed to interest rate risk on its long-term borrowings.

The Fund has an investment in Investec High income Income Fund amounting to N$ 358,139,995, (2010: N$ 287,727,373). The Fund invests in high-yielding Namibian and South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments. The Fund is actively managed and the maximum average duration of asset is two years.

Had the interest rate changed by 100 basis points, the effect on the surplus and equity would have been N$ 3,581,400 (2010: N$ 2,877,274).

Fair value Interest Rate Risk

Borrowings issued at fixed rate expose the Fund to Fair Value Interest Rate Risk. The Fund has issued RFA 16 Loan Stock (3,500 Loan Stock units of N$ 1,000 each) at a fixed interest rate of 9.5%.

Credit Risk

The Credit Risk refers to the risk that a counterparty will cause financial loss to the Fund by defaulting on its contractual obligations.

Credit Risk consists mainly of investments, cash deposits, cash equivalents, and trade and receivables. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated Credit Risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by theoard. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The Fund is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Notes to the Annual Financial Statements

Price risk

The Fund is not exposed to Price risk.

4. Property, Plant and Equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	5 141 626	-	5 141 626	3 530 014	-	3 530 014
Furniture and Fixtures	854 184	(798 435)	55 749	805 994	(759 242)	46 752
Motor Vehicles	678 961	(541 852)	137 109	678 961	(442 054)	236 907
Office Equipment	149 268	(108 139)	41 129	136 363	(66 067)	70 296
Computer Equipment	5 291 386	(4 902 212)	389 174	5 078 766	(4 153 834)	924 932
Total	**12 115 425**	**(6 350 638)**	**5 764 787**	**10 230 098**	**(5 421 197)**	**4 808 901**

Reconciliation of Property, Plant and Equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land	3 530 014	1 611 612	-	5 141 626
Furniture and Fixtures	46 752	48 190	(39 193)	55 749
Motor Vehicles	236 907	-	(99 798)	137 109
Office Equipment	70 296	74 759	(103 926)	41 129
Computer Equipment	924 932	150 764	(686 522)	389 174
	4 808 901	**1 885 325**	**(929 439)**	**5 764 787**

Reconciliation of Property, Plant and Equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	3 129 000	401 014	-	3 530 014
Furniture and Fixtures	145 194	2 625	(101 067)	46 752
Motor Vehicles	336 704	-	(99 797)	236 907
Office Equipment	70 576	36 915	(37 195)	70 296
Computer Equipment	2 134 504	176 156	(1 385 728)	924 932
	5 815 978	**616 710**	**(1 623 787)**	**4 808 901**

Notes to the Annual Financial Statements

Pledged as Security

There were no assets pledged for security during the year under review, (2011: none).

Land comprises of vacant ervens 5845 and 5846 situated in Feld Street, Windhoek.

5. Investments

At fair value through profit or loss - designated		
Invested High Income Fund Namibia	358 139 995	287 727 373
Investments consist of 32,177,897.12 units @ N$ 11.13 per unit (2011: 25,867,785.04 units @ N$ 11,12 per unit).		
Current assets		
At fair value through profit or loss	358 139 995	287 727 373

6. Financial Assets by Category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Fair value through profit or loss - designated	Total
Other Financial Assets	-	358 139 995	358 139 995
Trade and Other Receivables	98 427 704	-	98 427 704
Cash and Cash Equivalents	217 839 163	-	217 839 163
	316 266 867	358 139 995	674 406 862

2011

	Loans and receivables	Fair value through profit or loss - designated	Total
Other Financial Assets	-	287 727 373	287 727 373
Trade and Other Receivables	97 283 317	-	97 283 317
Cash and Cash Equivalents	187 665 458	-	187 665 458
	284 948 775	287 727 373	572 676 148

Notes to the Annual Financial Statements

	2012 N$	2011 N$
7. Trade and Other Receivables		
Trade receivables	11 783 734	5 546 833
Accrued Fund Income	86 541 784	86 248 772
KfW Grants	-	5 463 315
Staff loans	-	4 615
Other receivable	102 186	19 782
	98 427 704	**97 283 317**

Credit quality of trade and other receivables

Trade and other receivables relates to a number of independent custmers with no credit ratings. These balances are neither past due nor impaired.

The above balances comprises of a number of independent customers whom have no recent history of defaults.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on Hand	42	42
Bank Balances - Fund Accounts	171 200 020	82 497 703
Short-term Deposits	25 226 369	1 139 599
Bank Balance - Project Accounts	21 412 732	104 028 114
	217 839 163	**187 665 458**

Restricted Cash

Included in the bank balance is an amount of N$ 21,412,732 (2011: N$ 104,028114) relating to government specific projects. The Funds are held in a designated bank deposit account to be used only for the purposes of the specific development, Government Kunene Road Project.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Notes to the Annual Financial Statements

	2012 N$	2011 N$
Credit Rating		
Bank Windhoek Limited (A1+ Moody's credit rating)	100 955 382	122 223 456
Nedbank Limited (C Fitch credit rating)	30 475 193	-
Standard Bank Namibia Limited (BB+ Fitch credit rating)	-	1 139 599
Simonis Storm Securities - No credit rating)	25 226 369	-
Namibia Post limited - Government agent with no credit rating	61 182 177	30 897 205
First National Bank (AA+ Fitch credit rating)	-	33 405 156
Petty cash	42	42
	217 839 163	**187 665 458**

9. Other Financial Liabilities

Held at amortised cost		
RFA 16 Loan Stock (3,500 Loan Stock units of N$1,000 each)	330 000 000	330 000 000
Non-current Liabilities		
At Amortised Cost	330 000 000	330 000 000

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the trust deed up to such amount equal to the value of the issued Loan Stock, plus interest, penalty interest and any other mount payable by the RFA. The amount of coupon payable in respect of each Loan Stock is calculated on the nominal value of N$ 100,000 per Loan Stock equal to 9.5% per annum, compounded semiannual. The Loan Stock shall be redeemed on the 31st of January 2016.

10. Trade and Other Payables

Trade Payables	119 443 803	82 419 365
Government Kunene Road Project (refer to Note 23)	21 412 732	137 475 174
Traffic Law Enforcement	25 067 000	22 424 693
Other Payables - KFW and Vehicle and Driving Testing Stations	47 310 595	35 498 366
Other Accruals	350	3 667
Road Authority Obligation	63 102 789	41 999 728
Accrual - Local Authorities	17 697 904	10 166 485
Provisions	1 250 329	622 057
Accrual - Loan Stock	5 225 000	5 225 000
Fuel Levy Creditors	96 272 190	65 590 608
	396 782 692	**401 425 143**

Notes to the Annual Financial Statements

Included in the Government Kunene Road project is an amount of N$ 21,412,732 (2011: N$ 104,518,051) relating to government specific projects. These Funds are kept is separate Bank account in the name of the Road Fund Administrations.These accounts are recorded in the books of Road Fund Administration with a corresponding liability as disclosed above.

11. Financial Liabilities by Category

The accounting policies for financial instruments have been applied to the line items below:

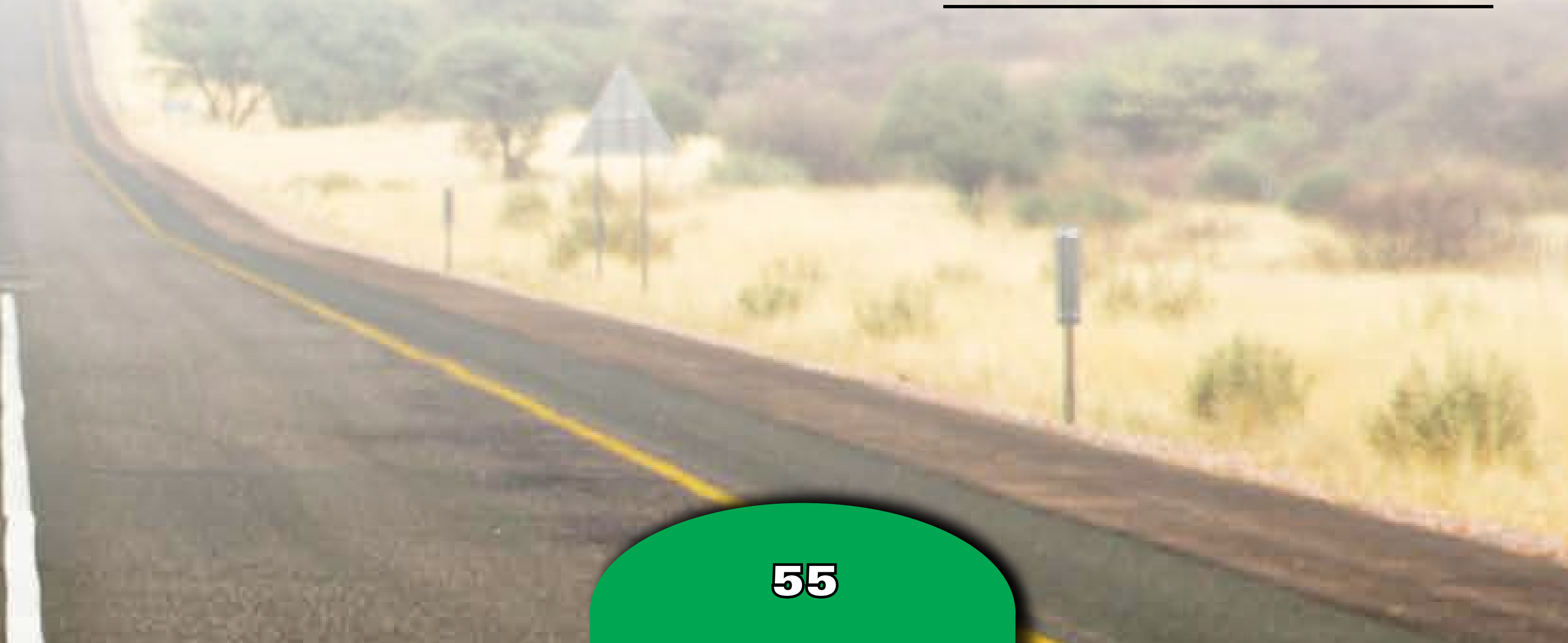
2012

	Financial liabilities at amortised cost	Total
Other Financial Liabilities	330 000 000	330 000 000
Trade and Other Payables	390 307 363	390 307 363
	720 307 363	**720 307 363**

2011

	Financial liabilities at amortised cost	Total
Other Financial Liabilities	330 000 000	330 000 000
Trade and Other Payables	353 996 308	353 996 308
	683 996 308	**683 996 308**

	2012 N$	2011 N$
12. Revenue		
Other Road User Charges	521 935 154	435 863 261
Fuel Levies	937 823 256	852 321 154
	1 459 758 410	**1 288 184 415**



Notes to the Annual Financial Statements

	2012 N$	2011 N$
Other Road User Charges included in revenue are as follows:		
Vehicle Licence Fees	383 466 846	323 275 561
Mass Distance Charges - Local	41 575 629	30 982 292
Cross Border Charges	78 360 010	67 182 292
Abnormal Permit Fees	8 676 909	7 374 782
Mass Distance Charges - Foreign	9 855 760	7 048 334
	521 935 154	**435 863 261**

13. Operating Surplus

Operating Surplus for the year is stated after accounting for the following:

	2012 N$	2011 N$
Premises		
• Contractual amounts	1 612 727	1 456 845
Depreciation on Property, Plant and Equipment	929 439	1 623 787
Employee Costs	15 002 836	16 150 918

Expenses by Nature

	2012 N$	2011 N$
Employee Costs	15 002 836	16 150 918
Depreciation, Amortisation and Impairments	929 439	1 623 787
Advertising	417 407	519 359
Lease Rentals on Operating Lease	1 612 727	1 456 845
Administration and Management Fees	1 044 503 606	932 093 032
Bank Charges	2 307 021	1 590 525
Kunene Road Projects	-	49 887 566
Transfer to Local Authorities	71 275 064	67 977 133
Fuel Levy Refunds - Agriculture, Construction, Fishing, Mining & Retail	186 257 535	185 346 972
Traffic Law Enforcement	25 067 000	22 424 693
Other Expenses	9 309 712	8 983 828
Total Distribution Costs and Administrative Expenses	1 356 682 347	1 288 054 658
Total Cost of Sales, Distribution Costs and Administrative Expenses	**1 356 682 347**	**1 288 054 658**

Notes to the Annual Financial Statements

	2012 N$	2011 N$
14. Other Income		
Other Sundry Income	1 742 050	2 400
Payment from Road Authority	-	9 897 922
Donor Swap	3 881 154	-
	5 623 204	**9 900 322**
15. Finance income		
Interest Revenue		
Bank	1 766 548	2 604 959
Distribution from Unit Trust	28 213 236	35 420 408
	29 979 784	**38 025 367**
16. Finance costs		
Interest Paid	31 350 000	43 747 097
17. Auditor’s remuneration		
Consulting	-	82 110
Audit Fee	331 878	305 693
	331 878	**387 803**
18. Cash generated from operations		
Surplus for the Year	107 329 051	4 308 349
Adjustments for:		
Depreciation and Amortisation	929 439	1 623 787
Interest Received	(29 979 784)	(38 025 367)
Finance Costs	31 350 000	43 747 097
Changes in Working Capital:		
Trade and Other Receivables	(1 144 387)	(26 666 091)
Trade and Other Payables	(4 642 451)	(117 921 542)
	103 841 868	**(132 933 767)**

Notes to the Annual Financial Statements

	2012 N$	2011 N$
19. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	337 028	306 389

Operating lease payments represent rentals payable by the Fund for certain of its office properties. No contingent rent is payable.

20. Contingencies

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 utilise 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 ministry has not yet made a determination in this effect.

21. Related Parties

Relationships	
RFA receives monies from RA that is collected for Licence and Overloading Fees. RFA then distributes monies collected to the RA for roads maintenance.	**Roads Authority**
The RFA gives monies to the Local authorities for the roads maintenance in their respective local Authority Councils.	**Local Authorities**
RFA receives monies from the Ministry for specific projects. The Ministry of Works & Transport (Unutilised project Funds) The RFA gives monies to the Traffic Law Enforcements for law enforcements in their respective jurisdictions.	**Traffic Law Enforcements**
RFA received a grant from KFW through the Government.	**KFW Grant Swap**

Notes to the Annual Financial Statements

	2012 N$	2011 N$
Related Party Balances		
Amounts included in Trade payables and provision regarding related parties		
Roads Authority	181 318 796	140 270 559
Local Authorities	17 697 904	10 166 485
Ministry of Works & Transport (Unutilised project Funds)	47 310 595	169 055 029
Traffic Law Enforcements	25 067 000	22 424 693
Government Kunene Road Projects	21 412 732	104 518 051
Related Party Transactions		
Payments made to Related Parties		
Road Authority	1 035 451 909	921 368 677
Local Authorities	71 275 066	67 977 133
Traffic Law Enforcements	25 067 000	22 424 693

22. Directors' emoluments

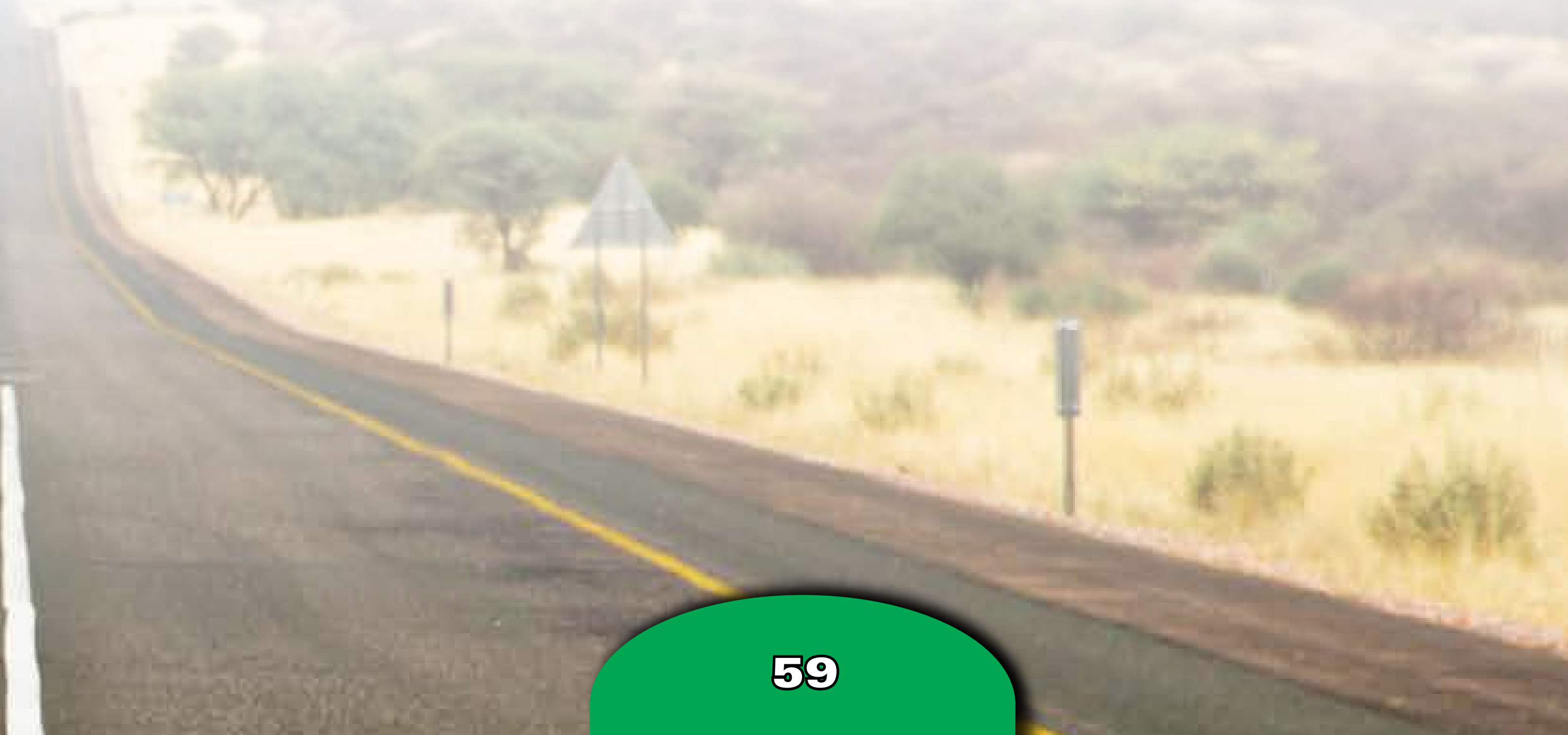
Non-executive

2012

	Directors' fee	Total
For services as Directors	144 000	144 000

2011

	Directors' fees	Total
For services as Directors	228 693	228 693



Notes to the Annual Financial Statements

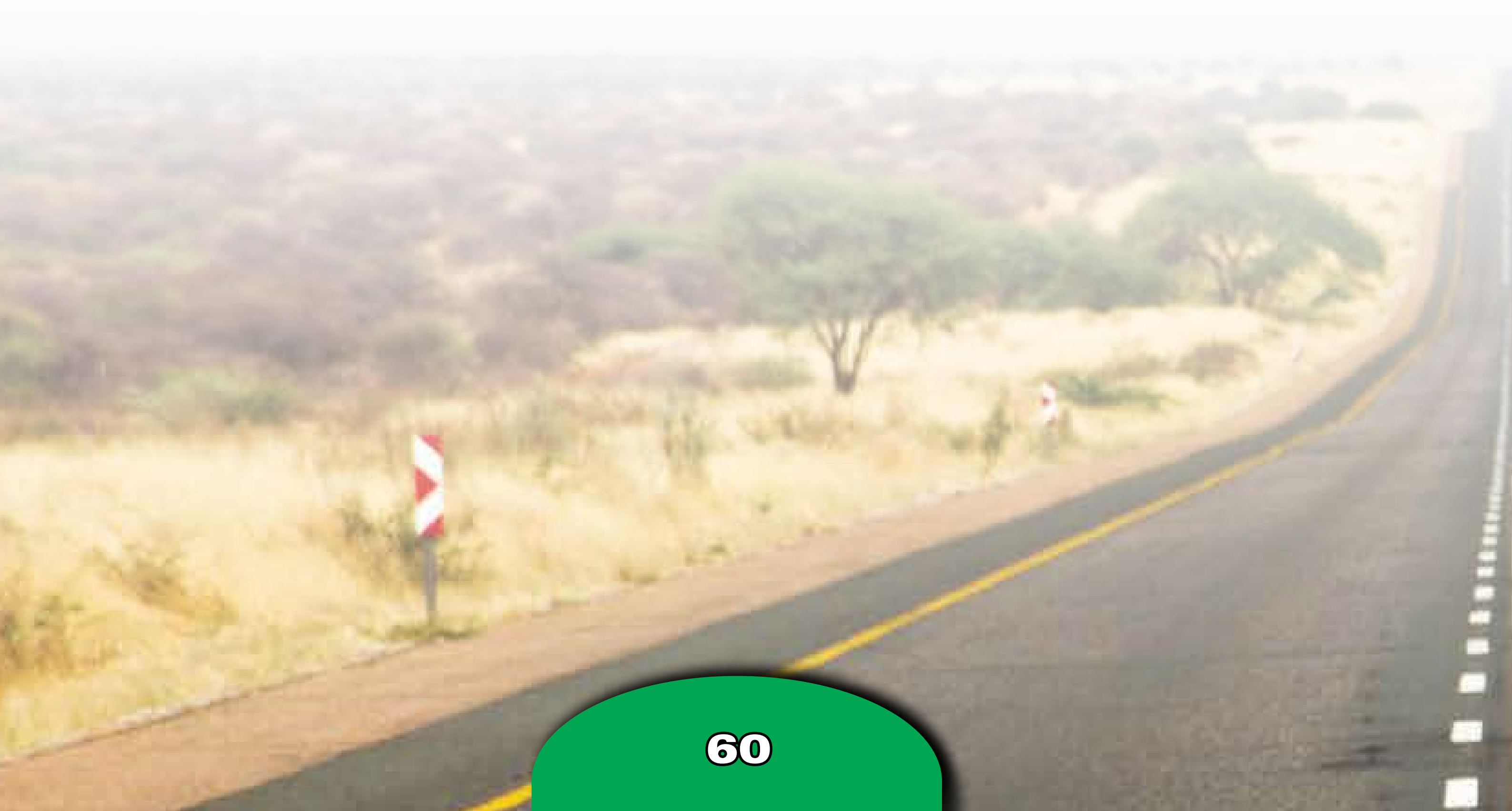
23. Government Kunene Road Projects

The Fund administers some accounts that are used to finance certain project on behalf of the Government. The accounts are opened and operated by the Road Fund Administration. The Road Fund Administration has recorded those accounts as restricted cash with a corresponding amounts incuded in payables.

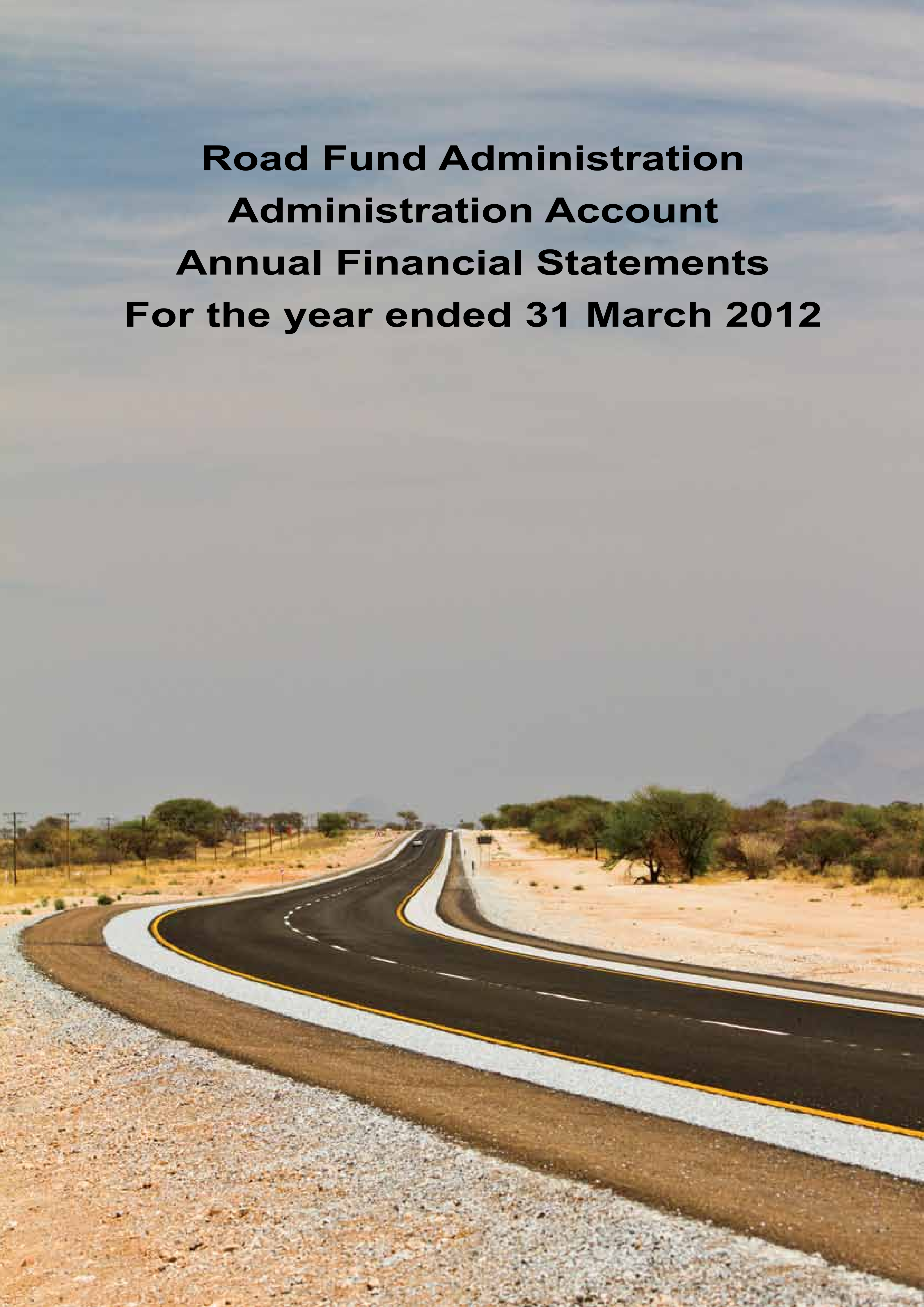
	2012 N$	2011 N$
The balance at the end of the year is made up as follows:		
Balance at the beginning of the year	137 475 174	289 137 846
Advance during the year	536 292 087	1 141 551 150
Payment during the year	(652 354 529)	(1 293 213 822)
Balance at the end of the year	**21 412 732**	**137 475 174**
The amount is represented by:		
Project accounts included in bank balances	21 412 732	104 028 114
Receivable from the Fund	-	33 447 060
Balances at year end (included as payables)	**21 412 732**	**137 475 174**

24. Compliance with Road Fund Administration Act

Section 24 (1)(b) of the Road Fund Administration Act requires that separate Annual Financial Statements of the Fund and Administration accounts prepared. This is has been complied with and separate accounts are available at the Fund's Head Office.

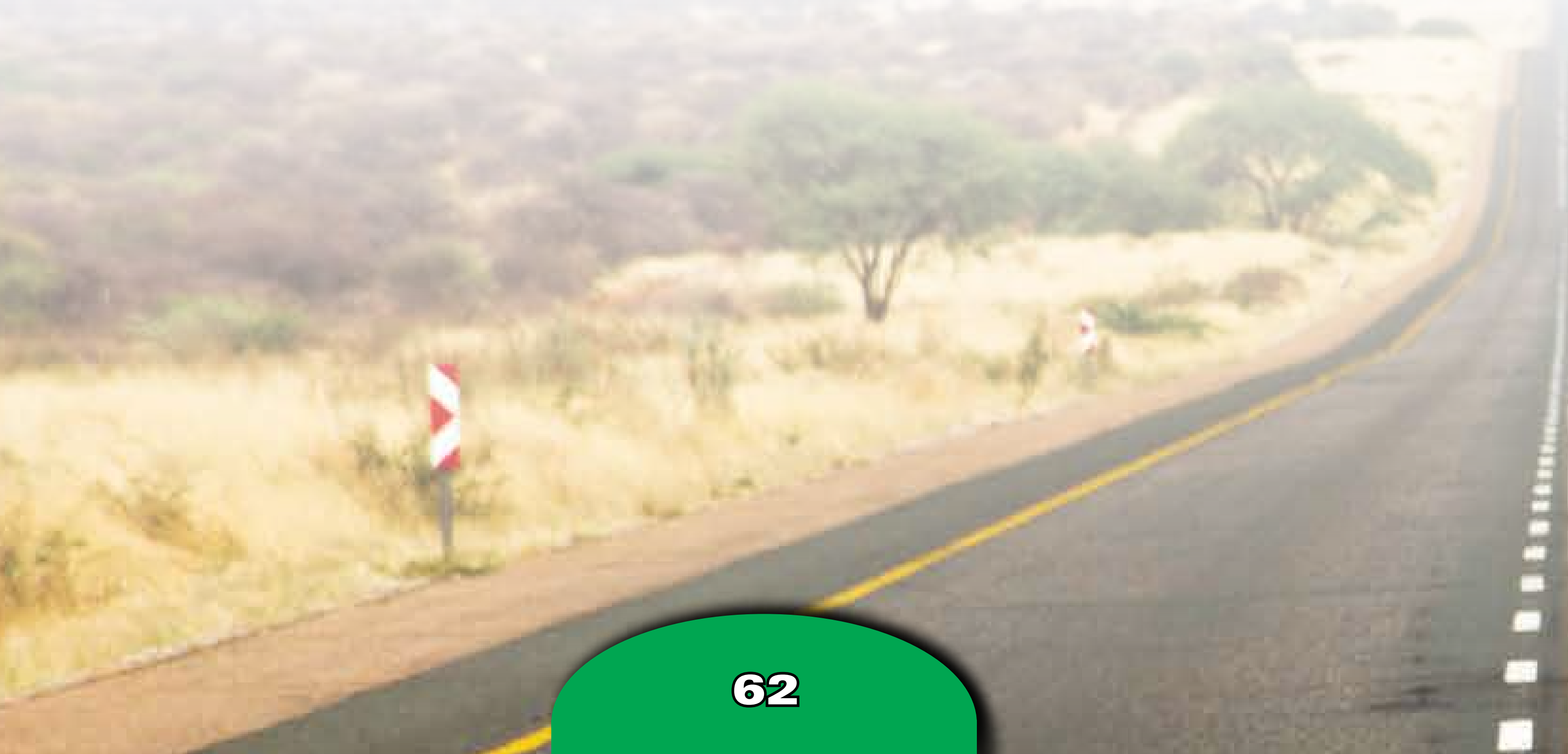


Road Fund Administration
Administration Account
Annual Financial Statements
For the year ended 31 March 2012



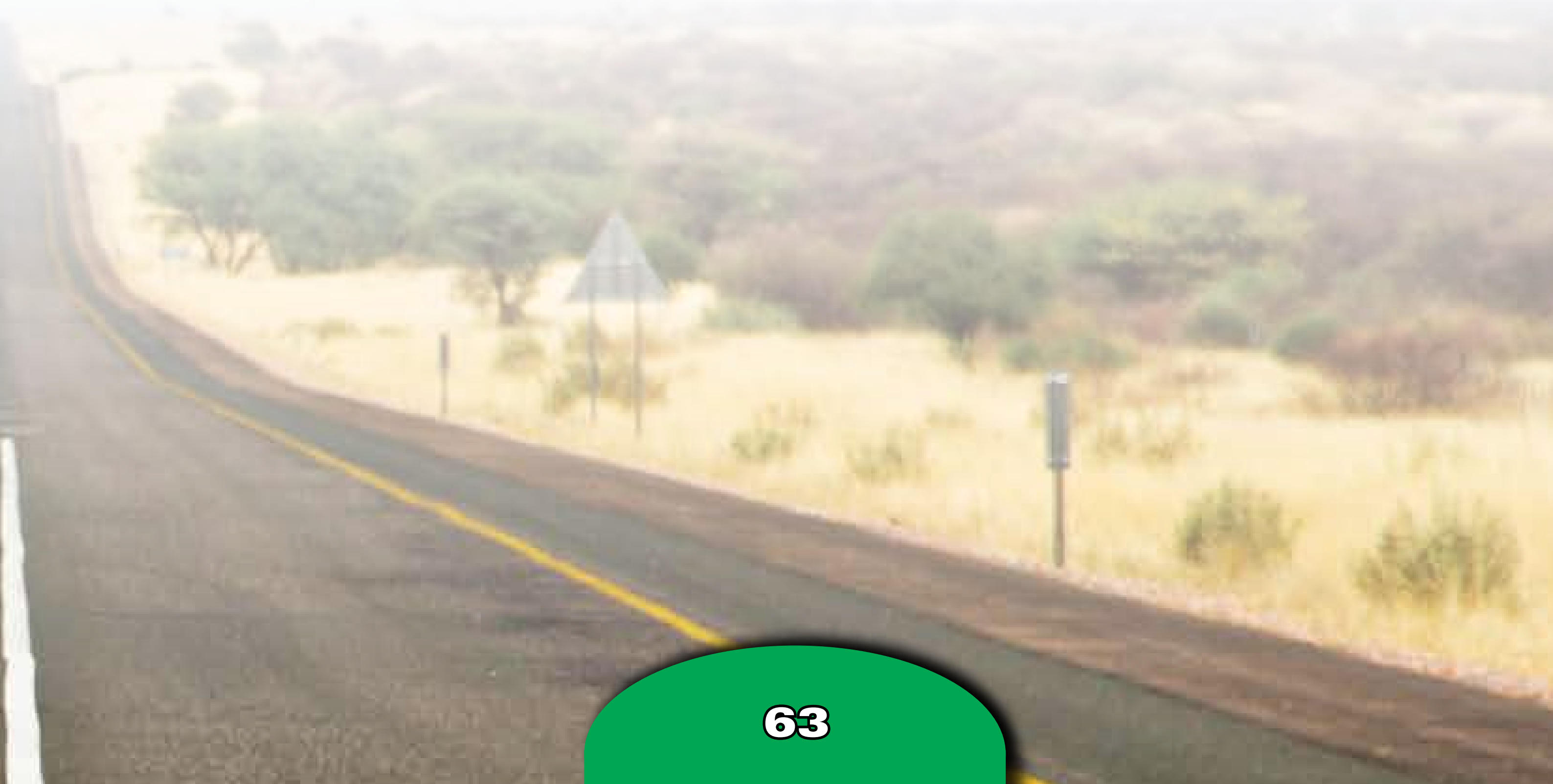
General Information

Nature of Business and Principal Activities	To manage Namibia's Road User Charging System so as to achieve a safe and economically efficient Road Sector, for the benefit of all Road Users.
Directors	P. Ithindi (Chairperson) E. O. Asino-Joseph S. Amunkete A. Avafia D. Maxwell
Business Address	3rd Floor Maerua Park Office Block Centaurus Road Windhoek Namibia
Postal Address	Private Bag 13372 Windhoek Namibia 9000
Bankers	Bank Windhoek Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia) PwC, a partnership duly organised according to the laws of the Republic of Namibia (hereafter referred to as "PwC", "we", "us", our")



Contents

The Reports and Statements set out below comprise the Annual Financial Statements presented to the beneficiaries:



Directors' Responsibilities and Approval

The Directors are required in terms of the Road Fund Administration Act (Act 18 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the basis of accounting described in Note 1 to the Financial Statements.

The Annual Financial Statements are prepared in accordance with the basis of accounting described in Note 1 to the Financial Statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of Risk Management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Fund's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the Fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

The independent auditors are responsible for independently reviewing and reporting on the Fund's Annual Financial Statements. The Annual Financial Statements have been examined by the Fund's independent auditors and their report is presented on pages 65 - 66.

The Annual Financial Statements set out on pages 67 to 86, which have been prepared on the going concern basis, were approved by the Board on 9 December 2013 and were signed on its behalf by:

P. Ithindi (Chairperson)
9 December 2013

A. Avafia (Director)

Independent Auditor's Report

To Road Fund Administration
Report on the Financial Statements

We have audited the Annual Financial Statements of Road Fund Administration - Administration Account, which comprise the Statement of Financial Position as at 31 March 2012, and the Statement of Comprehensive Income Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors' Report, as set out on pages 67 to 86.

Directors' Responsibility for the Annual Financial Statements

The Fund's Directors are responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with the basis of accounting described in Note 1 to the Financial Statements, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the 's judgement, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Road Fund Administration - Administration Account as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the Financial Statements, and in the manner required by the Road Fund Administration Act (Act 18 of 1999).

Independent Auditor's Report

Other Matters

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 24 does not form part of the Annual Financial Statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Going Concern

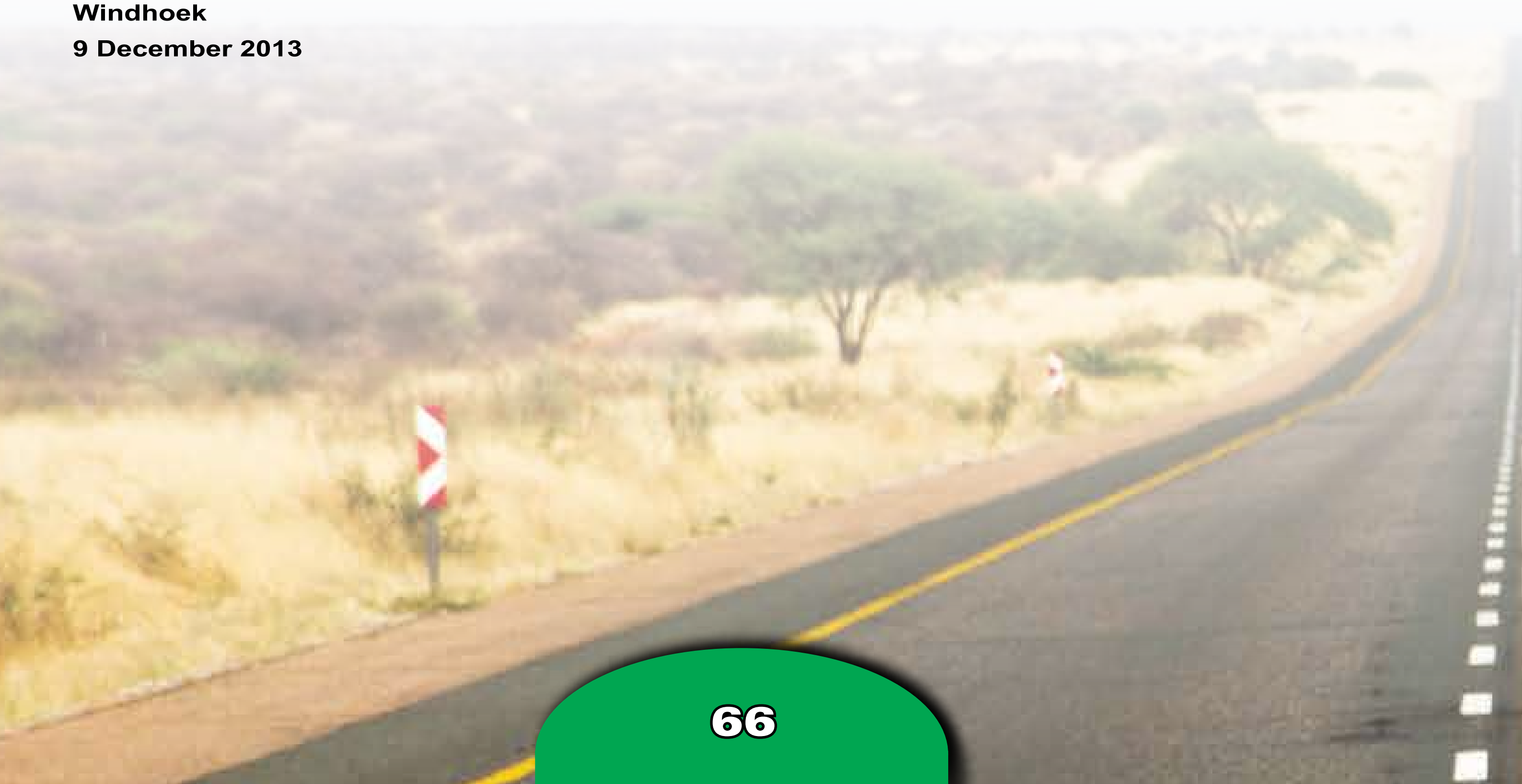
Without further qualifying our opinion, we draw attention to the Directors Report, the Fund's total liabilities exceeded its total assets by N$ 921,734 (2011: N$ 0.00). The Directors' Report indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Fund's ability to continue as a going concern.

Basis of Accounting

Without further qualifying our opinion, we draw attention to Note 1 to the Financial Statements, which describes the Basis of Accounting. The Financial Statements are prepared to ensure compliance with Section 24,1(b) of the Road Fund Administration Act (Act no: 18 of 1999). As a result, the Financial Statements may not be suitable for another purpose.

PricewaterhouseCoopers

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner
Windhoek
9 December 2013



Directors' Report

The Directors submit their report for the year ended 31 March 2012.

1. Review of Activities

Main Business and Operations

The Road Fund Administration is a Public Fund, established under the Road Fund Administration Act (Act number 18 of 1999). The Administration Account provides the administration framework within which the Road User Charging System is managed as contemplated by the Act.

The operating results and state of affairs of the Fund are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net deficit of the Fund was N$ 1 665 077 (2011: N$ 675 126).

2. Going Concern

We draw attention to the fact that at 31 March 2012, the Fund had accumulated losses of N$ (921 734) and that the Fund's total liabilities exceed its assets by N$ (921 734).

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

The ability of the Fund to continue as a going concern is dependent on a number of factors. The most significant of these is that the Directors continue to procure Funding for the ongoing operations for the Fund.

The fact that the total liabilities exceed the assets has not hindered the Fund's ability to pay its debts as they become due in the normal course of business.

3. Events after the Reporting Period

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

4. Directors

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

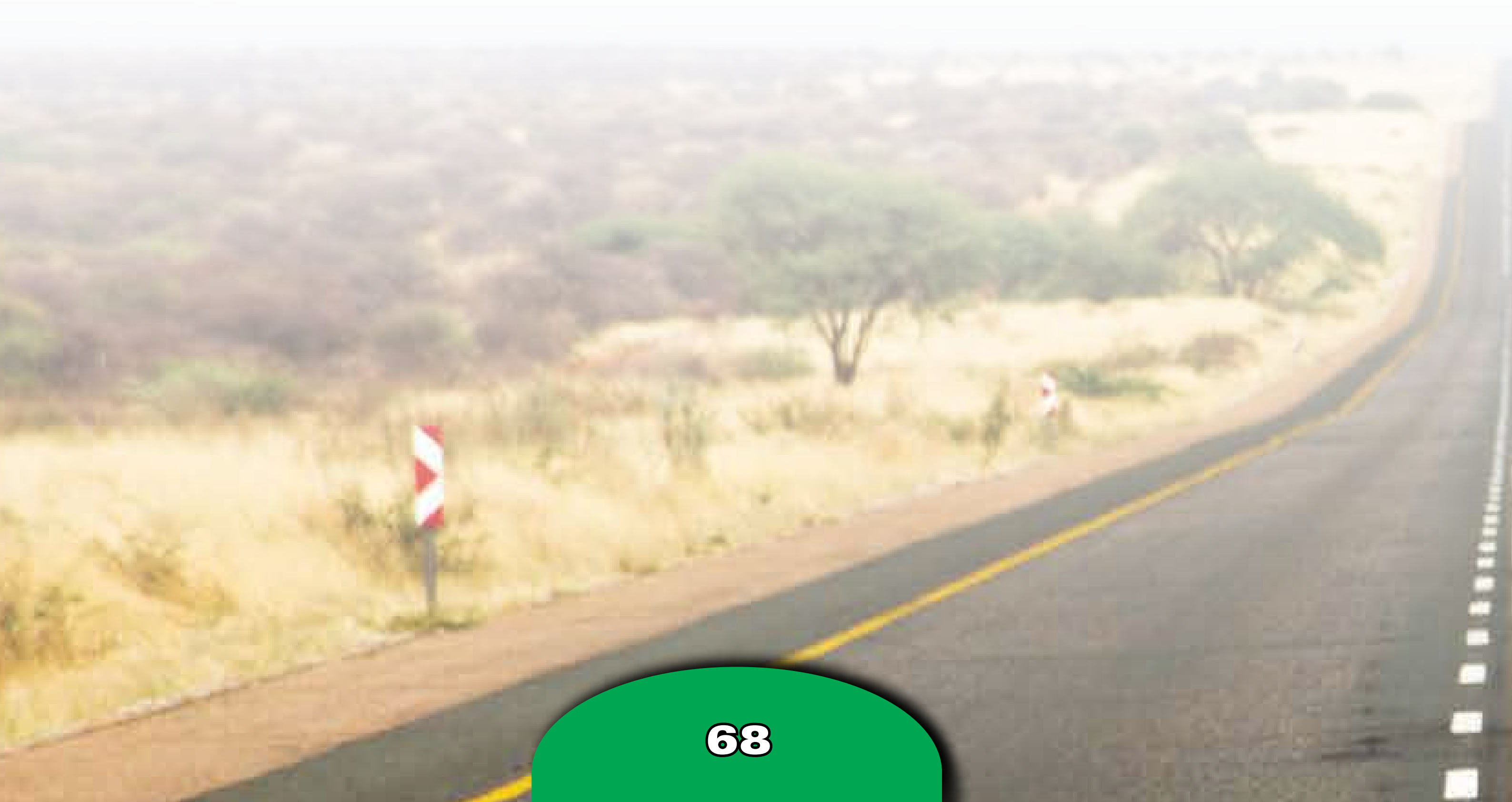
Name	Nationality	Changes
A. Simana - Paulo	Namibian	Resigned 21 December 2012
F. M. Kwala	Namibian	Resigned 15 October 2012
A. N. Nambundunga	Namibian	Resigned 21 December 2012
T. N. Shaanika	Namibian	Resigned 30 November 2011
A. C. Van der Merwe	Namibian	Resigned 21 December 2012
P. Ithindi (Chairperson)	Namibian	Appointed 21 December 2012
E. O. Asino-Joseph	Namibian	Appointed 21 December 2012
S. Amunkete	Namibian	Appointed 21 December 2012
A. Avafia	Namibian	Appointed 21 December 2012
D. Maxwell	Namibian	Appointed 21 December 2012

5. Auditors

PricewaterhouseCoopers will continue in office for the next year in accordance with Road Fund Administration Act.

Statement of Financial Position

	Note(s)	2012 N$	2011 N$
Assets			
Non-Current Assets			
Property, Plant and Equipment	3	623 160	1 278 886
Current Assets			
Trade and Other Receivables	5	102 186	24 397
Cash and Cash Equivalents	7	71 936	204 358
		174 122	**228 755**
Total Assets		**797 282**	**1 507 641**
Equity and Liabilities			
Equity			
Accumulated Deficit		(921 734)	743 343
Liabilities			
Current Liabilities			
Trade and Other Payables	7	8 1 719 016	764 298
Total Equity and Liabilities		**797 282**	**1 507 641**



Statement of Comprehensive Income

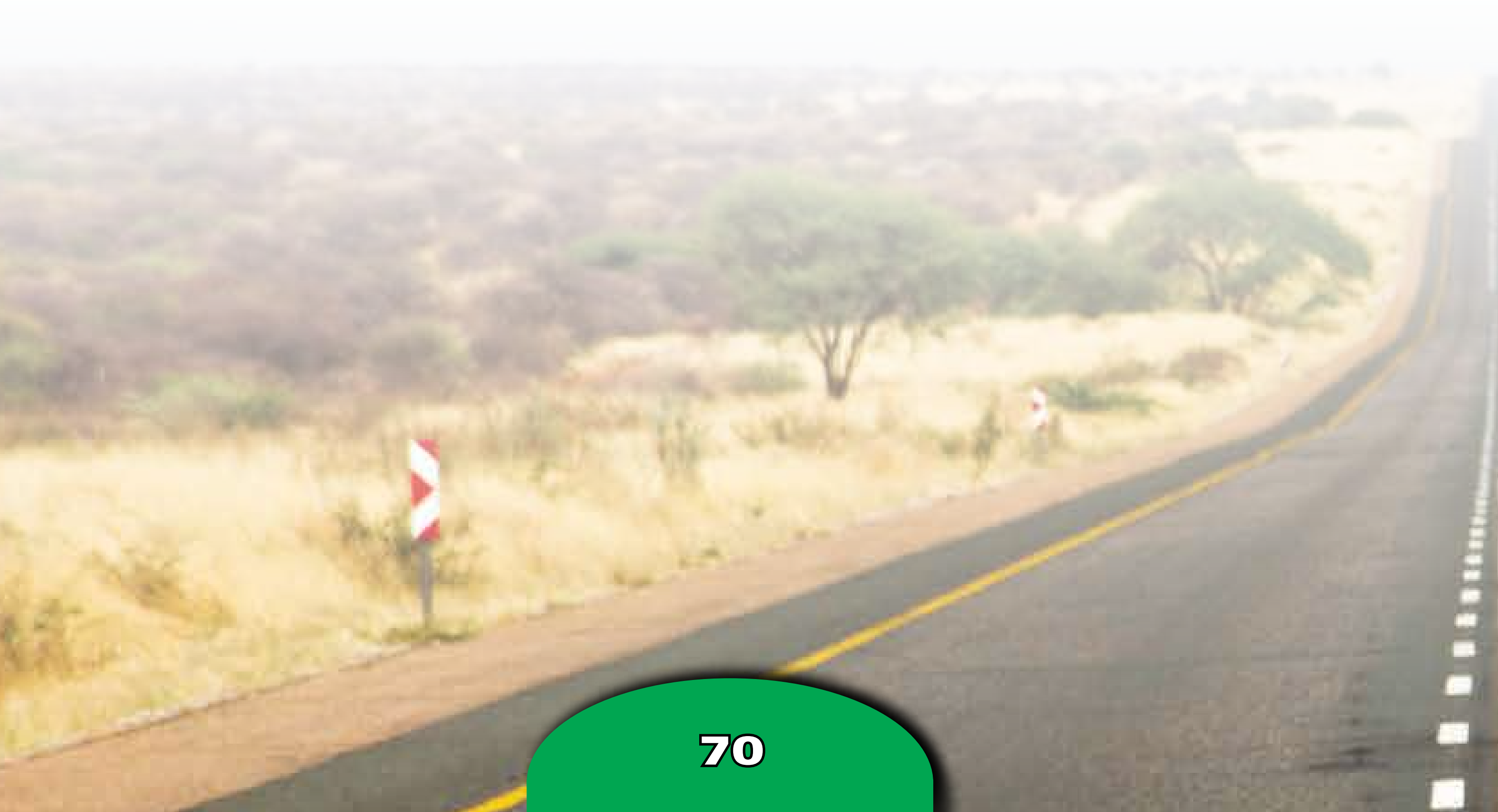
	Note(s)	2012 N$	2011 N$
Capital Contribution	8	24 359 845	24 822 471
Operating Expenses		(26 046 480)	(25 529 047)
Operating Deficit		**(1 686 635)**	**(706 576)**
Investment Revenue	9	21 558	31 450
Deficit for the Year		**(1 665 077)**	**(675 126)**
Other Comprehensive Income		-	-
Total Comprehensive Loss		**(1 665 077)**	**(675 126)**
Total Comprehensive Loss attributable to:			
Beneficiary of the Fund		(1 665 077)	(675 126)

Statement of Changes in Equity

	Accumulated Deficit N$	Total Equity N$
Balance at 01 April 2010	**1 418 469**	**1 418 469**
Changes in Equity		
Total Comprehensive Loss for the Year	(675 126)	(675 126)
Total changes	(675 126)	(675 126)
Balance at 01 April 2011	**743 343**	**743 343**
Changes in Equity		
Total comprehensive loss for the Year	(1 665 077)	(1 665 077)**C**
Total Changes	(1 665 077)	(1 665 077)
Balance at 31 March 2012	**(921 734)**	**(921 734)**

Statement of Cash Flows

	Note(s)	2012 N$	2011 N$
Cash Flows from Operating Activities			
Cash Generated from Operations	11	119 733	928 225
Interest Income		21 558	31 450
Net cash from Operating Activities		**141 291**	**959 675**
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment	3	(273 713)	(215 696)
Total Cash, Cash Equivalents and Bank Overdrafts Movement for the Year		**(132 422)**	**743 979**
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the Year		**204 358**	**(539 621)**
Total Cash, Cash Equivalents and Bank Overdrafts at End of the Year	6	**71 936**	**204 358**



Accounting Policies

1. Basis for Preparation

The Annual Financial Statements have been prepared in accordance with the Basis of Accounting described in this note, and the Road Fund Administration Act. The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars. These accounting policies are consistent with the previous period.

1.1 Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade Receivables, Loans and Receivables

The Road Fund Administration (Admin Account) assesses its Trade Receivables, Loans and Receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the profit or loss, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Asset Lives

Property, Plant and Equipment are depreciated over its useful life taking into account residual values were appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into consideration.

Residual Values

The Residual Values of property, plant and equipment are reviewed at each statement of financial position date The Residual Values are based on the assessment of useful lives and other available information.

Accounting Policies

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment Testing

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

1.2 Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment is recognised as an asset when:
- It is probable that future economic benefits associated with the item will flow to the Fund; and
- The cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of Property, Plant and Equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of Property, Plant and Equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of Property, Plant and Equipment have been assessed as follows:

Item	**Average useful life**
Furniture and fixtures	5 years
Motor Vehicles	5 years
Office Equipment	3 years
Computer Equipment	3 years

Accounting Policies

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

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

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.3 Financial Instruments

Classification

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

- Financial assets at fair value through profit or loss - designated;
- Loans and receivables; and
- Financial liabilities measured at amortised cost.

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

Initial recognition and measurement

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

The Fund classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

Accounting Policies

Subsequent Measurement

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

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

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

Fair Value Determination

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

Impairment of Financial Assets

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

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

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to Managers and Employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at am-

Accounting Policies

ortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade and Other Payables

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

Cash and Cash Equivalents

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

Bank Overdraft and Borrowings

Bank Bverdrafts and Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Fund's accounting policy for borrowing costs.

Bank Overdrafts and Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.4 Income Tax

Current Tax Assets and Liabilities

The Road Fund Administration is a Public Fund in terms of the Income Tax Act and is consequently exempt from income taxation. The Fund was deregistered for VAT in April 2006 as it was not deemed to be a VAT vendor.

1.5 Leases

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

Operating Leases – Lessee

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

Any contingent rents are expensed in the period they are incurred.

Accounting Policies

1.6 Impairment of Non-financial Sssets

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

Irrespective of whether there is any indication of impairment, the company also:

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee Benefits

Short-term Employee Benefits

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

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

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

Defined Contribution Plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate Fund.

Accounting Policies

The Fund has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Fund's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Provisions and Contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

1.9 Government Grants

Government Grants are recognised when there is reasonable assurance that:

- The Fund will comply with the conditions attaching to them; and
- The grants will be received.

Government Grants are recognised as income over the periods necessary to match them with the related cost that they are intended to compensate.

Accounting Policies

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

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

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

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

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

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a Government Grant.

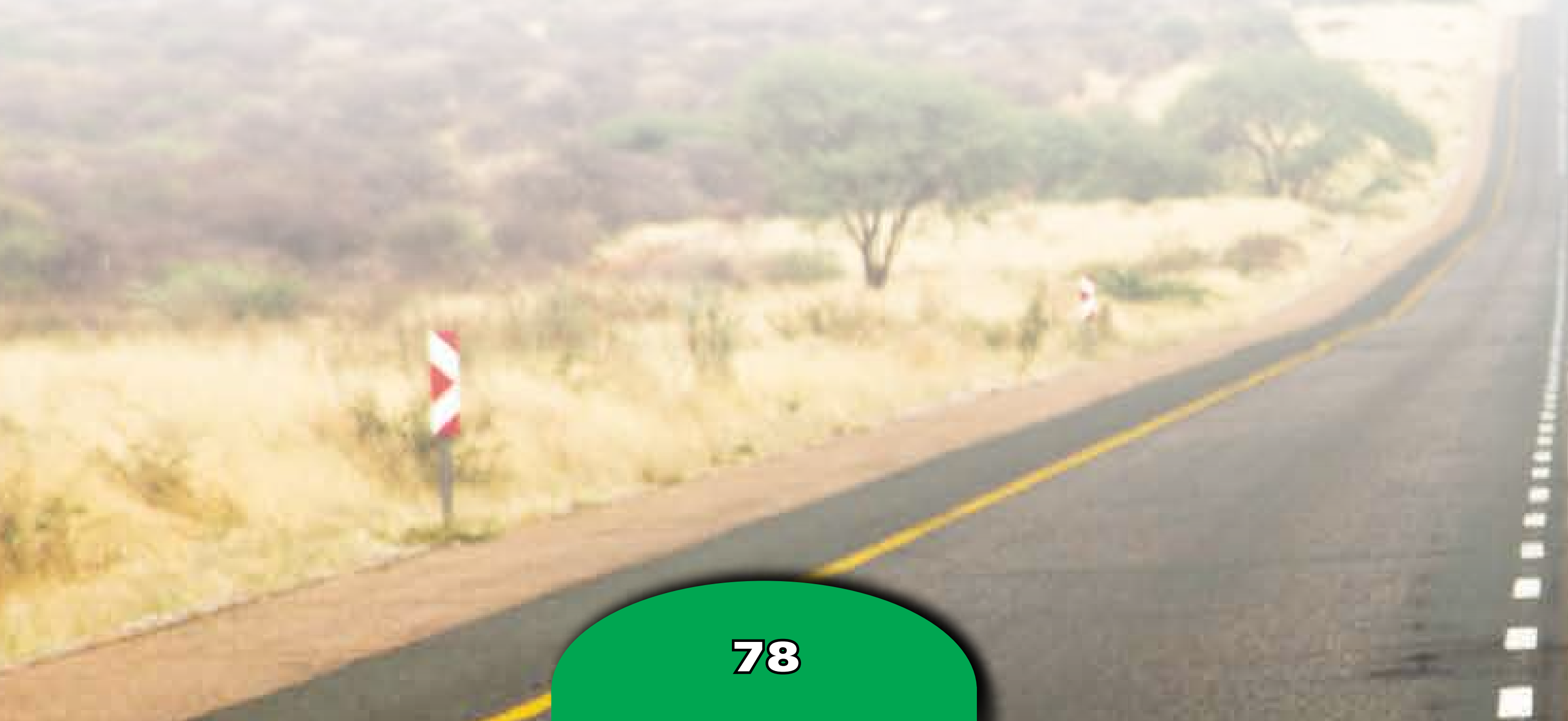
1.10 Revenue

a) Transfers from Fund Account

Revenue comprise of fair value of grants received and receivable from the Fund Account of the Road Fund Administration. Revenue is recognised at nominal value on an accrual basis.

b) Finance income

Interest is recognised, in profit or loss, using the effective interest rate method.



Accounting Policies

2. Risk Management

Financial Risk Management

The Fund does not trade in financial instruments, but in the normal course of operations it is exposed to credit risk, liquidity risk and market risks. These risk are managed by the Fund through formal documented policies and procedures as approved by its Board of Directors. These policies are continuously reviewed and updated as and when the need arises.

The Fund's overall Risk Management focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its financial performance.

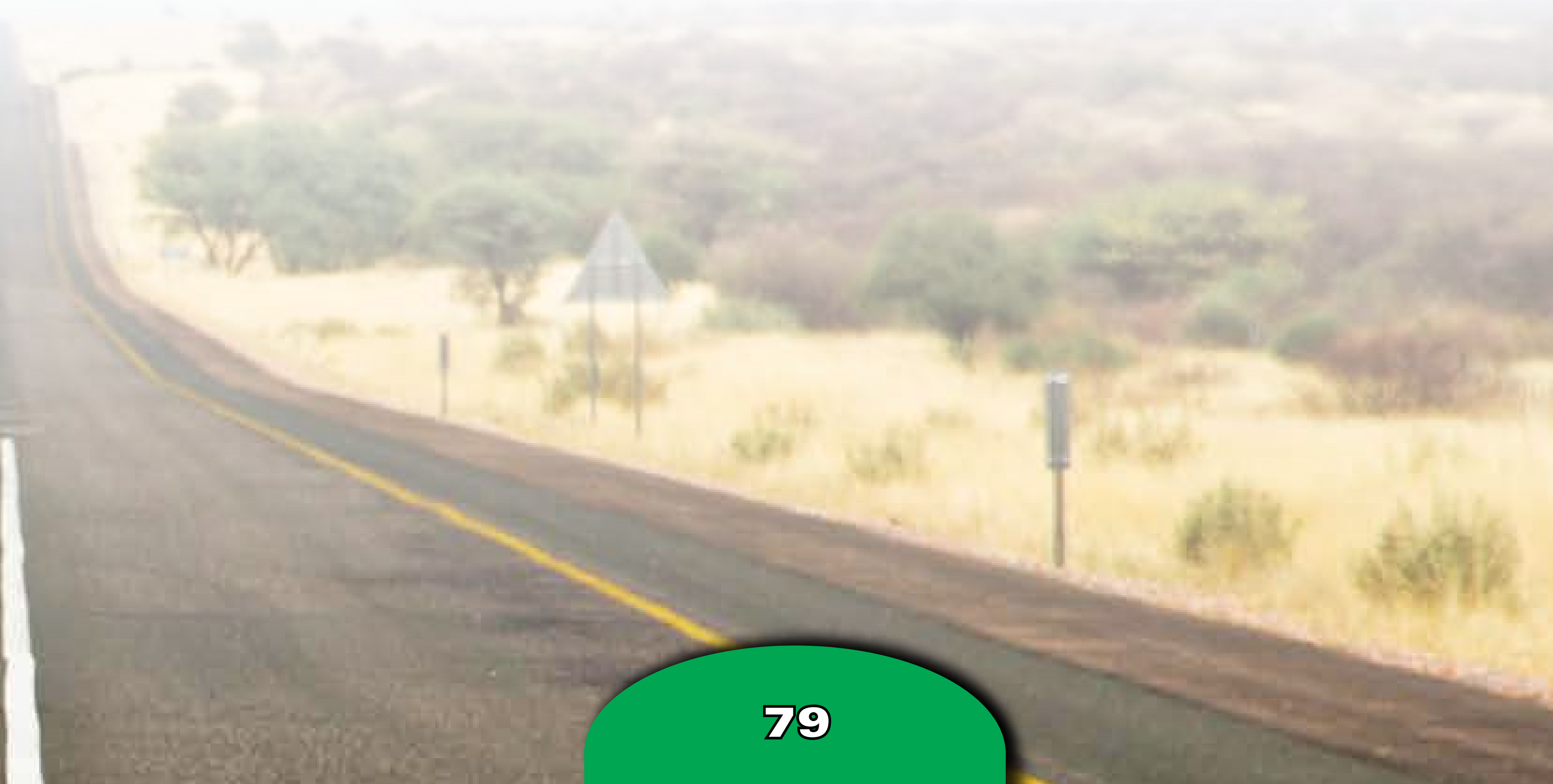
Risk management of the Fund is carried out under policies carried out by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investments of excess liquidity.

Liquidity Risk

Liquidity Risk refers to the risk that the Fund will encounter difficulty in meeting its obligations associated with the financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of Funding through and adequate amount of committed credit facilities. Due to the dynamic nature of the of the underlying businesses, management maintains flexibility in Funding by maintaining availability under committed credit lines.

The Fund's risk to liquidity is a result of the Funds available to cover future commitments. The Fund manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing are monitored.



Notes to the Financial Statements

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

At 31 March 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and Other Payables	468,687	-	-	-
At 31 March 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and Other Payables	142,241	-	-	-

Market Risks

Market Risks refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices such as interest rates.

Interest Rate Risk

Interest Rate Risks is the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Fund's Interest Rate Risk results mainly from its exposure to floating interest bearing long and short term Funds invested. Any realistic fluctuation in interest rate would not have a material impact on the Fund's surplus and equity.

Fair Value

The Fair Value of all the Fund's financial assets and liabilities approximate their carrying value due to its short-term nature.

Credit Risk

The Credit Risk refers to the risk that a counterparty will cause financial loss to the Fund by defaulting on its contractual obligations.

Credit risks arises from cash and cash equivalents, short and long term deposits with banks and financial institutions, as well as credit exposures to outstanding receivables.

Funding Risk

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

Notes to the Financial Statements

3. Property, Plant and Equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and Fixtures	854 184	(798 435)	55 749	805 994	(759 242)	46 752
Motor Vehicles	678 961	(541 852)	137 109	678 961	(442 054)	236 907
Office Equipment	149 268	(108 139)	41 129	136 363	(66 067)	70 296
Computer Equipment	5 138 539	(4 749 366)	389 173	4 925 919	(4 000 988)	924 931
Total	**6 820 952**	**(6 197 792)**	**623 160**	**6 547 237**	**(5 268 351)**	**1 278 886**

Reconciliation of Property, Plant and Equipment - 2012

	Opening balance	Additions	Depreciation	Total
Furniture and Fixtures	46 752	48 190	(39 193)	55 749
Motor Vehicles	236 907	-	(99 798)	137 109
Office Equipment	70 296	74 759	(103 926)	41 129
Computer Equipment	924 931	150 764	(686 522)	389 173
	1 278 886	**273 713**	**(929 439)**	**623 160**

Reconciliation of Property, Plant and Equipment - 2011

	Opening balance	Additions	Depreciation	Total
Furniture and Fixtures	145 194	2 625	(101 067)	46 752
Motor Vehicles	336 704	-	(99 797)	236 907
Office Equipment	70 576	36 915	(37 195)	70 296
Computer Equipment	2 134 503	176 156	(1 385 728)	924 931
	2 686 977	**215 696**	**(1 623 787)**	**1 278 886**

Notes to the Financial Statements

4. Financial Assets by Category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Total
Trade and Other Receivables	102 186	102 186
Cash and Cash Equivalents	71 936	71 936
	174 122	**174 122**

2011

	Loans and receivables	Total
Trade and Other Receivables	24 397	24 397
Cash and Cash Equivalents	204 358	204 358
	228 755	**228 755**

5. Trade and Other Receivables

	2012 N$	2011 N$
Prepayments	3 540	-
Staff Loans	-	4 615
Sundry Debtors	98 646	19 782
	102 186	**24 397**

Credit quality of Trade and Other Receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

	2012 N$	2011 N$
Cash on Hand	42	42
Bank Balances	71 894	204 316
	71 936	**204 358**

Notes to the Financial Statements

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2012 N$	2011 N$
Credit Rating		
Bank Windhoek Limited (A1+ Moody's credit rating)	**71 936**	**204 316**

7. Trade and other payables

Trade payables	468 687	142 241
Provision -SSC Employees Compensation	10 572	-
Provision -Leave Pay	1 239 757	622 057
	1 719 016	**764 298**

8. Capital Contribution

Transfer from Fund	24 340 000	24 815 000
Sundry Income	19 845	7 471
	24 359 845	**24 822 471**

9. Investment revenue

Interest Revenue		
Interest on Current Account - ADMIN	21 558	31 450

10. Auditor's remuneration

Audit Fees	331 878	305 693

Notes to the Financial Statements

11. Cash Generated From Operations

	2012 N$	2011 N$
Loss before Taxation	(1 665 077)	(675 126)
Adjustments for:		
Depreciation and Amortisation	929 439	1 623 787
Interest Received	(21 558)	(31 450)
Changes in Corking Capital:		
Trade and Other Receivables	(77 789)	52 577
Trade and Other Payables	954 718	(41 563)
	119 733	**928 225**

12. Related Parties

Relationships

RFA Administration receives monies to cover day to day Road Fund Account expenses.

Related party transactions

Funds Tranfered from the Road Fund

Road Fund 24 340 000 24 815 000

13. Directors' Emoluments

Non-executive

2012

	Emoluments	Total
For services as Directors	144 000	144 000

2011

	Emoluments	Total
For services as Directors	228 693	228 693

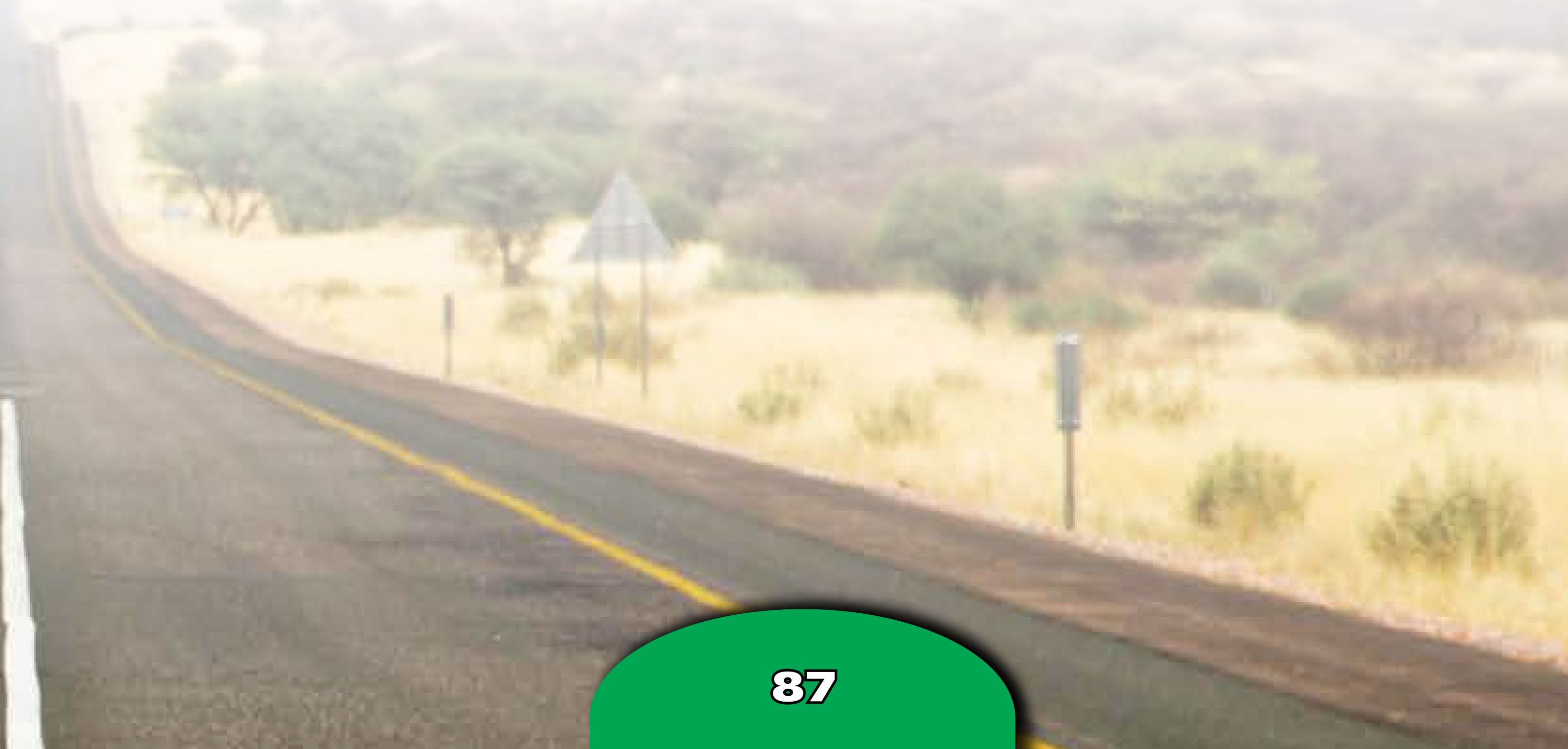
Detailed Income Statement

	Note(s)	2012 N$	2011 N$
Revenue			
Sundry Income		19 845	7 471
Capital Contribution - Transfer from Fund		24 340 000	24 815 000
	9	24 359 845	24 822 471
Other income			
Interest Received	10	21 558	31 450
Operating expenses			
Advertising		(404 353)	(494 782)
Auditor's Remuneration	11	(331 878)	(305 693)
Bad Debts		-	(71 000)
Bank Charges		(16 578)	(19 237)
Cleaning		(4 824)	(16 067)
Computer Expenses		(43 243)	(19 402)
Depreciation, Amortisation and Impairments		(929 439)	(1 623 787)
Employee Costs		(15 002 836)	(16 132 760)
Entertainment		(22 594)	(59 810)
Books		(11 912)	(5 706)
Corporate & Social Responsibility		(8 905)	(136 766)
E-mail & Internet Services		(157 460)	(119 047)
Public Relations Activities		(157 460)	(882 115)
Seminars and Conferences		(19 500)	(131 321)
Sundry Expenses		(54 308)	(51 112)
Gifts		(1 438)	-
IT Expenses		(12 949)	(140 725)
Insurance		(101 239)	(109 841)
Lease Rentals on Operating Lease		(1 612 727)	(1 456 845)
Legal Expenses		(1 915 550)	(359 490)
Motor Vehicle Expenses		(8 989)	(72 539)
Professionalt Fees		(3 882 619)	(1 527 329)
Postage		(93 752)	(83 012)
Printing and Stationery		(301 036)	(187 414)
Repairs and Maintenance		(97 280)	(114 276)
Security		(9 764)	(18 158)
Staff Welfare		(40 892)	(80 885)
Subscriptions		(14 768)	(58 794)
Telephone and Fax		(252 062)	(379 190)
Training		(189 076)	(180 920)
Travel - Local		(276 415)	(626 883)
Water and Electricity		(70 634)	(64 141)
		(26 046 480)	**(25 529 047)**
Deficit for the Year		**(1 665 077)**	**(675 126)**

Road Fund Administration
Fund Account
Annual Financial Statements
For the year ended 31 March 2012

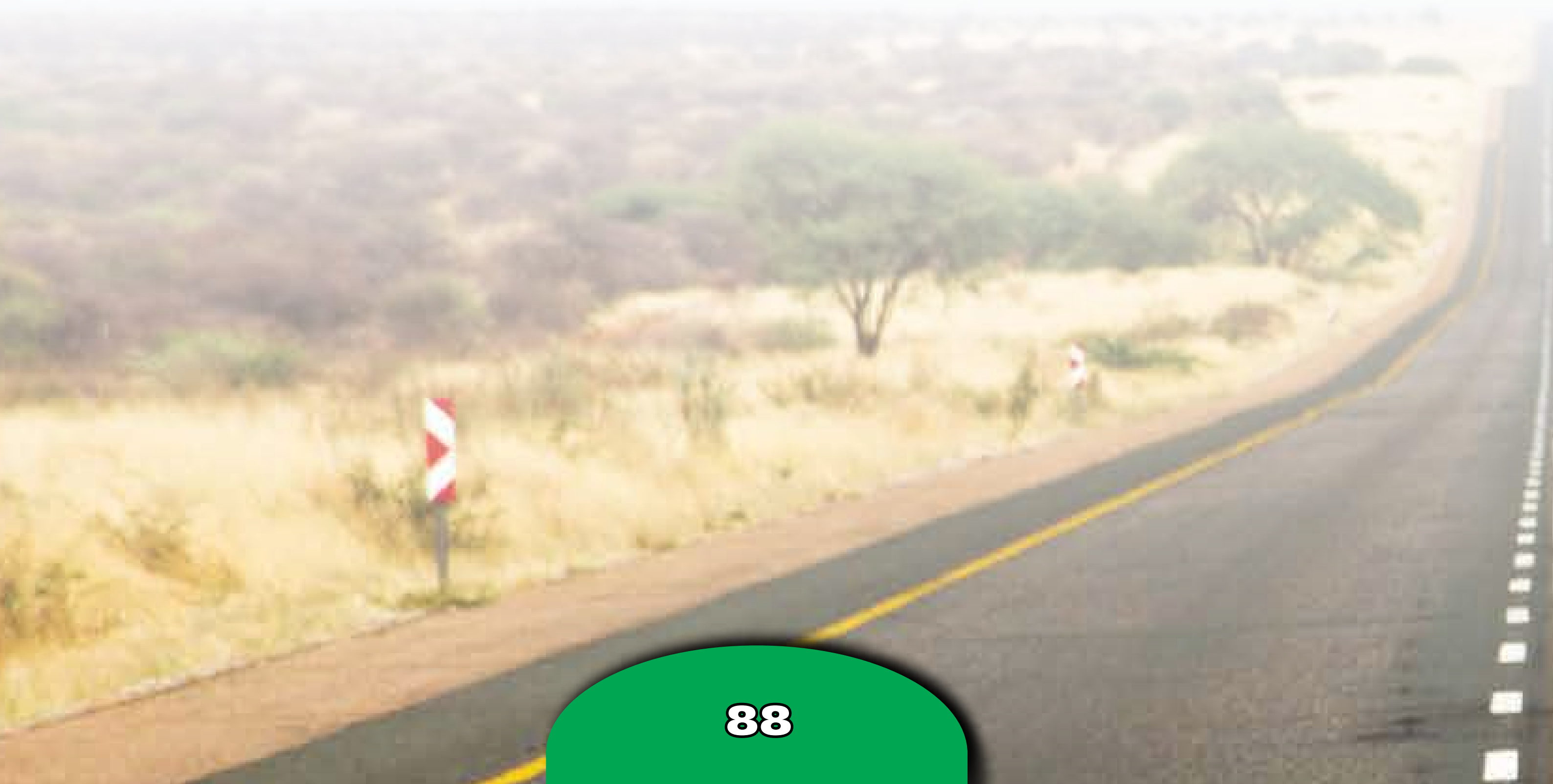
General Information

Nature of Business and Principal Activities	To manage Namibia's Road User Charging System so as to achieve a safe and economically efficient Road Sector, for the benefit of all Road Users.
Directors	P. Ithindi (Chairperson) E. O. Asino-Joseph S. Amunkete A. Avafia D. Maxwell
Business Address	3rd Floor Maerua Park Office Block Centaurus Road Windhoek Namibia
Postal Address	Private Bag 13372 Windhoek Namibia 9000
Bankers	Bank Windhoek Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia) PwC, a partnership duly organised according to the laws of the Republic of Namibia (hereafter referred to as “PwC”, “we”, “us”, our”)



Contents

The Reports and Statements set out below comprise the Annual Financial Statements presented to the beneficiaries:



Directors' Responsibilities and Approval

The Directors are required in terms of the Road Fund Administration Act to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the basis of accounting described in Note 1 to the Financial Statements.

The Annual Financial Statements are prepared in accordance with the basis of accounting described in Note 1 to the Financial Statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Fund's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the Fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

The independent auditors are responsible for independently reviewing and reporting on the Fund's Annual Financial Statements. The Annual Financial Statements have been examined by the Fund's independent auditors and their report is presented on pages 90 - 92.

The Annual Financial Statements set out on pages 93 -122, which have been prepared on the going concern basis, were approved by the board on 9 December 2013 and were signed on its behalf by:

P. Ithindi (Chairperson)
9 December 2013

A. Avafia (Director)

Independent Auditor's Report

To Road Fund Administration – Fund Account

We have audited the Annual Financial Statements of Road Fund Administration - Fund Account, which comprise the statement of financial position as at 31 March 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 93 - 122.

Directors' Responsibility for the Annual Financial Statements

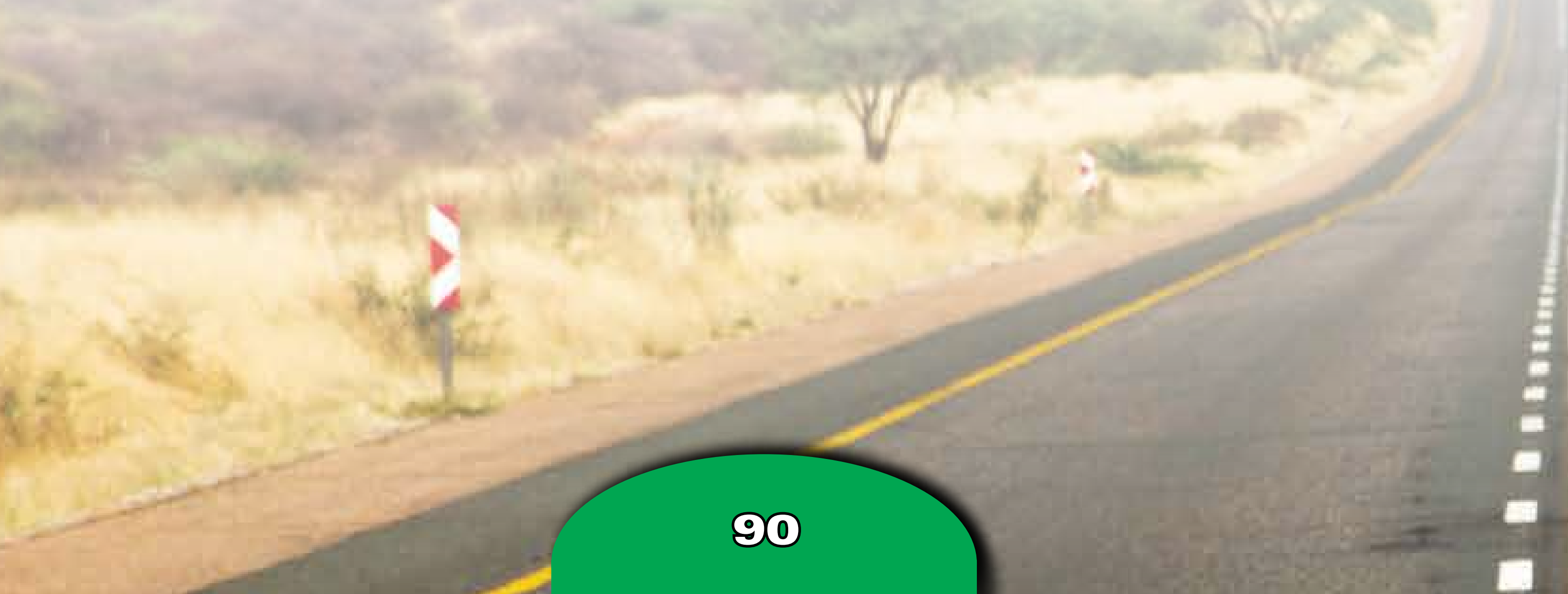
The Fund's Directors are responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with the basis of accounting described in Note 1 to the financial statements,, and for such internal control as the Directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the 's judgement, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Statements.

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



Independent Auditor's Report

Basis for Qualified Opinion

Mass Distance Charges (Foreign) and Cross Border Charges: The Fund's accounting records do not provide sufficient evidence supporting Revenue from Mass Distance Charges and Cross Border Charges amounting to N$ 88,215,770.00 which was collected by Iroko Investments on behalf of Road Fund Administration at Namibian border posts. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the completeness, accuracy, occurrence as well as cut off of Mass Distance Charges and Cross Border Charges collected at the borders for the year under review.

Mass Distance Charges (Local): The Fund's accounting records do not provide sufficient evidence supporting local Mass Distance Charges. We noted that the assessments are not recorded in the year that customers of the Fund travelled. As a result, we were unable to obtain sufficient appropriate audit evidence whether all Local Mass Distance Charges for the year have been recorded in the financial period. We could therefore not satisfy ourselves as to the completeness and cut-off of revenue collected from Mass Distance Charges (Local).

License Fees: The Fund's accounting records do not provide sufficient evidence supporting the revenue component of the statement of comprehensive income amounting to N$ 383,466,846 in respect of vehicle licence fees. These fees are recorded on a cash basis rather than accrual basis of accounting. As a result, we were unable to obtain appropriate audit evidence to satisfy ourselves regarding completeness, accuracy as well as cut off of licence fees collected for the year under review.

Completeness of Fuel Levy Refunds: The Fund's accounting records do not provide sufficient evidence supporting the accrual of Fuel Levy Refunds amounting to N$ 96,272,190 at year-end. There were no satisfactory audit procedures that we could have performed to obtain reasonable assurance that all the Fuel Levy Refunds at year-end were properly recorded. As a result, we were unable to determine whether any adjustments would be required in respect of Fuel Levy Refunds accrual at year-end, and the related elements making up the Statements of Income, Changes in Equity and Cash Flows.

Qualified Audit Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Annual Financial Statements present fairly, in all material respects, the financial position of Road Fund Administration - Fund Account as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements,, and the requirements of the Road Fund Administration Act.

Independent Auditor's Report

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the Directors report, the Fund's total liabilities exceeded its total assets by N$ 45,689,312 (2011: N$154,683,440). The Directors' report indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Fund's ability to continue as a going concern.

Othe Matters

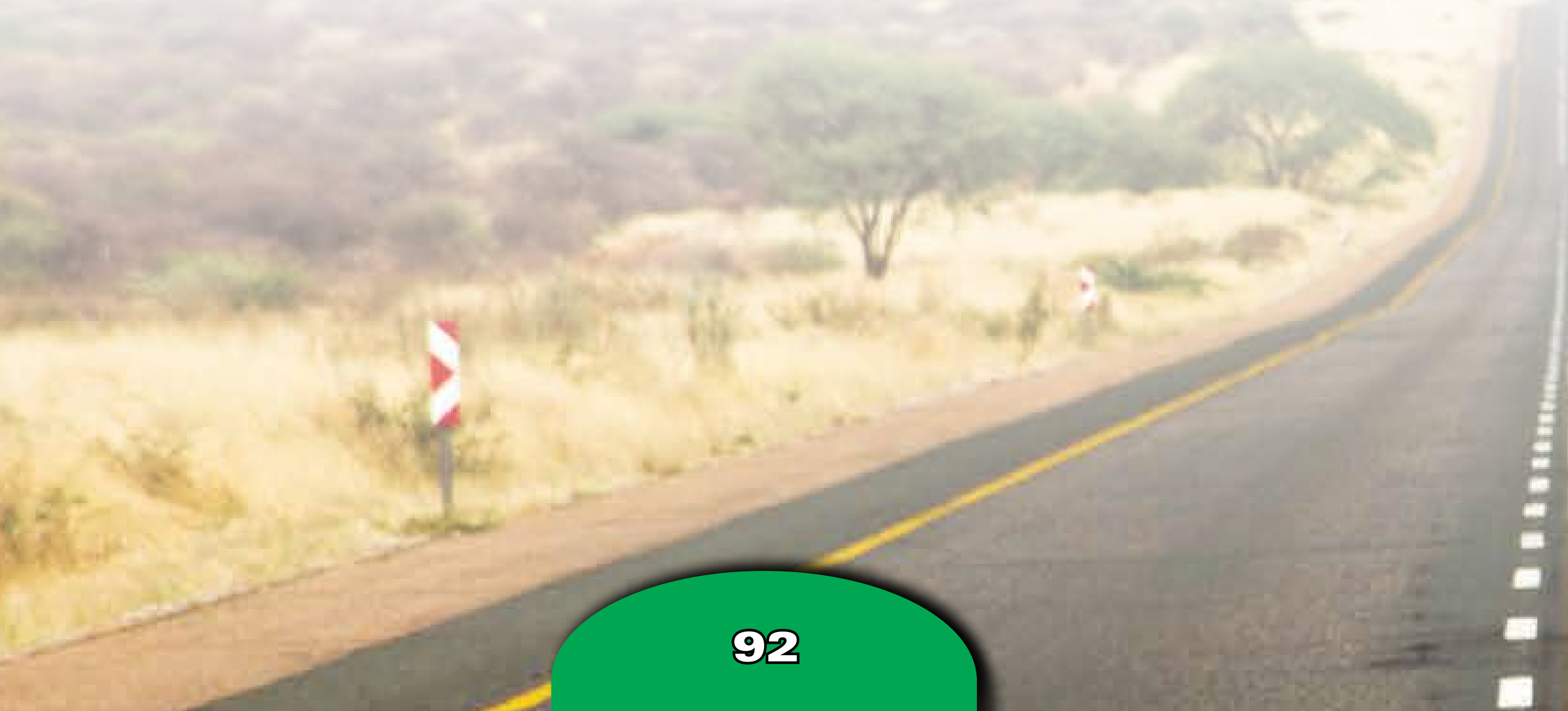
Furthermore, without further qualifying our opinion, we draw attention to the fact that supplementary information set out on page 122 does not form part of the Annual Financial Statements and is presented as additional information. We have not audited this information and accordingly
do not express an opinion thereon.

Basis of Accounting

Without further qualifying our opinion, we draw attention to Note 1 to the Financial Statements, which describes the basis of accounting. The Financial Statements are prepared to ensure compliance with section 24,1(b) of the Road Fund Administration Act of 1999 (Act no 18 of 1999). As a result, the Financial Statements may not be suitable for another purpose.

PricewaterhouseCoopers.

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner
Windhoek
9 December 2013



Directors' Report

The Directors submit their report for the year ended 31 March 2012.

1. Review of Activities

Main business and operations

The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act (Act number 18 of 1999). The Administration Account provide administration framework within which the Road User Charging System is managed as contemplated by the Act.

The operating results and state of affairs of the Fund are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

Net surplus of the Fund was N$ 108 994 128 (2011: N$ 4 983 475)

2. Going Concern

We draw attention to the fact that at 31 March 2012, the Fund had accumulated losses of N$ (45 689 312) and that the Fund's total liabilities exceed its assets by N$ (45 689 312).

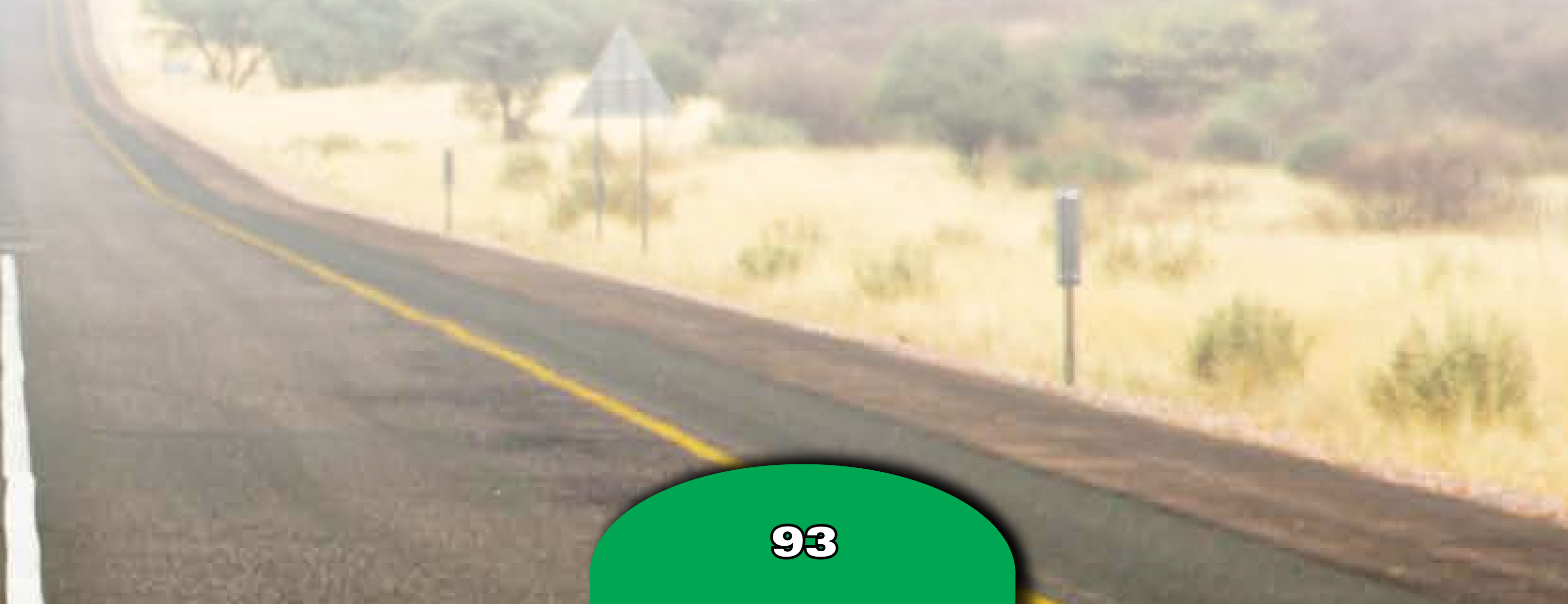
The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that Funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments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

The ability of the Fund to continue as a going concern is dependent on a number of factors. The most significant of these is that the Directors continue to procure Funding for the ongoing operations for the Fund.

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the trust deed up to such amount equal to the value of the issued loan stock of N$ 330,000,000, plus
interest, penalty interest and any other mount payable by the RFA.

3. Events after the Reporting Period

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



Directors' Report

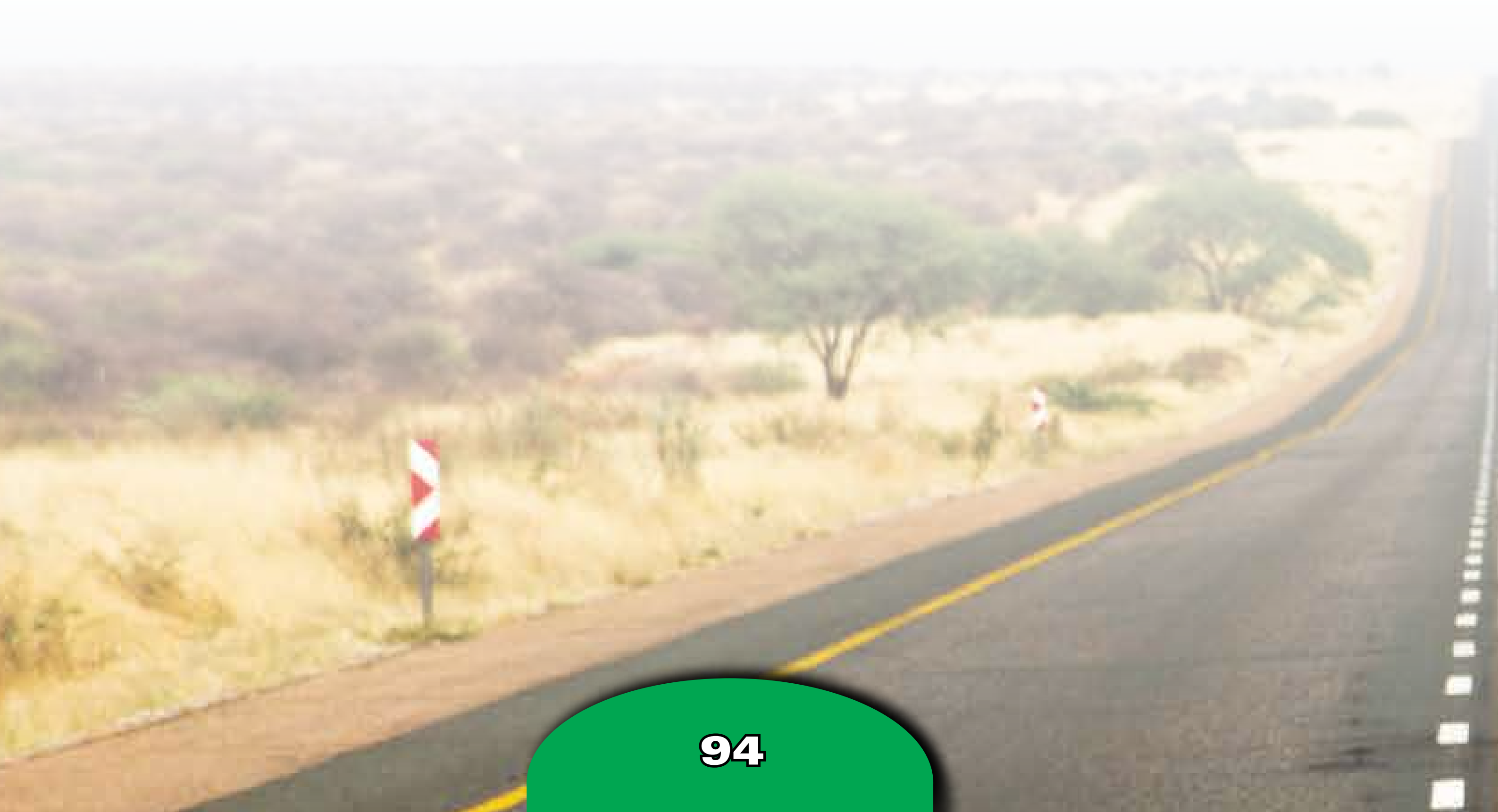
4. Directors

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

Name	**Nationality**	**Changes**
A. Simana - Paulo	Namibian	Resigned 21 December 2012
F. M. Kwala	Namibian	Resigned 15 October 2012
A. N. Nambundunga	Namibian	Resigned 21 December 2012
T. N. Shaanika	Namibian	Resigned 30 November 2011
A. C. Van der Merwe	Namibian	Resigned 21 December 2012
P. Ithindi (Chairperson)	Namibian	Appointed 21 December 2012
E. O. Asino-Joseph	Namibian	Appointed 21 December 2012
S. Amunkete	Namibian	Appointed 21 December 2012
A. Avafia	Namibian	Appointed 21 December 2012
D. Maxwell	Namibian	Appointed 21 December 2012

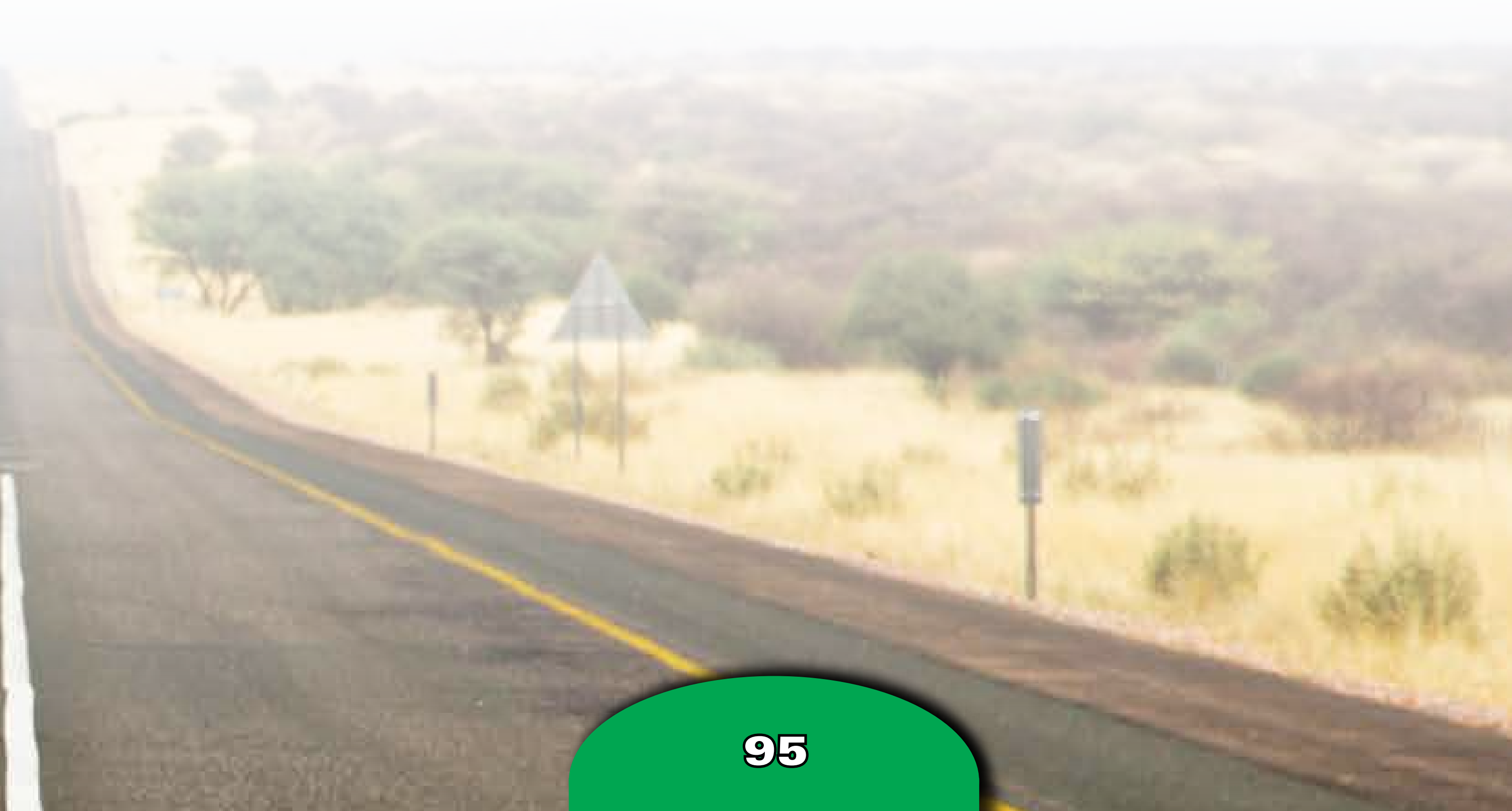
5. Auditors

PricewaterhouseCoopers will continue in office for the next year in accordance with Road Fund Administration Act.



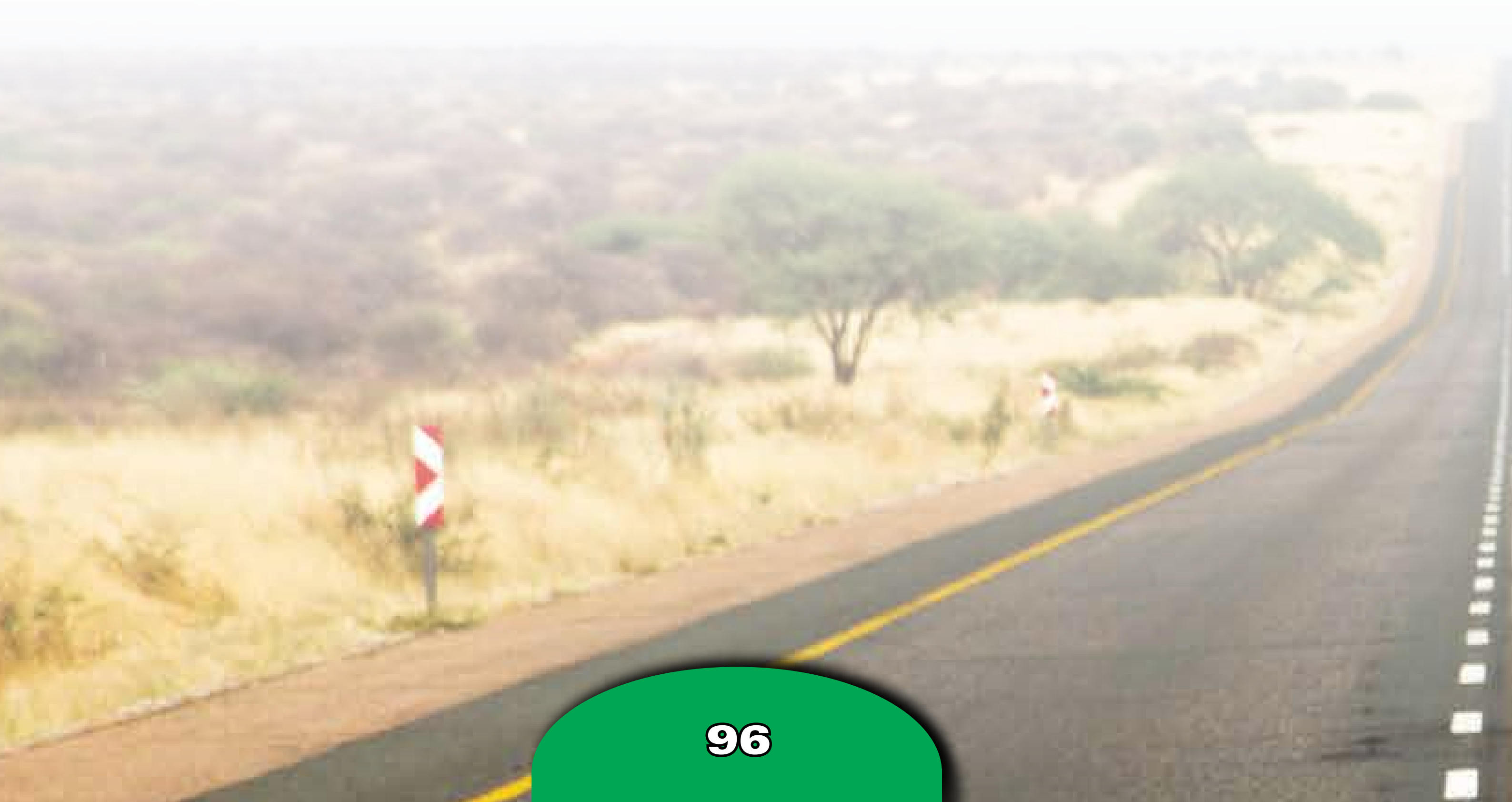
Statement of Financial Position

	Note(s)	2012 N$	2011 N$
Assets			
Non-Current Assets			
Property, Plant and Equipment	3	5 141 627	3 530 015
Current Assets			
Investments	4	358 139 995	287 727 370
Trade and Other Receivables	6	98 325 518	97 258 920
Cash and Cash Equivalents	7	217 767 227	187 461 100
		674 232 740	**572 447 390**
Total Assets		**679 374 367**	**575 977 405**
Equity and Liabilities			
Equity			
Distributable Reserve		(45 689 312)	(154 683 440)
Liabilities			
Non-Current Liabilities			
Other financial liabilities	8	330 000 000	330 000 000
Current Liabilities			
Trade and Other Payables	9	395 063 679	400 660 845
Total Liabilities		**725 063 679**	**730 660 845**
Total Equity and Liabilities		**679 374 367**	**575 977 405**



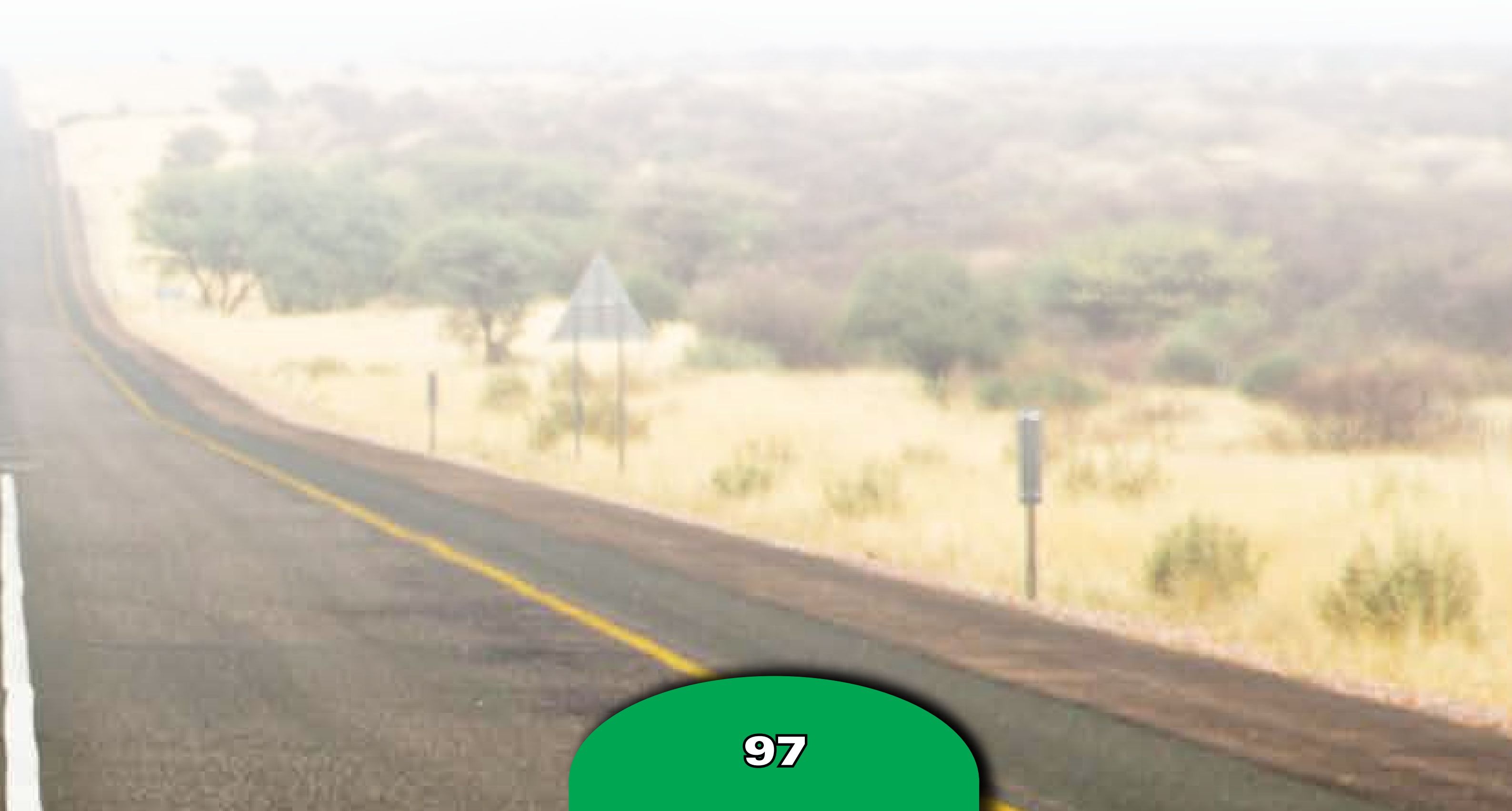
Statement of Comprehensive Income

	Note(s)	2012 N$	2011 N$
Revenue	12	1 459 758 410	1 288 184 415
Other Income		5 603 359	9 892 851
Operating Expenses		(1 354 975 867)	(1 287 340 611)
Operating Surplus		**110 385 902**	**10 736 655**
Investment Revenue	13	29 958 226	37 993 917
Finance Costs	15	(31 350 000)	(43 747 097)
Surplus for the Year		**108 994 128**	**4 983 475**
Other Comprehensive Income		-	
	-		
Total Comprehensive Income		**108 994 128**	**4 983 475**
Total Comprehensive Income attributable to:			
Beneficiary of the Fund		**108 994 128**	**4 983 475**



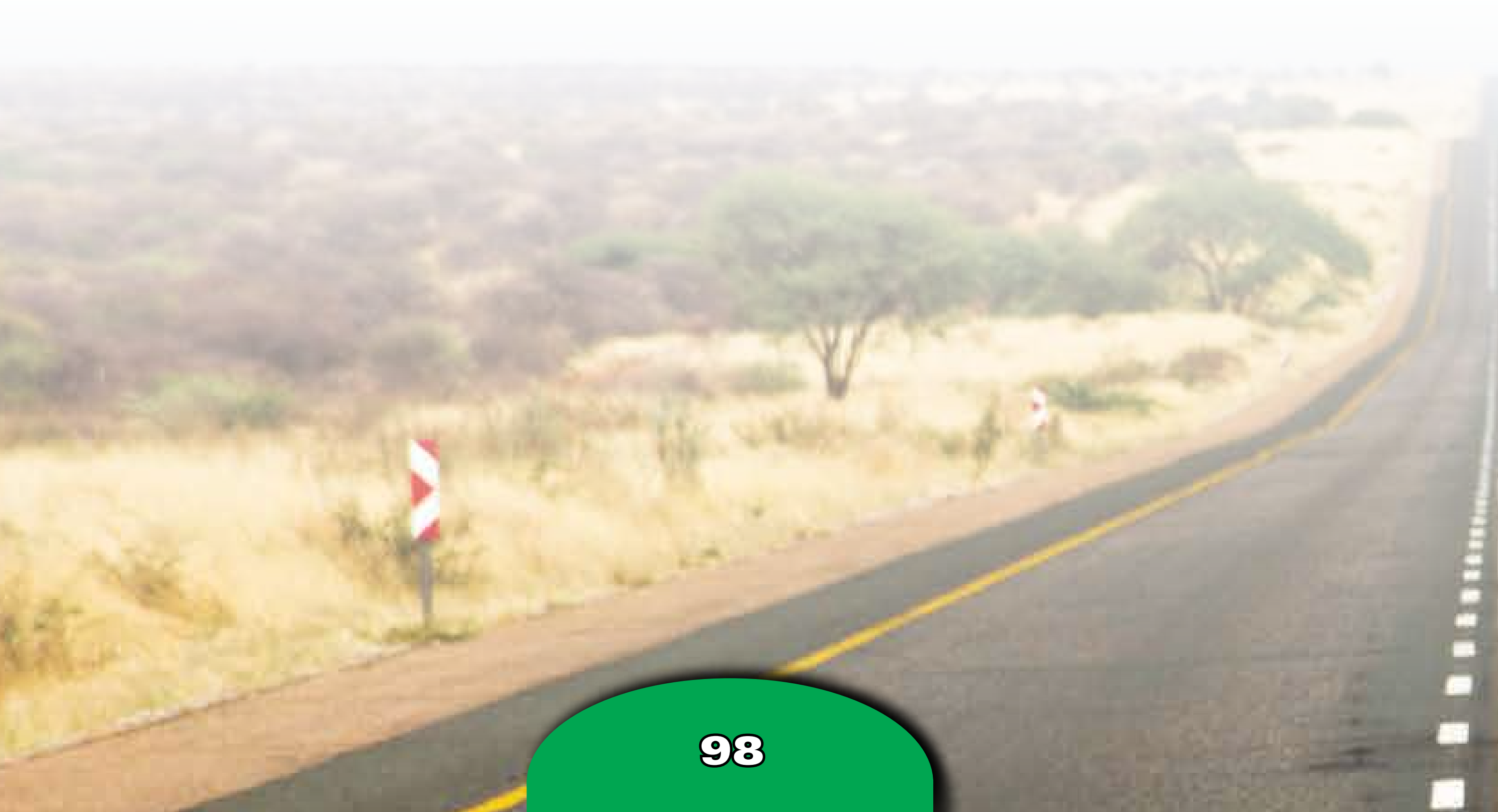
Statement of Changes in Equity

	Distributable Reserve	Total equity
	N$	N$
Balance at 01 April 2010	**(159 666 915)**	**(159 666 915)**
Changes in Equity		
Total Comprehensive Income for the year	4 983 475	4 983 475
Total changes	4 983 475	4 983 475
Balance at 01 April 2011	**(154 683 440)**	**(154 683 440)**
Changes in Equity		
Total Comprehensive Income for the Year	108 994 128	108 994 128
Total Changes	108 994 128	108 994 128
Balance at 31 March 2012	**(45 689 312)**	**(45 689 312)**



Statement of Cash Flows

	Note(s)	2012 N$	2011 N$
Cash Flows from Operating Activities			
Cash Generated from Operations	17	103 722 138	(133 861 994)
Interest Income		29 958 226	37 993 917
Finance Costs		(31 350 000)	(43 747 097)
Net Cash from Operating Activities		**102 330 364**	**(139 615 174)**
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment	4	(1 611 612)	(401 014)
Sale of Financial Assets		(70 412 625)	94 146 886
Net Cash from Investing Activities		**(72 024 237)**	**93 745 872**
Cash Flows from Financing Activities			
Repayment of other Financial Liabilities		-	(148 616 551)
Net Cash from Financing Activities		**-**	**(148 616 551)**
Total Cash, cash equivalents and bank overdrafts movement for the year		**30 306 127**	**(194 485 853)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		187 461 100	381 946 953
Total Cash, Cash Equivalents and Bank Overdrafts at End of the Year	8	**217 767 227**	**187 461 100**



Accounting Policies

1. Basis of Preperation

The Annual Financial Statements have been prepared in accordance with the basis of this Note, and the Road Fund Administration Act. The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars.

These accounting policies are consistent with the previous period.

1.1 Significant Judgements and Sources of Estimation Uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Trade Receivables and Loans and Receivables

The Fund assesses its trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the profit or loss, the Fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Accounting Policies

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

Impairment Testing

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Post Employment Medical Aid Obligation

The cost of post retirement medical aid benefits is determined using actuarial valuations. These valuations involve making assumptions about discount rate, staff turnover, rate of increase in compensation costs and mortality rates. Due to the longterm nature of these plans, such estimates are subject to significant uncertainty.

1.2 Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the Fund; and
- The cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of Property, Plant and Equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of Property, Plant and Equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of Property, Plant and Equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of Property, Plant and Equipment. Any remaining inspection costs from the previous inspection are derecognised.

The revaluation surplus in equity related to a specific item of Property, Plant and Equipment is transferred directly to retained earnings when the asset is derecognised.

Accounting Policies

Land is not depreciated. Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years
Computer equipments	3 years

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

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

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.3 Financial Instruments

Classification

The Fund classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - designated;
- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Management determines the classification of its financial assets at initial recognition.

Accounting Policies

Initial Recognition and Measurement

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

The Fund classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measuinstrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent Measurement

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

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest. Dividend income is recognised in profit or loss as part of other income when the Fund's right to receive payment is established.

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

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

Fair Value Determination

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

Accounting Policies

Impairment of Financial Assets

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

For amounts due to the Fund, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to Directors, Managers and Employees

These financial assets are classified as loans and receivables.

Trade and Other Receivables

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

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

Trade and Other Receivables are classified as loans and receivables.

Accounting Policies

Trade and Other Payables

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

Cash and Cash Equivalents

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

Bank Overdraft and Borrowings

Bank Overdrafts and Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Fund's accounting policy for borrowing costs.

Bank Overdrafts and Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.4 Income Tax

Current Tax Assets And Liabilities

The Road Fund Administration is a Public Entity in terms of the Income Tax Act and is consequently exempted from income taxation. The Fund was deregistered for VAT in April 2006 and it was not deemed to be a VAT vendor.

1.5 Leases

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

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

Accounting Policies

1.6 Impairment of Non-financial Assets

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

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

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

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

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

Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee Benefits

Short-term Employee Benefits

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

Accounting Policies

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

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

Defined Contribution Plans

A Defined Contribution Plan is a pension plan under which the group pays fixed contributions into a separate entity. The Fund no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The Fund has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Fund's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Provisions and Contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 20.

Accounting Policies

Post Employment Medical Aid Obligation

The latest actuarial valuation of the Roads Authority post employment medical benefit indicates a deficit of about N$63,102,789 (2011: N$41,999,726). The Directors resolved to provide for this deficit in terms of International accounting statement IAS 19. he movement in the balance of the provision is included in the income statement in terms of the statutory Funding rrangements as set out in the applicable Road Authority Act 17 of 1999 (Act 17 of 1999) and the Road Fund Administration ct 18 of 1999 (Act 18 of 1999) (refer to note 10).

1.9 Government Grants

Government Grants are recognised when there is reasonable assurance that:

- The Fund will comply with the conditions attaching to them; and
- The grants will be received.

Government Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

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

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

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

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

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a Government Grant.

Accounting Policies

1.10 Revenue

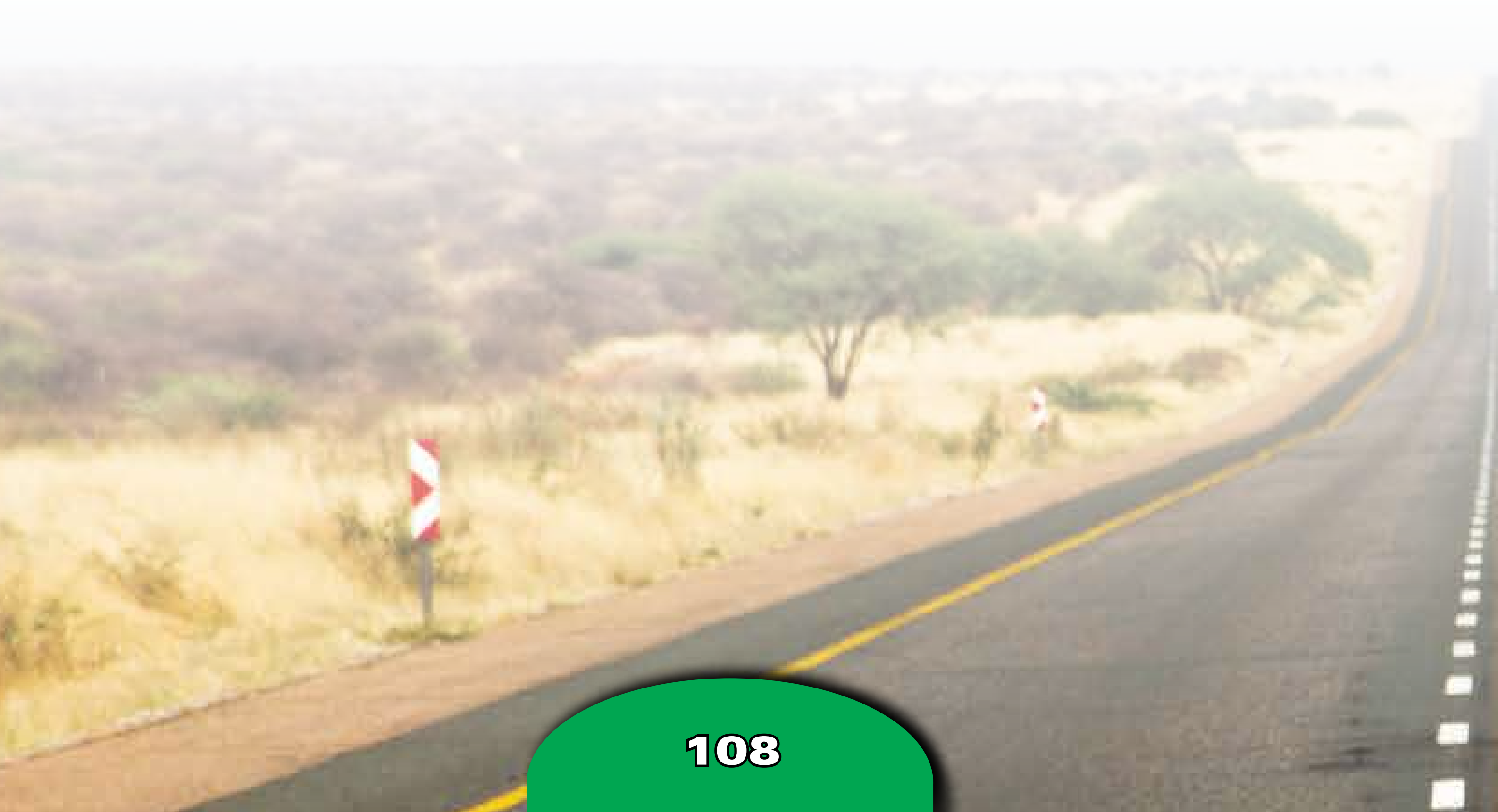
Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Finance Income

Interest is recognised, in profit or loss, using the effective interest rate method.

Road User Charges

Road User Charges revenue of the Fund comprises of Road User Charges levied in terms of Section 18 (1) of the Road Fund Administration Act 1999 (Act 18 of 1999). These Road Users Charges comprise mainly of Fuel Levies, Vehicle Licence Fees, Cross Border Charges, Mass Distance Charges and Abnormal Loading Fees. Such charges are recognised on the accrual basis and upon collection from the Road Users.



Notes to the Annual Financial Statements

2. Risk management

Capital Risk Management

The Fund's Capital Risk Management should be considered together with its mandate as a provided for in the Road Fund Administration Act (Act 18 of 1999).

The objective of the Fund is to manage the Road User Charges in such a way to secure and allocate sufficient Funding for the payment of expenditures with a view to achieve a safe and economically sufficient Road Sector. The Fund's objectives when managing the capital are to safeguard its ability to continue as a going concern so that it can continue to meet its financial obigations as and when they fall due without compromising on the execution of its mandate

Financial Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

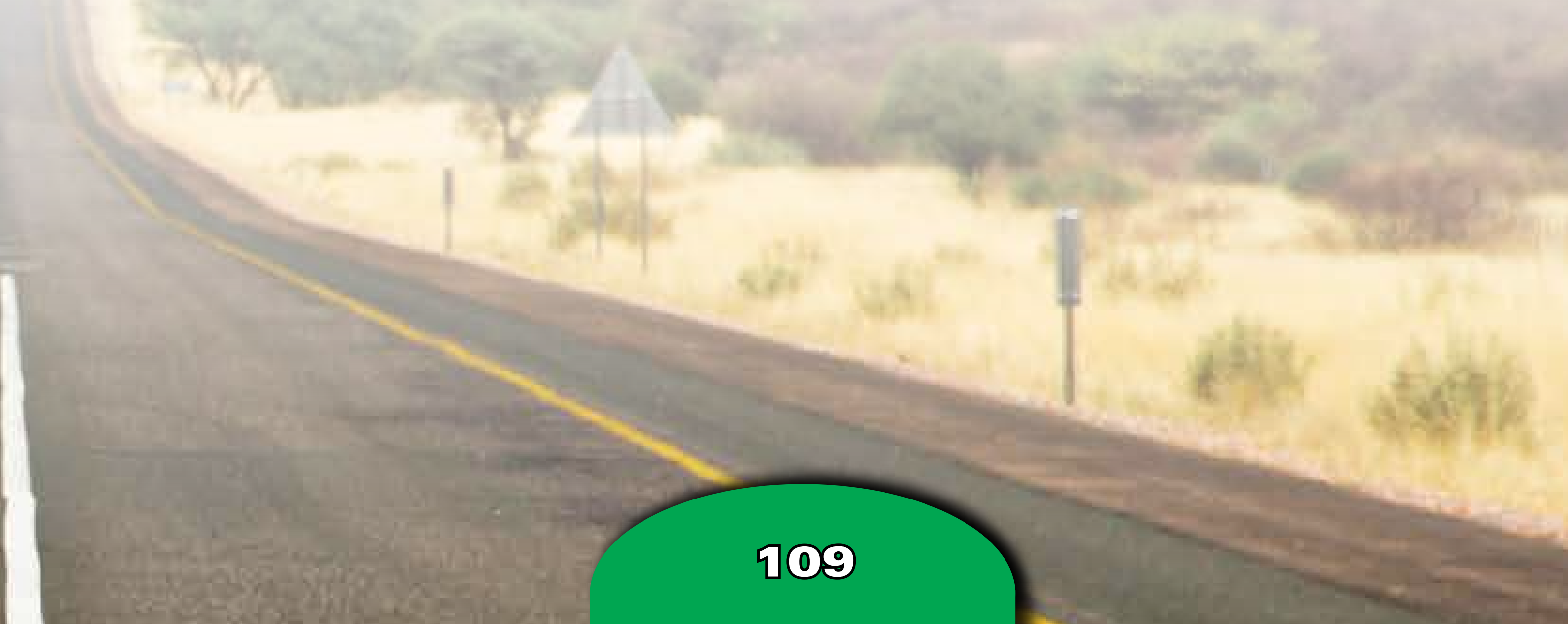
The fair values of all the Fund's financial assets (cash and cash equivalent, trade and other receivables) and liabilities (trade and other payables) approximate their carrying value due to its short-term nature. The fair value of loan stock is calculated by discounting future cash flows at a fair rate of return.

Liquidity Risk

Liquidity Risk refers to the risk that the Fund will encounter difficulty in meeting its obligations associated with the financial liabilities.

The Fund's risk to liquidity is a result of the Funds available to cover future commitments. The Fund manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flows forecasts are prepared and adequate utilised borrowings are monitored.

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



Notes to the Annual Financial Statements

At 31 March 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and Other Payables	390,307,363	-	-	-
Loan Stock	-	-	330,000,000	-
At 31 March 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and Other Payables	353,996,308	-	-	-
Loan Stock	-	-	-	330,000,000

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the trust deed up to such amount equal to the value of the issued loan stock, plus interest, penalty interest and any other mount payable by the RFA.

Interest Rate Risk

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Fund's cash flow Interest Rate Risk results mainly from its exposure to floating rate bearing long- and short-term Funds invested. The Fund is not exposed to Interest Rate Risk on its long-term borrowings.

The Fund has an investment in Investec's High Income Fund amounting to N$ 358,139,995 (2011: N$ 287,727,373). The Fund invests in high-yielding Namibian and South African fixed-income assets, including Government and corporate bonds, fixed deposits and money market instruments. The Fund is actively managed and the maximum average duration of asset is two years.

Had the interest rate changed by 100 basis points, the effect on the surplus and equity would have been N$ 3,581,400 (2010: N$ 2,877,274).

Fair Value Interest Rate Risk

Borrowings issued at fixed rate expose the Fund to fair value interest rate risk. The Fund has issued RFA 16 Loan stock (3,500 loan stock units of N$ 1,000 each) at a fixed interest rate of 9.5 percent.

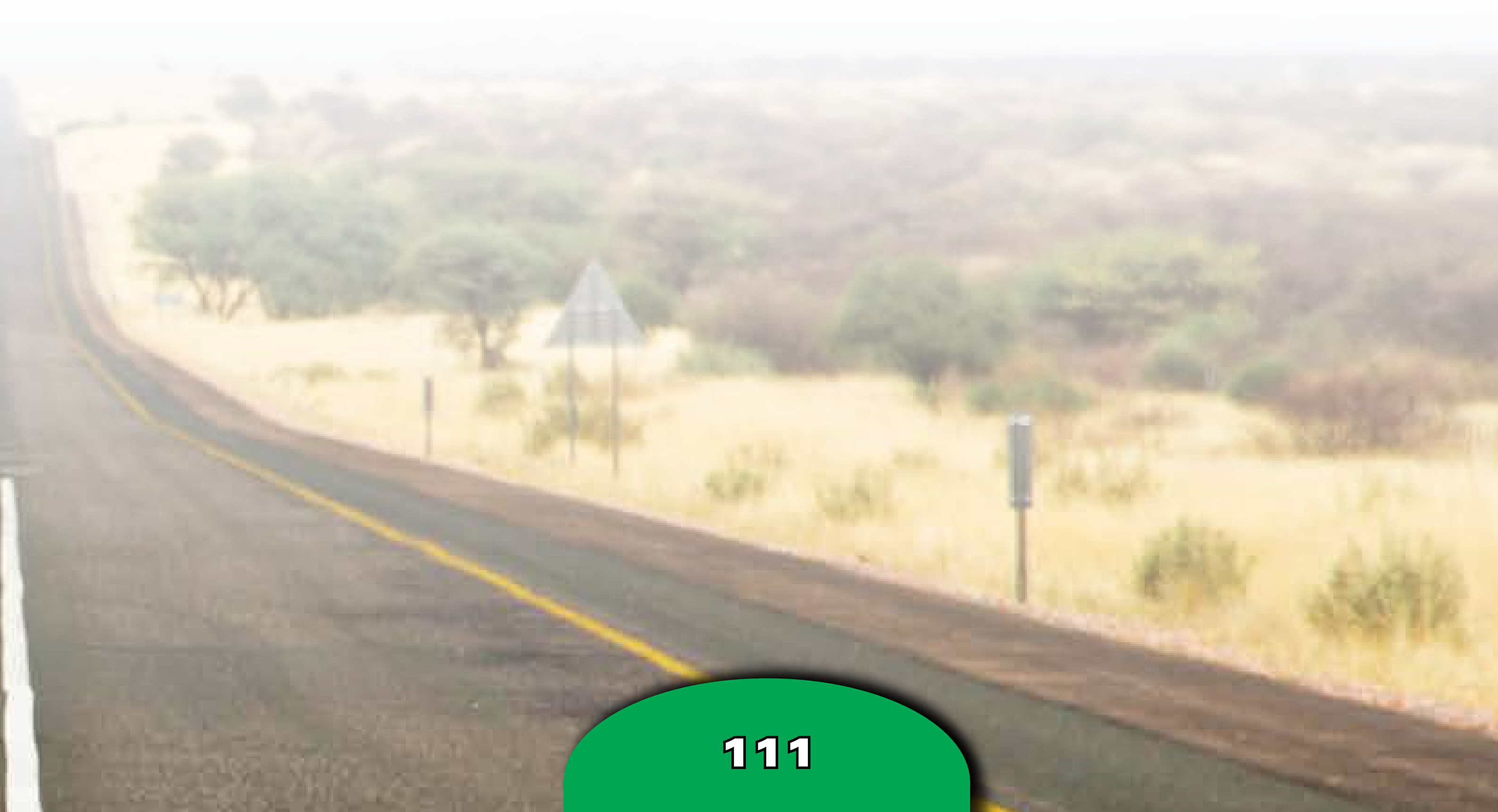
Notes to the Annual Financial Statements

Credit Risk

The Credit Risk refers to the risk that a counterparty will cause financial loss to the Fund by defaulting on its contractual obligations.

Credit Risk consists mainly of investments, cash deposits, cash equivalents, and trade and receivables. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.



Notes to the Annual Financial Statements

3. Property, Plant and Equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	5 141 626	-	5 141 626	3 530 014	-	3 530 014
Computer equipment	152 847	(152 846)	1	152 847	(152 846)	1
Total	**5 294 473**	**(152 846)**	**5 141 627**	**3 682 861**	**(152 846)**	**3 530 015**

Reconciliation of Property, Plant and Equipment - 2012

	Opening balance	Additions	Total
Land	3 530 014	1 611 612	5 141 626
Computer Equipment	1	-	1
	3 530 015	**1 611 612**	**5 141 627**

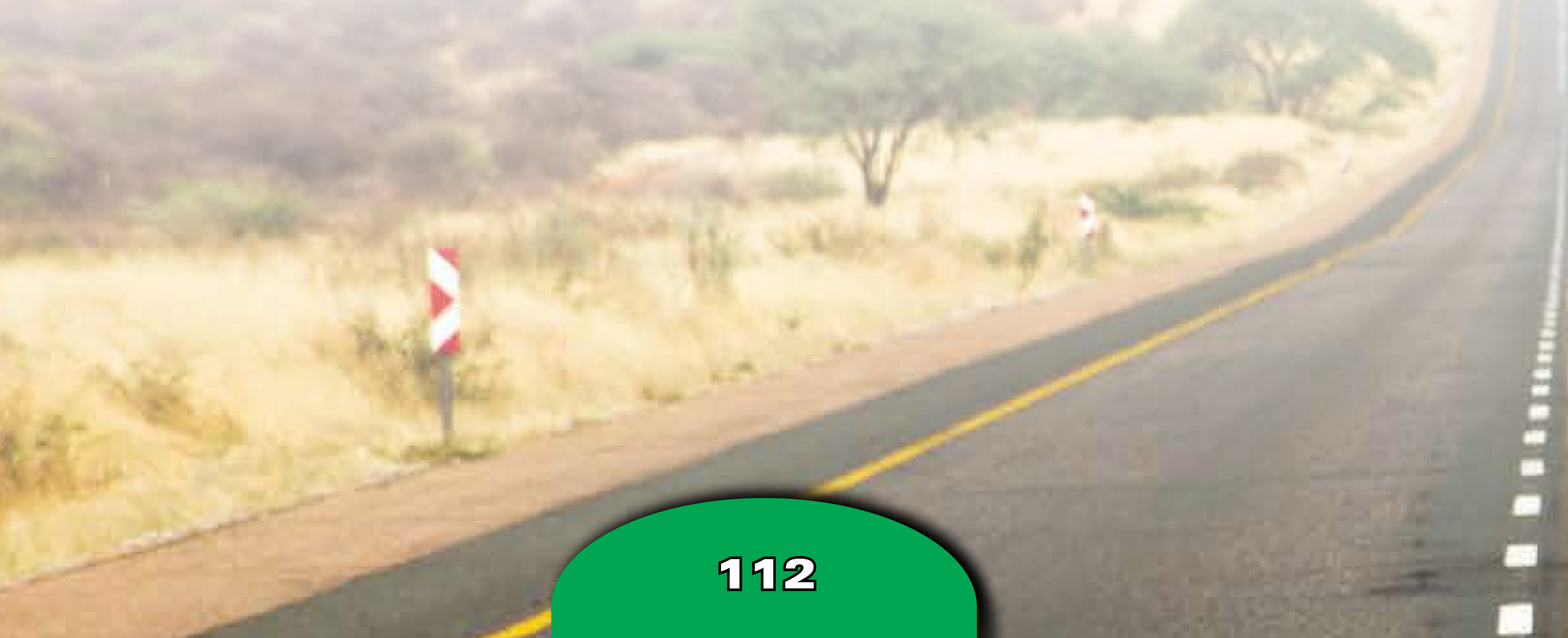
Reconciliation of Property, Plant and Equipment - 2011

	Opening balance	Additions	Total
Land	3 129 000	401 014	3 530 014
Computer Equipment	1	-	1
	3 129 001	**401 014 3**	**530 015**

Pledged as Security

There were no assets pledged for security during the year under review, (2011: none).

Land comprises of vacant erven 5845 and 5846 situated in Feld Street, Windhoek.



Notes to the Annual Financial Statements

	2012 N$	2011 N$

4. Investments

At fair value through profit or loss - designated

	2012 N$	2011 N$
Investec High Income Fund Namibia		
	358 139 995	287 727 370

	2012 N$	2011 N$
Current Assets		
At fair value through profit or loss		
	358 139 995	287 727 370

Investments consist of 32,120,178.92 units @ N$ 11,15 per unit (2011: 25,874,763.49 @ N$ 11.12 per units).

Fair values are determined annually at balance sheet date.

5. Financial assets by category

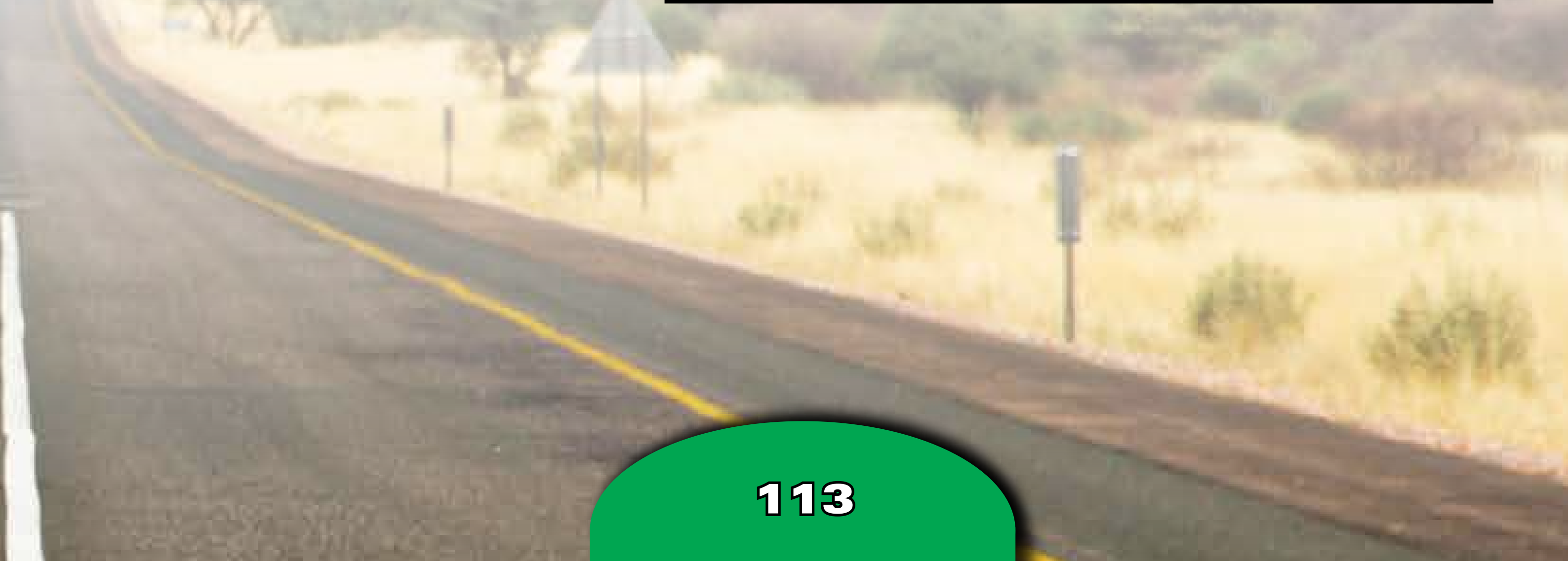
The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Fair value through profit or loss - designated	Total
Other Financial Assets	-	358 139 995	358 139 995
Trade and Other Receivables	98 325 518	-	98 325 518
Cash and Cash Equivalents	217 767 227	-	217 767 227
	316 092 745	**358 139 995**	**674 232 740**

2011

	Loans and receivables	Fair value through profit or loss - designated	Total
Other Financial Assets	-	287 727 370	287 727 370
Trade and Other Receivables	97 258 920	-	97 258 920
Cash and Cash Equivalents	187 461 100	-	187 461 100
	284 720 020	**287 727 370**	**572 447 390**



Notes to the Annual Financial Statements

6. Trade and Other Receivables

	2012 N$	2011 N$
Trade Receivables	2 513 881	1 367 260
Control RFA Receivables (Control Border Posts)	9 269 853	4 179 573
Accrued Income Fund (Licence fees and Fuel Levies)	86 541 784	86 248 772
KfW Grant	-	5 463 315
	98 325 518	**97 258 920**

Credit quality of trade and other receivables

Trade and other receivables relates to a number of independent custmers with no credit ratings. These balances are neither past due norimpaired.

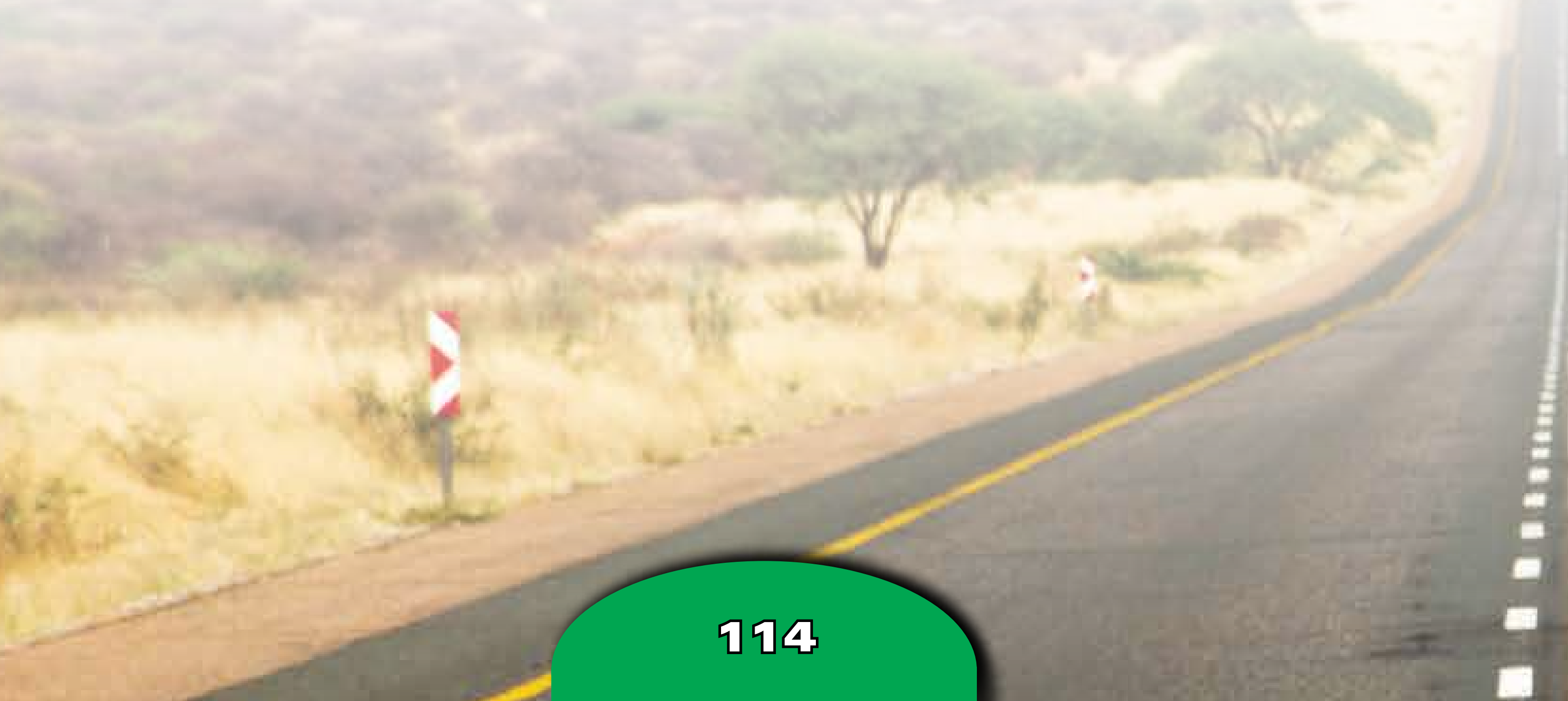
The above balances comprises of a number of independent customers whom have no recent history of defaults.

7. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

	2012 N$	2011 N$
Bank Balances - Fund Accounts	171 128 126	82 293 387
Short-term Deposits	25 226 369	1 139 599
Bank Balance - Project Accounts	21 412 732	104 028 114
	217 767 227	**187 461 100**

Restricted Cash
Included in the bank balabce is an amount of N$ 21,412,732 (2011: N$ 104,028114) relating to Government specific projects. The Funds are held in a designated bank deposit account to be used only for the purposes of the specific development, Government Kunene Road Project.



Notes to the Annual Financial Statements

Credit quality of cash at bank and short term deposits, excluding cash on hand

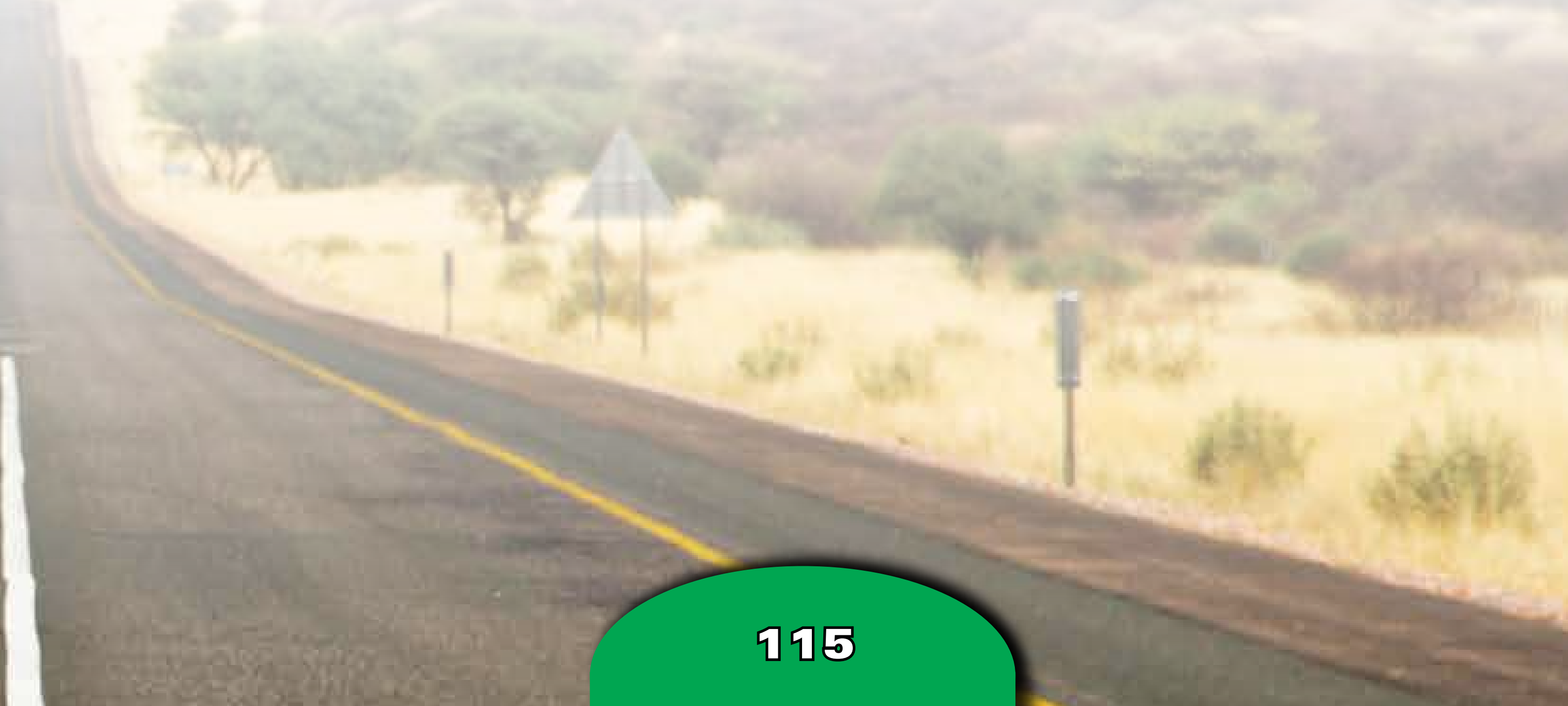
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2012 N$	2011 N$
Credit rating		
Bank Windhoek Limited (A1+ Moody's credit rating)	100 883 488	122 019 140
First National Bank (AA+ Fitch credit rating)	-	33 405 156
Standard Bank Namibia Limited (BB+ Fitch credit rating)	-	1 139 599
Namibia Post limited - Government agent with no credit rating	61 182 177	30 897 205
Nedbank Limited (C Fitch credit rating)	30 475 193	-
Simonis Storm Securities - (No credit rating)	25 226 369	-
	217 767 227	**187 461 100**

8. Other Financial Liabilities

Held at Amortised Cost		
RFA 16 Loan Stock (3,500 loan stock units of N$ 1,000 each)	330 000 000	330 000 000
Non-current Liabilities		
At Amortised Cost	330 000 000	330 000 000

The Government of the Republic of Namibia guarantees the due performance of the obligation of the RFA with respect to the due performance under the terms and conditions of the trust deed up to such amount equal to the value of the issued loan stock, plus interest, penalty interest and any other mount payable by the RFA. The amount of coupon payable in respect of each loan stock is calculated on the nominal value of N$ 100,000 per loan stock equal to 9.5% per annum, compounded semiannual. The Loan stock shall be redeemed on the 31st of January 2016.



Notes to the Annual Financial Statements

9. Trade and Other Payables

	2012 N$	2011 N$
Trade Payables	118 975 119	8 2 277 124
Accruals- Local Authorities	17 697 904	10 166 485
Accruals- Loan Stock	5 225 000	5 225 000
Accruals- Fuel Levy ReFunds	96 272 190	65 590 608
Road Authority retention Funds	63 102 789	41 999 728
Accruals- Traffic Law Enforcement	25 067 000	22 424 693
Other accruals	350	3 667
Other payable - KFW and Vehicle and Driving Testing Stations	47 310 595	35 498 366
Governrment Kunene Road Project (refer to Note 20)	21 412 732	137 475 174
	395 063 679	**400 660 845**

Included in the Government Kunene Road project is an amount of N$ 21,412732 (2011: N$ 104518,051) relating to government specific projects. These Funds are kept is separate Bank account in the name of the Road Fund Administrations.These accounts are recorded in the books of Road Fund Administration with a corresponding liability as disclosed above.

10. Financial Liabilities by Category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Other Financial Liabilities	330 000 000	330 000 000
Trade and Other Payables	373 650 947	373 650 947
	703 650 947	**703 650 947**

2011

	Financial liabilities at amortised cost	Total
Other Financial Liabilities	330 000 000	330 000 000
Trade and Other Payables	353 996 308	353 996 308
	683 996 308	**683 996 308**

Notes to the Annual Financial Statements

11. Revenue

	2012 N$	2011 N$
Fuel Levies	937 823 256	852 321 154
Other Road User Charges (Refer to 12.1 below)	521 935 154	435 863 261
	1 459 758 410	**1 288 184 415**

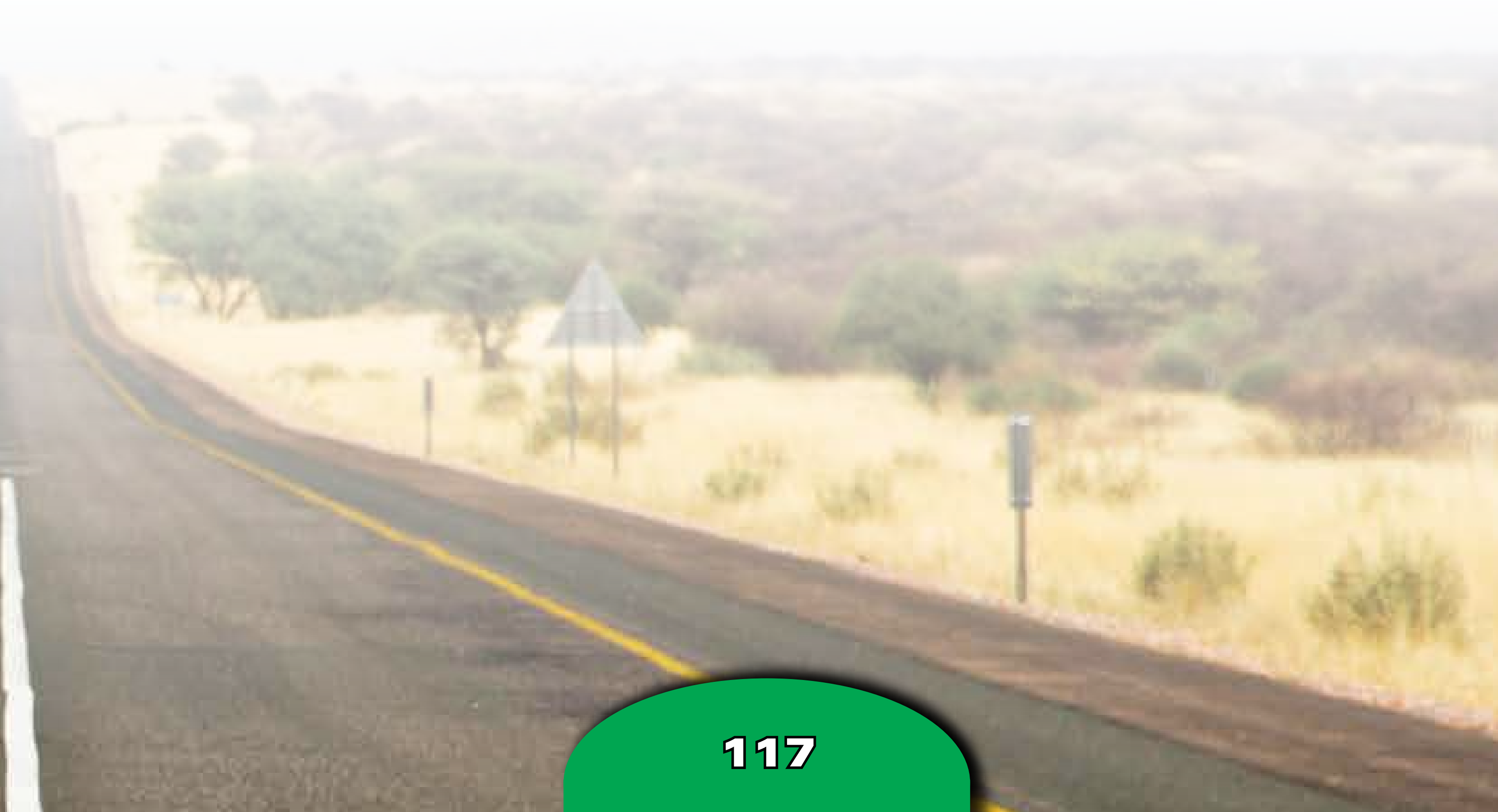
11.1 Other Road User Charges

Vehicle License Fees	383 466 846	323 275 561
Mass Distance Charges - Local	41 575 629	30 982 292
Cross Border Charges	78 360 010	67 182 292
Abnormal Permit Fees	8 676 909	7 374 782
Mass Distance Charges - Foreign	9 855 760	7 048 334
	521 935 154	**435 863 261**

12. Finance Income

Interest Revenue

Interest on Current Account	1 744 990	2 573 509
Interest on Trade Investment	28 213 236	35 420 408
	29 958 226	**37 993 917**



Notes to the Annual Financial Statements

	2012 N$	2011 N$

13. Other Income

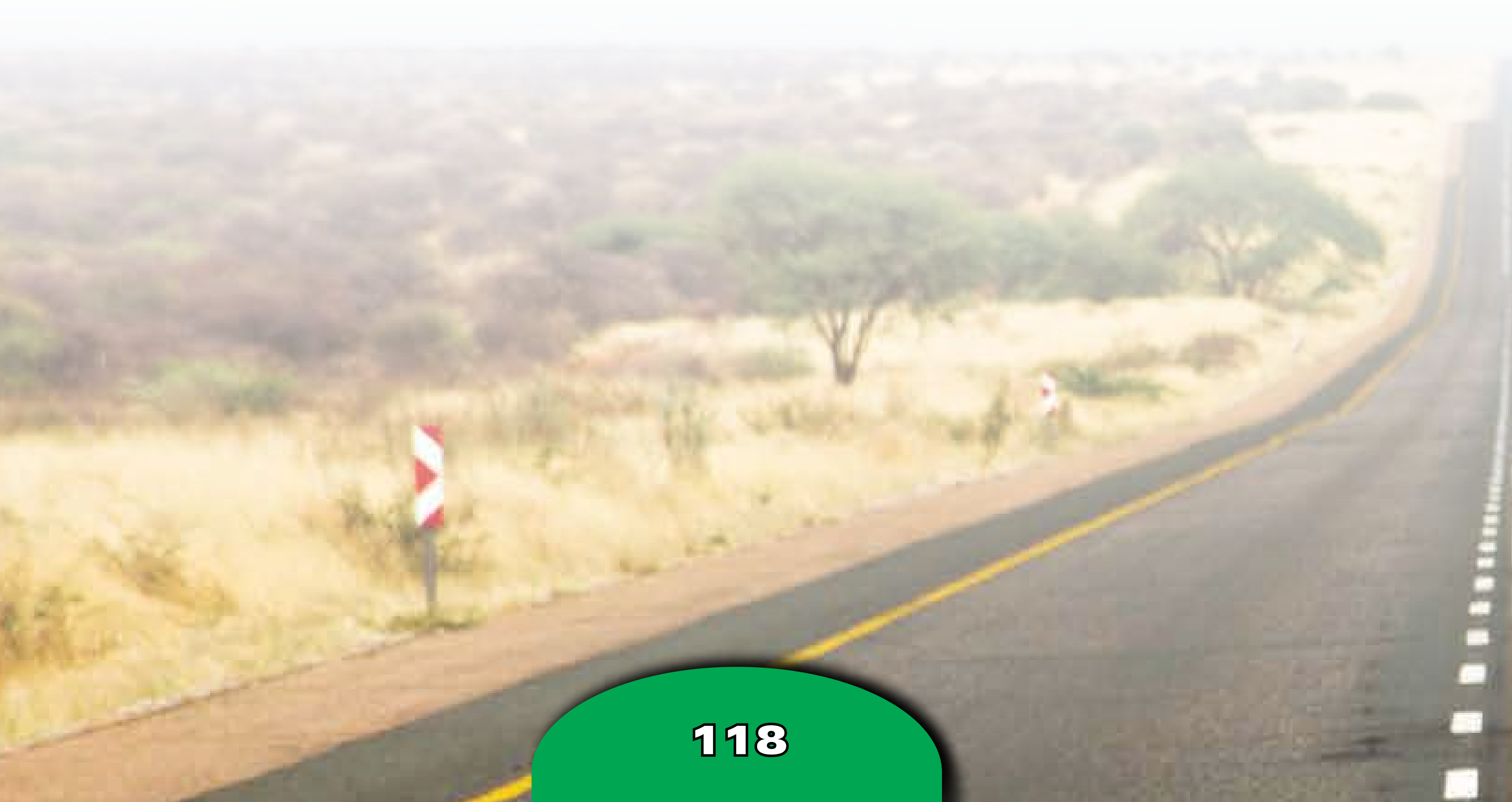
	2012 N$	2011 N$
Other Sundry Income	1 722 205	2 400
Payments to Road Fund Administration	-	9 890 451
Donor - SWAP	3 881 154	-
	5 603 359	**9 892 851**

14. Finance Costs

	2012 N$	2011 N$
Interest Paid on Loan Stock	31 350 000	43 747 097

15. Auditor's Remuneration

	2012 N$	2011 N$
Consulting	-	82 110



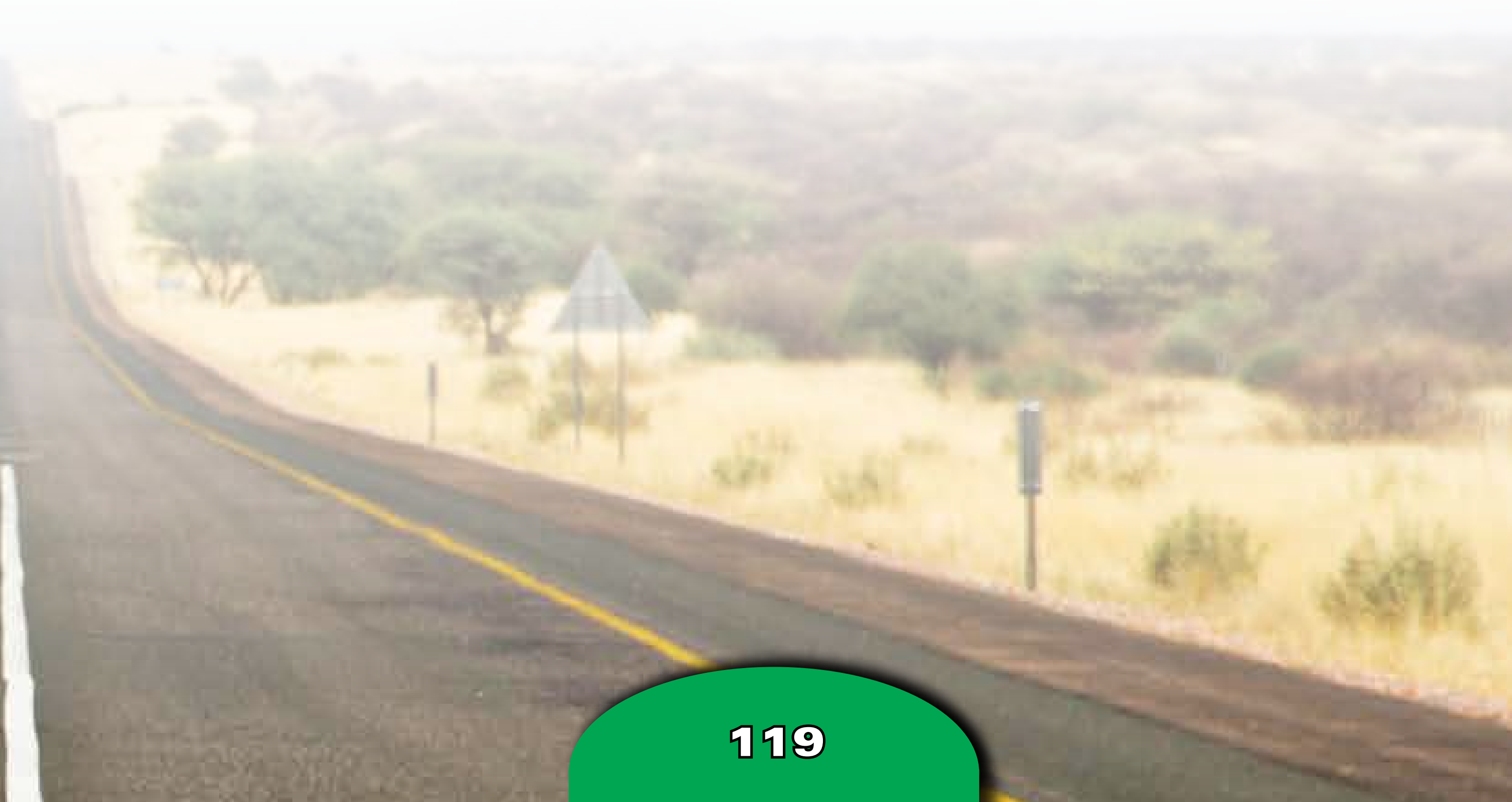
Notes to the Annual Financial Statements

	2012 N$	2011 N$
16. Cash Generated from Operations		
Surplus for the Year	108 994 128	4 983 475
Adjustments for:		
Interest Received	(29 958 226)	(37 993 917)
Finance Costs	31 350 000	43 747 097
Changes in working capital:		
Trade and Other Receivables	(1 066 598)	(26 718 668)
Trade and Other Payables	(5 597 166)	(117 879 981)
	103 722 138	**(133 861 994)**

17. Contingencies

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 utilise 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 the Republic of Namibia, before the commencement of the Act, for any purpose related to the management of the national Road Network. The ministry has not yet made a determination in this effect.



Notes to the Annual Financial Statements

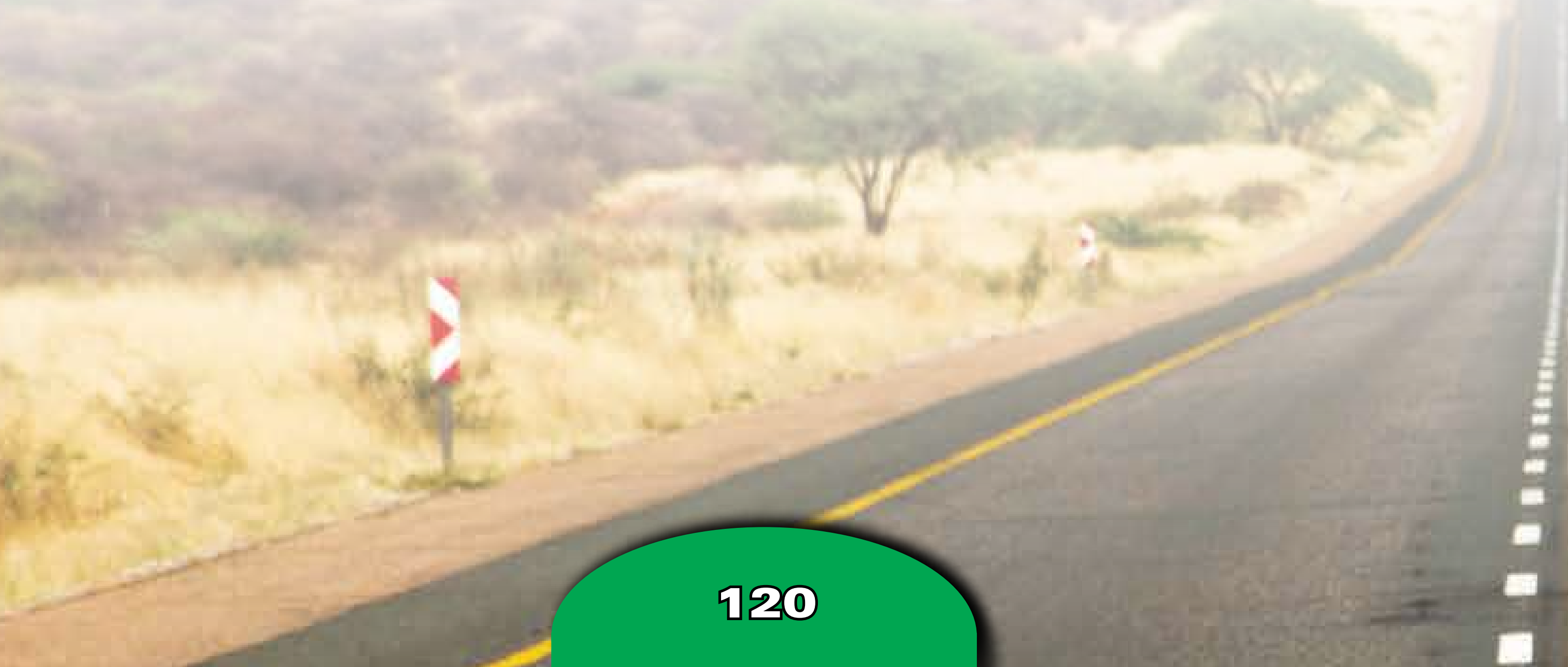
18. Related Parties

RFA receives monies from RA that is collected for Licence and Overloading Fees. RFA then distributes monies collected to RA for roads maintenance.	**Roads Authority**
The RFA gives monies to the Local Authorities for the roads maintenance in their respective Local Authority Councils	**Local Authorities**
RFA receives monies from the Ministry for specific projects.	**Ministry of Works & Transport (Unutilised project Funds)**
The RFA gives monies to the Traffic Law Enforcements for law enforcements in their respective jurisdictions.	**Traffic Law Enforcements**
RFA received a grant from KFW through the Government.	**KFW Grant Swap**

	2012 N$	2011 N$
Related Party Balances		
Amounts included in Trade payables and Provisions regarding related parties:		
Roads Authority	181 318 796	140 270 559
Local Authorities	17 697 904	10 166 485
Ministry of Works & Transport (Unutilised project Funds)	47 310 595	169 055 029
Traffic Law Enforcements	25 067 000	22 424 693
Government Kunene Road Projects	21 412 732	104 518 051

Related Party Transactions

Payments Made to Related Parties		
Roads Authority	1 035 451 909	921 368 677
Local Authorities	71 275 064	67 977 133
Road Fund Administration - Administration Account	24 340 000	24 815 000
Traffic Law Enforcements	25 067 000	22 424 693

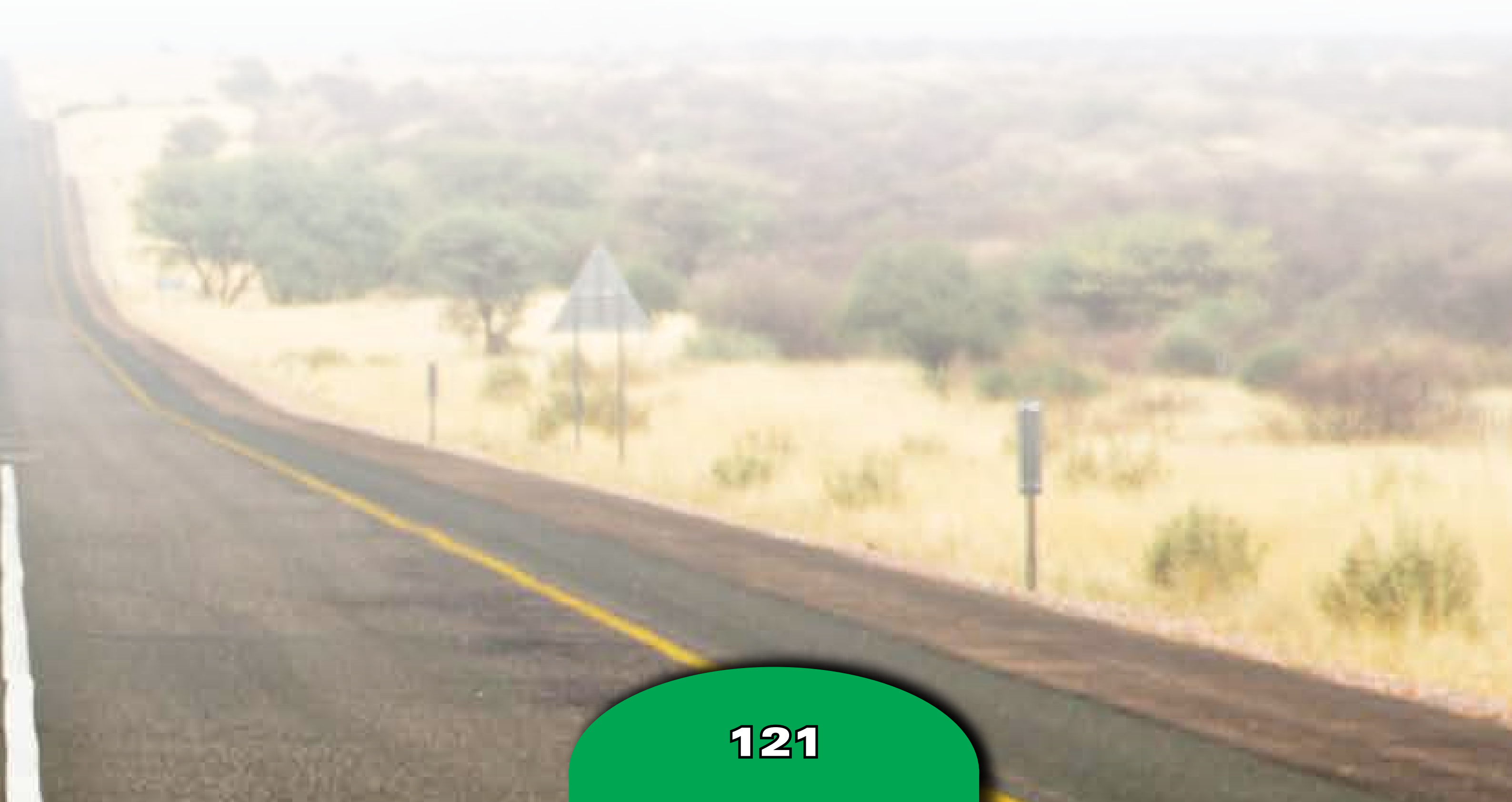


Notes to the Annual Financial Statements

19. Government Kunene Road Projects

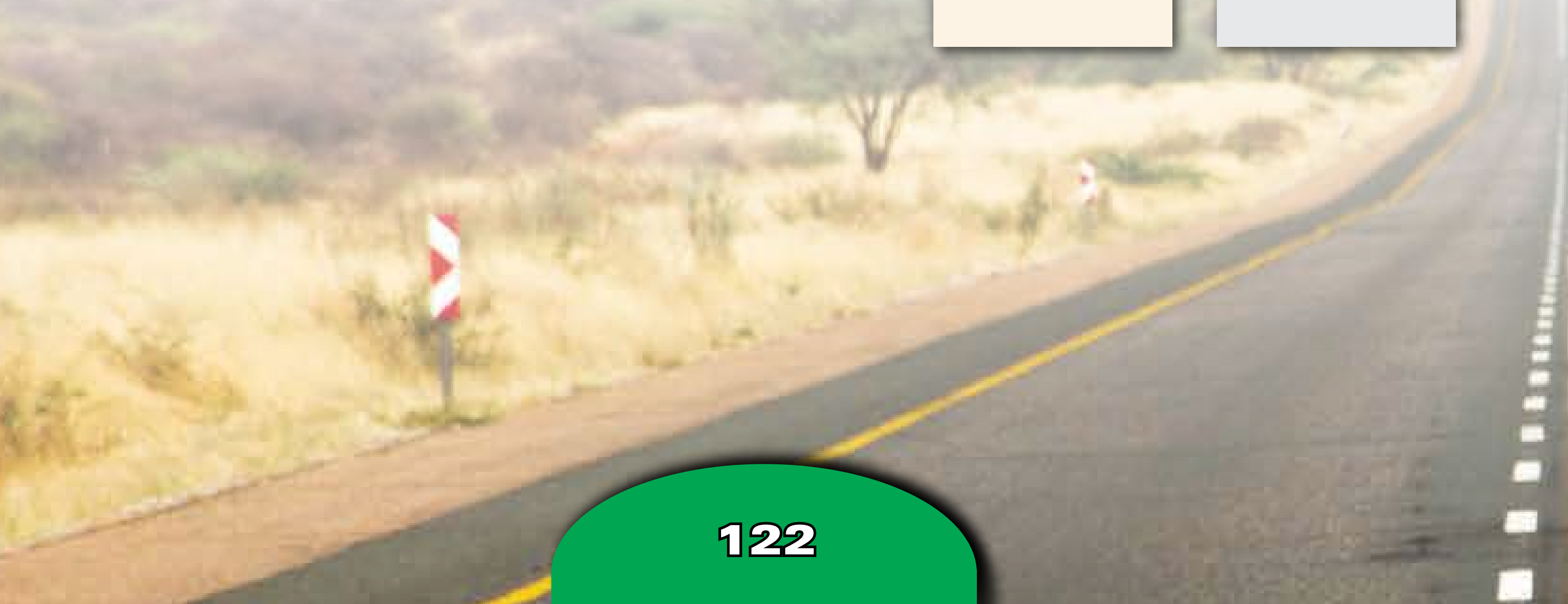
The Fund administers some accounts that are used to finance certain project on behalf of the government. The accounts are opened and operated by the Road Fund Administration. The Road Fund Administration has recorded those accounts as restricted cash with a corresponding amounts incuded in payables.

	2012 N$	2011 N$
The Balance at the End of the Year is made up as follows:		
Balance at the Beginning of the Year	137 475 174	289 137 846
Advance during the Year	536 292 087	1 141 551 150
Payment during the year	(652 354 529)	(1 293 213 822)
Balance at the End of the Year	**21 412 732**	**137 475 174**
The Amount is Represented by:		
Project Accounts Included in Bank Balances	21 412 732	104 028 114
Receivable from the Fund	-	33 447 060
Balances at Year End (included as payables)	**21 412 732**	**137 475 174**



Detailed Income Statement

	Note(s)	2012 N$	2011 N$
Revenue			
Fuel Levy		937 823 256	852 321 154
Other Road User Charges		521 935 154	435 863 261
	11	**1 459 758 410**	**1 288 184 415**
Other Income			
Sundry Income		1 722 205	2 400
Roads Authority Payments		-	9 890 451
Donor - (SWAP)		3 881 154	-
Interest Received	12	29 958 226	37 993 917
		35 561 585	**47 886 768**
Operating Expenses			
Administration and Management Fees		(1 044 503 606)	(932 093 032)
Advertising		(13 054)	(24 577)
Auditor's Remuneration	15	-	(82 110)
Bank Charges		(2 290 443)	(1 571 288)
Debt Collection		-	(172 398)
Bad Debts		-	(1 722 205)
Kunene Roads Project		-	(49 887 566)
Vehicle License Fees- Refunds		(353 606)	(124 318)
Transfer to Administration Account		(24 340 000)	(24 815 000)
Transfer to Local Authorities (Urban Road Maintenance)		(71 275 066)	(67 977 133)
Traffic Law Enforcement		(25 067 000)	(22 424 693)
Fuel Levy Refunds - Agriculture, Construction, Fishing, Mining, Rail		(186 257 535)	(185 403 379)
IT Expenses		(828 027)	(983 713)
Other Expenses		(47 530)	(59 199)
		(1 354 975 867)	**(1 287 340 611)**
Operating Surplus		**140 344 128**	**48 730 572**
Finance Costs	14	(31 350 000)	(43 747 097)
Surplus for the Year		**108 994 128**	**4 983 475**



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