



INTEGRATED ANNUAL REPORT 2017/2018

Theme

“Road User Charges, funding a vital link to economic integration”

Spanning some 47,555 kilometres, Namibia’s vast, well developed and well maintained road network provides increased access and connectivity and unlocks enormous potential for all Southern African Development Community (SADC) member countries.

Together with Government, through its Vision 2030, Fifth National Development Plan (NDP5) and Harambee Prosperity Plan (HPP), we understand that regional integration is a key developmental priority and that increased access and connectivity create increased opportunities for trade and competition which facilitates socio-economic development.

To maintain, preserve and develop the national road network requires sufficient funding. In this respect the Road Fund Administration (RFA) continues to secure and allocate funding through managing the Road Fund (RF) and the Road User Charging System (RUCS) in order to ensure a safe and economically efficient national road network.

About N\$1.70 billion has been invested this year in the national road infrastructure, which has enabled Namibia to position itself as a preferred gateway and as a facilitator of trade for the Southern African Development Community (SADC). For this we have our key stakeholders and all road users to thank.

Contents

04	ABBREVIATIONS
05	ABOUT THIS REPORT
06 to 13	ABOUT THE ROAD FUND ADMINISTRATION
14 to 17	THE RFA STRATEGY
18 to 27	LEADERSHIP REPORT
28 to 31	CORPORATE GOVERNANCE
32 to 34	STAKEHOLDER MANAGEMENT AND ENGAGEMENT
35 to 37	INTERNAL AUDIT AND RISK MANAGEMENT
38 to 41	FINANCIAL PERFORMANCE OVERVIEW
42 to 54	OPERATIONAL OVERVIEW
55 to 58	OUR HUMAN CAPITAL
59 to 62	SUSTAINABILITY REPORT
63 to 168	ANNUAL FINANCIAL STATEMENTS
Inside Back Cover	CORPORATE INFORMATION

Abbreviations

AAs	Approved Authorities	MANCO	Management Committee
AMS	Annual Maintenance Agreement	MDCs	Mass Distance Charges
AIRCC	Audit, Investment, Risk and Compliance Committee	MoA	Memorandum of Agreement
ARMFA	African Road Maintenance Fund Association	MoF	Ministry of Finance
ASAFG	ARMFA Southern African Focal Group	MoWT	Ministry of Works and Transport
Bl-km	Blade kilometre	MES	Monitoring and Evaluation Strategy
CCTV	Close Circuit Television	MVA	Motor Vehicle Accident Fund
CBCs	Cross Border Charges	NamCode	Corporate Governance Code for Namibia
CEO	Chief Executive Officer	NAMPOL	Namibian Police
CFO	Chief Financial Officer	NaTIS	Namibia Traffic Information System
CoW	City of Windhoek	NCCI	Namibia Chamber of Commerce and Industry
DMS	Document Management System	NDP5	Fifth National Development Plan
ERM	Enterprise Risk Management	NRSC	National Road Safety Council
ERMS	Emergency Medical Rescue Services	NUST	Namibia University of Science and Technology
ERP	Enterprise Resource Planning	PMS	Performance Management System
EXCO	Executive Committee	PE	Public Enterprise
FY	Financial Year	PMPA	Programme Management, Policy and Advice
HPP	Harambee Prosperity Plan	RA	Roads Authority
GRN	Government of the Republic of Namibia	RFA	Road Fund Administration
GDP	Gross Domestic Product	RF	Road Fund
GNP	Gross National Product	RTTA	Road Traffic Transport Act
HPP	Harambee Prosperity Plan	RUCS	Road User Charging System
HR	Human Resources	RUCs	Road User Charges
ICT	Information, Communication and Technology	SADC	Southern African Development Community
ICTD	Information, Communication and Technology Division	SMME	Small, Medium and Micro Enterprises
IESBA	International Ethics Standards Board for Accountants Code	TLA	Traffic Law Adjudication
IIA	Institute of Internal Auditors	TLE	Traffic Law Enforcement
KfW	Kreditanstalt für Wiederaufbau	ToR	Terms of Reference
LAs	Local Authorities	VAT	Value Added Tax
		WBCG	Walvis Bay Corridor Group
		ZRF	Zambian Road Fund

About this Report

RFA acknowledges the role and importance of adopting an integrated reporting approach in demonstrating its ability to create and sustain value across all its operations, including its performance, and commitment to, economic, social, and environmental sustainability for the ultimate benefit of its main shareholder, the Government of the Republic of Namibia (GRN) as well as a broad range of stakeholders, including all road users.

Due consideration to the requirements of the Corporate Governance Code for Namibia (NamCode) has been given in the compilation hereof, acknowledging the fact that full adherence to the principles of the NamCode reporting methodology is an evolving process and will improve over time.

This report covers the year under review of the RFA for the period 1 April 2017 to 31 March 2018. It provides transparent and inclusive information as guided by the five-year (2014 - 2019) Strategic Plan, corporate governance and risk management, the financial performance, an overview of its operations, human capital and sustainability matters.

ASSURANCE

The Board, with the support of the Audit, Investment, Risk, and Compliance (AIRCC) Committee, is ultimately responsible for the Road Fund Administration's system of internal control, designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss.

The consolidated annual financial statements from pages 63 to 168 were audited by PricewaterhouseCoopers.

About the Road Fund Administration



"Strive not to be a success but rather to be of value"

- Albert Einstein

OUR BUSINESS PHILOSOPHY

Our Mandate

The Road Fund Administration (RFA) was established on 1 April 2000 by the Road Fund Administration Act (Act 18 of 1999) with the specific statutory mandate to manage the Namibian Road User Charging System (RUCS) and the Road Fund, with the view to secure and allocate sufficient funding for a safe and efficient road sector in Namibia.

Our mandate of providing a safe and economically efficient road network in Namibia links in with the national objectives outlined in Vision 2030, NDP5 and the HPP.

Our Vision

To be the global leader in sustainable road infrastructure funding and management, contributing to national development goals.

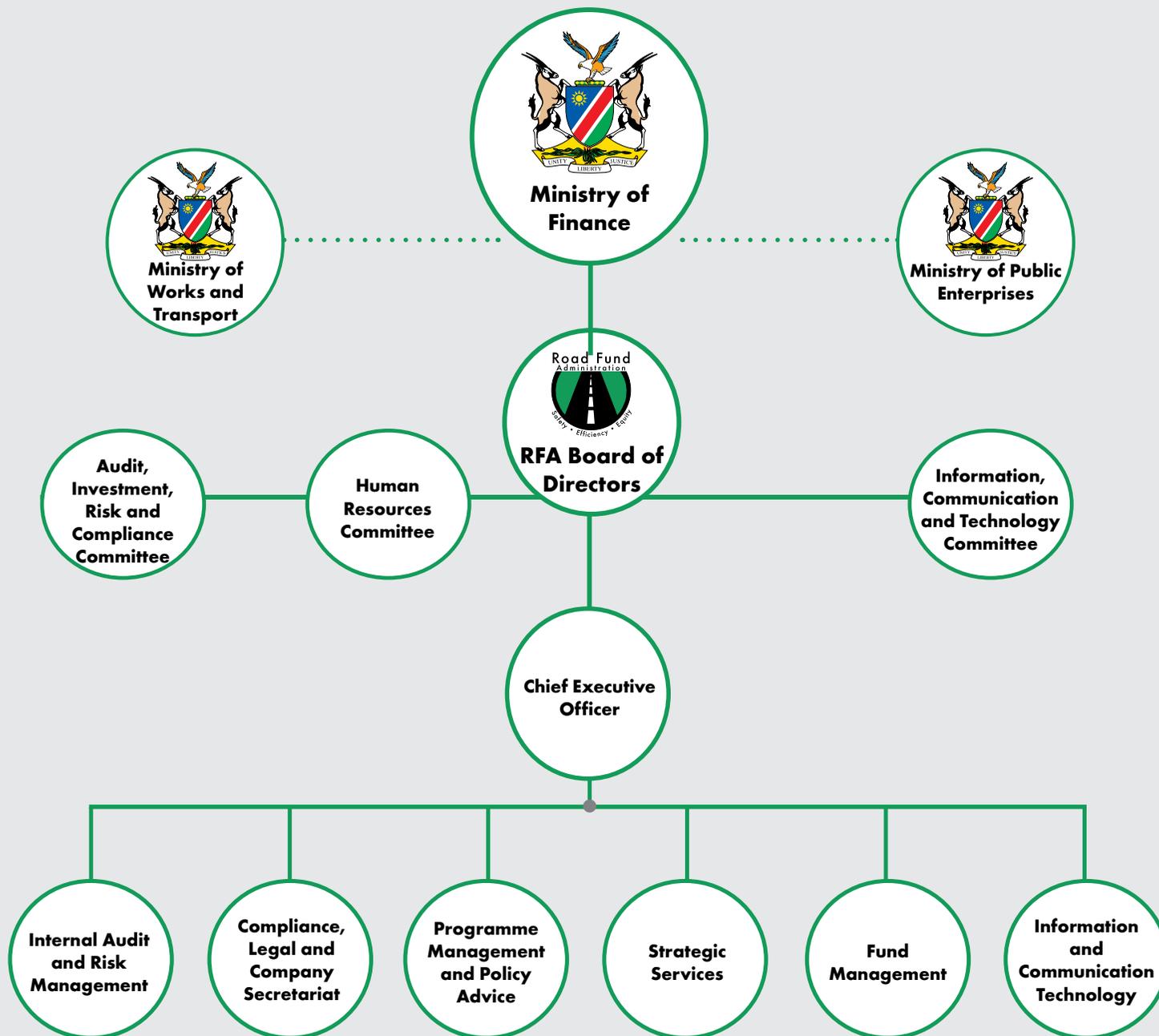
Our Mission

To manage Namibia's Road User Charging System to provide optimum funding for an equitable, safe and economically efficient road sector, for the benefit of road users.

Our Core Values

*Integrity
Accountability
Efficiency
Transparency
Teamwork
Innovation
Service Excellence*

CORPORATE STRUCTURE



OUR CORE BUSINESS

Road User Charging System Management

RFA manages the Namibian Road User Charging System (RUCS) and the Road Fund (RF), with the aim of economically recovering the full cost of roads expenditure from road users in an equitable manner. The system determines the amount and manner of funds to be raised from road users in accordance with the 'user pay' principle and consequently determines the Road User Charges (RUCs) to be imposed.

Road User Charges

Road User Charges (RUCs) are accrued in the RF and managed by the RFA. Funding is allocated mainly to projects and programmes for the preservation and development of the national road network and major urban arterials. Contributions also go towards the maintenance of urban roads, traffic information systems, traffic law enforcement, adjudication and safety, and road research.

The following RUCs are applicable on Namibia's national road network

- Fuel Levies
- Annual Motor Vehicle License and Registration Fees
- Cross Border Charges
- Mass Distance Charges
- Abnormal Load Fees
- Cross-Border Road Transport Permits
- Domestic Road Carrier Permits

The collection of CBCs and MDCs is directly managed by the RFA. The vehicle registration and license fees and abnormal load fees are collected by NaTIS (Roads Authority). Fuel levies are collected by various fuel wholesalers.

Road Fund

Funds from the RF is allocated to Approved Authorities which includes:

- a) Roads Authority (RA) for the project planning, maintenance, rehabilitation, road management systems, plus administrative expenses of the RA
- b) NaTIS for the implementation of the Road Traffic and Transport Act (RTTA), (Act 22 of 1999) and vehicle license and registration fees
- c) Road Traffic Inspectorate for the enforcement of the RTTA Act
- d) Road Fund Administration for the approved expenses of the Road Fund (RF), e.g. administrative expenses, loan capital and interest repayments, road research, claims for compensation approved by the Minister, and
- e) Approved Authorities (AAs) for road maintenance and Traffic Law Enforcement (TLE) functions.

The RFA and RA share the common overall objective of driving prosperity in the country and serving Namibia's roads and road users by providing exceptional service. Each organisation was however established by different Acts of Parliament with their own specific purpose.

The types of RUCs applicable on Namibia's national road network, the percentage of total revenue each one contributes to as well as the beneficiaries is depicted in the illustrations on the next two pages.

ROAD USER CHARGES

Road Fund
Administration



Fuel Levies

60%



Abnormal Load Fees

1%



Annual Motor Vehicle
License and Registration
Fees

28%



Mass Distance Charges
(Local and Foreign)

5%

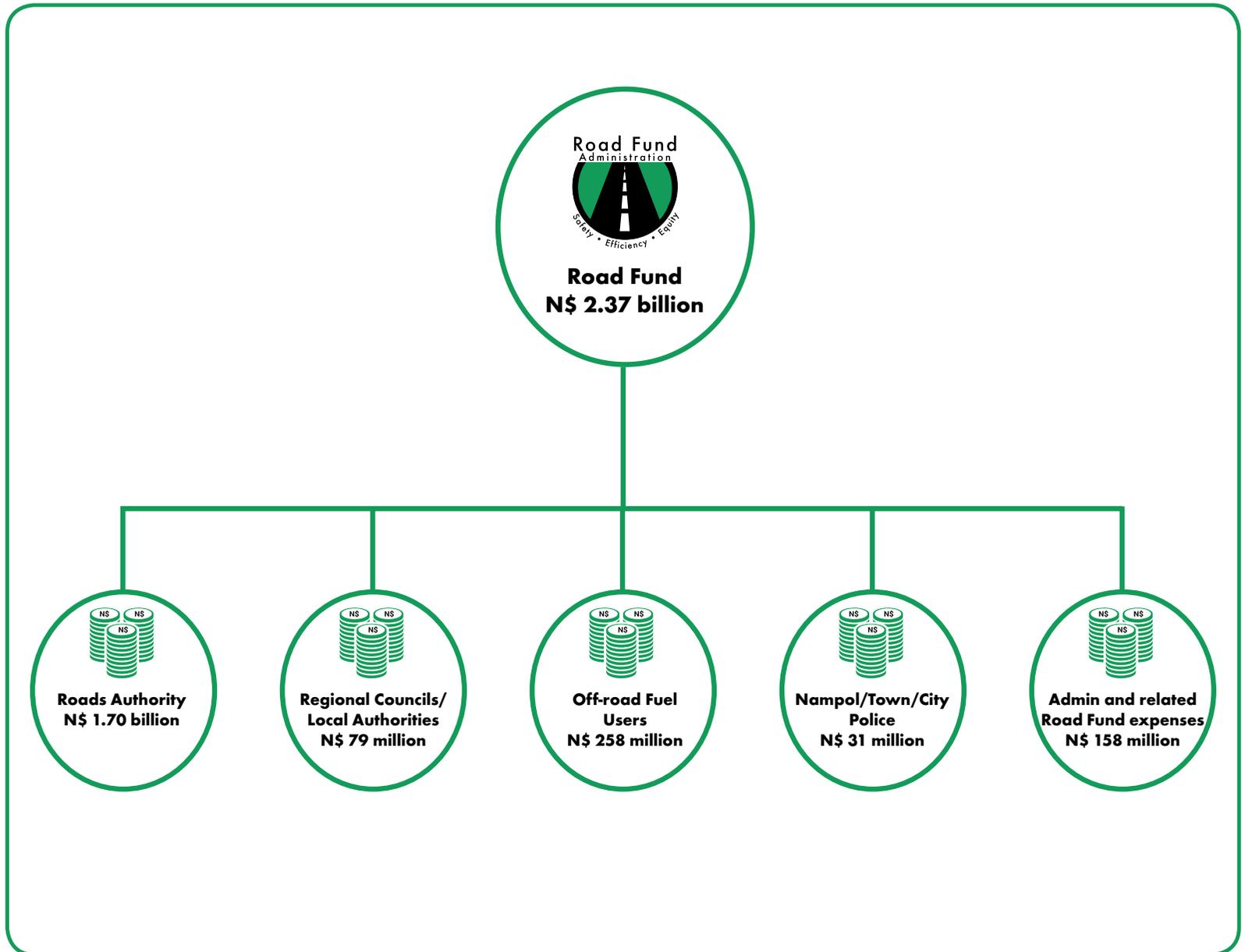


Cross Border Charges

6%

Percentages of total revenue

ROAD USER CHARGES AND BENEFICIARIES



Revenue collected from the RUCS

N\$ 2.37 billion
shows a steady growth

Total Distance Road Network

47,555 km

Border Posts

17

Total Employees

142

DETERMINATION OF FUNDING

The RFA is responsible for determining the amount of funding to be allocated to AAs to achieve a safe and efficient road sector. For this purpose, the RFA must receive budgets from the RA and other AAs for projects and programmes to be funded from the RF. Budgets are assessed for compliance with the provisions of the RFA Act and for compliance with generally accepted technical, transportation, economic and financial practices.

The projects and programmes specific information provided by the AAs as motivation of their budgets is a primary consideration.

OUR OPERATING ENVIRONMENT

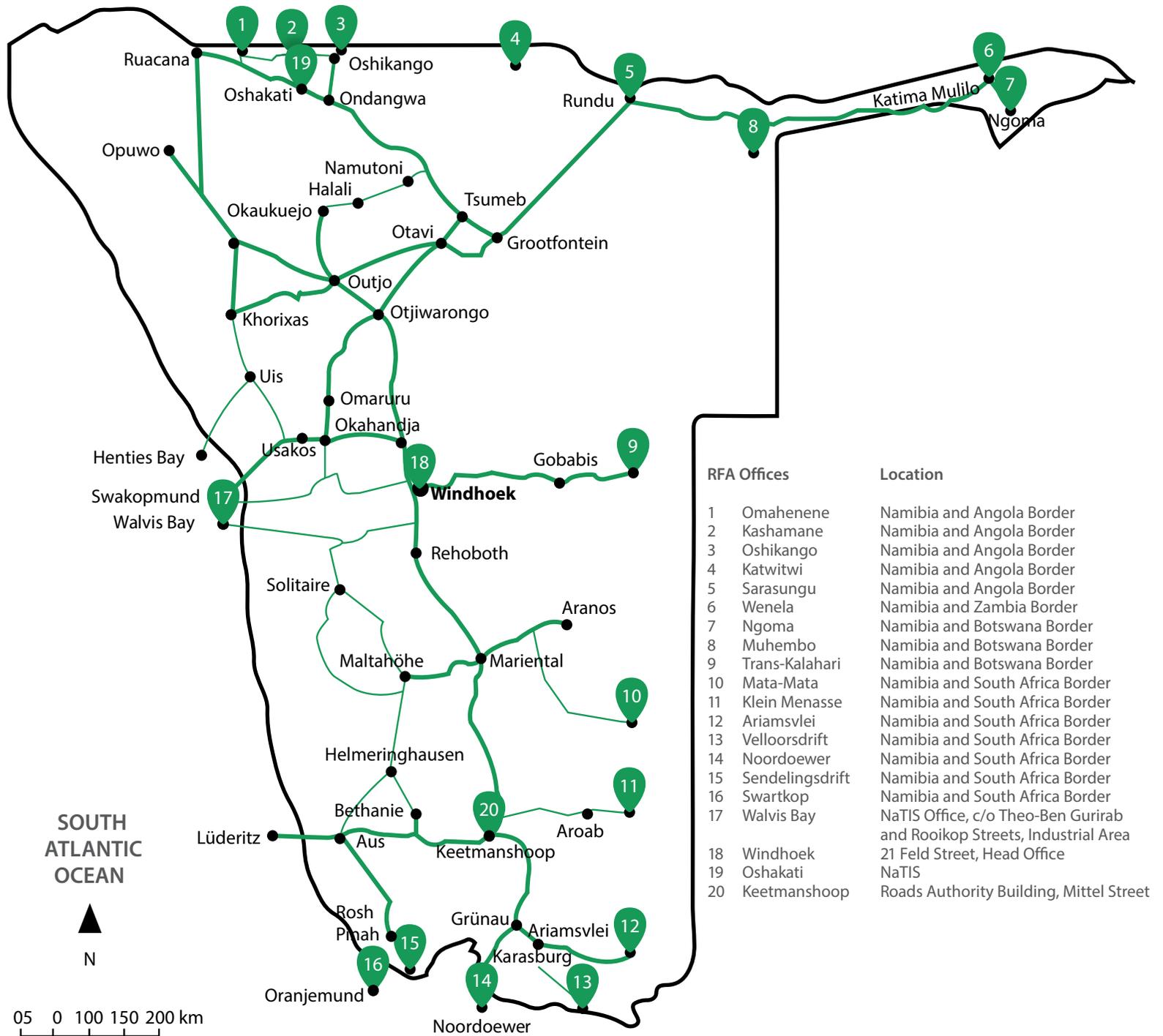
The RFA has been in operation for 18 years, and has since its establishment in the year 2000, continued to successfully manage the Namibian RUCS and the RF.

The road network in Namibia consists of a total distance of 47,555 kilometres of which 7,893 kilometres are bitumen surfaced (paved), 39,362 kilometres are gravel (unpaved), and 300 kilometres are unpaved salt roads.

The RFA has a total staff complement of 142 employees across 20 representation points countrywide with a gender split of 58% female to 42% male and age range of 25 - 52.

Our Geographic Footprint is illustrated on the next page.

RFA GEOGRAPHIC FOOTPRINT



The RFA Strategy



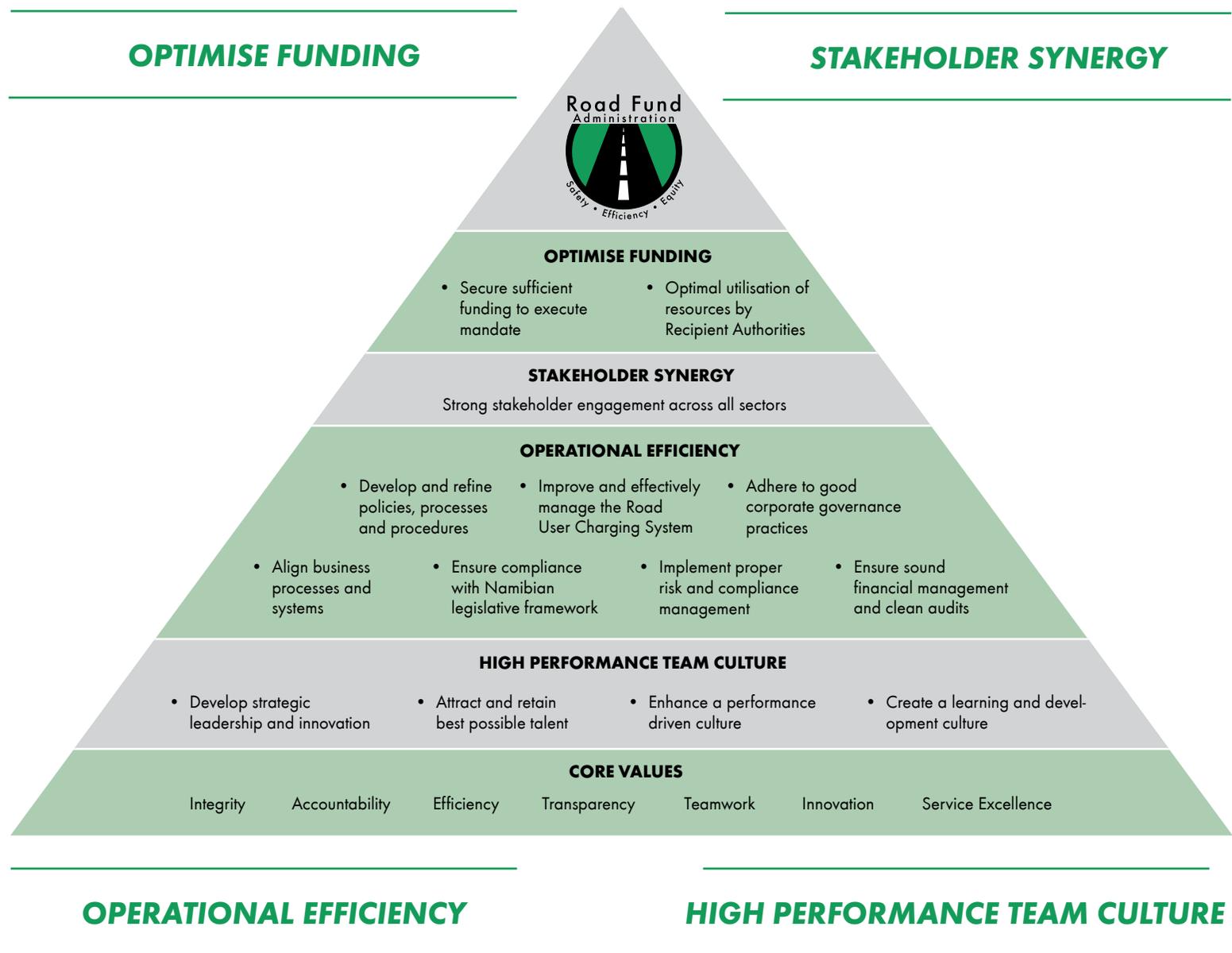
“No company, small or large, can win over the long run without energised employees who believe in the mission and understand how to achieve it”

- Jack Welch

RFA STRATEGIC ROAD MAP

The Executive Committee continues to implement and monitor the overall performance of the five year (2014 – 2019) Strategic Plan and the outcomes of the key strategic initiatives against targets set.

The Strategy Map and Corporate Scorecard illustrates and describes the four strategic themes, the key performance areas and key strategic initiatives in more detail.



STRATEGIC CORPORATE BALANCED SCORECARD 2015/2016 - 2018/2019

Perspectives	Objectives: KRA	Critical Tasks / Strategic Initiatives
Theme 1: Optimise Funding	Secure sufficient funding to execute mandate	<ul style="list-style-type: none"> • Develop and implement an optimum Funding Strategy to inform annual business plan • Develop Business Plan and Implementation Strategy
	Optimal utilisation of resources by Recipient Authorities	<ul style="list-style-type: none"> • Develop and implement monitoring framework of road projects on quality, time and cost effectiveness • Develop Funding Model for traffic related maintenance for AAs
Theme 2: Stakeholder Synergy	Strong stakeholder engagement across all sectors	<ul style="list-style-type: none"> • Develop and implement a Stakeholder Engagement Strategy • Develop and implement a Communications Plan • Develop and implement a Customer Service Charter • Plan and execute RFA rebranding
Theme 3: Operational Efficiency	Develop and refine policies, processes and procedures	<ul style="list-style-type: none"> • Business process re-engineering • Develop and implement standard operating procedures and manuals
	Aligned business processes and systems	<ul style="list-style-type: none"> • Complete a functional and integrated system (internal and external) in line with business processes • Continuous improvement to ICT environment • Complete Enterprise Resource Planning (ERP) system review in line with future requirements and integrating with e-NaTIS
	Improve and effectively manage the Road User Charging System	<ul style="list-style-type: none"> • Map ideal collection management system and procedures, identify and address gaps • Enhance existing RUCS
	Ensure compliance with Namibian legislative framework	<ul style="list-style-type: none"> • Develop, implement and monitor compliance to Legal Register

STRATEGIC CORPORATE BALANCED SCORECARD 2015/2016 - 2018/2019

Perspectives	Objectives: KRA	Critical Tasks / Strategic Initiatives
Theme 3: Operational Efficiency	Adhere to Good Corporate Governance practices	<ul style="list-style-type: none"> • Develop, implement and monitor compliance to Corporate Governance Framework • Develop, implement and monitor compliance to Board Charter
	Implement proper Risk and Compliance Management	<ul style="list-style-type: none"> • Implement ERM Framework • Compile, approve and roll out Risk Based Audit Plan • Develop Business Continuity and Disaster Recovery Plan
	Ensure sound financial management and clean audits	<ul style="list-style-type: none"> • Ensure adherence to Financial Management policies and procedures • Close-out Audit Recommendations
Theme 4: High Performance Team Culture	Develop strategic leadership and innovation	<ul style="list-style-type: none"> • Identify professional development programmes for RFA management and supervisors • Formalise and reward innovation through a structured programme
	Attract and retain best possible talent	<ul style="list-style-type: none"> • Develop a comprehensive Succession Planning strategy and policy • Develop and implement an attraction and retention strategy • Review and implement remuneration and rewards system
	Enhance a performance driven culture	<ul style="list-style-type: none"> • Review and implement strategically aligned organisation structure • Develop and implement internal campaign to establish corporate culture and sense of belonging • Implement performance management (PM) policy and procedure • Implement climate and 360° survey
	Create a learning and development culture	<ul style="list-style-type: none"> • Introduce coaching and mentorship programmes for employees • Introduce competency-based training

The current Strategic Plan period ends on 31 August 2019 and initiatives for the development of the new Strategic Plan are in progress.

Leadership Report



"Leadership is the capacity to translate vision into reality"

- Warren G. Bennis

Chairperson's Report



Penda Ithindi
Chairperson of the Board of Directors

On behalf of the Board of Directors, it gives me great pleasure to present the key achievements of the RFA for the financial year ending 31 March 2018.

This year's annual report reinforces the best practices and principles of the NamCode which are adopted by the RFA as the corporate governance framework for the organisation. In the context of inclusive and integrated reporting, we have taken the first step towards improving the quality of information by promoting a cohesive approach to efficient corporate reporting. We intend to demonstrate our ability to create value over time to our shareholder, stakeholders and providers of financial capital including our employees as well as the road users.

Over the past couple of years, the Board of Directors has had the privilege to oversee the RFA raise the bar. The encouraging levels of performance posted in the year under review is attributed to many factors, not the least to mention the readily available policy support from Government, support from our investment partners, beneficiaries of the Fund and our dedicated workforce. Other factors include the relentless pursuit of efficiency and innovation in the execution of duties, a sound business strategy, strong and competent leadership, recognition of staff who go beyond the call of duty, adherence to individual contracts and performance agreements linked to the mandate of the Fund. This outcome is, in fact, an offspring of the recruitment of competent Executive and technical staff who have been able to implement and execute numerous strategic initiatives diligently.

Against the background of a rather tight economic environment, the Board is proud of what the RFA has accomplished in 2018 and excited about the future. Our business strategy benefits from the broader stakeholder input and it is anchored on the national development aspirations espoused in NDP5 and the HPP. The Fund resource flows are directed to the priority projects and programs in the road sector, thus providing increasing impetus to the competitiveness of the national economy, regional connectivity and the emerging One Belt, One Road global initiative. It is envisaged that the RFA will inject some N\$13 billion into the road sector over the next five years, providing much needed capital in the domestic economy with associated positive indirect spin-offs at a time when Government fiscal policy has assumed a consolidation phase.

The RFA will continue to ensure high levels of performance. To this end, we will monitor and review targets periodically as part of continuous improvement in our quest to maintain high standards of excellence.

Long-term sustainability and sound financial management will continue to be the defining pillars of the Administration and the Fund. For quite some time now, the Administration has implemented a number of strategic initiatives to embed efficiency in the RUCS, optimise revenue collection and keep the cost of administration and compliance in check. Measures to plug potential collection gaps have also been instituted in favor of fairness and equity. While the RUC levy rates still significantly lag behind full cost recovery and road sector cost prices, annual adjustments to date have contributed to the growth of the Fund income and allowed for increasing investment in the national road infrastructure network.

Combined with total public sector investment outlay in the road sector, the quality of Namibia's road infrastructure continues to fare well on the African region and globally. The 2017 Global Competitiveness Report ranks the quality of Namibia's road infrastructure at 31st, out of 137 countries assessed. This is higher than the overall national infrastructure ranking at 67th position and, indeed, Namibia's overall competitiveness ranked at the 90th position globally.

Good transport infrastructure coupled with effective management, proper maintenance, and innovative new developments to increase capacity, are some of the key components defined in the Namibia Logistics Master Plan, as pillars to propel Namibia towards achieving its regional logistics hub ambitions. The consistent achievements in the road sector are evidence of the strides that the country is making and the importance placed on transport as a catalyst for economic growth, trade facilitation and regional integration.

Through our partnership with the Regional and Local Authorities, the Road Fund Administration will continue to support the upkeep of road infrastructure within the domain of various local authorities.

We will also continue to support the National Road Safety Council of Namibia (NRSC) in search for solutions to curb road accidents, by creating a safer and more efficient network of transportation and logistics for the country and its people.

Acknowledgments

I would like to thank our shareholder, in particular the line Ministries for support and guidance on policy matters.

I also wish to thank my colleagues in the Board and the RFA Management team for setting high standards of performance and ethics as well as following good corporate governance principles. This has certainly had a positive influence on the operating performance of the RFA in all respects.

Special recognition is also extended to our stakeholders and development partners, particularly Kreditanstalt für Wiederaufbau (KfW), for their ongoing support. The Road Fund Administration looks forward to a broader scope of engagement in the spirit of partnership and sustainable development.

As payees of the various streams of revenue accruing to the Fund in the form of RUCs, our road users make a significant contribution in ensuring optimum funding for an equitable, safe and economically efficient road sector.

Thank you.

Board of Directors



Penda Ithindi (48)

Reappointed: 1 September 2016

Qualifications:
Master of Science, Financial Economics -
University of London



Zia Stellmacher (39)

Appointed: 1 September 2016

Qualifications:
B. Compt. Degree - University of South Africa.
Chartered Accountant



Robanus Amadhila (52)

Appointed: 1 September 2016

Qualifications:
Mr Amadhila is a seasoned entrepreneur for
more than 20 years. He matriculated from
Döbra High School



Dr. Simeon Amunkete (51)

Reappointed: 1 September 2016

Qualifications:
Doctor of Philosophy in Industrial
Psychology - North West University
South Africa



Naemi Henok (40)

Appointed: 1 September 2016

Qualifications:
Bachelor of IT Honours in Business
Computing - Polytechnic of Namibia



Chief Executive Officer's Report



Ali Ipinge
Chief Executive Officer

It is my pleasure to present the RFA annual performance report for the financial year 2017/18. This is in compliance with the requirements of the RFA Act and the Public Enterprises Governance Act.

My pleasure stems from the fact that despite the prevailing harsh economic conditions in Namibia and in Southern Africa, we were able to record a positive growth.

The RFA is ranked among the top performing public enterprises in the country in terms of its ability to fulfill its basic mandate. This can be attributed to maintaining prudent financial discipline, prescribing to good corporate governance and leadership practices, maintaining and building strong relationships with key stakeholders, instilling a sense of pride, and good corporate values among our employees.

We are fortunate to have a supportive Board which sets the strategic direction and governance of the organisation. Robust risk management is practiced, compliance with all governing laws is fully exercised, and that the NamCode has been adopted as the governance framework for the organisation.

Value created by the RFA

Namibia's well maintained and vast road network is the key link to regional integration and unlocks economic potential throughout the entire SADC region. For the past thirteen years, the RFA through the RUCs has invested a total of N\$ 17.27 billion in the preservation of the national road network, which has grown from 42,100 kilometres (2005) to 47,555 kilometres (2018), adding immense value to the socio-economic development of the country.

During the year under review the RFA has invested N\$ 2.2 billion in the preservation and development of Namibia's road network of which 76% (about N\$ 1.70 billion) was allocated to the RA for national road sector projects and administration, with 24% allocated to Local Authorities, road safety and RFA administration. From an investment point of view we were able to allocate more funding to the AAs for the maintenance and preservation of both national and urban roads.

The road network was expanded by a total of 1,057 kilometres. Provision of funding to the AAs for road infrastructure projects has provided contractual employment to more than 650 Namibians and sustenance to numerous small to medium enterprises locally.

Performance Overview

In order for the RFA to fulfill its mandate of managing the Namibian RUCS in such a manner as to secure and allocate sufficient funding for the achievement of a safe and economically efficient road sector, sufficient funding is required.

A total of N\$ 2.37 billion in revenue was collected from the Road User Charges in FY 2017/2018, (FY 2016/2017: N\$ 2.21 billion), resulting in a steady year on year growth of approximately 7% or N\$ 154 million. A surplus of N\$ 135 million was recorded from a deficit of N\$ 59 million in the prior year and negative equity reduced from N\$ 442 million to N\$ 308 million in the FY 2017/2018.

I am also pleased to report that for the third consecutive year we have recorded an unqualified audit opinion and as such we believe that, from a systems and financial point of view, we are running a tight ship.

On the downside however, we fell short of reaching our budget for the FY 2017/2018 by approximately 1%, largely due to the sluggish economic environment which impacted all the Road User Charges. Less traffic on our roads contributed to a reduction in fuel consumption, resulting in revenue from fuel levies (which constitutes 60% of the total revenue) having performed approximately 1% under budget. Contributing to the positive turnaround was the reduction of expenditure through operational efficiency and the implementation of cost containment programmes.

Implementation of the RFA Strategic Plan

The four pillars underpinning our Strategic Plan (2014-2019) centres on: optimisation of funding, stakeholder synergy, operational efficiency and a high performance team culture.

Extensive stakeholder engagements and consultations pertaining to the draft RFA five-year (2018 - 2023) Business Plan were held with AAs, which essentially deals with projects and programmes funded by the RUCS. These consultations specifically considered the extent to which the Business Plan gives effect to the achievement of a safe and efficient road sector. Recommendations on key issues made by stakeholders are included in the final version of the Business Plan.

Furthermore, we have, on behalf of Government, secured a short-term loan facility through our bank to the value of N\$ 750 million for the purposes of defraying some costs of national road capital projects on behalf of Government. This facility will be settled in full by the Government. Additionally, in support of the NDP5 and HPP goals, RFA has been a key implementing partner for the labour-based projects in partnership with the Ministry of Works and Transport (MoWT) and the Government of the Federal Republic of Germany, through Kreditanstalt für Wiederaufbau (KfW). The construction of feeder rural roads provides the rural community with access to markets, hospitals and schools. The project also provides much needed employment opportunities to unemployed Namibians in the northern regions.

In support of the road rehabilitation and preservation strategy, the RFA has taken up a loan facility of Euro 30 million from KfW to fund the rehabilitation of the first 87 kilometres of bitumen road between Mariental and Keetmanshoop.

An annual tariff increase of 7% was approved by the Ministry of Finance and accordingly implemented mitigating the potential revenue shortfall and provides the assurance that our roads remain well maintained and safe.

We have taken a strategic direction to increase our funding to AAs by 35% year-on-year. For the first time since the establishment of the Road Fund we have provided direct support and assistance to the Local Authorities in terms of their road planning, management of contractors and budgeting. In addition we have signed Procedures Agreements to better regulate our relationship with the AAs.

The RFA continues to engage the rest of the African continent through its association and membership with the African Road Maintenance Fund Association (ARMFA). This has created a strong platform to share best practices and innovative approaches to road sector planning and funding. As newly-elected Vice President of ARMFA (elected at the 16th AGM in Addis Ababa, Ethiopia on 23 February 2018), I look forward to fulfilling my duties diligently.

On the home front, the RFA continues its association with the Namibian Chamber of Commerce and Industry and furthermore has joined the Walvis Bay Corridor Group, enabling us to add value to the concept of positioning Namibia as a logistical hub as well as supporting the transport corridors on the sub-continent.

An extraordinary AGM was held on 20 November 2017 where the Annual Financial Statements and the Annual Report for FY 2016/2017 were approved by the shareholder.

Additional resources were invested in our Information, Communication and Technology (ICT) infrastructure capabilities to ensure that operational systems downtime is limited. Moreover, we invested heavily in business continuity and tested our disaster preparedness successfully. From a systems and people readiness point of view we are confident that we can continue to run this business in the face of potential disaster. A number of key policies and processes to govern operations efficiently were approved, which provided management with a good operating framework.

The RFA continues to invest in its human capital in terms of skills development and training coupled with an effective Performance Management System (PMS) in place. RFA commissioned its first employee satisfaction survey, which was conducted by Deloitte. The outcome of this survey was a positive rating of 3.8 out of a possible 5. While this is a good score, we need to continue to develop and build the capacity of our people. Around 30 new housing units were handed over to staff at Border Post offices. Better living conditions boosts staff morale and productivity. Investing in our people has always been a high priority for the RFA.

Road Safety

The RFA as a Road Safety partner actively participates in programmes and discussions aimed at reducing preventable accidents and deaths through public education and law enforcement. Yet this does not seem to be effective enough in changing the behavior of our motorists and I can only once more appeal to all citizens to take all the necessary precautions to avoid any possible accident on our roads.

Overcoming our Challenges

Maintaining consistent growth will pose a challenge as, prior to 2017, our revenue growth year-on-year was approximately 15%, which has since reduced to a current growth of 7%, a clear indication of a slowdown in the economy over the past two years.

The collection of sufficient or optimum funding has been a challenge and will continue to be so in the foreseeable future resulting in the growing backlog of maintenance of the national road network. It is therefore important that the RUCs model be reviewed to catch up with an expanded national road network that is in line with transport infrastructure needs. This is a critical aspect that the sector should discuss and address fully with the view of meeting NDP5 and HPP targets. Innovative ways of maintaining roads that are cheaper than what we have now are opportunities that need to be explored.

In conclusion I would like to express my sincere gratitude to our line Ministry, Government agencies, our Board of Directors, all employees, funding partners, key stakeholders, and of course all road users for making strides in paving the way to a brighter future for Namibia through an efficient road network. The RFA remains fully committed to funding the economically warranted programmes and projects of the AAs.

Executive Committee Members



Ali Ipinge
Chief Executive Officer

Qualifications:
B.Econ. - UNAM
MBA - Maastricht School of Management



George Itembu
Chief Financial Officer

Qualifications:
B. Acc. - UNAM
Registered Practicing Accountant and
Independent Reviewer



Elvis Kambatuku
Principal Officer: Internal
Audit and Risk Management

Qualifications:
B.Com. (Accounting and Finance) - University
of Johannesburg
Certified Governance, Risk and Compliance
Management - International Academy of
Business and Financial Management



Anna Matebele
Principal Officer: Compliance, Legal and
Company Secretary

Qualifications:
Masters (Commercial and Financial Law) -
Kings College London, United Kingdom
B. Juris, LLB. - UNAM



Elton Khoitaga !Gauseb

Acting Executive: Programme Management
and Policy Advice

Qualifications:

B.Sc. (Civil Engineering) - University of
Kwazulu Natal



Patricia Keeja

Executive: Strategic Services

Qualifications:

B.Com. (HED) (PG) - UNAM
Senior Management Development Program
(SMDP) – NIPAM, Namibia



Edison Mberirua

Executive: Information and Communication
Technology

Qualifications:

B.Sc. (Software Engineering) - University of
Applied Science Cologne, Germany

Corporate Governance



“The ultimate goal is for corporate governance rules to aid businesses in operating more effectively, while taking account of the interest of all of the company’s relevant stakeholders”

- Neftali Garro

CORPORATE GOVERNANCE

The Board and Executive Management of the RFA laid the foundation for governance by adopting the NamCode as the governance framework within the organisation. This set the tone for the governance culture to be inculcated by the Board, Management and staff.

In terms of compliance, the Board approved the 2016/2017 Annual Report including the financial statements, during the year under review. The Board further ensured that the RFA's five-year Business Plan was submitted to the relevant authorities for approval. In order to ensure that the RFA submits to legislative requirements, a Compliance Register is submitted to the Board. This is to ensure that the RFA complies with its own Act and those impacting its business.

Role of the Board in adherence to the NamCode

The NamCode prescribes that the Board be responsible for corporate governance and for determining the RFA's strategic direction, and consequently its ultimate performance. The Board is also responsible for the control of the RFA, and requires management to execute strategic decisions effectively and according to laws and the legitimate interests and expectations of stakeholders.

The Board is responsible to ensure that management actively cultivates a culture of ethical conduct and sets the values to which the company should adhere to.

From a social, economic and environmental perspective the Board is required to provide assurance that the RFA is managed sustainably and that it is a responsible corporate citizen.

Adherence to Good Corporate Governance Practices

A Board Charter was adopted by the Board on 6 April 2017, with the purpose of providing clarity regarding their role and execution of their duties. The Terms of Reference and responsibilities of the Board Committees have been finalised and an implementation framework is being developed to ensure that appropriate governance structures are in place for an effective functioning Board.

Review legal framework in respect of the RUCS for potential improvement

The RFA embarked on the Amendment of the RFA Act and successfully completed the first phase of the project which includes the finalisation of the Position Paper approved by the Board at its Meeting of 12 September 2017. The next phase of the project includes drafting of the Amendment Act.

Maintaining high levels of integrity remains an essential part of good corporate governance and is upheld throughout the entire organisation

ATTENDANCE REGISTER OF THE BOARD AND COMMITTEES

The RFA Board was appointed for a period of three years from 1 September 2016 to 1 September 2019

Name of Director	Board	Meetings Attended	HR Committee	Meetings Attended	ICT Committee	Meetings Attended	AIRC Committee	Meetings Attended
Penda Ithindi	Chairperson	9/10	Member	4/4				
Zia Stellmacher	Member	10/10					Chairperson	7/7
Robanus Amadhila	Member	6/10			Member	2/2		
Dr. Simeon Amunkete	Member	8/10	Chairperson	4/4				
Naemi Henok	Member	10/10			Chairperson	2/2	Member	7/7

Note: Of the ten Board meetings scheduled during the year under review, four were Quarterly board meetings and six were Extraordinary Board meetings.

Summary of Board Annual Remuneration

The Board Remuneration is done in terms of the Public Enterprise Directive on Board Remuneration, and is provided in the Table below:

Board Member	2017/2018
Penda Ithindi	-
Dr. Simeon Amunkete	N\$ 129 979
Zia Stellmacher	N\$ 141 758
Naemi Henok	N\$ 160 816
Robanus Amadhila	N\$ 103 521
TOTAL	N\$ 536 074

Note: The Chairperson of the RFA Board is excluded from remuneration in terms of section 22 (2) of the Public Enterprises Governance Act (Act 2 of 2016) as amended "no remuneration is payable to a member of a Board who is in the full-time service of the State."

Summary of Board approvals

The following key approvals were granted by the Board during the year under review:

- RFA Annual Financial Statements for the Fund and the Administration for the year ended 31 March 2017
- RFA Annual Report for the FY 2016/2017
- RFA Business Plan for the Period 2018/2019 - 2022/2023
- The NamCode as the Corporate Governance Framework for the RFA
- Revised Top Management Structure from nine to seven Executives

The Board deliberated on and approved the following policies

- Corporate Communications Policy
- Fleet Management Policy
- Subsistence and Travel Policy "Rates"
- Employee Accommodation Policy
- Whistleblower Policy
- Business Plan Policy
- Business Plan Procedure
- Policy on CBC and Foreign Mass Distance Charges
- Policy on Local Mass Distance Charges
- Board Charter
- Governance Framework - NamCode
- Human Resource Committee Terms of Reference
- Audit Investment Risk and Compliance Terms of Reference
- Records Management Policy

Disclosure of Interests

Section 10 of the Road Fund Administration Act (Act 18 of 1999) provides for the Board to declare its interest at each Board and Committee Meeting.

Disclosure of interest is a standing item on the Agenda for each Board and Committee Meeting and where there is a conflict of interest declared, a Board Member is excused from an agenda item.

Company Secretariat function

One of the primary functions of the Company Secretariat's Office is to oversee that good corporate governance practices are applied throughout the organisation, in compliance with the NamCode.

With the NamCode entrenched within the system, the Company Secretariat provides guidance and advice to the Board, and within the RFA, on matters of good governance and changes in legislation.

The Board and Committees' terms of reference are kept up to date, Board papers are properly compiled and circulated timeously. Assistance is provided to the Board and Committees with the drafting of yearly work plans and performance evaluation of the Board and Individual Directors.

The Company Secretary is directly accountable to the Board, and reports administratively to the Chief Executive Officer (CEO).

Stakeholder Management and Engagement



The CEO of the RFA, Mr Ali Ipinge with Dr. Uwe Stoll (KfW) and Mr. Conrad Lutombi (CEO, RA) at the signing of the Euro 30 million loan facility on 13 December 2017

“All stakeholders must participate in the gains and losses of any particular situation”

- Christine Lagarde

APPROACH TO STAKEHOLDER ENGAGEMENT

It is a priority for the RFA that its stakeholders have trust and confidence in the organisation. For this reason, the process of identifying and fulfilling stakeholders expectations, creating platforms and means to communicate with them is managed in a structured and methodical manner.

The Board and Executive Management focused on strengthening and maintaining key stakeholder relations through proactive engagements. This afforded them with the opportunity to share collective views, perceptions, expectations and concerns relating to the RFA's operational context. Various other opportunities were also used to create awareness of the RFA's business proposition and to position the RFA brand favourably.

Various key initiatives were undertaken to meet the strategic objective of building strong stakeholder engagements across all sectors.

One of the initiatives undertaken was the commissioning of a customer service audit to evaluate the brand's equity, perceptions and customer satisfaction levels. The Charter is due for development and implementation in the following financial year.

Strategic engagements and consultations with key stakeholders included:

An Annual General Meeting was held on 15 May 2017 with the Ministries of Finance and Public Enterprises to approve the Annual Financial Statements and Annual Report for the FY 2015/2016, followed by an Extraordinary Annual General Meeting held on 20 November 2017 to approve the Annual Financial Statements and Annual Report for the FY 2016/2017.

The annual Business Plan Consultation meeting for the period April 2018 to March 2023 was held on 14 November 2017. The meeting was attended by AAs, Government Ministries, RFA customers and

the Business Community. This annual meeting serves as a platform to present the draft Business Plan to stakeholders for input. This forum is participatory, engenders transparency and builds joint ownership of the Business Plan.

The RFA conducted a series of engagements with all 72 approved AAs in compliance with the legislative mandate requiring adherence to the conditions and procedures set out in a Procedures Manual. A Memorandum of Agreement (MoA) to this effect was signed between the RFA and AAs.

Strategic alliances with regional counterparts were strengthened. The CEO of the RFA, Mr Ali Ipinge, was elected to serve for a period of two years, as Vice President of the African Road Maintenance Fund Association (ARMFA) at the 16th AGM in Addis Ababa, Ethiopia, on 23 February 2018. ARMFA is an association established for information, experience and knowledge sharing in the management and administration of Road Funds among 34 African member countries.

The RFA took up a third loan facility of Euro 30 million (equivalent to N\$ 482 million) from Germany's Development Bank, Kreditanstalt für Wiederaufbau (KfW). The loan will be used to partially fund the rehabilitation of Trunk Road 1 Section 3 (TR1/3) between Tses (at the intersection of DR06919) and Gochas (at the intersection of M0032) in the //Karas and Hardap Regions, respectively. The loan agreement was successfully concluded and signed on 13 December 2017.

Consultative meetings were conducted with stakeholders at a number of Border Posts. The RFA encourages the maintenance of the existing good relationship with all stakeholders at the Border Posts. The Border Post Management Committee holds monthly meetings to ensure smooth operations at borders.

Visits were undertaken to the NaTIS/RA offices countrywide to ensure the enforcement of schedule 2.1.9 of the Procedures Agreement between the RFA and RA which requires that MDC operators provide confirmation of payment issued by the RFA before deregistration or license renewal of MDC liable vehicles.

Two Board members and senior staff members of the Zambian Road Fund (ZRF) were hosted for a one-day information sharing visit on 11 October 2017. The ZRF's key interest was on road sector legislation development, operations, and road funding from the RUCS. The delegation shared their progress on tolling as well as the operational model of the ZRF.

Engagements with the community continued through the RFA's corporate social investment programmes. These programmes contribute to the socio-economic development of the communities in which we operate.

Employee engagement is continual - with skills development, career growth opportunities, team building activities and work-life balance initiatives being prioritised. Included amongst these is participation in corporate sporting events that leads to strong team-building.

The RFA Annual Award Ceremony was held on 3 November 2017 to acknowledge and award exceptional performance, this is embracing a performance driven culture.

MANAGING OUR BRAND AND REPUTATION

Communications and Marketing

The RFA's reputation is of utmost importance and is jealously guarded by the Board and Executive Management. The sound reputation maintained by the RFA has much to do with good corporate governance and leadership principles adopted by the Board and Executive Management and supported by a dedicated staff complement.

Open and honest two-way communication is central to a healthy corporate culture, and in this respect the Communications and Marketing functions within the organisation serves an important role. In doing so it also makes a valuable contribution to the governing of stakeholder relationships and to corporate governance as a whole.

Customer Service Charter and Perception Survey

The RFA commissioned a customer service audit to evaluate the brand's equity, perceptions, and customer satisfaction levels with the ultimate aim of developing a Customer Service Charter for the organisation. The Charter will address the needs and expectations of our customers and allow the RFA to hold itself accountable to deliver on its Brand promise.

Code of Ethics

The RFA core values provide the framework which enables the organisation to execute its mission whilst driving towards its vision. These values govern the behaviour of employees within the workplace as well as with all external stakeholders.

Internal Audit and Risk Management



"If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business"

- Gary Cohn

INTERNAL AUDIT

The Internal Audit function is an independent, objective assurance and consulting activity designed to add value and improve the RFA's operations. It assists the organisation in accomplishing its objectives by applying a systematic, disciplined approach which evaluates and improves the efficiency of risk management, control and governance processes.

RISK MANAGEMENT

The RFA subscribes to an Enterprise Risk Management (ERM) process which enables the entire organisation to understand, manage and communicate risks from an organisation-wide perspective. It ensures that all risks that could potentially prevent the organisation from achieving its objectives are identified and that response plans are implemented, evaluated and managed at an organisation-wide level. Reporting to the Board and Audit, Investment, Risk and Compliance Committee (AIRCC) takes place on pre-defined dates to ensure adequate monitoring of critical risks. Strategic Risk and the ranking thereof is depicted in the Table below.

Strategic Risk and ranking at 31 March 2018

Risk Description	Ranking	Risk Mitigation strategy
Adequacy and availability of IT and Business Systems	Major	<ul style="list-style-type: none"> Development of ERP functional, non-functional, system requirements and tender documentation completed Sourced vendors locally to develop technical and functional requirements documentation and the subsequent drafting of the bid document for the implementation of the new ERP and MDC automation systems
Business Disruption Risk and Disaster Recovery	Moderate	<ul style="list-style-type: none"> Business Continuity and Disaster Recovery Policy and Plan approved and tested. The risk rating in terms of critical processes of the ERM framework was determined and the BCP and DRP were identified as risk amelioration factors
Staff Morale	Moderate	<ul style="list-style-type: none"> Employee satisfaction survey was completed and recommendations were made for implementation
Theft, Fraud and Corruption	Moderate	<ul style="list-style-type: none"> Whistleblower Policy was approved and anonymous tip-offs line implemented
Asset Management	Moderate	<ul style="list-style-type: none"> Signing of the Procedures Agreements with the Local Authorities and Regional Councils in order to strengthen operational effectiveness and fund allocations with AAs, completed
Collection of Revenue	Moderate	<ul style="list-style-type: none"> Identification of threats to RFA business operations and development of mitigating plans and policy to safeguard company assets
Contract Performance Risk	Moderate	<ul style="list-style-type: none"> All new contracts were reviewed by the Compliance, Legal and Company Secretariat and a Contracts Register is maintained
Stakeholder Engagement	Minor	<ul style="list-style-type: none"> Stakeholder consultations and workshops were introduced and implementation of recommendations in progress
Functional Organisational Structure	Minor	<ul style="list-style-type: none"> Updated and reviewed the Organogram approved by the Board of Directors. All positions were graded and job descriptions completed to achieve the stated strategic objectives

Operational Risk and ranking at 31 March 2018

Risk Description	Ranking	Risk Mitigation strategy
Non-Compliance with applicable Laws and Regulations, Policies and Procedures	Moderate	<ul style="list-style-type: none"> • Compliance Register was introduced in terms of all laws, regulations and best practices affecting the Fund, including monitoring procedures
Occupational Health and Safety Risk	Moderate	<ul style="list-style-type: none"> • Occupational Health and Safety Policy was approved • OSHEW Committee was established and safety representatives appointed at various Border Posts • Emergency evacuation awareness sessions and fire drills were conducted
Critical skills, attraction and retention	Moderate	<ul style="list-style-type: none"> • Training and Development Policy approved • Succession and Retention Committee established and divisional retention put in place
Road Asset Management Planning	Moderate	<ul style="list-style-type: none"> • The Road Management Strategy is to be introduced in collaboration with the RA. The Procedures Agreement and Rules and Principal Legal Instruments were reviewed, completed and signed off by the RFA and the RA
Security of RFA Staff and Stakeholders	Moderate	<ul style="list-style-type: none"> • Safety representatives (First-aid and Fire Marshall personnel) received training. • The first regular fire drill and evacuation procedures (conforming to Municipal regulations/requirements) were conducted
Performance Management	Moderate	<ul style="list-style-type: none"> • Performance Management Policy awareness sessions were conducted • Performance Agreements signed with all staff • Individual development plans signed with respective supervisors
Fixed Asset Management	Moderate	<ul style="list-style-type: none"> • A strategy was put in place by Fund Management on the tagging of assets and fixed assets, updated on a monthly basis

THE WAY FORWARD FOR THE COMING YEAR

Embedding risk management techniques in the day-to-day operations of the RFA, identifying key events affecting its objectives and to manage risks in a manner consistent with the corporate strategy and the execution of its Risk-based Audit Plan will be an ongoing focus for the coming year.

The RFA subscribes to an Enterprise Risk Management (ERM) process to ensure that any risks which pose a threat to the organisation are mitigated forthwith

Financial Performance Overview



“Every decision you make in business has a financial consequence”

- Barbara Vrancik

The Fund Management Division is responsible for the management of the Road Fund, including the Operations and Financial Management of the RFA. This primarily entails the collection of RUCs and the disbursement of funds to the AAs.

FINANCING OUR ROAD INFRASTRUCTURE

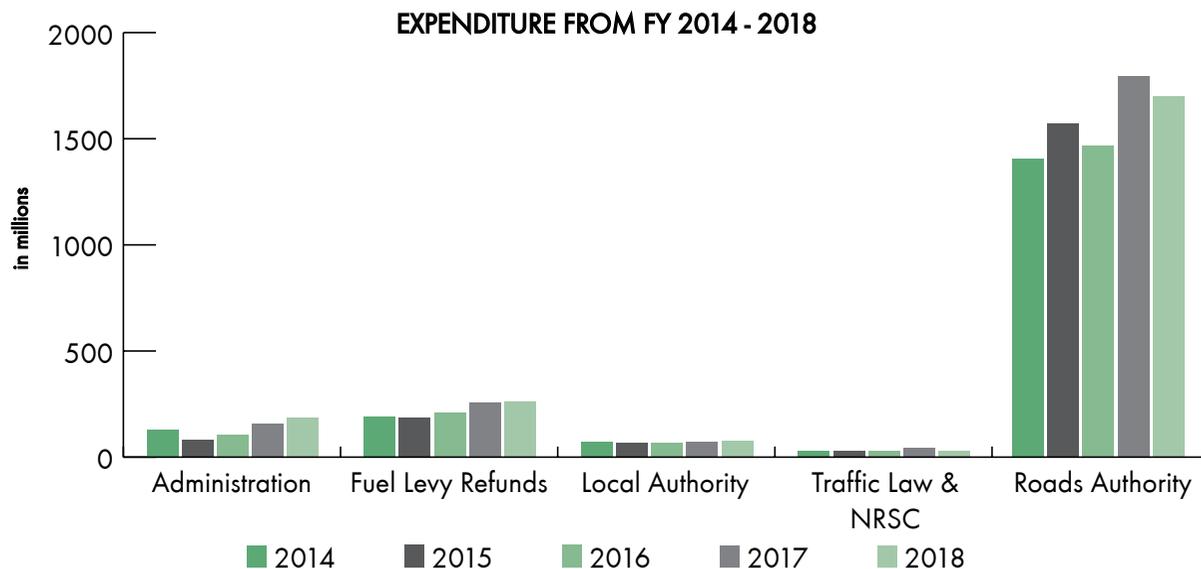
Financial Statements

The financial statements for the year ending March 2018 reflect an unqualified audit opinion, a standard of financial management and internal control which the RFA aspires to maintain. This is in line with the organisational strategy of strengthening internal control and management systems on the back of information communication technology innovations and a dedicated team.

The combination of not meeting budget by about 1% and mobilisation of RFA reserves to meet urgent spending needs within the road sector have resulted in a temporary weakening of the RFA's financial position during the FY 2016/2017, which resulted in a deficit of N\$ 59 million recorded at the end of March 2017. This trend was reversed during the current financial year with an operating surplus

of N\$ 135 million recorded at the end of March 2018. The RFA's asset base is relatively narrow and the draw-down on reserves and liabilities arising from loan undertakings implies a weakening in the accumulated Fund deficit, which currently stands at N\$ 308 million indicating a positive improvement from N\$ 442 million in the FY 2016/2017. This is, however, inherent to the nature of the RFA business and is counterbalanced by the revenue collection capacity and a series of strategic measures taken to strengthen the RFA's financial position going forward.

The assets of the RFA have grown from N\$ 342 million in FY 2016/2017 to N\$ 720 million in the FY 2017/2018, further strengthening the financial position at year end. The level of spending commitments were efficiently managed in the current economic climate, save when emergencies and natural calamities become manifest. The recent experience in the road sector with multiple large-scale road construction and maintenance projects running concurrently is unprecedented and exerts funding pressures on the RFA and the Government. This situation calls for greater coordination and prioritisation to ensure that future project commitments are within sustainable and affordable means of financing.



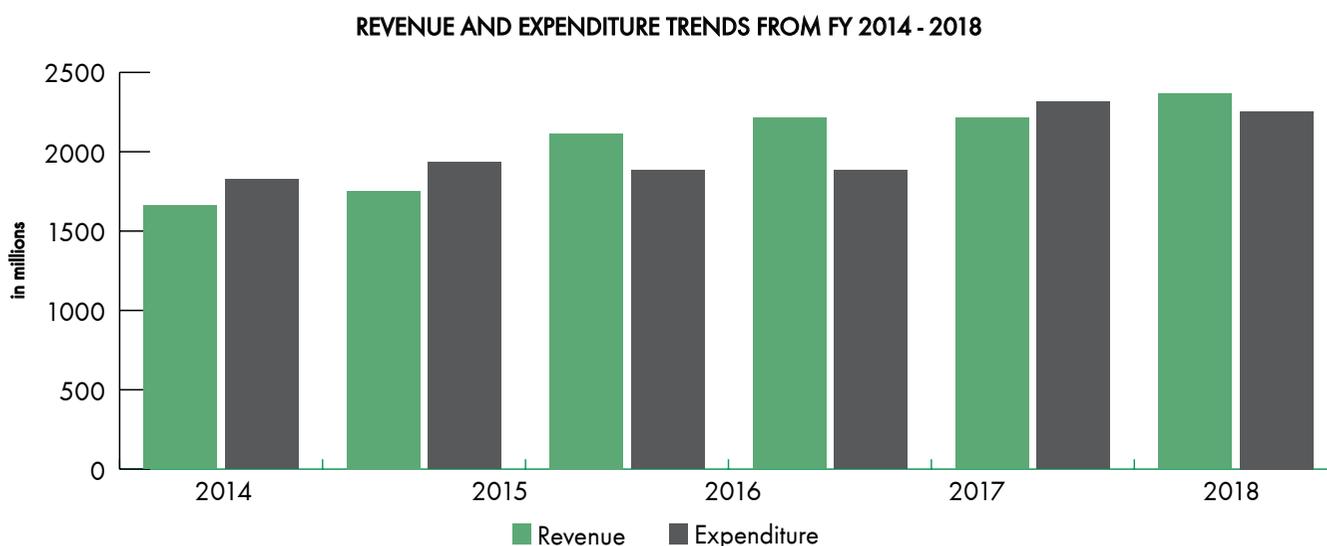
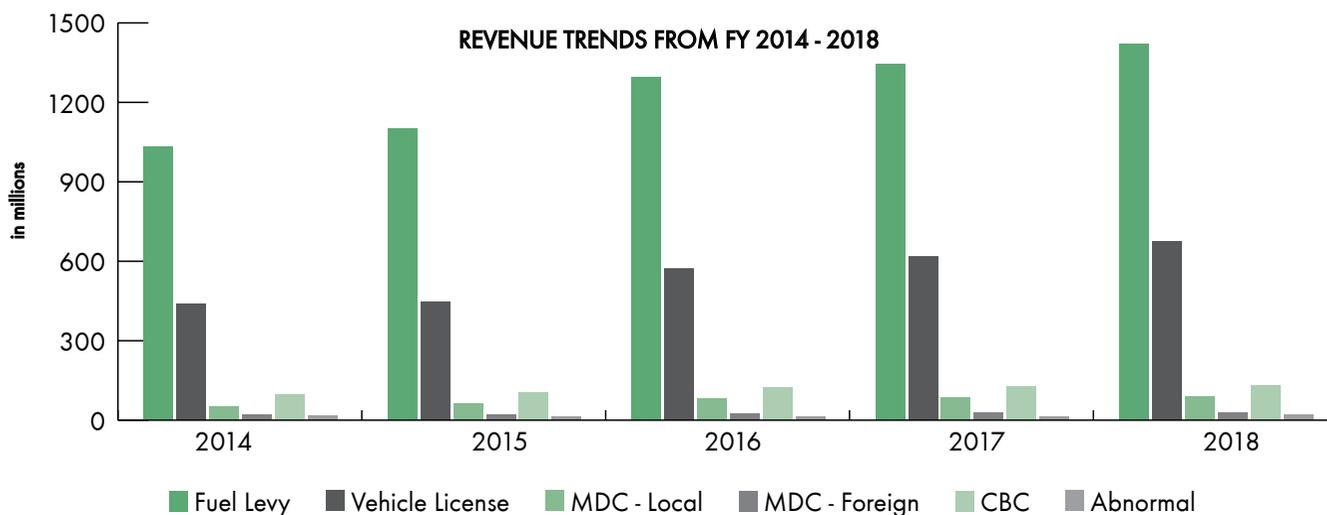
A total of N\$ 2.23 billion was invested in the local economy of which 76% was used for national road sector projects and the administration thereof and 24% for AAs, road safety, and RFA administration costs, thus adding to capital formation, creating and retaining jobs as well as facilitating other economic opportunities.

A working capital facility of N\$ 250 million was raised on behalf of the Government and deployed in the economy to defray the cost of urgent funding needs in the road sector. This was fully repaid by the Government during the financial year.

A second facility of N\$ 500 million was also raised during the FY with the same purpose as above and shall be repaid by Government during FY 2018/2019.

A total of N\$ 2.37 billion revenue was collected, showing a steady growth over previous financial years.

The RFA has maintained its presence in the lending market based on its revenue flow ability and its responsibility towards the road users. There was a significant reduction in long term loans due to



an early settlement in a Government on-lend facility held by the RFA from N\$ 90 million to N\$ 45 million at the end of the financial year. This resulted in the long term loans position decreasing from N\$ 536 million to N\$ 491 million at year end, hence strengthening the balance sheet.

A new loan agreement backed up by a GRN guarantee for N\$ 482 million was signed during the financial year to fund the rehabilitation of the Mariental/Keetmanshoop road.

The RFA has medium to long term financial plans for ensuring that obligations towards loans shall be met and that liquidity of the Fund shall be strategically protected.

Although tough economic conditions prevailed, RFA exceeded budget surplus (which was set at N\$ 14 million) to a surplus of N\$ 135 million and can show a year-on-year revenue growth of 7% from the previous year.

The current ratio (ability to meet short term and long term obligations) has reduced from 1.48 in FY 2016/2017 to 1.18 in FY 2017/2018. Despite this, the current ratio remains below the generally accepted benchmark of 2:1.

There was a significant reduction in the RA's Post-Retirement Medical Aid obligation from N\$ 78 million in FY 2016/2017 to N\$ 23 million in FY 2017/2018 due to partial settlement of the liability that was made in the financial year.

Ensuring sound financial management principles and practices is a core strategic objective of the Finance Division. Advice on prudent financial management practices, including the execution of the investment strategy continued to be provided.

THE WAY FORWARD FOR THE COMING YEAR

A number of strategic projects (in conjunction with other Divisions) are will assist in ensuring that sustainability is enhanced, namely:

- MDC Automation to improve accuracy in kilometre disclosure and thus enhance revenue collection
- Investigations for alternative revenue streams

Operational Overview



“Excellence is never an accident; it is the result of high intention, sincere effort, intelligent direction, skilful execution and the vision to see obstacles as opportunities.”

- Anonymous

FUNDING OF THE NATIONAL ROAD NETWORK

The RFA contributes towards strategic road network funding and planning as well as the management and monitoring of projects and programmes undertaken by the recipients of the Road Fund. Such recipients are referred to as AAs.

The national road network, comprised of trunk, main and district roads, forms the backbone of the country's transport infrastructure. The White Paper on Transport Policy under the auspices of the MoWT places great emphasis on the national road network as being a key contributor towards the realisation of an industrialised nation by the year 2030. The policy is synonymous with the national development

goals of economic growth, poverty reduction, employment creation, access to social services, and national and regional integration.

The RA is mandated to administer and manage the national road network, including the design, construction and maintenance of the network and the control of overloading.

Subject to the RFA funding determinations as provided for in the RFA Act, approximately 72% of the revenue collected under the RUCS for the financial year ending 31 March 2018 was utilised for the maintenance of the national road network and administrative costs of the RA.

Funding to the Roads Authority

BUDGET CATEGORY	FY 2017/2018	
	Budget Amount (N\$ '000)	Allocation (%)
RA Administration	449,000	24.8
Network Planning and Consultation	28,000	1.5
Roadworks - Maintenance	1,094,000	66.1
Roadworks - Rehabilitation	78,000	3.5
Roadworks - Development	0	0.0
Road Management System	18,000	1.5
Overload Control	8,000	0.4
Traffic Information System (NaTIS)	25,000	2.2
TOTAL BUDGET	1,700,000	100.0

The Road Network Status

Item	Road Type (By Surface)	1990 (Network 0) Total (km)	2005 (Network 4) Total (km)	2014 (Network 8) Total (km)	2017 (Network 10) Total (km)	2018 (Network 11) Total (km)
1	Bitumen Surfaced (paved)	4,572	6,199	6,664	7,568	7,893
2	Gravel (unpaved)	37,017	35,629	37,170	38,626	39,362
3	Salt Road (unpaved)	226	272	288	304	300
	TOTAL	41,815	42,100	44,122	46,498	47,555

Note: The distances have been rounded off to the nearest kilometre (Source: Roads Authority)

The Road Network Growth

Year	Paved (km)	% Growth	Gravel Only (km)	% Growth	Total (km)	% Growth
1990	4,572	0.0%	25,550	0.0%	41,815	0.0%
2005	6,199	35.6%	24,944	-2.4%	42,100	0.7%
2014	6,664	7.5%	25,710	3.1%	44,122	4.8%
2017	7,568	13.6%	25,604	-0.4%	46,498	5.4%
2018	7,893	4.3%	26,047	1.7%	47,555	2.3%

Note: The distances have been rounded off to the nearest kilometre (Source: Roads Authority)

Major Road Maintenance Expenditure Distribution

Activity	Production	Total Cost (incl. VAT) (N\$)	% Expenditure
Blading	1,65 million blade-kilometres (bl-km)	274,626,514	25.3%
Gravelling	522 km	154,512,768	14.2%
Routine Bitumen Road Maintenance	Entire Network	120,146,579	11.1%
Resealing	688 km	438,853,514	40.4%
Road Signs	Entire Network	13,431,525	1.2%

Source: Roads Authority



Blading of gravel roads

Routine bitumen road maintenance



Installation of road signs

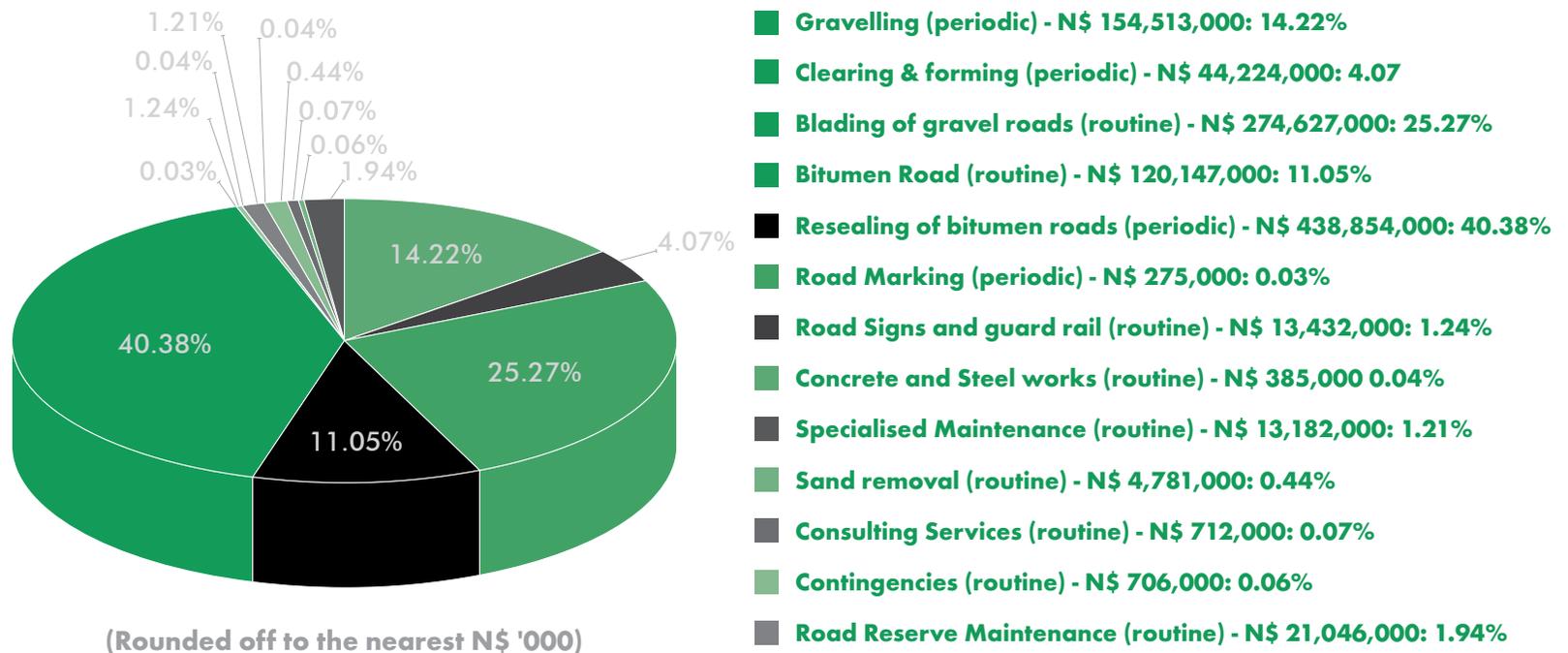


Gravelling/Recompaction



Resealing of surfaced roads

Road Maintenance Expenditure Distribution per Activity (N\$1.1 billion)



MANAGEMENT AND MAINTENANCE OF URBAN AND SETTLEMENT ROADS

The Policy and Procedures Toolkit Project for AAs was concluded in the FY 2017/2018. This project was aimed at identifying and, in part, addressing the funding and implementation of road maintenance works and technical capacity constraints at the local authorities' level.

The Policy and Procedures assignment resulted in the formulation and compilation of the Policy and Operational Solutions Document, the Procedures Manual (incorporating a Memorandum of Agreement) and the Funding Allocation Model, the latter of which is intended to be utilised in the next financial year.

It is known that the expenditure incurred by the RUCS was intended for the purposes of full cost recovery from road users using the national, urban, village and settlements roads. The needs of the road

users are variable and the provision of traffic related maintenance is perceived to differ noticeably.

It is on this basis that the RFA proceeded to appoint Regional Consultants to provide technical assistance, mostly of an engineering, management and administrative nature to AAs.

The three-year technical assistance programme comprises of the following consultancy services:

- To plan and design (to a limited extent) bid/contract documentation and conduct budgeting for road maintenance projects and programmes
- To gradually introduce the use of a Pavement Management System (PMS) in order to prioritise projects and programmes for funding

- To monitor and evaluate road maintenance works in order to attain the “value for money” principle, and
- To provide and build technical capacity by means of direct skills transfer and training.

The awarding of the technical assistance project to the Regional Consultants and commencement thereof took place on 21 August 2017. Given a project duration of 36 months (i.e. 3 years) the completion of the project is expected on 21 August 2020.

Increase in funding to LAs of approximately 39% was effected in FY 2018/2019 across all LAs in order to empower them to execute more road maintenance work. This was a bold decision taken by the RFA as a result of the November 2017 Stakeholders’ Consultation workshop. A minimum threshold allocation of not less than N\$ 500,000 was considered. Appropriate planning, budgeting and prioritisation of projects towards attaining “value for money”, with the assistance of the appointed RFA Regional Consultants, was a key outcome of the consultative process.

Regional Consultants appointed and Regional Areas

Consultant	Regional Area	Political Region	Main Centre
Lithon Project Consultants	Northern Regions	Omusati, Oshikoto, Ohangwena, Oshana and Kunene	Oshakati
Artee Project Engineers	North - Eastern Regions	Kavango East and West; and Zambezi	Rundu
Ingenium Consulting Engineers	North - Central Regions	Erongo, Otjozondjupa, Oshikoto and Kunene	Otjiwarongo
Dunamis Consulting Engineers	Central Regions	Khomas, Otjozondjupa, Omaheke and Hardap	Windhoek
Burmeister and Partners	Southern Regions	//Karas and Hardap	Keetmanshoop

Notes:

- It is common knowledge that Namibia is a vast country where the Local Authorities and Regional Councils are remotely spread out. For the purposes of effectively carrying out the TA programme the technical support has been divided into five (5) regional areas spanning a number of political regions within the country
- Currently 57 Local Authorities and Village Councils and 13 Regional Councils benefit directly from funding through the RUCS
- The consultancy services will run for a duration of three (3) years
- Milestones and deliverables to date (as at 31 March 2018) are: Project Inception Reports, Progress Reports and 2x Road Assessment Reports
- Condition assessments were carried out with assistance of GIS Specialists

It is expected that the prioritisation and optimal allocation of funds will result in streamlined processes that will ensure the maximisation of the funding available to both the primary and secondary recipients of the Road Fund.

Signing of the Memorandum of Agreement of the Procedures Manuals with Approved Authorities

The signing of the Procedures Manual and Memorandum of Agreement during February – March 2018 resulted in a position where the conditions and procedures to be followed by the AAs in terms of application for, allocation of, and utilisation of funding from the RFA have been agreed upon.

The Procedures Manual came into effect from 01 April 2018 and has replaced the existing Procedures Agreements between the RFA and the AAs with the aim of:

- Facilitating fair and efficient allocations, subject to funding constraints and other challenges pertaining to resources availability, and

- Providing regulations and procedures aimed at improving the effectiveness and monitoring of the Recipients' utilisation of scarce funds.

The signing ceremonies of the Procedures Agreement were successfully concluded during the period under review.

The AAs were clustered regionally and invited to a venue in close proximity of their respective offices for the signing of the agreements.

Region	Venue/Town	Date
Khomas, Hardap and Omaheke Regions	Windhoek	Tuesday, 13 February 2018
//Karas and Hardap Regions	Keetmanshoop	Wednesday, 14 February 2018
Erongo Region	Swakopmund	Friday, 16 February 2018
Otjozondjupa Region	Otjiwarongo	Wednesday, 28 February 2018
Omusati, Oshikoto, Ohangwena, Oshana and Kunene Regions	Ondangwa	Friday, 02 March 2018
Kavango East and West; and Zambezi Regions	Rundu	Thursday, 08 March 2018



Representatives of AAs during a signing ceremony of the Procedures Agreement held at the RFA Head Office in Windhoek

Funding Allocation Model

During preceding years the RFA has been allocating funds collected through the RUCS in a manner that did not fully satisfy the prioritisation of funding across road maintenance recipients, i.e. Local Authorities and Regional Councils, and Traffic Law Enforcement authorities. Funds were allocated conservatively based on the size and classification of the Local Authority as well as the human population, to mention a few parameters.

The development of the funding allocation model is required in order to enhance the equitable and efficient apportionment of funds collected from the RUCS, subject to funding constraints. A secondary objective of the funding model is to ensure the optimal utilisation of funds by means of carefully monitoring the Recipients' use thereof.

The model is in the early stages of implementation and the RFA is in the process of populating the model with road network data from the appointed Regional Consultants. The input data will include population size, growth and distribution; light and heavy vehicle traffic volumes; climate; and level of remoteness.

It is anticipated that the model will be partially functional during the next financial year.

Projects carried out by the RFA (Internal)

1. RFA Head Office Project
2. MDC Automation Project
3. CBC Accommodation Project - Phase 2
4. CBC Accommodation Project - Phase 3
5. Trans-Kalahari Kindergarten at Buitepos
6. Technical Assistance to LAs and RCs

Mass Distance Charges Automation Project

Mass Distance Charges (MDCs) only apply to vehicles in excess of 3,500kg since the consumption of roads increases sharply with an increase in vehicle mass. The MDC is required to fully cover the costs of maintaining the road network due to the consumption thereof.

The current local collection of MDCs is performed manually through the submission of completed logbook assessments. It is against this background that the RFA decided to investigate the implementation of an automated system. This automation will entail the implementation of technology in vehicles to accurately determine kilometres travelled. As part of the design and feasibility study, a request for information (RFI) was issued to suppliers of technology and systems in this field.

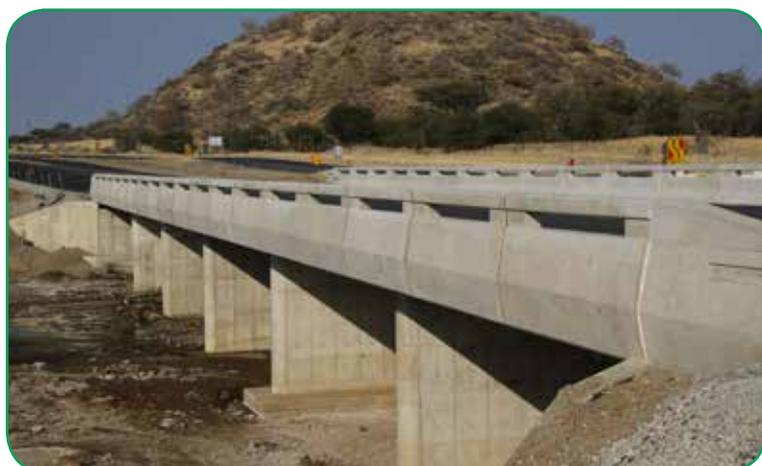
The scope of the project includes design, supply, installation, testing, commissioning, maintenance and operational support of a satellite based MDC Automation system and Cross Border Charging system. Countries making use of similar systems are predominantly found in Europe such as Hungary, Germany, Austria, Belgium, Czech Republic, France, Poland, Switzerland, Netherlands, Luxembourg, Denmark, and Sweden. This will be the first system of this nature installed in the region.

The RFA is engaging the Central Procurement Board of Namibia as mandated by the Public Procurement Act (Act 15 of 2015). It is envisioned that the selected service providers will be appointed soon.

Projects carried out by the Roads Authority and funded by the RFA through a GRN guaranteed loan facility

These projects includes the following:

Project/Road Name	Name of Contractor	Funding Availed (N\$)
Windhoek - Okahandja Road Section 4A	CMC-Otesa Joint Venture	160,000,000
Windhoek - Hosea Kutako Airport Road (Phase 1)	China Railway 7 th Group-Onamagongwa Joint Venture	100,000,000
Swakopmund - Walvis Bay Road	Unik-Thohi Joint Venture	160,000,000
Swakopmund - Henties Bay Road	Zhong Mei Engineering Group-RCC Joint Venture	80,000,000
TOTAL (N\$)		500,000,000



Construction of the dual-carriageway on TR1/6 between Windhoek and Okahandja

Case Study: Okahandja Town Council

The majority of surfaced roads in Okahandja Town are in a poor condition. Routine maintenance activities such as crack sealing and pothole patching will not yield the desired long term impact due to the extent of the deterioration.

At the beginning of 2018, the Municipality of Okahandja, together with the business community and town residents, joined forces with the objective of contributing to the road maintenance project that the RFA was funding in part.

The derivation of appropriate maintenance strategies and the full support for the continuation of the road preservation programme will improve the condition of the roads and ensure a sustainable road network with a longer lifespan for the town of Okahandja.

The business community has contributed in kind with machinery, construction materials, tools and labour which amounted to around N\$ 340,000 and the RFA's total contribution to the project amounted to N\$ 3,117,000. The local community also volunteered their time and manpower. The success of the project hinges on the participation and cooperation of all of the above-mentioned stakeholders, and such exemplary initiative can set the example and be extended to other Local Authorities in Namibia.

The initiative taken by the Municipality of Okahandja, the business community and residents of the town clearly demonstrates the positive result of taking collective pride and ownership of the town's infrastructure, which all road users will benefit from.

Project Name	Rehabilitation of Bitumen Surfaced Roads in Okahandja, Otjozondjupa Region
Employer	Okahandja Municipality
Consulting Engineer	Dunamis Consulting Engineers (RFA appointed Consultant)
Contractor	Lewcor Group in association with Colas Namibia
Funding Agency	Road Fund Administration
Commencement Date	14 February 2018
Expected Completion Date	12 July 2018
Project Duration	148 days (4.85 months)
Description of the Works	Ripping and deep milling of 150mm of the existing bitumen surface Adding 20% G1 base course material Processing and compacting to 93% Mod ASSHTO 13.2mm Single Seal Bitumen surfacing with slurry
Value of the Works	N\$ 4,270,697 (incl. VAT)
Contribution by the Business Community	N\$ 340,559
Total Road Network	130,21 km
Total Surfaced Roads	65,12 km (comprising of 309 streets/roads)
Total Unsurfaced Roads	65,09 km (comprising of 395 streets/roads)
Roads Rehabilitated	4,30 km (under this project)
Progress at 31 March 2018	35.0%

Case Study: Okahandja Town Council



Ripping of the existing bitumen surface



Application of aggregates and prime coat



Completed road with visible road markings

THE WAY FORWARD FOR THE COMING YEAR

In the following financial year the focus will be on the following:

- Implementation of the Funding Allocation Model for AAs to provide more realistic and equitable funding allocations.
- Adopt a strategy to investigate alternative revenue sources and introduce such new potential revenue sources.
- Development of a Procedures Manual for Traffic Law Enforcement (TLE) and Traffic Law Adjudication (TLA) functions and conclude such Agreements with the TLE Authorities.
- A Monitoring and Evaluation Charter shall be derived from the MES, defining the planning, execution, quality and standards of technical work done and overall levels of compliance.
- A comprehensive system for the carrying out of Technical Audits for projects and programmes undertaken by the AAs needs to be put in place.
- The N\$ 482 million loan will be utilised towards the rehabilitation of TR1/3 between Mariental and Keetmanshoop: Section A (87 kilometres) from the intersections to Tses and Gochas.
- The automation of the collection of the MDCs is a project that was conceptualised by the RFA in 2016 as a means to enhance the revenue collected from charges to vehicles in excess of 3,500 kg.
- Acquisition and development of a Windhoek One-Stop NaTIS centre.

Managing Information, Communication and Technology

Operational efficiency and enhanced business processes are fundamental to the effective operations of the RFA and in this respect continuous improvements to the Information, Communication and Technology (ICT) functional and integrated systems is crucial.

This includes planning, coordination, deployment, support and management of all ICT operations, including, but not limited to, Enterprise Information Systems, Data Centre, Desktop Computing, Networks, Telecommunications, Information Security, Website and Satellite Television.

OVERALL STATUS OF ICT NETWORK AND INFRASTRUCTURE AVAILABILITY

Server and Network Availability

The RFA Server and Network environment is very stable, with very limited downtime. There are currently no active alarms in the physical and VMware console indicating that the physical and virtual environment is in a healthy state.

We manage three HP Host servers and seven Virtual servers located at our Head Office Data Centre, as well as two HP Servers located at our Disaster Recovery Site.

Four of the RFA remote offices were reconnected to the corporate network. The offices were relocated to different sites or buildings. The Ariamsvlei and Noordoewer offices were successfully relocated to new container offices. The Keetmanshoop and Oshakati Regional Offices were connected to the corporate network through a virtual private network.

Network Security Upgraded

The RFA network is protected by a managed Fortigate Firewall, 60E model, which filters all incoming and outgoing traffic on the RFA network. With the increase in cyber-attacks and cybercrime, Management recognised the need to upgrade the system with an additional layer of security called Intrusion Prevention System (IPS) which identifies and protects the RFA network against any malicious intrusions. The IPS was implemented at the end of last year in order to assist the Information, Communication and Technology Division (ICTD) in its function to monitor network flow and detect and prevent any malicious attempts to the network.

Disaster Recovery and Business Continuity Simulation Exercise

The RFA's 1st annual Disaster Recovery and Business Continuity simulation exercise was conducted in March 2018. The full scale test incorporated the recovery of all ICT systems at the Central Data Centre, including 17 MPLS Network links to remote Border Post offices.

The objective of the simulation exercise was to provide reasonable assurance that the management control framework which is in place adequately and effectively supports disaster preparedness for the RFA's information and communication technology systems.

The testing of the RFA's Disaster Recovery and Business Continuity Plan was a definitive success and places the RFA ahead in terms of our ability to recover from major Information and Communication Technology disasters.

Implementation of Biometrics Clock System and Close Circuit Television (CCTV) System at remote offices

The Biometrics Clock System and CCTV System project implementation has been split into two separate projects. The project for the implementation of Biometrics Time Attendance System was successfully completed at all Border Post offices as well as the Head Office.

Ebizframe ERP System Enhancements and e-NaTIS Interface Project

Enhancement of the Ebizframe ERP system as per requirements was completed. An Annual Maintenance Agreement (AMA) for maintenance and support services was formalised with the service provider PC Centre/ESS India. The AMC commenced from 1 January 2018 and is valid till 31 December 2018.

Automation and implementation of a Human Capital Online Recruitment and Selection Portal

The Human Capital online recruitment and selection portal created a virtually paper-free recruiting process and is used as one of the mediums to apply for vacancies at the RFA.

SharePoint Intranet on Office 365 Implementation Project

As part of our Digital Transformation plan, the SharePoint Intranet on Office 365 was implemented. Phase 1 and Phase 2, which entail the setup and customisation of applicable templates and the training of all staff members at Head Office, have been completed, with phase 3 to include the roll-out to Border Post offices.

THE WAY FORWARD FOR THE COMING YEAR

One of the crucial ICT projects for the next financial year is the acquisition, implementation and commissioning of a new ERP system that meets the RFA business function and improve innovation. In addition, key strategic ICT initiatives to enhance operation efficiency includes the e-NaTIS ERP system, specifically the license fee collection module, in conjunction with the RA. The new enhancement on the e-NaTIS ERP system should facilitate improved management of accrual-based accounting principles and the interface of business functions to be integrated and automated within the e-NaTIS and RFA new ERP system.

In addition the CCTV implementation for the Border Post offices will be finalised in the next financial year.

Furthermore, Phase 1 of the Document Management System (DMS) will be implemented next year. The DMS will be used to track, manage and store documents, reduce paper trail and will assist the RFA to manage not only its files, but also streamline content creation, build new processes, and organise work-flows.

Our Human Capital



"What my business experience has taught me is that the key to competitiveness is innovation, and the key to innovation is people. Taking care of people therefore, is an essential way of taking care of business."

- Tobias Randall, Chairman of Eli Lilly

Our strategic theme of a High Performance Team Culture as embedded in our Strategic Plan embraces our human capital as an essential asset of the organisation. This sets the tone for programmes and initiatives aimed at supporting the strategic theme.

During the reporting period the total workforce of the RFA consisted 142 staff members. The profile of the workforce is detailed in the table below.

Workforce profile as at 31 March 2018

Job Category	Racially Advantaged		Racially Disadvantaged		Persons with Disabilities		Non-Namibians	
	Men	Women	Men	Women	Men	Women	Men	Women
Executive	0	0	1	0	0	0	0	0
Senior Management	0	0	3	2	0	0	0	0
Middle Management	0	0	12	7	0	0	0	0
Specialised/Supervisory	0	1	14	18	0	0	0	0
Skilled	0	0	29	53	0	0	0	0
Semi-skilled	0	0	1	0	0	0	0	0
Unskilled	0	0	0	1	0	0	0	0
TOTAL	0	1	60	81	0	0	0	0

Strategic organisational structure alignment

The EXCO level organisational structure was reviewed in order to ensure strategic alignment and cohesion. The restructuring was needed to realign the management structure to address current and future business needs and imperatives.

Employee Turnover

During the period under review the RFA lost four of its employees, three due to resignations and one due to a death, which translates to 3.0% of the total workforce.

Strategic leadership development and innovation

Professional development programmes aimed at enhancing the leadership skills of the RFA executive management team were implemented. Professional coaching for EXCO members was successfully completed and cascaded down to middle management and supervisory staff. This initiative has enhanced the capacity of the participants and benefited the organisation.

Retention and succession strategy

The RFA strives to attract the best possible talent to execute its mandate. The retention and succession policy was approved and various programmes are underway to retain talent and secure succession. Moreover, the remuneration structure is updated on an annual basis in order to ensure that it is market related and competitive.

Enhance a performance driven culture

An employee satisfaction survey was conducted and successfully completed. The aim was to assess employee satisfaction and a sense of belonging. The outcome of the survey was 3.8 out of a possible 5.

The RFA continues to implement the performance management system. Performance agreements and individual development plans are in place for all staff members. Performance is evaluated bi-annually and a corporate score of 3.7 out of a possible 5 was attained. Subsequently staff were rewarded for good performance

in line with the PMS policy. It is pleasing to report that a high-performance team culture, as one of our main objectives of the five-year strategic plan, was achieved during the year.

Create a learning and development culture

Training and development is ongoing at RFA and assistance was granted to eight employees to facilitate the pursuit of their formal studies at various institutions of higher learning. This assistance was granted either through direct funding and/or as study leave. The studies pursued were focused on the fields of Business Administration, Transport Management, Law, and specialisation in Engineering.

The RFA also provided informal skills development interventions to 61 employees, and various staff members attended a number of related conferences, seminars and on-the-job training.

Study leave is granted by the RFA to its employees seeking to upgrade their qualifications, and while employees are typically absent from work during the study leave period, the RFA views such absenteeism as beneficial to the respective employee concerned and the organisation in terms of skills development and increased efficiency.

Occupational Health and Safety

In compliance with its Business Continuity and Disaster Recovery Policy, the RFA conducted an emergency response test in March 2018. A real emergency situation involving a Fire Drill was simulated which required the complete evacuation of the RFA Head Office staff. This fire drill was conducted in line with our occupational, health and safety plan. The simulation exercise was mainly done to ensure RFA preparedness in the event of any potential disaster.

The exercise was observed by officials from the Disaster Risk Management Division of the City of Windhoek, the Emergency Services Division (fire brigade, ambulance), as well as the City Police.



RFA Fire Marshalls conducting a head count after a staged fire drill simulation

Improved working conditions

Concerted efforts are continuously being made by the RFA to improve the working conditions of its employees and one of the initiatives being undertaken in this regard include the construction of housing units for the RFA staff working at various Border Post offices.

Phase 2 of the CBC Accommodation Project was completed in the year under review, with a summary provided in the Table below:

Border Post	Houses	Employees
Noordoewer	11	14
Ariamsvlei	11	14
Trans-Kalahari	7	7
Klein Menasse (Aroab)	2	2
Ngoma	3	5
Sendelingsdrift	2	2

Phase 3 of the project has commenced in the meantime and is due for completion in the FY 2018/19.

The scope is indicated in the Table below:

Border Post	Houses	Employees
Omahenene	2	2
Oshikango	5	7
Wenela	6	6
Katwitwi	2	2
Kashamane	2	2



Staff houses constructed at the Noordoewer Border Post as part of Phase 2 of the CBC Accommodation Project

THE WAY FORWARD FOR THE COMING YEAR

The RFA is confident that its human capital policies foster employment creation as set out in the NDP5 and HPP. We will continue on our quest of employing as many Namibians as possible in order to contribute towards the greater goal of poverty alleviation and prosperity for all.

Sustainability Report



“A sustainable business is resource efficient, respects the environment and is a good neighbour”

- Phil Harding

SUSTAINABILITY

In its pursuit to manage the RUCS, the RFA aims to create value to its main shareholder, all road users, and the country at large through the sustainable funding of roads infrastructure under the mantra “funds put to good use for the intended purpose”.

Prominence is placed on ensuring that its operations, projects and programmes are implemented and managed in a socio-economic and environmentally responsible manner, to the benefit of current and future generations.

Sustainability is viewed by the RFA in the following context:

- Fair and equitable distribution of scarce and constrained financial resources
- Social benefits and employment opportunities derived directly from RFA funding towards the maintenance of the national road network and urban roads, as well as roads in villages and settlements
- Carrying out of roadworks and exploiting natural resources to generate road construction material within the stipulation of the Environmental Management Act, (Act 7 of 2007)
- Monitoring the proper utilisation of allocated funds to the AAs
- Support the national development goals as articulated in Vision 2030, NDP5 and HPP

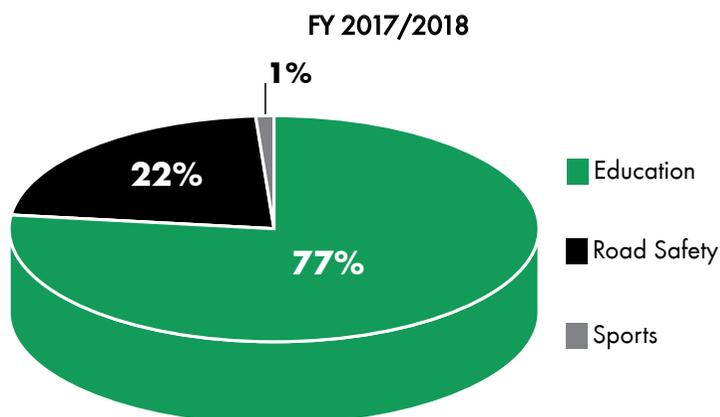
Pro-active effort towards the realisation of the sustainability model gives impetus to roads being an enabler to economic growth, a prosperous society and a protected natural environment.

CORPORATE SOCIAL INVESTMENT

The RFA recognises that it is an integral part of the community in which we operate and the Namibian House at large. As a result, we commit ourselves to contribute to the socio-economic development goals of the country. In this regard, a number of Corporate Social Investments were made.

For the year under review, RFA invested N\$ 1.550 million in various CSI initiatives across Namibia. The following areas were funded by this budget:

CORPORATE SOCIAL INVESTMENT BUDGET BREAKDOWN



The table below reflects the RFA’s various CSI initiatives for FY 2017/2018

Project Name	Description
Trans-Kalahari/Buitepos Kindergarten	The Trans-Kalahari/Buitepos and Early Childhood Development Centre, situated at the Trans-Kalahari Border Post at which the RFA operates, approached the Fund for assistance to construct a brick and mortar structure to house around 25 children. An allocation of N\$ 1.2 million was availed by the RFA to construct the Kindergarten which consists of classrooms, a playground and secure fencing.
CLaSH Calendar	The Association for Children with Language, Speech and Hearing impairments (CLaSH), produces an annual calendar to raise general awareness on the plight of children with language, speech and hearing impairments in Namibia. In support of this noble cause, the RFA funded the production of the calendars and purchased another 100 calendars for its employees. Profits raised from the sales of the calendar are aimed at improving the situation of these children, their families and communities.
The Namibian and Pick ‘n Pay Cycle Classic	The Namibian and Pick ‘n Pay Cycle Classic is Namibia’s leading and largest cycling event. The Cycle Classic is the Rotary Club Windhoek’s major fundraiser and community service event. The RFA along with other corporates sponsored the event. Funds raised from this event are used by the Rotary Club Windhoek towards activities aimed at poverty reduction, health, food security, education, early childhood development and the environment.
Road Safety	<p>Sponsorship and promotion of Road Safety Programmes, is identified as one of the key areas the RFA would direct funding towards. The RFA as a Road Safety partner actively participates in programmes and discussions aimed at reducing preventable deaths and injuries through public education and law enforcement.</p> <p>As a result, the RFA makes provision annually to fund the Festive Season Road Safety Campaign, under the leadership of the NRSC and the Motor Vehicle Accident Fund. The year under review was no exception and the RFA sponsored equipment during the campaign period. Included amongst these was the rental of a mobile sleep container, alcohol testers and rental of an office container.</p> <p>Furthermore funding was provided for Road Safety Management and Audit training conducted by the International Road Federation (IRF) in partnership with the MVA. The training is intended to build capacity within the traffic safety fraternity.</p>

THE WAY FORWARD FOR THE COMING YEAR

Going forward, the focus of our sustainability efforts will be on continuing to live out the corporate values of RFA, to foster and encourage trust and openness and a culture of individual accountability.

Quality governance and responsible risk management will remain an integral part of the RFA’s organisational culture – with every employee and director being the custodian of the core values of service excellence and integrity. These are the values that the RFA strives to nurture and uphold for all its stakeholders.



RFA's investment in the construction of the Trans-Kalahari Kindergarten at the Trans-Kalahari Border Post lays the foundation for young children to have a good education



A teacher showing children the ClASH Calendar produced

Road Fund Administration



Annual Financial Statements
for the year ended 31 March 2018

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view to achieving a safe and economically efficient road sector.
Directors	P Ithindi (Chairperson) S Amunkete Z Stellmacher R Amadhila N Henok
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditor	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Anna Matebele

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

CONTENTS

	Page
Directors' Responsibilities and Approval	66
Independent Auditor's Report	67 - 68
Directors' Report	69
Statement of Financial Position	70
Statement of Surplus or Deficit and Other Comprehensive Income	71
Statement of Changes in Equity	72
Statement of Cash Flows	73
Accounting Policies	74 - 80
Notes to the Financial Statements	81 - 101
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Statement of Surplus or Deficit and Other Comprehensive Income	102 -104

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

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 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 external auditor is engaged to express an independent opinion on the financial statements.

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 judgements 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, 2019 and, in light of this review and the current financial position, they are satisfied that the Fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

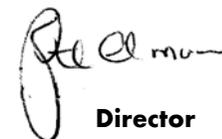
The external auditors are responsible for independently auditing and reporting on the Fund's annual financial statements. The annual financial statements have been examined by the Fund's external auditors and their report is presented on pages 67 to 68.

The annual financial statements set out on pages 69 to 104, which have been prepared on the going concern basis, were approved by the board of directors.

Signed on behalf of the Board of Directors By:



Director



Director

16 August 2018

Windhoek

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Road Fund Administration (the Fund) as at 31 March 2018, 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 (Act 18 of 1999).

What we have audited

Road Fund Administration's financial statements set out on pages 69 to 101 comprise:

- The directors' report for the year ended 31 March 2018;
- the statement of financial position as at 31 March 2018;
- the statement of surplus or deficit and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A & B)* and other independence requirements applicable

to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Road Fund Administration Annual Financial Statements for the year ended 31 March 2018. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Road Fund Administration Act (Act 18 of 1999), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's responsibilities for the audit of the financial statements

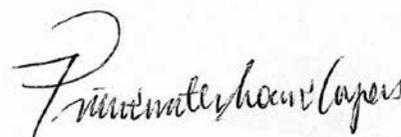
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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



PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants and Auditors
Per: Samuel N Ndahangwapo
Partner
Windhoek
11 September 2018

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Road Fund Administration for the year ended 31 March, 2018.

1. Review of financial results and activities

The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act, (Act 18 of 1999). The Road Fund Administration provides 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.

2. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
P Ithindi (Chairperson)	Chairperson	Non-executive	Namibian
S Amunkete	Director	Non-executive	Namibian
Z Stellmacher	Director	Non-executive	Namibian
R Amadhila	Director	Non-executive	Namibian
N Henok	Director	Non-executive	Namibian

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

We draw attention to the fact that at 31 March 2018, the Fund's total liabilities exceed its assets by N\$ (308) million (2017: N\$(442) million).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The ability of the Fund to continue as a going concern is dependent on a number of factors.

Management is optimistic that the Fund will continue operating as a going concern into the foreseeable future due to the following reasons:

- Road User Charges increases of 6.5% have been received for the 2018/2019 financial year.
- Strategies have been deployed to contain expenditure of Road User Charges income:
 - reserve funds creation to protect liquidity and solvency
 - strategic projects such as Mass Distance Charges (MDCs) automation
 - mid-year strategic review shall be held by the Road Fund Administration

5. Auditors

PricewaterhouseCoopers continued in office as auditors for the Fund for the 2018/19 financial year.

6. Secretary

The Secretary is Anna Matebele.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH, 2018

Figures in Namibia Dollar	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	4	122,091,244	97,657,168
Current Assets			
Trade and other receivables	5	476,047,866	139,380,927
Other financial assets	6	315,173	3,798,098
Cash and cash equivalents	8	121,657,332	101,345,184
		598,020,371	244,524,209
Total Assets		720,111,615	342,181,377
Equity and Liabilities			
Equity			
Accumulated deficit		(307,884,338)	(442,482,213)
Liabilities			
Non-Current Liabilities			
Other financial liabilities	9	440,294,147	536,635,172
Retirement benefit obligation	7	23,325,290	78,288,995
Provisions	13	4,645,586	4,024,520
		468,265,023	618,948,687
Current Liabilities			
Trade and other payables	10	362,143,025	162,274,878
Other financial liabilities	9	51,541,025	-
Provisions	13	4,492,773	3,440,025
Bank overdraft	8	141,554,107	-
		559,730,930	165,714,903
Total Liabilities		1,027,995,953	784,663,590
Total Equity and Liabilities		720,111,615	342,181,377

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue	14	2,367,300,917	2,213,632,473
Other Income	15	949,291	668,907
Operating Expenses		(2,217,225,171)	(2,303,387,401)
Operating (deficit) Surplus	16	151,025,037	(89,086,021)
Investment income	17	20,306,402	45,261,189
Finance costs	18	(36,716,988)	(36,211,453)
Other non-operating gains (losses)		(16,576)	-
Surplus (deficit) for the year		134,597,875	(80,036,285)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains on retirement benefit obligation		-	20,892,005
Other comprehensive income for the year net of taxation		-	20,892,005
Total comprehensive surplus (deficit) for the year		134,597,875	(59,144,280)

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

STATEMENT OF CHANGES IN EQUITY

Figures in Namibia Dollar	Accumulated deficit	Total equity
Balance at 1 April 2016	(65,598,558)	(65,598,558)
Deficit for the year	(80,036,285)	(80,036,285)
Other comprehensive income	20,892,005	20,892,005
Total comprehensive deficit for the year	(59,144,280)	(59,144,280)
Distributions of funds	(317,739,375)	(317,739,375)
Balance at 1 April 2017	(442,482,213)	(442,482,213)
Surplus for the year	134,597,875	134,597,875
Total comprehensive surplus for the year	134,597,875	134,597,875
Balance at 31 March 2018	(307,884,338)	(307,884,338)

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

STATEMENT OF CASH FLOWS

Figures in Namibia Dollar	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from road users		1,421,868,454	2,210,508,000
Cash paid to suppliers and employees		(1,456,619,832)	(2,415,069,720)
Cash used in operations	19	(34,751,378)	(204,561,720)
Interest income		20,306,402	45,261,189
Finance costs		(36,716,988)	(36,211,453)
Net cash from operating activities		(51,161,964)	(195,511,984)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(28,762,920)	(34,389,337)
Proceeds from sale of property, plant and equipment	4	-	5,047,731
Sale of financial assets		3,482,925	-
Net cash from investing activities		(25,279,995)	(29,341,606)
Cash flows from financing activities			
Proceeds from loans/(Repayments)		(44,800,000)	149,119,175
Distribution of Funds		-	(317,739,375)
Net cash from financing activities		(44,800,000)	(168,620,200)
Total cash movement for the year		(121,241,959)	(393,473,790)
Cash at the beginning of the year		101,345,184	494,818,974
Total cash at end of the year	8	(19,896,775)	101,345,184

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

ACCOUNTING POLICIES

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below:

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Road Fund Administration Act. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Fund has been identified as the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, heads the steering committee that makes strategic decisions.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Trade receivables

The Fund assesses its trade receivables or loans and receivables for impairment at each balance sheet date. In determining whether an impairment deficit should be recorded in the surplus or deficit, 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.

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 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 purpose 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.

Useful lives of property, plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of assets are determined based on Fund replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Post employment medical aid obligation

Employees of the Roads Authority are entitled to post-retirement medical aid benefits. The obligation for post-retirement medical aid benefits to employees is actuarially determined in respect of employees. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

The directors resolved to provide for this liability in terms of IAS19R-“Employee Benefits”. The movement in the balance of the provision is included in the income statement in terms of the statutory funding arrangements as set out in the applicable Roads Authority Act, (Act 17 of 1999) and the Road Fund Administration Act, (Act 18 of 1999).

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Fund holds for its own use or for rental to others and which are expected to be used for more than one year.

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. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset’s carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset’s economic benefits are consumed by the Fund. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or 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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computer equipment	Straight line	3 years
Computer software	Straight line	5 years
Land	Straight line	Indefinite

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

1.5 Financial instruments

Classification

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

- Financial assets at fair value through surplus or deficit-designated
- Loans and receivables
- Available-for-sale financial assets
- 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.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the Fund has the intention and ability to hold the asset for the foreseeable future or until maturity.

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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit 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 surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in the surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit 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.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the Fund's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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 the counterparty statement.

Impairment of financial assets

At each reporting date the Fund assesses all financial assets, other than those at fair value through surplus or deficit, 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 surplus or deficit.

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 surplus or deficit 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.

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 surplus or deficit 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 deficit is recognised in surplus or deficit within operating expenses.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Trade and other receivables

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 surplus or deficit.

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.

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.

Borrowings

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.

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.

1.6 Income Taxation

Current tax assets and liabilities

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

1.7 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.

1.8 Impairment of 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.
- tests goodwill acquired in a business combination for impairment annually.

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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

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

The 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 a surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 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.

1.10 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 entity 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 deficits.

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.

1.11 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.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

A Government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity 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 surplus or deficit (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.

1.12 Revenue

Revenue is measured at the fair value of the assets acquired through non-exchangeable transactions at the date of acquisition.

Revenue on Road User Charges are recognised when they become due, i.e when the road user debtor is identified or when the cash is received.

Investment income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Road User Charges

Road User Chargers (RUCs) revenue of the Fund comprises of RUCs levied in terms of Section 18(1) of the Road Fund Administration Act, (Act 18 of 1999). These Road User Charges comprise mainly of fuel levies, vehicle license fees, cross border charges, mass distance charges and abnormal load fees.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Namibia Dollar

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	1 January, 2017	The impact of the standard is not material.
• Amendments to IAS 7: Disclosure initiative	1 January, 2017	The impact of the standard is not material.
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January, 2017	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 1 April, 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	1 January, 2019	Unlikely there will be a material impact
• IFRS 9 Financial Instruments	1 January, 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Unlikely there will be a material impact
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Unlikely there will be a material impact

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

3. Risk management

Capital risk management

The Fund's capital risk management should be considered together with its mandate as provided for in the Road Fund Administration Act, (Act 18 of 1999).

The objective of the Fund is to manage the RUCS 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 obligations 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, other financial assets, trade and other receivables) and liabilities (trade and other payables) approximate their carrying value due to its short-term nature.

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 flow forecasts are prepared and adequate utilised borrowings are monitored.

As at 31 March 2018 - N\$

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	362,143,024	-	-	-
Other financial liabilities	51,541,025	103,111,874	309,335,622	27,866,301
	413,684,049	103,111,874	309,335,622	27,866,301

As at 31 March 2017 - N\$

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	162,274,878	-	-	-
Other financial liabilities	-	51,400,000	154,200,000	331,035,000
	162,274,878	51,400,000	154,200,000	331,035,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

3. Risk management (continued)

Interest rate risk

Interest rate risks are 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 is not exposed to cash flow interest rate risk on its long-term borrowings, because the interest rate is fixed.

The Fund has an investment in the Investec High Income Fund amounting to N\$ 315 173 (2017: N\$ 3.8 million). The Fund invests in high-yielding Namibian and South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments.

Credit risk

The credit risk refers to the risk that a counterparty will cause financial deficit to the Fund by defaulting on its contractual obligations.

Credit risk consists mainly of investments, cash deposits, cash equivalents and trade debtors. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates 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 of default rates and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables	476,047,866	139,380,927
Other financial assets	315,173	3,798,098
Cash and cash equivalents	(19,896,775)	101,345,184

Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the statement of financial position as available-for-sale financial asset (other financial assets).

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

4. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	5,314,014	-	5,314,014	5,314,014	-	5,314,014
Buildings	113,161,401	(5,539,478)	107,621,923	88,867,620	(4,028,309)	84,839,311
Furniture and fixtures	2,679,763	(711,185)	1,968,578	2,487,725	(447,950)	2,039,775
Motor vehicles	4,552,125	(1,512,369)	3,039,756	4,116,658	(1,588,217)	2,528,441
Office equipment	466,453	(294,774)	171,679	298,160	(206,535)	91,625
Computer software	13,659,533	(9,684,239)	3,975,294	10,511,245	(7,667,243)	2,844,002
Total	139,833,289	(17,742,045)	122,091,244	111,595,422	(13,938,254)	97,657,168

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	5,314,014	-	-	-	5,314,014
Buildings	84,839,311	24,293,781	-	(1,511,169)	107,621,923
Furniture and fixtures	2,039,775	192,038	-	(263,235)	1,968,578
Motor vehicles	2,528,441	960,520	(16,576)	(432,629)	3,039,756
Office equipment	91,625	168,293	-	(88,239)	171,679
Computer software	2,844,002	3,148,288	-	(2,016,996)	3,975,294
Total	97,657,168	28,762,920	(16,576)	(4,312,268)	122,091,244

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	5,314,014	-	-	-	5,314,014
Buildings	56,990,000	29,060,335	-	(1,211,024)	84,839,311
Furniture and fixtures	2,001,056	114,000	178,500	(253,781)	2,039,775
Motor vehicles	840,000	2,861,000	(411,059)	(761,500)	2,528,441
Office equipment	114,425	-	-	(22,800)	91,625
Computer software	2,481,000	2,354,002	563,000	(2,554,000)	2,844,002
	67,740,495	34,389,337	330,441	(4,803,105)	97,657,168

Pledged as security

There were no assets pledged for security during the year under review (2017; none)

Land and buildings comprise of the following:

Description	Net Value - 2018 (N\$)	Net Value - 2017 (N\$)
Land Erf 5846 & Erf 5845 Feld Street Windhoek (RFA Head Office)	5,314,014	5,314,014
Buildings - RFA Head Office	52,265,002	48,637,877
Buildings - Regional CBC Offices	4,681,349	4,780,657
CBC Regional Staff Accommodation	50,675,572	31,420,777
	112,935,937	90,153,325

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
4. Property, plant and equipment (continued)		
CBC Regional staff accommodation consist of the following:	Net Value - 2018 (N\$)	Net Value - 2017 (N\$)
Ngoma	3,243,178	2,886,993
Ariamsvlei	9,659,109	5,983,449
Klein Menasse	2,409,366	2,417,752
Noordoewer	13,047,816	10,555,943
Trans-Kalahari	6,467,047	5,404,547
Sendelingsdrift	1,029,531	693,530
Oranjemund	24,606	25,112
Oshikango	3,922,360	203,287
Kashamane	2,016,212	-
Katwitwi	1,622,669	-
Mahenene	1,626,766	-
Wenela	2,423,461	-
Mohembo	676,997	691,401
Mata-Mata	2,506,454	2,558,763
	50,675,572	31,420,777
5. Trade and other receivables		
Road User Charges receivables	12,405,123	13,919,648
Government accounts receivable	324,206,523	-
Cross border receivables	-	3,324,985
Accrued interest income - Fund	121,871,229	114,715,311
Accrued income - Fund	10,921,735	6,480,542
Payroll control accounts	114,333	113,132
Accrued interest income - Fund	5,921,091	500,118
Sundry debtors	607,832	327,191
	476,047,866	139,380,927

The carrying amount of the trade and other receivables approximates its fair value.

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
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5. Trade and other receivables (continued)

Credit quality of trade and other receivables

Trade and other receivables relate to a number of independent entities with no credit ratings. These balances are neither past due nor impaired. The above balances comprise of a number of independent entities that have no recent history of defaults.

Trade receivables

Counterparties without external credit rating

Group 1	121,871,229	114,715,311
Group 2	354,176,637	24,665,616
	476,047,866	139,380,927

Group 1 – Fuel levies and license fees receivable from oil companies and NaTIS respectively (less than 1 month).

Group 2 – Other entities (between 1 to 6 months) with some defaults in the past. All defaults were fully recovered.

Trade and other receivables past due but not impaired

At 31 March 2018, there were no trade and other receivables past due but not impaired (2017: N\$ nil).

Trade and other receivables impaired

As of 31 March, 2018, there were no trade and other receivables that were impaired and provided for (2017: N\$ nil).

6. Other financial assets

At fair value through profit or loss - designated

Investec High Income Fund Namibia	315,173	3,798,098
Investments are currently invested in a mixed portfolio, which consists of N\$ 315,173 (2017: N\$ 3.798 million) in Capital Markets.		

Current assets

Other financial assets	315,173	3,798,098
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ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
6. Other financial assets (continued)		
Fair value hierarchy of available-for-sale financial assets		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.		
Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Other Financial assets - Investec High Income Fund	315,173	3,798,098
Credit quality of other financial assets		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.		
7. Retirement benefits		
Defined benefit plan		
The Road Fund Administration has an obligation to continue paying contributions towards the medical costs for Roads Authority's employees when qualifying employees retire, become redundant or disabled. The post-employment medical aid benefits are for Roads Authority's employees and not for Road Fund Administration's employees.		
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(23,325,290)	(78,288,995)

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
7. Retirement benefits (continued)		
Movements for the year		
Opening balance	(78,288,995)	(105,652,000)
Benefits paid	54,963,705	21,790,000
Settlement gain	17,493,000	-
Actuarial losses/(gains)	-	20,839,005
Net expense recognised in profit or loss	(17,493,000)	(15,266,000)
	(23,325,290)	(78,288,995)
Net expense recognised in profit or loss		
Current service cost	(11,439,000)	(5,594,000)
Interest cost	(6,054,000)	(9,672,000)
	(17,493,000)	(15,266,000)
Key assumptions used		
Assumptions used on last valuation on 31 March 2018		
Discount rates used	8.97 %	11.27 %
Consumer Price inflation	6.63 %	8.96 %
Medical Aid contribution inflation	7.63 %	9.96 %
Net effective discount rate	1.25 %	1.19 %

Sensitivity analysis

The valuation above is only an estimate of cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have re-calculated the liabilities using the following assumptions:

- A 1% increase/decrease in the Medical Aid inflation assumption; and
- A 20% increase/decrease in the assumed level of mortality.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

7. Retirement benefits (continued)

Mortality Rates

2018	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	(25,345,773)	23,325,290	21,713,391
Interest Cost	(3,318,000)	3,048,000	2,833,000
Service Cost	(876,000)	804,000	746,000
	(29,539,773)	27,177,290	25,292,391

2017	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	(108,343,000)	99,181,000	91,785,000
Interest Cost	(12,504,000)	11,439,000	10,580,000
Service Cost	(6,632,000)	6,054,000	5,585,000
	(127,479,000)	116,674,000	107,950,000

Medical Aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

2018	-1% Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Total Accrued Liability	(20,737,141)	23,325,290	26,398,844
Interest Cost	(2,701,000)	3,048,000	3,460,000
Service Cost	(687,000)	804,000	947,000
	(24,125,141)	27,177,290	30,805,844

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

7. Retirement benefits (continued)

2017	-1% Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Total Accrued Liability	(83,452,000)	99,181,000	119,033,000
Interest Cost	(9,605,000)	11,439,000	13,756,000
Service Cost	(4,946,000)	6,054,000	7,479,000
	(98,003,000)	116,674,000	140,268,000

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	104,416	41
Bank balances - current accounts	18,268,149	11,630,960
Short-term deposits	165,503,918	133,267,183
Provision for doubtful deposits (SME Bank)	(62,219,151)	(43,553,000)
Bank overdraft	(141,554,107)	-
	(19,896,775)	101,345,184
Current assets	121,657,332	101,345,184
Current liabilities	(141,554,107)	-
	(19,896,775)	101,345,184

Included in the cash and cash equivalents is an amount of N\$14.8 million (2017: N\$3.2 million) held by the Fund that is not available for use by the Fund.

Restricted Cash

Included in the cash and cash equivalent is an amount of N\$14.8 million (2017: N\$3.2 million) received from the Government of the Republic of Namibia for specific projects and the funds are held in a designated bank deposit account to be used only for the purpose of the specific development of road projects.

The Fund has received no directive from its shareholder, the Government of the Republic of Namibia in deploying funds to a specific project.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

8. Cash and cash equivalents (continued)

Facilities

The Fund has a 12 months overdraft facility with Standard Bank of N\$ 500 Million.(Interest rate of Prime less 2% compounded monthly).

In the current year an overdraft of N\$ 314 million was taken from Standard Bank by the Fund on behalf of the Government of the Republic of Namibia. This overdraft was secured by the Government. The full amount is receivable from the Government within 12 months.

The carrying amount of cash and cash equivalents approximates its fair value.

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:

Credit rating

Bank Windhoek Limited (A1 + Moody's credit rating)

Standard Bank Namibia Limited (BB + Fitch credit rating)

First National Bank Namibia Limited (A + Global credit rating)

SME Bank (not rated)

E-Bank Limited (not rated)

Namibia Post Limited (not rated)

	2018	2017
Bank Windhoek Limited (A1 + Moody's credit rating)	2,695,887	17,175,505
Standard Bank Namibia Limited (BB + Fitch credit rating)	(124,920,671)	-
First National Bank Namibia Limited (A + Global credit rating)	4,441	116,754
SME Bank (not rated)	62,219,151	80,885,301
E-Bank Limited (not rated)	-	3,167,583
Namibia Post Limited (not rated)	40,000,000	-
	(20,001,192)	101,345,143

Although E-Bank Limited and SME Bank are not rated, they have no history of default. However, the SME Bank was put on provisional liquidation after year-end and the preliminary indicators are only depositors with less than N\$ 25,000 are guaranteed to their full amounts deposited. In light of the above a provision of 50% of the deposits held at SME Bank was made during the year.

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
9. Other financial liabilities		
Held at amortised cost	44,476,822	89,276,822
Ministry of Finance on-lending loan		
The KfW loan through the Ministry of Finance bears a fixed interest of 2% per annum and is repayable in 40 bi-annual payments of N\$2.2 million starting 10 June 2018. The loan is guaranteed by the Government of the Republic of Namibia.		
KfW Loan	447,358,350	447,358,350
The loan bears a fixed interest of 7.81% per annum and is repayable in 20 bi-annual payments of N\$23.5 million starting 30 June 2018. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand (Rand is pegged to the Namibia Dollar).		
	491,835,172	536,635,172
The carrying amount of other financial liabilities approximates its fair value.		
Non-current liabilities		
At amortised cost	440,294,147	536,635,172
Current liabilities		
At amortised cost	51,541,025	-
	491,835,172	536,635,172
10. Trade and other payables		
Roads Authority project administration	217,110,862	43,942,372
Amounts received in advance - Cross Border Charges	2,282,251	2,365,034
Other accruals	7,495,502	5,514,984
KfW and vehicle and driving testing stations	-	3,565,624
Accrual Local Authorities and Traffic Law Enforcement	27,091,464	18,938,265
Fuel Levy refund	81,478,168	71,955,873
Interest accrual - KfW Loans	9,150,688	10,050,820
Vehicle License Fee - refunds payable	2,769,590	2,769,590
Government Road Project	14,764,500	3,172,316
	362,143,025	162,274,878

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

10. Trade and other payables (continued)

Included in the Government Road project is an amount of N\$14.8 million (2017: N\$3.2 million) relating to government specific projects. These funds are kept in a separate bank account in the name of the Road Fund Administration. These accounts are recorded in the books of the Road Fund Administration with a corresponding liability as disclosed above.

Vehicle Licence Fee-Refunds payable, relates to licence fees that are refundable to clients upon the de-registration of motor vehicles.

Amounts received in advance - CBS, relates to prepaid clients deposits funds in their prepaid accounts in advance and only used when operators enter and exit at the borders. Prepaid accounts were created for foreign vehicles and companies that do not want their drivers to carry cash.

The carrying amount of trade and other payables approximates its fair value.

11. Financial assets by category

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

2018	Loans and receivables	Fair value through profit or loss	Total
Trade and other receivables	476,047,866	-	476,047,866
Other financial assets	-	315,173	315,173
Cash and cash equivalents	121,657,332	-	121,657,332
	597,705,198	315,173	598,020,371

2017	Loans and receivables	Fair value through profit or loss	Total
Trade and other receivables	139,380,927	-	139,380,927
Other financial assets	-	3,798,098	3,798,098
Cash and cash equivalents	101,345,184	-	101,345,184
	240,726,111	3,798,098	244,524,209

ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

12. Financial liabilities by category

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

2018

	Financial liabilities at amortised cost	Total
Retirement benefit obligation	23,325,290	23,325,290
Other financial liabilities	491,835,172	491,835,172
Trade and other payables	362,143,024	362,143,024
Bank overdraft	141,554,107	141,554,107
	1,018,857,593	1,018,857,593

2017

	Financial liabilities at amortised cost	Total
Retirement benefit obligation	78,288,995	78,288,995
Other financial liabilities	536,635,172	536,635,172
Trade and other payables	162,274,878	162,274,878
	777,199,045	777,199,045

13. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Leave pay provision	3,440,025	1,052,748	4,492,773
Severance pay provision	4,024,520	621,066	4,645,586
	7,464,545	1,673,814	9,138,359

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

13. Provisions (continued)

Reconciliation of provisions - 2017

	Opening balance	Additions	Total
Leave pay provision	2,623,000	817,025	3,440,025
Severance pay provision	2,275,480	1,750,000	4,024,520
	4,898,480	2,567,025	7,464,545
Non-current liabilities		4,645,586	4,024,520
Current liabilities		4,492,773	3,440,025
		9,138,359	7,464,545

Provision for severance pay

In accordance with Section 35 (1) of the Namibia Labour Act, 2007, severance benefits are payable to an employee when dismissed, dies while employed or resigns/retires on reaching the age of 65 years. The statutory termination provided are classified as defined benefits and are determined based on one weeks salary/wages of each completed year of service.

14. Revenue

	2018	2017
Fuel levies	1,420,353,929	1,344,998,371
Road User Charges	946,946,988	868,634,102
	2,367,300,917	2,213,632,473

14.1 Road User Charges

Vehicle license fees	674,687,564	618,984,284
Cross border charges	131,436,895	125,976,126
Mass distance charges - local	91,065,992	85,391,514
Mass distance charges - foreign	28,231,761	26,664,663
Abnormal permit fees	21,524,776	11,629,811
	946,946,988	868,646,398

15. Other operating income

Sundry income	949,291	668,907
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ROAD FUND ADMINISTRATION
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
16. Operating profit (loss)		
Operating (deficit) surplus for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	987,830	671,441
Leases		
Operating lease charges		
Premises	78,452	137,623
Equipment	52,663	304,306
	131,115	441,929
Depreciation and amortisation		
Depreciation of property, plant and equipment	4,312,268	4,803,105
Expenses by nature		
The total operating expenses are analysed by nature as follows:		
Employee costs	72,931,695	61,377,275
Operating lease charges	131,115	441,929
Depreciation, amortisation and impairment	4,312,268	4,803,105
Other expenses	101,701,682	110,813,216
Fuel levy refunds	259,786,180	257,519,005
Local Authorities	78,838,639	73,526,515
National road network expenditure	1,699,523,592	1,794,906,356
	2,217,225,171	2,303,387,401

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
17. Investment income		
Interest income		
Bank and other cash	2,016,970	2,860,445
Other financial assets	18,289,432	42,400,744
Total interest income	20,306,402	45,261,189
18. Finance costs		
Non-current borrowings	36,716,988	36,211,453
19. Cash used in operations		
Surplus for the year	134,597,875	(80,036,285)
Adjustments for:		
Depreciation and amortisation	4,312,268	4,803,105
Losses on disposals, scrapings and settlements of assets and liabilities	16,576	-
Interest income	(20,306,402)	(45,261,189)
Finance costs	36,716,988	36,211,453
Movements in retirement benefit assets and liabilities	(54,963,705)	(6,470,000)
Movements in provisions	1,673,814	4,556,496
Other non-cash items	-	(330,500)
Changes in working capital:		
Trade and other receivables	(336,666,939)	(3,470,500)
Trade and other payables	199,868,147	(114,564,300)
	(34,751,378)	(204,561,720)

20. Contingencies

In terms of section 17 (1)(i) of the Road Fund Administration Act, (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.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

21. Related parties

Relationships

RFA receives monies from Roads Authority (RA) that is collected for license and abnormal load fees. RFA then distributes monies collected to RA for road maintenance, administration and systems.	Roads Authority
The RFA gives monies to the Local Authorities for urban road maintenance in their respective Local Authority Councils.	Local Authorities
RFA receives monies from the Ministry for specific road projects.	Ministry of Works and Transport (Unutilised Project Funds)
The RFA gives monies to the Traffic Law Enforcement Agencies for law enforcement in their respective jurisdictions	Traffic Law Enforcement Agencies
RFA received loans from KfW	KfW loans

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2018	2017
Roads Authority	217,110,862	201,148,000
Local Authorities	26,772,171	18,938,265
KfW loan	491,835,172	536,635,172
Government Road Projects	14,764,500	3,172,000

Related party transactions

Payments made to related parties

Roads Authority	1,699,523,592	1,794,906,356
Local Authorities	78,838,639	73,526,515
Traffic Law Enforcement Agencies	30,917,871	30,840,818

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

22. Government Road Projects

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

The balance at the end of the year is made up as follows:

Balance at the beginning of the year

Payment during the year

2018	2017
3,167,141	2,938,000
11,596,917	189,000
14,764,058	3,127,000

23. National Road Network Expenditure

The amount is represented by:

Project accounts included in bank balances

14,764,058	3,127,000
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Roads Authority - NaTIS

Roads Authority - Construction & Rehabilitation

Roads Authority - Network Planning

Roads Authority - Maintenance

Roads Authority - Road Management

Roads Authority - Administration

Roads Authority - Road Transport Inspection

Roads Authority - Office Accommodation

Roads Authority - Business Systems

Roads Authority - Government Roads Projects

Roads Authority - IT Operations

2018	2017
24,760,723	35,357,359
77,996,411	165,038,248
27,597,401	19,506,731
1,093,741,928	896,688,000
18,582,141	30,945,835
409,955,567	393,948,000
8,169,265	5,952,000
16,536,190	113,772,876
15,611,362	4,993,922
-	128,703,385
6,572,604	-
1,699,523,592	1,794,906,356

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

24. Commitments

The leases are renewable on an annual basis.

25. Directors' emoluments

Directors emoluments of N\$ 554,601 (2017: N\$ 389,456) were paid to the directors for holding a prescribed office during the year.

26. Going concern

We draw attention to the fact that at 31 March, 2018, the Fund had accumulated losses of N\$ (307,884,338) and that the Fund's total liabilities exceed its assets by N\$ (307,884,338).

The 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.

Management is optimistic that the Fund will continue operating as going concern into the foreseeable future. Due to the following reasons;

- Road User Charges increases of 6.5% have been received for the 2018/2019 financial year
- Strategies have been deployed to contain expenditure of Road User Charges income:
 - reserve funds creation to protect liquidity and solvency.
 - strategic projects such as mass distance charge (MDC) automation.
 - mid-year strategic review shall be held by the Road Fund Administration.

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, contain expenditure within Road User Charges income and secure an annual increase of the Road User Charges.

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

DETAILED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue			
Fuel levies		1,420,353,929	1,344,998,371
Road User Charges		946,946,988	868,634,102
	14	2,367,300,917	2,213,632,473
Other income			
Sundry income		949,291	668,907
Expenses (Refer to pages 103 & 104)		(2,217,225,171)	(2,303,387,401)
Operating Surplus/(Deficit)	16	151,025,037	(89,086,021)
Investment income	17	20,306,402	45,261,189
Finance costs	18	(36,716,988)	(36,211,453)
Other non-operating gains (losses)			
Losses on disposal of assets or settlement of liabilities		(16,576)	-
Surplus/deficit for the year		134,597,875	(80,036,285)

The supplementary information presented does not form part of the financial statements and is unaudited

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

DETAILED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME (continued)

Figures in Namibia Dollar	Note(s)	2018	2017
Other operating expenses			
Advertising		(711,996)	(804,795)
Auditors remuneration	16	(987,830)	(671,441)
Bank charges		(12,141,688)	(5,978,359)
Books		(28,130)	(114,665)
Cleaning		(598,883)	(354,392)
Computer expenses		(312,104)	(262,110)
Corporate services		(710,863)	(1,613,127)
Corporate items		(414,201)	(507,508)
Depreciation		(4,312,268)	(4,803,105)
Development of RUCS		(2,630,681)	-
Donations		(554,256)	(84,177)
E-mail & Internet		(116,701)	(27,381)
Employee costs		(72,931,695)	(61,377,275)
Entertainment		(681,932)	(625,105)
Equipment hire		-	(179,897)
Fines and penalties		-	(7,391)
Fuel levy refunds		(259,786,180)	(257,519,005)
IT expenses		(1,737,845)	(1,985,859)
Insurance		(520,686)	(455,542)
Lease rentals on operating lease		(131,115)	(441,929)
Legal fees		(350,297)	(374,489)
Long service awards		(173,500)	(103,500)
Management fees - KfW loan		(1,204,388)	-
Minor office furniture		(130,549)	(98,247)
Motor vehicle expenses		(594,962)	(411,420)
NRSC: Road safety Programme		(320,069)	(1,858,393)
Other expenses		(1,925,122)	239,455

The supplementary information presented does not form part of the financial statements and is unaudited

ROAD FUND ADMINISTRATION

Financial Statements for the year ended 31 March, 2018

DETAILED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME (continued)

Figures in Namibia Dollar	Note(s)	2018	2017
Other operating expenses (continued)			
Postal and courier services		(171,025)	(140,871)
Printing and stationery		(1,680,464)	(1,677,532)
Professional fees		(2,280,788)	(4,761,352)
Provision for doubtful deposit (SME Bank)		(18,666,151)	(43,553,000)
Relocation costs		(100,000)	(40,351)
Repairs and maintenance		(346,718)	(394,921)
Road Authority - road maintenance and management		(1,699,523,592)	(1,794,906,356)
Security		(2,751,787)	(1,732,449)
Seminars & conferences		(254,771)	(339,219)
Stationery & consumables		(26,407)	(7,254)
Subscriptions		(943,174)	(362,345)
Subsistence & travelling		(4,200,556)	(5,328,851)
Technical assistance AA		(5,954,720)	-
Telephone and fax		(1,422,484)	(2,255,630)
Traffic law enforcement agencies		(32,020,658)	(30,840,818)
Training		(2,175,033)	(1,595,579)
Transfer to administration account		(130,093)	-
Transport and freight		(924,870)	(593,099)
Urban road maintenance		(78,849,657)	(73,526,515)
Water and electricity		(794,282)	(911,602)
		(2,217,225,171)	(2,303,387,401)

The supplementary information presented does not form part of the financial statements and is unaudited

Road Fund Administration Fund Account



Annual Financial Statement
for the year ended 31 March 2018

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view to achieving a safe and economically efficient road sector.
Directors	P Ithindi (Chairperson) S Amunkete Z Stellmacher R Amadhila N Henok
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditor	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Anna Matebele

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

CONTENTS

	Page
Directors' Responsibilities and Approval	108
Independent Auditor's Report	109 - 110
Directors' Report	111
Statement of Financial Position	112
Statement of Surplus or Deficit and Other Comprehensive Income	113
Statement of Changes in Equity	114
Statement of Cash Flows	115
Accounting Policies	116 - 122
Notes to the Financial Statements	123 - 140
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Statement of Surplus or Deficit and Other Comprehensive Income	141 - 142

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

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 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 external auditor is engaged to express an independent opinion on the financial statements.

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 judgements 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.

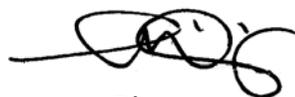
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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, 2019 and, in light of this review and the current financial position, they are satisfied that the Fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Fund's annual financial statements. The annual financial statements have been examined by the Fund's external auditors and their report is presented on pages 109 to 110.

The annual financial statements set out on pages 111 to 142, which have been prepared on the going concern basis, were approved by the board of directors.

Signed on behalf of the Board of Directors By:



Director



Director

16 August 2018

Windhoek

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Road Fund Administration (the Fund) as at 31 March 2018, 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 (Act 18 of 1999).

What we have audited

Road Fund Administration's financial statements set out on pages 111 to 140 comprise:

- The directors' report for the year ended 31 March 2018;
- the statement of financial position as at 31 March 2018;
- the statement of surplus or deficit and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A & B)* and other independence requirements applicable

to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Road Fund Administration Annual Financial Statements for the year ended 31 March 2018. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Road Fund Administration Act (Act 18 of 1999), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's responsibilities for the audit of the financial statements

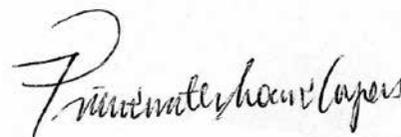
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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



PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants and Auditors
Per: Samuel N Ndahangwapo
Partner
Windhoek
11 September 2018

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Road Fund Administration - Fund Account for the year ended 31 March, 2018.

1. Review of financial results and activities

The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act, (Act 18 of 1999). The Road Fund Administration provides 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.

2. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
P Ithindi (Chairperson)	Chairperson	Non-executive	Namibian
S Amunkete	Director	Non-executive	Namibian
Z Stellmacher	Director	Non-executive	Namibian
R Amadhila	Director	Non-executive	Namibian
N Henok	Director	Non-executive	Namibian

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

We draw attention to the fact that at 31 March 2018, the Fund's total liabilities exceed its assets by N\$ (308) million (2017: N\$ (442) million).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The ability of the Fund to continue as a going concern is dependent on a number of factors.

Management is optimistic that the Fund will continue operating as going concern into the foreseeable future due to the following reasons:

- Road User Charges increases of 6.5% have been received for the 2018/2019 financial year.
- Strategies have been deployed to contain expenditure of Road User Charges income:
 - reserve funds creation to protect liquidity and solvency
 - strategic projects such as Mass Distance Charges (MDCs) automation
 - mid-year strategic review shall be held by the Road Fund Administration

5. Auditors

PricewaterhouseCoopers continued in office as auditors for the Fund for the 2018/2019 financial year.

6. Secretary

The Secretary is Anna Matebele.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH, 2018

Figures in Namibia Dollar	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	113,800,405	90,153,325
Current Assets			
Trade and other receivables	4	475,325,701	138,940,605
Other financial assets	5	315,173	3,798,098
Cash and cash equivalents	7	103,389,143	94,845,966
		579,030,017	237,584,669
Total Assets		692,830,422	327,737,994
Equity and Liabilities			
Equity			
Accumulated deficit		(318,531,669)	(443,946,069)
Liabilities			
Non-Current Liabilities			
Other financial liabilities	8	440,294,147	536,635,172
Retirement benefit obligation	6	23,325,290	78,288,995
		463,619,437	614,924,167
Current Liabilities			
Trade and other payables	9	354,647,522	156,759,896
Other financial liabilities	8	51,541,025	-
Bank overdraft	7	141,554,107	-
		547,742,654	156,759,896
Total Liabilities		1,011,362,091	771,684,063
Total Equity and Liabilities		692,830,422	327,737,994

ROAD FUND ADMINISTRATION - FUND ACCOUNT
 Financial Statements for the year ended 31 March, 2018

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue	12	2,367,300,917	2,213,632,473
Other income	13	254,503	253,666
Operating Expenses		(2,225,694,757)	(2,298,295,385)
Operating (deficit) surplus	14	141,860,663	(84,409,246)
Investment income	16	20,270,725	45,182,399
Finance costs	17	(36,716,988)	(36,180,576)
Surplus (deficit) for the year		125,414,400	(75,407,423)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gains on retirement benefit obligation		-	20,892,005
Other comprehensive income for the year net of taxation		-	20,892,005
Total comprehensive surplus/(deficit) for the year		125,414,400	(54,515,418)

ROAD FUND ADMINISTRATION - FUND ACCOUNT
 Financial Statements for the year ended 31 March, 2018

STATEMENT OF CHANGES IN EQUITY

Figures in Namibia Dollar	Accumulated deficit	Total equity
Balance at 1 April 2016	(71,691,276)	(71,691,276)
Deficit for the year	(75,407,423)	(75,407,423)
Other comprehensive income	20,892,005	20,892,005
Total comprehensive Deficit for the year	(54,515,418)	(54,515,418)
Distributions of funds	(317,739,375)	(317,739,375)
Balance at 1 April 2017	(443,946,069)	(443,946,069)
Surplus for the year	125,414,400	125,414,400
Total comprehensive surplus for the year	125,414,400	125,414,400
Balance at 31 March 2018	(318,531,669)	(318,531,669)

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

STATEMENT OF CASH FLOWS

Figures in Namibia Dollar	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from road users		1,421,868,454	2,210,508,000
Cash paid to suppliers and employees		(1,471,861,745)	(2,421,858,722)
Cash used in operations	18	(49,993,291)	(211,350,722)
Interest income		20,270,725	45,182,399
Finance costs		(36,716,988)	(36,180,576)
Net cash from operating activities		(66,439,554)	(202,348,899)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(25,254,301)	(29,060,335)
Proceeds from sale of property, plant and equipment	3	-	5,047,731
Sale of financial assets		3,482,925	-
Net cash from investing activities		(21,771,376)	(24,012,604)
Cash flows from financing activities			
Proceeds from loans/(Repayments)		(44,800,000)	149,119,175
Distribution of Funds		-	(317,739,375)
Net cash from financing activities		(44,800,000)	(168,620,200)
Total cash movement for the year		(133,010,930)	(394,981,703)
Cash at the beginning of the year		94,845,966	489,827,669
Total cash at end of the year	7	(38,164,964)	94,845,966

ACCOUNTING POLICIES

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below:

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Road Fund Administration Act. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Executive Officer of the Fund has been identified as the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, heads the steering committee that makes strategic decisions.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Trade receivables

The Fund assesses its trade receivables or loans and receivables for impairment at each balance sheet date. In determining whether an impairment deficit should be recorded in the surplus or deficit, 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.

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 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 purpose 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.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of assets are determined based on Fund replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Post employment medical aid obligation

Employees of the Roads Authority are entitled to post-retirement medical aid benefits. The obligation for post-retirement medical aid benefits to employees is actuarially determined in respect of employees. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

The directors resolved to provide for this liability in terms of IAS19R-“Employee Benefits”. The movement in the balance of the provision is included in the income statement in terms of the statutory funding arrangements as set out in the applicable Roads Authority Act, (Act 17 of 1999) and the Road Fund Administration Act, (Act 18 of 1999).

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Fund holds for its own use or for rental to others and which are expected to be used for more than one year.

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. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset’s carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset’s economic benefits are consumed by the Fund. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or 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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Motor vehicles	Straight line	5 years
Land	Straight line	Indefinite

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

1.5 Financial instruments

Classification

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

- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables
- Available-for-sale financial assets
- 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.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the Fund has the intention and ability to hold the asset for the foreseeable future or until maturity.

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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit 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 surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in the surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit 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.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the Fund's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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 the counterparty statement.

Impairment of financial assets

At each reporting date the Fund assesses all financial assets, other than those at fair value through surplus or deficit, 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 surplus or deficit.

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 surplus or deficit 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.

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 surplus or deficit 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 deficit is recognised in surplus or deficit within operating expenses.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Trade and other receivables

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 surplus or deficit.

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.

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.

Borrowings

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.

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.

1.6 Income Taxation

Current tax assets and liabilities

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

1.7 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.

1.8 Impairment of 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.
- tests goodwill acquired in a business combination for impairment annually.

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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

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

The 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 a surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 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.

1.10 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 entity 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 deficits.

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.

1.11 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.

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

A Government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity 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 surplus or deficit (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.

1.12 Revenue

Revenue is measured at the fair value of the assets acquired through non-exchangeable transactions at the date of acquisition.

Revenue on Road User Charges are recognised when they become due, i.e when the road user debtor is identified or when the cash is received.

Investment Income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Road User Charges

Road User Charges (RUCs) revenue of the Fund comprises of RUCs levied in terms of Section 18(1) of the Road Fund Administration Act, (Act 18 of 1999). These Road User Charges comprise mainly of fuel levies, vehicle license fees, cross border charges, mass distance charges and abnormal load fees.

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS

Figures in Namibia Dollar

2. Risk management

Capital risk management

The Fund's capital risk management should be considered together with its mandate as provided for in the Road Fund Administration Act, (Act 18 of 1999).

The objective of the Fund is to manage the RUCS 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 obligations 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, other financial assets, trade and other receivables) and liabilities (trade and other payables) approximate their carrying value due to its short-term nature.

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 flow forecasts are prepared and adequate utilised borrowings are monitored.

As at 31 March 2018 - N\$

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	354,647,521	-	-	-
Other financial liabilities	51,541,025	103,111,874	309,335,622	27,866,301
	406,188,546	103,111,874	309,335,622	27,866,301

As at 31 March 2017 - N\$

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	156,759,896	-	-	-
Other financial liabilities	-	51,400,000	154,200,000	331,035,000
	156,759,896	51,400,000	154,200,000	331,035,000

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

2. Risk management (continued)

Interest rate risk

Interest rate risks are 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 is not exposed to cash flow interest rate risk on its long-term borrowings, because the interest rate is fixed.

The Fund has an investment in the Investec High Income Fund amounting to N\$ 315,173 (2017: N\$ 3.8 million). The Fund invests in high-yielding Namibian and South African fixed-income assets, including Government and corporate bonds, fixed deposits and money market instruments.

Credit risk

The credit risk refers to the risk that a counterparty will cause financial deficit to the Fund by defaulting on its contractual obligations.

Credit risk consists mainly of investments, cash deposits, cash equivalents and trade debtors. The Fund only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates 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 of default rates and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables	475,325,701	138,940,605
Other financial assets	315,173	3,798,098
Cash and cash equivalents	122,055,294	94,845,966

Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the statement of financial position as available-for-sale financial asset (other financial assets).

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

3. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	5,314,014	-	5,314,014	5,314,014	-	5,314,014
Buildings	113,161,401	(5,539,478)	107,621,923	88,867,620	(4,028,309)	84,839,311
Motor vehicles	960,520	(96,052)	864,468	-	-	-
Total	119,435,935	(5,635,530)	113,800,405	94,181,634	(4,028,309)	90,153,325

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Land	5,314,014	-	-	5,314,014
Buildings	84,839,311	24,293,781	(1,511,169)	107,621,923
Motor vehicles	-	960,520	(96,052)	864,468
	90,153,325	25,254,301	(1,607,221)	113,800,405

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Land	5,314,014	-	-	5,314,014
Buildings	56,990,000	29,060,335	(1,211,024)	84,839,311
	62,304,014	29,060,335	(1,211,024)	90,153,325

Pledged as security

There were no assets pledged for security during the year under review (2017; none)

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
3. Property, plant and equipment (continued)		
Land and buildings comprise of the following:		
Description	Net Value - 2018 (N\$)	Net Value - 2017 (N\$)
Land Erf 5846 & Erf 5845 Feld Street Windhoek (RFA Head Office)	5,314,014	5,314,014
Buildings - RFA Head Office	52,265,002	48,637,877
Buildings - Regional CBC Offices	4,681,349	4,780,657
CBC Regional Staff Accommodation	50,675,572	31,420,777
	112,935,937	90,153,325
CBC Regional staff accommodation consist of the following:	Net Value - 2018 (N\$)	Net Value - 2017 (N\$)
Ngoma	3,243,178	2,886,993
Ariamsvlei	9,659,109	5,983,449
Klein Menasse	2,409,366	2,417,752
Noordoewer	13,047,816	10,555,943
Trans-Kalahari	6,467,047	5,404,547
Sendelingsdrift	1,029,531	693,530
Oranjemund	24,606	25,112
Oshikango	3,922,360	203,287
Kashamane	2,016,212	-
Katwitwi	1,622,669	-
Mahenene	1,626,766	-
Wenela	2,423,461	-
Mohembo	676,997	691,401
Mata-Mata	2,506,454	2,558,763
	50,675,572	31,420,777

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
4. Trade and other receivables		
Road User Charges receivables	12,405,123	13,919,649
Government accounts receivable	324,206,523	-
Cross border receivables	-	3,324,985
Accrued income - Fund	121,871,229	114,715,311
Accrued interest income - Fund	10,921,735	6,480,542
MDCs receivable - provision control	5,921,091	500,118
	475,325,701	138,940,605

The carrying amount of the trade and other receivables approximates its fair value.

Credit quality of trade and other receivables

Trade and other receivables relate to a number of independent entities with no credit ratings. These balances are neither past due nor impaired. The above balances comprise of a number of independent entities that have no recent history of defaults.

Trade receivables

Counterparties without external credit rating

Group 1	121,871,229	114,715,311
Group 2	353,454,472	24,225,294
	475,325,701	138,940,605

Group 1 – Fuel levies and license fees receivable from oil companies and NaTIS respectively (less than 1 month).

Group 2 – Other entities (between 1 to 6 months) with some defaults in the past. All defaults were fully recovered.

Trade and other receivables past due but not impaired

At 31 March 2018, there were no trade and other receivables past due but not impaired (2017: N\$ nil).

Trade and other receivables impaired

As of 31 March 2018, there were no trade and other receivables that were impaired and provided for (2017: N\$ nil).

ROAD FUND ADMINISTRATION - FUND ACCOUNT
 Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
5. Other financial assets		
At fair value through profit or loss - designated		
Investec High Income Fund Namibia	315,173	3,798,098
Investments are currently invested in a mixed portfolio, which consists of N\$ 315,173 (2017: N\$ 3.798 million) in Capital Markets.		
Current assets		
Other financial assets	315,173	3,798,098

Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Other Financial assets-Investec High Income Fund	315,173	3,798,098

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

6. Retirement benefits

Defined benefit plan

The Road Fund Administration has an obligation to continue paying contributions towards the medical costs for Roads Authority's employees when qualifying employees retire, become redundant or disabled. The post-employment medical aid benefits are for Road Authority's employees and not for Road Fund Administration's employees.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
6. Retirement benefits (continued)		
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(23,325,290)	(78,288,995)
Movements for the year		
Opening balance	(78,288,995)	(105,652,000)
Benefits paid	54,963,705	21,790,000
Settlement gain	17,493,000	-
Actuarial losses/gain	-	20,839,005
Net expense recognised in profit or loss	(17,493,000)	(15,266,000)
	(23,325,290)	(78,288,995)
Net expense recognised in profit or loss		
Current service cost	(11,439,000)	(5,594,000)
Past service cost	(6,054,000)	(9,672,000)
	(17,493,000)	(15,266,000)
Key assumptions used		
Assumptions used on last valuation on 31 March 2018		
Discount rates used	8.97 %	11.27 %
Consumer Price inflation	6.63 %	8.96 %
Medical Aid contribution inflation	7.63 %	9.96 %
Net effective discount rate	1.25 %	1.19 %

Sensitivity analysis

The valuation above is only an estimate of cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have re-calculated the liabilities using the following assumptions:

- A 1% increase/decrease in the Medical Aid inflation assumption; and
- A 20% increase/decrease in the assumed level of mortality.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

6. Retirement benefits (continued)

Mortality Rates

2018	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	(25,345,773)	23,325,290	21,713,391
Interest Cost	(3,318,000)	3,048,000	2,833,000
Service Cost	(876,000)	804,000	746,000
	(29,539,773)	27,177,290	25,292,391

2017	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	(108,343,000)	99,181,000	91,785,000
Interest Cost	(12,504,000)	11,439,000	10,580,000
Service Cost	(6,632,000)	6,054,000	5,585,000
	(127,479,000)	116,674,000	107,950,000

Medical Aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

2018	-1% Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Total Accrued Liability	(20,737,141)	23,325,290	26,398,844
Interest Cost	(2,701,000)	3,048,000	3,460,000
Service Cost	(687,000)	804,000	947,000
	(24,125,141)	27,177,290	30,805,844

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

6. Retirement benefits (continued)

2017	-1% Medical Aid Inflation	Valuation Assumption	+1 Medical Aid Inflation
Total Accrued Liability	(83,452,000)	99,181,000	119,033,000
Interest Cost	(9,605,000)	11,439,000	13,756,000
Service Cost	(4,946,000)	6,054,000	7,479,000
	(98,003,000)	116,674,000	140,268,000

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	104,376	-
Bank balances - current accounts	-	5,131,783
Short-term deposits	165,503,918	133,267,183
Provision for doubtful deposits (SME Bank)	(62,219,151)	(43,553,000)
Bank overdraft	(141,554,107)	-
	(38,164,964)	94,845,966
Current assets	103,389,143	94,845,966
Current liabilities	(141,554,107)	-
	(38,164,964)	94,845,966
Included in the cash and cash equivalents is an amount of N\$14.8 million (2017: N\$3.2 million) held by the Fund that is not available for use by the Fund.	14,760,635	3,167,583

Restricted Cash

Included in the cash and cash equivalent is an amount of N\$14.8 million (2017: N\$3.2 million) received from the Government of the Republic of Namibia for specific projects and the funds are held in a designated bank deposit account to be used only for the purpose of the specific development of road projects.

The Fund has received no directive from its shareholder, the Government of the Republic of Namibia in deploying funds to a specific project.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
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7. Cash and cash equivalents (continued)

Facilities

The Fund has a 12 months overdraft facility with Standard Bank of N\$ 500 Million.(Interest rate of Prime less 2% compounded monthly).

In the current year an overdraft of N\$ 314 million was taken from Standard Bank by the Fund on behalf of the Government of the Republic of Namibia.This overdraft was secured by the Government.The full amount is receivable from the Government within 12 months.

The carrying amount of cash and cash equivalents approximates its fair value.

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:

Credit rating

Bank Windhoek Limited (A1 + Moody's credit rating)	2,521,729	10,676,328
Standard Bank Namibia Limited (BB + Fitch credit rating)	(143,014,661)	-
First National Bank Namibia Limited (A + Global credit rating)	4,441	116,754
SME Bank (not rated)	62,219,151	80,885,301
E-Bank Limited (not rated)	-	3,167,583
Namibia Post Limited (not rated)	40,000,000	-
	(38,269,340)	94,845,966

Although E -Bank Limited and SME Bank are not rated, they have no history of default. However, the SME Bank was put on provisional liquidation after year-end and the preliminary indicators are only depositors with less than N\$ 25,000 are guaranteed to their full amounts deposited. In light of the above a provision of 50% of the deposits held at SME Bank was made during the year.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
8. Other financial liabilities		
Held at amortised cost		
Ministry of Finance on-lending loan	44,476,822	89,276,822
The KfW loan through the Ministry of Finance bears a fixed interest of 2% per annum and is repayable in 40 bi-annual payments of N\$2.2 million starting 10 June 2018. The loan is guaranteed by the Government of the Republic of Namibia.		
KfW Loan	447,358,350	447,358,350
The loan bears a fixed interest of 7.81% per annum and is repayable in 20 bi-annual payments of N\$23.5 million starting 30 June 2018. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand (Rand is pegged to the Namibia Dollar).		
	491,835,172	536,635,172
The carrying amount of other financial liabilities approximates its fair value.		
Non-current liabilities		
At amortised cost	440,294,147	536,635,172
Current liabilities		
At amortised cost	51,541,025	-
	491,835,172	536,635,172
9. Trade and other payables		
Roads Authority project administration	217,110,861	43,942,374
Amounts received in advance - CBC	2,282,251	2,365,034
KfW and vehicle and driving testing stations	-	3,565,624
Accrual Local Authorities and Traffic Law Enforcement	27,091,464	18,938,265
Fuel Levy refund	81,478,168	71,955,873
Interest accrual - KfW Loans	9,150,688	10,050,820
Vehicle Licence Fee - refunds payable	2,769,590	2,769,590
Government Road Project	14,764,500	3,172,316
	354,647,522	156,759,896

ROAD FUND ADMINISTRATION - FUND ACCOUNT

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

9. Trade and other payables (continued)

Included in the Government Road project is an amount of N\$14.8 million (2017: N\$3.2 million) relating to government specific projects. These funds are kept in a separate bank account in the name of the Road Fund Administration. These accounts are recorded in the books of the Road Fund Administration with a corresponding liability as disclosed above.

Vehicle Licence Fee-Refunds payable, relates to licence fees that are refundable to clients upon the de-registration of motor vehicles.

Amounts received in advance - CBS, relates to prepaid clients deposits funds in their prepaid accounts in advance and only used when operators enter and exit at the borders. Prepaid accounts were created for foreign vehicles and companies that do not want their drivers to carry cash

The carrying amount of trade and other payables approximates its fair value.

10. Financial assets by category

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

2018	Loans and receivables	Fair value through profit or loss	Total
Trade and other receivables	475,325,701	-	475,325,701
Other financial assets	-	315,173	315,173
Cash and cash equivalents	103,389,143	-	103,389,143
	578,714,844	315,173	579,030,017
2017	Loans and receivables	Fair value through profit or loss	Total
Trade and other receivables	138,940,605	-	138,940,605
Other financial assets	-	3,798,098	3,798,098
Cash and cash equivalents	94,845,966	-	94,845,966
	233,786,571	3,798,098	237,584,669

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

11. Financial liabilities by category

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

2018	Financial liabilities at amortised cost	Total
Retirement benefit obligation	23,325,290	23,325,290
Other financial liabilities	491,835,172	491,835,172
Trade and other payables	354,647,521	354,647,521
	869,807,983	869,807,983

2017	Financial liabilities at amortised cost	Total
Retirement benefit obligation	78,288,995	78,288,995
Other financial liabilities	536,635,172	536,635,172
Trade and other payables	156,759,895	156,759,895
Bank overdraft	141,554,107	141,554,107
	913,238,169	913,238,169

12. Revenue

	2018	2017
Fuel levies	1,420,353,929	1,344,986,075
Road User Charges	946,946,988	868,646,398
	2,367,300,917	2,213,632,473

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
12. Revenue (continued)		
12.1 Road User Charges		
Vehicle license fees	674,687,564	618,984,284
Cross border charges	131,436,895	125,976,126
Mass distance charges - local	91,065,992	85,391,514
Mass distance charges - foreign	28,231,761	26,664,663
Abnormal permit fees	21,524,776	11,629,811
	946,946,988	868,646,398
13. Other operating income		
Admin sundry income	254,503	253,666
14. Operating profit (loss)		
Operating (deficit) surplus for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	987,830	671,441
Depreciation and amortisation		
Depreciation of property, plant and equipment	1,607,221	1,211,024

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
14. Operating profit (loss) (continued)		
Expenses by nature		
The operating expenses are analysed by nature as follows:		
Depreciation, amortisation and impairment	1,607,221	1,211,024
Other expenses	185,939,125	170,970,485
Fuel levy refunds	259,786,180	257,519,005
Local Authorities	78,838,639	73,526,515
National road network expenditure	1,699,523,592	1,794,906,356
15. Depreciation, amortisation and impairment losses		
Depreciation		
Property, plant and equipment	1,607,221	1,211,024
16. Investment income		
Interest income		
Bank and other cash	1,981,293	2,781,655
Other financial assets	18,289,432	42,400,744
Total interest income	20,270,725	45,182,399
17. Finance costs		
Non-current borrowings	36,716,988	36,180,576

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
18. Cash used in operations		
Surplus for the year	125,414,400	(75,407,423)
Adjustments for:		
Depreciation and amortisation	1,607,221	1,211,024
Interest income	(20,270,725)	(45,182,399)
Finance costs	36,716,988	36,180,576
Movements in retirement benefit assets and liabilities	(54,963,705)	(6,470,500)
Changes in working capital:		
Trade and other receivables	(336,385,096)	(3,119,500)
Trade and other payables	197,887,626	(118,562,500)
	(49,993,291)	(211,350,722)

19. Contingencies

In terms of section 17 (1)(i) of the Road Fund Administration Act, (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.

20. Related parties

Relationships

RFA receives monies from Roads Authority (RA) that is collected for license and abnormal load fees. RFA then distributes monies collected to RA for roads maintenance, administration and systems.	Roads Authority
The RFA gives monies to the Local Authorities for urban road maintenance in their respective Local Authority Councils.	Local Authorities
RFA receives monies from the Ministry for specific road projects.	Ministry of Works & Transport (Unutilised project Funds)
The RFA gives monies to the Traffic Law Enforcement Agencies for law enforcement in their respective jurisdictions.	Traffic Law Enforcement Agencies
RFA received loans from KfW	KfW loans

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
20. Related parties (continued)		
Related party balances		
Amounts included in trade receivable (Trade Payable) regarding related parties		
Roads Authority	217,110,861	122,229,000
Local Authorities	26,772,171	18,938,265
KfW loan	491,835,172	536,635,172
Government Road Projects	14,764,500	3,172,000
Related party transactions		
Payments made to related parties		
Roads Authority	1,699,523,592	1,794,906,356
Local Authorities	78,838,639	73,526,515
Traffic Law Enforcement Agencies	30,917,871	30,840,818
21. Government Road Projects		
<p>The Fund administers some bank accounts that are used to finance certain projects on behalf of the Government of the Republic of Namibia. The bank accounts are opened and operated by the Road Fund Administration. The Road Fund Administration has recorded those accounts as restricted cash with corresponding amounts included in payables.</p>		
The balance at the end of the year is made up as follows:	2018	2017
Balance at the beginning of the year	3,167,141	2,938,000
Payment during the year	11,596,917	189,000
	14,764,058	3,127,000
The amount is represented by:		
Project accounts included in bank balances	14,764,058	3,127,000

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
22. National Road Network Expenditure		
Roads Authority - NaTIS	24,760,723	35,357,359
Roads Authority - Construction & Rehabilitation	77,996,411	165,038,248
Roads Authority - Network Planning	27,597,401	19,506,731
Roads Authority - Maintenance	1,093,741,928	896,688,000
Roads Authority - Road Management	18,582,141	30,945,835
Roads Authority - Administration	409,955,567	393,948,000
Roads Authority - Road Transport Inspection	8,169,265	5,952,000
Roads Authority - Office Accommodation	16,536,190	113,772,876
Roads Authority - Business Systems	15,611,362	4,993,922
Roads Authority - Government Roads Projects	-	128,703,385
Roads Authority - IT Operations	6,572,604	-
	1,699,523,592	1,794,906,356

23. Commitments

The leases are renewable on an annual basis.

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

DETAILED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue			
Fuel levies		1,420,353,929	1,344,986,075
Road User Charges		946,946,988	868,646,398
	12	2,367,300,917	2,213,632,473
Other operating income			
Commissions received		254,503	253,666
Expenses (Refer to page 142)			
Operating Surplus/(Deficit)	14	141,860,663	(84,409,246)
Investment income	16	20,270,725	45,182,399
Finance costs	17	(36,716,988)	(36,180,576)
Surplus/deficit for the year		125,414,400	(75,407,423)

The supplementary information presented does not form part of the financial statements and is unaudited

ROAD FUND ADMINISTRATION - FUND ACCOUNT
Financial Statements for the year ended 31 March, 2018

DETAILED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME (continued)

Figures in Namibia Dollar	Note(s)	2018	2017
Other operating expenses			
Auditors remuneration - external auditors	14	(987,830)	(671,441)
Bank charges		(12,077,000)	(5,917,421)
Computer expenses		(43,698)	-
Consulting and professional fees - legal fees		-	(3,306)
Depreciation		(1,607,221)	(1,211,024)
Development of RUCS		(2,630,681)	-
Donations		(544,256)	-
Fuel levy refunds		(259,786,180)	(257,519,005)
IT expenses		(104,963)	-
Local Authorities		(78,838,639)	(73,526,515)
Management fees		(1,204,388)	-
Other expenses		(1,925,122)	-
Printing and stationery		(116,623)	-
Professional fees		(1,105,653)	(1,824,106)
Provision for doubtful deposit (SME) Bank		(18,666,151)	(43,553,000)
Roads Authority - Road maintenance and management		(1,699,523,592)	(1,795,068,356)
Security		(988,122)	-
Technical assistance AA		(5,954,720)	-
Traffic law enforcement agencies		(30,917,871)	(28,682,569)
Training		(320,069)	(1,858,393)
Transfer to administration account		(108,351,978)	(88,460,249)
		(2,225,694,757)	(2,298,295,385)

The supplementary information presented does not form part of the financial statements and is unaudited

Road Fund Administration Administration Account



Annual Financial Statements
for the year ended 31 March 2018

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view to achieving a safe and economically efficient road sector.
Directors	P Ithindi (Chairperson) S Amunkete Z Stellmacher R Amadhila N Henok
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditor	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Anna Matebele

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

CONTENTS

	Page
Directors' Responsibilities and Approval	146
Independent Auditor's Report	147 - 148
Directors' Report	149
Statement of Financial Position	150
Statement of Surplus or Deficit and Other Comprehensive Income	151
Statement of Changes in Equity	152
Statement of Cash Flows	153
Accounting Policies	154 - 158
Notes to the Financial Statements	159 - 165
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Income Statement	166 - 168

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

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 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 external auditors are engaged to express an independent opinion on the annual financial statements.

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 judgements 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, 2019 and, in light of this review and the current financial position, they are satisfied that the Fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Fund's annual financial statements. The annual financial statements have been examined by the Fund's external auditors and their report is presented on pages 147 to 148.

The annual financial statements set out on pages 149 to 168, which have been prepared on the going concern basis, were approved by the board.

Signed on behalf of the Board of Directors By:



Director



Director

16 August 2018

Windhoek

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Road Fund Administration (the Fund) as at 31 March 2018, 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 (Act 18 of 1999).

What we have audited

Road Fund Administration's financial statements set out on pages 149 to 165 comprise:

- The directors' report for the year ended 31 March 2018;
- the statement of financial position as at 31 March 2018;
- the statement of surplus or deficit and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A & B)* and other independence requirements applicable

to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this and in accordance with other ethical requirements applicable to performing audits in Namibia.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Road Fund Administration Annual Financial Statements for the year ended 31 March 2018. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Road Fund Administration Act (Act 18 of 1999), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's responsibilities for the audit of the financial statements

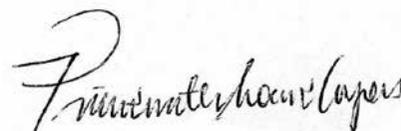
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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



PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants and Auditors
Per: Samuel N Ndahangwapo
Partner
Windhoek
11 September 2018

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Road Fund Administration - Administration Account for the year ended 31 March, 2018.

1. Review of financial results and activities

The Road Fund Administration is a Public Entity, established under the Road Fund Administration Act, (Act 18 of 1999). The Road Fund Administration provides 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.

2. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
P Ithindi (Chairperson)	Chairperson	Non-executive	Namibian
S Amunkete	Director	Non-executive	Namibian
Z Stellmacher	Director	Non-executive	Namibian
R Amadhila	Director	Non-executive	Namibian
N Henok	Director	Non-executive	Namibian

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

The directors believe that the Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Fund is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Fund. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Fund.

5. Auditors

PricewaterhouseCoopers continued in office as auditors for the Fund for the 2018/2019 financial year.

6. Secretary

The Secretary is Anna Matebele.

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH, 2018

Figures in Namibia Dollar	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	8,290,839	7,503,843
Current Assets			
Trade and other receivables	4	722,165	440,323
Cash and cash equivalents	5	18,268,189	6,499,218
		18,990,354	6,939,541
Total Assets		27,281,193	14,443,384
Equity and Liabilities			
Equity			
Retained income		10,647,335	1,463,861
Liabilities			
Non-Current Liabilities			
Provisions	6	9,138,359	7,464,545
Current Liabilities			
Trade and other payables	7	7,495,499	5,514,978
Total Liabilities		16,633,858	12,979,523
Total Equity and Liabilities		27,281,193	14,443,384

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

Figures in Namibia Dollar	Note(s)	2018	2017
Revenue	10	109,046,766	88,875,490
Operating Expenses		(99,882,393)	(90,574,109)
Operating surplus (deficit)	11	9,164,373	(1,698,619)
Investment income	12	35,677	78,791
Other non-operating gains (losses)		(16,576)	-
Surplus (deficit) for the year		9,183,474	(1,619,828)
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		9,183,474	(1,619,828)

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

STATEMENT OF CHANGES IN EQUITY

Figures in Namibia Dollar	Accumulated Surplus	Total equity
Balance at 1 April 2016	3,083,689	3,083,689
Deficit for the year	(1,619,828)	(1,619,828)
Total comprehensive deficit for the year	(1,619,828)	(1,619,828)
Balance at 1 April 2017	1,463,861	1,463,861
Surplus for the year	9,183,474	9,183,474
Total comprehensive surplus for the year	9,183,474	9,183,474
Balance at 31 March 2018	10,647,335	10,647,335

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

STATEMENT OF CASH FLOWS

Figures in Namibia Dollar	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from users		109,755,421	88,805,000
Cash paid to suppliers and employees		(94,513,508)	(82,046,432)
Cash generated from operations	13	15,241,913	6,758,568
Interest income		35,677	78,791
Net cash from operating activities		15,277,590	6,837,359
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3,508,619)	(5,329,446)
Total cash movement for the year		11,768,971	1,507,913
Cash at the beginning of the year		6,499,218	4,991,305
Total cash at end of the year	5	18,268,189	6,499,218

ACCOUNTING POLICIES

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with International Financial Reporting Standards and the Road Fund Administration Act. The annual financial statements have been prepared on the historical cost basis, except for measurement of certain financial instruments at fair value, and incorporated the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Trade receivables

The Fund assesses its trade receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recorded in the surplus or deficit, the Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is 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 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 purpose 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.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of assets are determined based on Fund replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the Fund holds for its own use or for rental to others and which are expected to be used for more than one year.

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. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. Day-to-day servicing costs are included in surplus or deficit in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Fund. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
IT equipment	Straight line	5 years
Computer software	Straight line	3 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in surplus or deficit when the item is derecognised.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

1.4 Financial instruments

Classification

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

- Loans and receivables
- 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.

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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

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

Subsequent measurement

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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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 the counterparty statement.

Impairment of financial assets

At each reporting date the Fund assesses all financial assets, other than those at fair value through surplus or deficit, 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 surplus or deficit.

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 surplus or deficit 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.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

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 surplus or deficit 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 deficit is recognised in surplus or deficit 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 surplus or deficit.

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.

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.

1.5 Tax

Income Taxation

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 since it is not deemed to be a VAT vendor.

1.6 Leases

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

Operating leases – lessee

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

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

1.7 Impairment of 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.
- tests goodwill acquired in a business combination for impairment annually.

ACCOUNTING POLICIES (continued)

1. Significant accounting policies (continued)

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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An entity 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 surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 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.

1.9 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 entity 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 deficits.

1.10 Revenue

Investment Income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Transfer from Fund Account

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

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT

Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS

Figures in Namibia Dollar

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 risks 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 an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

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

The Fund's 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.

At 31 March 2018 - N\$

Trade and other payables

Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
7,495,502	-	-	-

At 31 March 2017 - N\$

Trade and other payables

Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
5,514,978	-	-	-

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

2. Risk management (continued)

Interest rate risk

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

The Fund's interest rate risk results mainly from its exposure to interest on short term funds invested. Any realistic fluctuation in interest rates would not have a material impact on the Fund's surplus and equity.

3. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	2,679,763	(711,185)	1,968,578	2,487,725	(447,950)	2,039,775
Motor vehicles	3,591,605	(1,416,317)	2,175,288	4,116,658	(1,588,217)	2,528,441
Office equipment	466,453	(294,774)	171,679	298,160	(206,535)	91,625
Computer software and equipment	13,659,533	(9,684,239)	3,975,294	10,511,245	(7,667,243)	2,844,002
Total	20,397,354	(12,106,515)	8,290,839	17,413,788	(9,909,945)	7,503,843

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,039,775	192,038	-	(263,235)	1,968,578
Motor vehicles	2,528,441	-	(16,576)	(336,577)	2,175,288
Office equipment	91,625	168,293	-	(88,239)	171,679
Computer software and equipment	2,844,002	3,148,288	-	(2,016,996)	3,975,294
	7,503,843	3,508,619	(16,576)	(2,705,047)	8,290,839

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposal	Depreciation	Total
Furniture and fixtures	1,921,949	114,001	257,606	(253,781)	2,039,775
Motor vehicles	642,838	2,861,269	1,000	(975,666)	2,528,441
Office equipment	75,457	61,426	15,000	(45,258)	91,625
Computer software and equipment	1,759,371	2,292,750	(16,000)	(1,208,292)	2,844,002
	4,399,615	5,329,446	257,606	(2,482,997)	7,503,843

Pledged as security

There were no assets pledged for security during the year under review (2017: none)

4. Trade and other receivables

Sundry debtors	607,832	327,191
Payroll control accounts	114,333	113,132
	722,165	440,323

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	40	41
Bank balances	18,268,149	6,499,177
	18,268,189	6,499,218

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:

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

5. Cash and cash equivalents (continued)

Credit rating

Bank Windhoek Limited (A1+ Moody's credit rating)
Standard Bank (BB+ Fitch credit rating)

	174,158	6,499,177
	18,093,990	-
	18,268,148	6,499,177

6. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Leave pay provision	3,440,025	1,052,748	4,492,773
Severance pay provision	4,024,520	621,066	4,645,586
	7,464,545	1,673,814	9,138,359

Reconciliation of provisions - 2017

	Opening balance	Additions	Total
Leave pay provision	2,623,000	817,025	3,440,025
Severance pay provision	2,275,480	1,750,000	4,024,520
	4,898,480	2,567,025	7,464,545

Provision for severance pay

In accordance with Section 35 (1) of the Namibia Labour Act, 2007, severance benefits are payable to an employee when dismissed, dies while employed or resigns/retires on reaching the age of 65 years. The statutory termination benefits provided are classified as defined benefits and are determined based on one weeks salary/wages of each completed year of service.

7. Trade and other payables

Trade payables	1,218,063	1,266,274
Other payables	6,277,436	4,248,704
	7,495,499	5,514,978

Other payables related to PAYE and salary control.

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar

8. Financial assets by category

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

2018	Loans and receivables	Total
Trade and other receivables	722,165	722,165
Cash and cash equivalents	18,268,189	18,268,189
	18,990,354	18,990,354

2017	Loans and receivables	Total
Other financial assets	158,000	158,000
Cash and cash equivalents	6,499,218	6,499,218
	6,657,218	6,657,218

9. Financial liabilities by category

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

2018	Financial liabilities at amortised cost	Total
Trade and other payables	7,495,502	7,495,502

2017	Financial liabilities at amortised cost	Total
Trade and other payables	5,514,984	5,514,984

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
10. Capital Contribution		
Transfer from Fund	108,351,978	88,460,249
Sundry income	694,788	415,241
	109,046,766	88,875,490
11. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after charging the following, amongst others:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	2,705,047	2,482,997
12. Investment income		
Interest income		
Interest on current account	35,677	78,791
13. Cash generated from operations		
(Deficit)/Surplus for the year	9,183,474	(1,619,828)
Adjustments for:		
Depreciation and amortisation	2,705,047	2,482,997
Losses on disposals, scrappings and settlements of assets and liabilities	16,576	-
Interest income	(35,677)	(78,791)
Movements in provisions	1,673,814	2,567,000
Other non-cash items	-	(257,606)
Changes in working capital:		
Trade and other receivables	(281,842)	(350,519)
Trade and other payables	1,980,521	4,015,315
	15,241,913	6,758,568

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

Figures in Namibia Dollar	2018	2017
14. Related parties		
Relationships		
Related party transactions		
Funds transferred from the Road Fund		
Road Fund Account	108,351,978	88,460,249
Compensation to directors and other key management		
Directors Emolument - Board	554,601	389,456

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
 Financial Statements for the year ended 31 March, 2018

DETAILED INCOME STATEMENT

Figures in Namibia Dollar		2018	2017
Revenue			
Revenue from Fund		108,351,978	88,460,249
Sundry Income		694,788	415,241
	10	109,046,766	88,875,490
Expenses (Refer to pages 167 & 168)			
		(99,882,393)	(90,574,109)
Operating Surplus (Deficit)			
	11	9,164,373	(1,698,619)
Interest income	12	35,677	78,791
Other non-operating gains (losses)			
Losses on disposal of assets or settlement of liabilities		(16,576)	-
Surplus (Deficit) or the year		9,183,474	(1,619,828)

The supplementary information presented does not form part of the financial statements and is unaudited

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

DETAILED INCOME STATEMENT (continued)

Figures in Namibia Dollar	Note(s)	2018	2017
Other operating expenses			
Advertising		(711,996)	(776,945)
Bank charges		(64,688)	(50,938)
Cleaning		(598,883)	(354,392)
Computer expenses		(268,406)	(262,110)
Consulting and professional fees		(1,175,135)	(2,937,246)
Legal fees		(350,297)	(371,183)
Consumables		(259,314)	(673,507)
Depreciation		(2,705,047)	(2,482,997)
Donations		(10,000)	-
Employee costs		(72,998,571)	(60,614,160)
Entertainment		(681,932)	(621,162)
Books		(28,130)	(114,665)
E-mail and internet services		(1,130,481)	(27,381)
Training levy		(657,319)	(511,490)
Seminar & conferences		(204,656)	(144,355)
Other expenses		(130,093)	-
Public relations activities		(1,102,787)	(2,108,425)
Motor vehicle expenses		(594,962)	(411,420)
Minor computer equipment		(143,828)	(184,884)
Fines and penalties		-	(7,391)
Hire		-	(163,737)
Insurance		(520,686)	(455,542)
IT expenses		(1,017,397)	(3,598,986)
Lease rentals on operating lease		(131,115)	(441,929)
Water and electricity		(794,282)	(911,602)
Postage		(171,025)	(138,545)

The supplementary information presented does not form part of the financial statements and is unaudited

ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2018

DETAILED INCOME STATEMENT (continued)

Figures in Namibia Dollar	Note(s)	2018	2017
Other operating expenses (continued)			
Printing and stationery		(1,623,194)	(1,036,073)
Corporate Items		(414,201)	(507,508)
Long service awards		(173,500)	(103,500)
Repairs and maintenance		(346,718)	(319,300)
Security		(1,452,383)	(1,656,455)
Sundry grants		(100,000)	(40,351)
Subscriptions		(943,174)	(362,345)
Technical workshop		-	(49,824)
Telephone and fax		(1,422,484)	(2,255,630)
Training		(1,830,283)	(1,084,089)
Transport and freight		(924,870)	(593,099)
Travel - local and foreign		(4,200,556)	(4,200,943)
		(99,882,393)	(90,574,109)

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