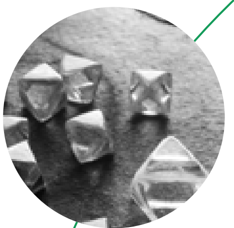
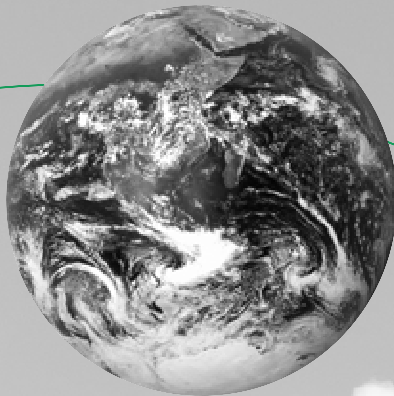
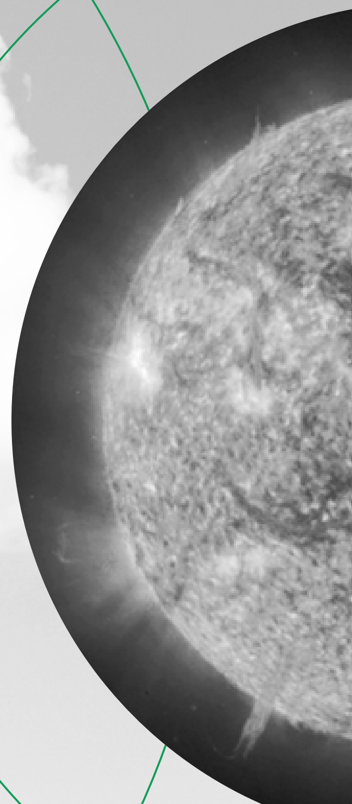
# INTEGRATED ANNUAL REPORT 2019




## FUNDING A ROAD CONNECTED FUTURE

# ABOUT THE THEME





The theme for the 2019 Integrated Annual Report of "Funding a Road Connected Future" focuses on the value that the Road Fund Administration (RFA) creates for the socio-economic development of the country through spearheading road sector integration at various levels.

Road infrastructure is a growth enabler, facilitating trade, regional integration and the movement of people, in the spirit of sustainable development, connectivity and integration that underpins the five Ps of People, Planet, Peace, Prosperity and Partnerships.

The pursuit of shared prosperity presupposes inclusive growth and economic opportunity (which are often facilitated through trade). This is done in such a way that efficient road infrastructure is positioned as one of the key pillars in the logistics chain.

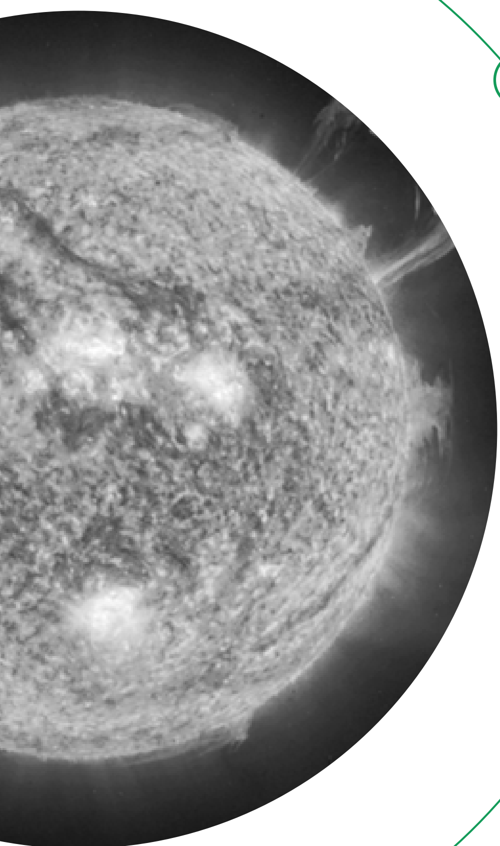
Namibia's trade corridor infrastructure is destined to play a pivotal role in enabling the expansion of intra-African trade. The Africa Free Trade Area, launched in March 2018, is envisaged to open up the market of over 1.2 billion people with a combined GDP of more than US$2.5 trillion.

The RFA has grown tremendously since its inception in the year 2000.

Since its inception in 2000, RFA has invested about N$19 billion in the national road infrastructure, which spans over 47,698 km.

This clearly demonstrates the RFA's role in positioning Namibia as a preferred gateway and as a facilitator of trade for the Southern African Development Community (SADC) and beyond.

# HIGH LEVEL STATEMENTS



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## Our Mandate

The Road Fund Administration (RFA) was established on 1 April 2000 through an Act of Parliament (Act 18 of 1999) to manage the Road Fund and the Road User Charging System. The purpose of this is to secure and allocate sufficient funding in order to realise a safe and efficient road sector in Namibia.

V

## Vision

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

M

## 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.

CV

## Core Values

*Integrity* - As RFA we inspire trust through honesty and ethical behaviour - what we say matches with what we do.

*Accountability* - As RFA we acknowledge and assume responsibility for our actions, decisions and policies; and learn from all situations to improve our internal and external services.

*Efficiency* - As RFA we allocate and utilise resources in a way that maximises benefit to customers by ensuring we deliver quality outputs on time to meet or exceed expectations.

*Transparency* - As RFA we make decisions that are clear in terms of their context, rationale and communication.

*Teamwork* - As RFA we work co-operatively, supporting and respecting one another and recognising group achievements while resolving conflict in an open and agreed manner.

*Innovation* - As RFA we continuously seek new ways of unlocking value for our stakeholders through better ways of planning and doing.

*Service Excellence* - As RFA we maintain the highest possible standards in implementation, with a continuous focus on internal and external stakeholder needs and providing clear feedback on our performance.

# CONTENT

# ABOUT THIS REPORT

*The RFA acknowledges the role and importance of adopting an integrated reporting approach in demonstrating its ability to create and sustain value across all of its operations. This includes its performance and commitment to economic, social, and environmental sustainability. This approach is specifically tailored to ultimately benefit its shareholder, the Government of the Republic of Namibia (GRN), as well as a broad range of stakeholders, particularly road users.*

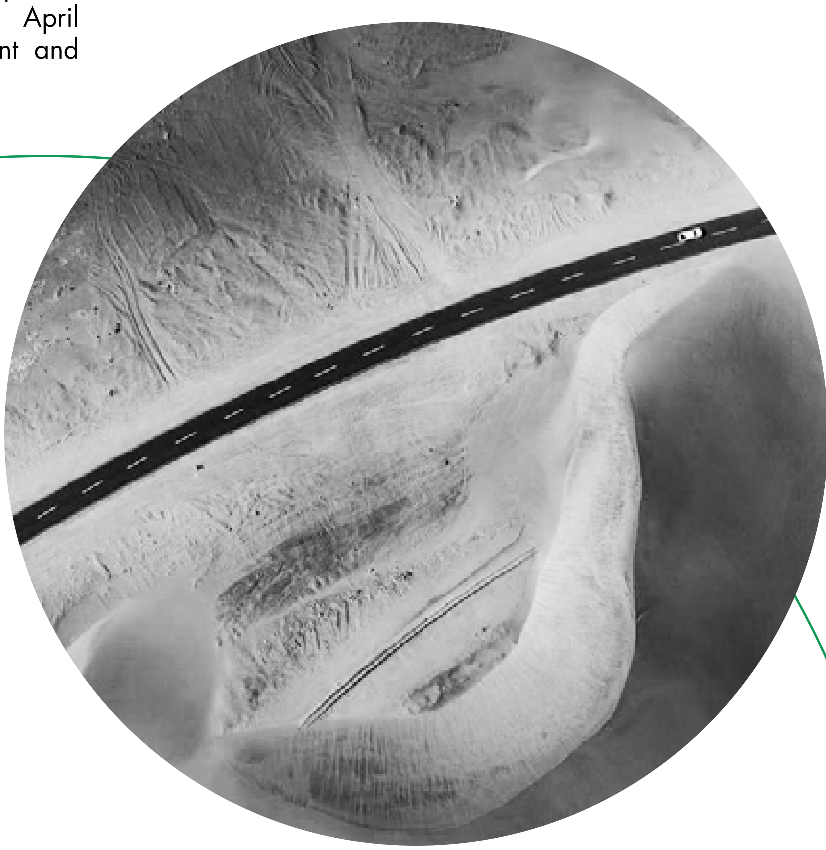
Due consideration has been given to the requirements of the Corporate Governance Code for Namibia (NamCode) in this Report. Acknowledgment is given to the fact that full adherence to the principles of the NamCode reporting methodology is an evolving process and will improve over time.

This Integrated Annual Report covers the RFA review period for the Financial Year (FY) which started from 1 April 2018 to 31 March 2019. It provides transparent and inclusive information as guided by the five-year (2014 – 2019) Strategic Plan, the Annual Business Plan, Corporate Governance and Risk Management. The information is also guided by the Financial Performance, and general 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 RFA's system of internal control and is designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss.

The Annual Financial Statements from pages 57 to 174 were audited by PricewaterhouseCoopers (Namibia).



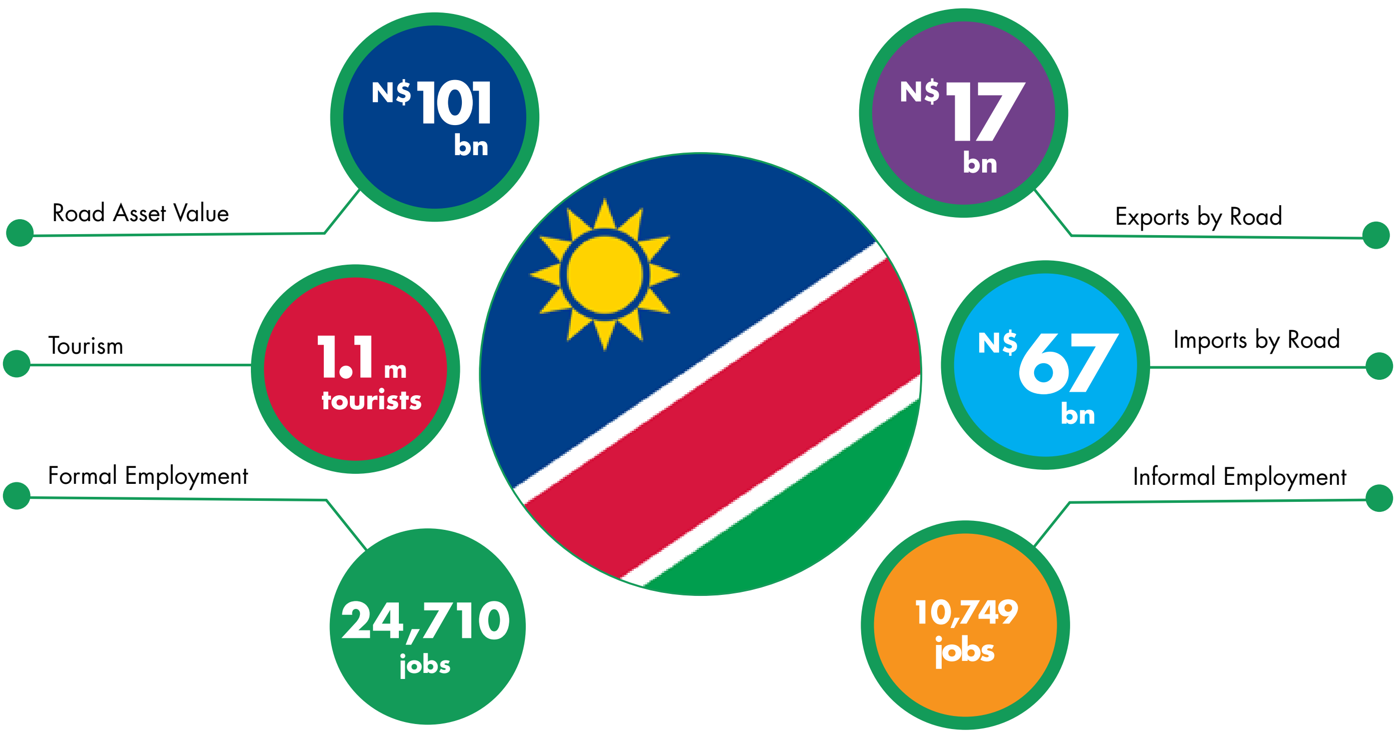
# ABOUT THE RFA

# OUR BUSINESS MODEL

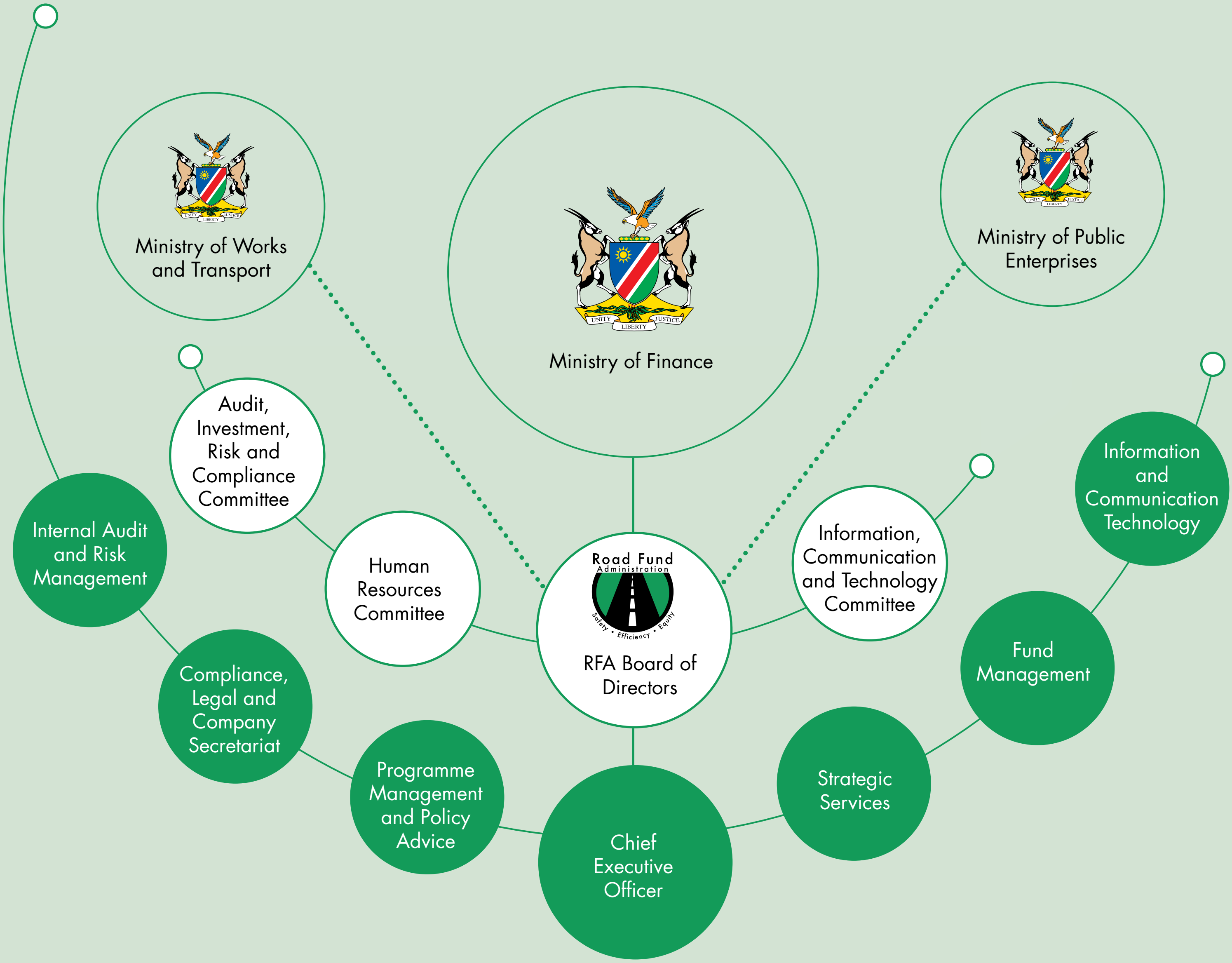
*The RFA's business model is based on a 'user pay', which means that road users should pay for road use. At the time of the introduction of the Road User Charging System (RUCS) there was a balance between the revenue derived from road use related revenues (taxes on fuel and fees for vehicle registration and licensing) and the annual budget allocations made to the Department of Transport. This led to the conclusion that the 'user pay' principle should comprise the full cost of the provision of road infrastructure revenue.*

This principle has, however, not yet been fully implemented. The RUCS was implemented 19 years ago and road users have not, in reality, been solely responsible for road use revenue. The GRN has made funding contributions to the RA, mostly for new road projects. However, in total, the amounts made available for the Namibia Road Network (NRN) has fallen short of the amount required to ensure the envisioned economic efficiency of the Namibian road transport sector.

**Value Addition of Roads to the Namibian Economy**



# CORPORATE STRUCTURE



## OUR CORE BUSINESS

*The RFA's mandate is to manage the 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 of funds and the manner in which it should be raised from road users in accordance with the 'user pay' principle and consequently determine the RUCs to be imposed.

RUCs are accrued in the RF and this income is allocated primarily to projects and programmes dedicated to the preservation and development of the national road network and major urban arterial roads. Contributions are also made towards the maintenance of urban roads, traffic information systems, traffic law enforcement, adjudication and safety, as well as road research.

## REVENUE

*The RFA's revenue is collected from a number of RUCs, which constitute Fuel Levies; Annual Motor Vehicle License and Registration Fees; Cross Border Charges (CBCs); Mass Distance Charges (MDCs); Abnormal Load Fees; Cross-Border Road Transport Permits, and Domestic Road Carrier Permits.*

The collection of CBCs and MDCs is directly managed by the RFA through its 20 offices countrywide. The Vehicle Registration and License Fees and Abnormal Load Fees are collected by NaTIS (Roads Authority), an agent of the RFA. Fuel Levies are collected by various fuel wholesalers.

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 involved, are depicted in the illustrations on pages 11 & 12.

## ALLOCATION OF FUNDING

*The RFA is responsible for determining the amount of funding to be allocated to Approved Authorities (AAs) to achieve a safe and efficient road sector. In order to accomplish this, the RFA requires 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 the generally accepted technical, transportation, economic and financial practices.*

**Funds from the RF are allocated to various AAs, including:**

- Roads Authority (RA) for project planning, maintenance, rehabilitation, road management systems, and administrative expenses of the RA.
- NaTIS for the implementation of the Road Traffic and Transport Act (RTTA), (Act 22 of 1999) and collection of Vehicle License and Registration Fees, and Abnormal Load Fees.
- Road Traffic Inspectorate for the enforcement of the RTTA.
- RFA for the approved expenses of the RF, e.g. administrative expenses, loans repayment, road research.
- Traffic Law Enforcement (TLE) functions.
- Local Authorities (LAs) for urban roads and street maintenance.

> "In line with the theme: "Funding a Road Connected Future", the RFA contributes to the prosperity of the country through serving Namibia's road users."

## UTILISATION OF FUNDS

*The RFA has a duty to ensure that the funds allocated to the Recipient Authorities are utilised effectively and for their intended purposes. Of primary consideration is the specific information relating to the projects and programmes provided by the AAs as motivation for their budgets.*

All collected revenue is reinvested in the management and upkeep of the national road network, thus ensuring that a high level of sustained quality roads prevails for the benefit of our economy and national road users.

## OUR ROAD INFRASTRUCTURE

*Namibia's road infrastructure, which is comprised of trunk, main and district roads, extends for a total distance of 47,698 km of which 8,260 km are bitumen surfaced (paved), 39,249 km are gravel (unpaved), and 189 km are unpaved salt roads.*

Continuous investment in the maintenance of our roads has resulted in Namibia's road infrastructure being ranked 10th best in terms of connectivity and 28th best in terms of road quality in the world.

The 2018 World Economic Forum's Global Competitiveness Report Index tracked the performance of approximately 140 countries on 12 pillars of competitiveness. The latter includes the quality of road infrastructure development, with Namibia's road infrastructure scoring an impressive 5.1 out of 7. Other African countries in the top 50 are South Africa and Rwanda tied with a score of 5 each, followed by Mauritius with 4.7.

Namibia is connected by road to Angola, Zambia, Zimbabwe, Botswana and South Africa. This connection is enabled through well-developed and functioning corridors such as the Trans-Zambezi Highway (which links Namibia to Zambia, Zimbabwe and the DRC), the Trans-Kalahari Highway (which links Namibia to Botswana and South Africa), and the Trans-Kunene Corridor (which links Namibia to Angola and the DRC via the port of Walvis Bay). The Trans-Oranje Corridor is a tarred road connecting the ports of Walvis Bay and Lüdertiz to the Northern Cape Province of South Africa.

About N$1.72 billion has been programmed for road maintenance in the FY 2018/2019 alone. This roughly translates to maintenance expenditure of N$76,000 per km of bitumen road and N$11,000 per km of gravel road.

Some of the flagship road projects that Namibia is currently undertaking include the construction of dual carriageways between Windhoek and Okahandja, between Windhoek and Hosea Kutako International Airport, and between Swakopmund and Walvis Bay (behind the dunes). Others include: a tarred road from Swakopmund to Henties Bay, linking to Kamanjab further in the northwest; which eventually links Namibia to Angola and the DRC via the Port of Walvis Bay.

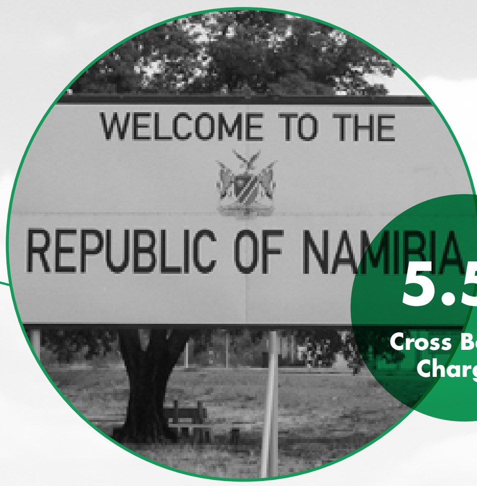
# ROAD USER CHARGES COLLECTED

**Percentages of total revenue**

**60%**
**Fuel Levies**


**28%**
**Annual Motor Vehicle License and Registration Fees**

**6%**
**Mass Distance Charges (Local and Foreign)**




**5.5%**
**Cross Border Charges**


**0.5%**
**Abnormal Load Fees**

# ROAD FUND BENEFICIARIES

**Regional Councils/Local Authorities**
**N$103 million**

**Fuel Levy Refund**
**N$291 million**

**Road Maintenance and Management**
**N$1.72 billion**

**NamPol/Town/City Police**
**N$26 million**

Road Fund Administration
Safety • Efficiency • Equity

**Road Fund Allocations**
**N$2.28 billion**

**Admin and related Road Fund expenditure**
**N$137 million**

# OUR STRATEGY

*As the Strategic Plan for the period 2014/2015 – 2018/2019 approaches the end of the five-year strategic planning cycle, it is time to reflect on the past five year's performance and chart the way forward for the future.*

The groundwork for the development of an Integrated Strategic Business Plan (ISBP) has been laid, with key stakeholders consulted at a stakeholder consultation workshop held in November 2018. Section 21(5) of the RFA Act determines that such consultations be held prior to the development of an ISBP and that such should consider the extent to which the ISBP gives effect to the achievement of a safe and efficient road sector.

In addition, the Public Enterprises Governance Act, 2019 (Act 1 of 2019) directs that an ISBP must be developed according to a format defined in the guidelines issued by the Ministry of Public Enterprises.

## PERFORMANCE HIGHLIGHTS OF THE PAST FIVE YEARS

- The World Economic Forum ranked Namibia's road infrastructure as being the 10th best in the world in terms of connectivity and 28th best in terms of road quality due to improved funding towards maintenance programmes and effective roads management.
- Revenue grew by 56.3%, from N$1.6 billion in FY 2014/2015 to N$2.5 billion in FY 2018/2019.
- The assets of the RFA grew from N$720 million in 2018 to N$1 billion in 2019.
- To ensure adherence to good governance practices, the NamCode has been endorsed by the Board and is being actively implemented throughout all levels of the RFA.
- RFA achieved a 3.8 performance score on its strategic scorecard, which signifies that 90 - 100% of targets and strategic imperatives were achieved.
- The RFA supported Government initiatives over the past eighteen months by settling road capital projects invoices amounting to N$1.25 billion.
- RFA now operates at 20 representation points compared to 13 in 2014.
- Recipient of the Deloitte Gold Achiever Award for being the "Best Company to Work For" in the Small/Medium size company category in 2018, clearly demonstrating a highly motivated and satisfied workforce.
- RFA has a staff satisfaction rating of 80% with employee turnover being below three percent. This can be ascribed to favourable conditions of employment, staff development and training initiatives and competitive remuneration.
- A total investment of N$68 million has been made in the RFA Border Post Housing Project with 55 houses constructed for 66 employees.
- Corporate structure was realigned to strategic business needs with the staff complement increasing from 80 in 2014 to 146 in 2019.
- Implemented a robust Enterprise Risk Management (ERM) and Compliance Framework aimed at streamlining business processes and improving efficiency across all business segments in compliance with all relevant and appropriate legislation.
- RFA has a stable Information Communication Technology (ICT) backbone and systems. Disaster recovery was successfully established.
- Strong relationships built with strategic stakeholders through the implementation of a focused stakeholder engagement strategy.
- A new, modern RFA head office in Windhoek was built and completed in 2015.
- Unqualified audit opinions have been achieved since 2014.
- Technical assistance provided to Regional and Local Authorities.
- Hosted the 17th African Road Maintenance Funds Association's (ARMFA) Annual General Assembly and Annual General Meeting (AGA/AGM) under the theme "Sustainable Road Infrastructure: Impact on Regional Integration and Free Trade in Africa."

# LEADERSHIP

**Penda Ithindi**
Chairperson of the Board of Directors

*This has been a positive year of consolidation for the RFA, with positive results achieved across all the strategic themes, namely; the optimisation of funding, stakeholder synergy, enhanced operational efficiency, and building a high-performance team culture. An impressive overall organisation-wide target of 3.8 out of 5 was achieved, with most of the targets met, and in some instances exceeded.*

The positive results achieved were mainly due to strong financial discipline, robust governance processes, innovative technology, processes and systems, and an empowered and dedicated workforce. Most importantly, the organisation's commitment to consistently deliver value for its shareholder, road users, its employees, funding partners and communities aided in achieving such positive results.

An account of the strategic initiatives taken to meet the strategic objectives is fully described in this report. Nevertheless, I do wish to highlight a few significant developments achieved this year, in more detail below.

Internal organisational efficiency continues to receive our attention. Therefore, during the period under review, we strengthened our core business processes and management information systems to further enhance efficiency.

In addition to the high-performance team culture; internal organisational efficiency and strong stakeholder relationships, a healthy balance sheet and sustainable operations enabled us to increase our investments in maintaining, preserving and rehabilitating the road network.

Our reputation for being an accountable and transparent organisation has enabled us to attract partners, such as Kreditanstalt für Wiederaufbau (KfW). Partners helped to co-finance projects that generate impact, allowing us to act as a catalyst for the fulfilment of the NDP5 goals.

**RFA supporting the National Development Plan (NDP) 5**

Our principle shareholder and stakeholders rightly expect us to ensure that our funding contributes to "be the global leader in sustainable road infrastructure funding and management, contributing to national development goals."

NDP5 takes a holistic and integrated approach to transport planning, including the multimodal and intermodal approach to handling goods, transporting people and providing services in accordance with the Road Transport Master Plan and Logistics Hub plans for SADC countries. A functional and efficient transport and logistics sector is the backbone for the realisation of the NDP5 targets in agriculture, mining, manufacturing, fisheries, rural and urban development and tourism. It is also a critical factor in promoting environmental sustainability.

Agenda 2063 for Africa's socio-economic transformation and the 2030 Global Agenda for sustainable development, aspire for a more inclusive growth where no one is left behind in the process of socio-economic advancement. In particular, goal 10 of the continental development agenda aspires for the development of world-class infrastructure crisscrossing Africa as a key catalyst for intra-Africa trade, investment and mobility.

# CHAIRPERSON'S REPORT

At the home front, our NDP5 clearly articulates transport and logistics as being essential for trade, industrialisation, socio-economic development and regional integration. This, therefore, remains a key developmental priority.

Currently, the road sector employs about 24,710 persons which is about 3.6% of the total Namibia workforce; while contributing 4.7% to the GDP, given the potential of this sector to enhance industrial development and contribute substantially to the GDP. The desired outcome of the NDP5 Transport and Logistics Strategies, 2017 - 2022 is that "By 2022, Namibia will have a safe, reliable, affordable and sustainable transport infrastructure and a world-class logistics hub connecting SADC to international markets."

In terms of the road sector, the desired outcome is to "increase km road upgraded to bitumen standards with 1,850 km".

**Looking ahead**

The Board is very aware of the role that the RFA plays in society and its leading role in the communities in which it operates. The Board therefore acknowledges its responsibility to steer the RFA and its strategy sustainably and responsibly.

Underpinning the strategic imperatives will be a strong focus on integrating sustainability into the very heart of the RFA, where our efforts create value for not only our shareholders and employees but also for the communities in which we operate.

We will continue to strengthen the Fund's liquidity position and financial buffers to shore up our capacity to respond to unforeseen circumstances and service our financial obligations. Consequently, we will strive to find more creative funding mechanisms to sustainably increase road maintenance funding from N$2.6 billion annually to the optimal level of N$3.2 billion needed to maintain the quality of our N$101 billion net value road network.

To achieve some of these policy objectives, the road sector will have to initiate and implement innovative strategies and instruments. As much as the RFA will explore alternative revenue streams, the call is on the implementing agencies to introduce vigorous planning techniques and project management instruments drawn from best practice.

The current RFA Business Plan proposes to inject about N$13 billion into the domestic economy over the next five years, of which about 80% or some N$10.4 billion is for projects and programmes in the road sector. This is based on the same magnitude of the projected income level.

The RFA remains confident to honour its mandate through effective partnerships and efficient administration of the RUCS to support the national economy.

The "value for money" principle remains key to the RFA at a time when the Government's fiscal policy has assumed a consolidated phase, and this principle will be reviewed to ensure long-term sustainability.

**Appreciation**

I wish to extend my gratitude to my fellow directors for teamwork, and for their continued commitment in ensuring that the Board effectively exercises its oversight and stewardship functions. I further express our appreciation to the principle shareholder, the Government institutions, regulators, financiers and our road users for supporting us to work towards improving the nation's ability to build a road infrastructure network to sustain future generations.

I would like to acknowledgement and complement the executive management team for their able and effective leadership in managing the RFA during this year of consolidation, and exceeding our expectations on various fronts.

**Penda Ithindi**
Chairperson

# BOARD OF DIRECTORS

**Zia Stellmacher**

**Appointed**
1 September 2016

**Qualifications**
B. Compt. Degree (University of South Africa). Chartered Accountant.

**Dr Simeon Amunkete**

**Appointed**
1 September 2016

**Qualifications**
Doctor of Philosophy in Industrial Psychology (North West University, South Africa)

**Penda Ithindi**

**Reappointed**
1 September 2016

**Qualifications:**
Master of Science, Financial Economics (University of London, United Kingdom)

**Robanus Amadhila**

**Appointed**
1 September 2016

**Qualifications:**
Mr Amadhila is a seasoned entrepreneur with more than 20 years of business acumen in various industries. He matriculated from Döbra High School.

**Naemi Henok**

**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

*"This year has been most gratifying in many respects, and it certainly gives me great pleasure to share with you the strategic initiatives we have implemented amidst a challenging economic environment."*

The RFA is proud of its achievements over the past five years, which are a direct result of our consolidation and prowess at navigating through extremely difficult conditions. It is no small feat moving from a position of negative equity, substantial losses recorded, expenditure exceeding revenue, to one of growth in revenue of 60%, presenting a strong balance sheet, and with assets at a healthy N$1 billion.

It took strong resolve and good leadership, deep commitment to the principles of good corporate governance, fiscal discipline, enhanced operational efficiency, and a resolute approach to "Funding a Road Connected Future." The tenacity with which the Board, Executive Committee and staff drove the implementation of strategic priorities, building beneficial stakeholder relationships across all sectors of the economy and promoting a healthy internal culture among the workforce, was unrelenting.

**Funding a Connected Future**

Roads are vital to ensuring socio-economic sustainability for the future. To that effect, the RFA will remain one of the key drivers of Namibia's growth and prosperity.

We recognise that our ability to create value is dependent on our ability to effectively manage and leverage the six forms of capital which are available to us, namely, Financial, Intellectual, Human, Manufactured, Social and Relationship Capital, and Natural Capital.

Financial Capital refers to the funds invested through the management of the RUCs. We are keenly aware of the national resource we manage and will continue to create long-term value for the nation and all road users. We accomplish this by acknowledging our responsibility in the development of a vibrant future economy and an empowered society as envisaged in the NDP5.

Since its establishment in 2000, the RFA has invested a total of N$19.67 billion in the maintenance and preservation of the national road network, and revenue has increased from N$300 million in 2000 to N$2.50 billion in 2019.

A surplus of N$201 million was recorded at the end of March 2019, which is owed to the fact that not all projects have commenced. This surplus, however, will be directly reinvested into the maintenance and preservation of our national road infrastructure.

Our Intellectual Capital is based on a sound reputation, a strong brand, sound corporate governance principles, and innovative systems and processes for enhanced customer service experience. We are thus proud of the fact that the RFA is regarded as being fully committed to the best practice principles of the NamCode.

# CHIEF EXECUTIVE OFFICER'S REPORT

Human Capital is essential and we maintain an impetus on driving a culture of excellence through developing strategic leadership and innovation. We continue to engender a performance, learning and development culture, and seek to attract and retain the best available talent. In fact, receiving the Gold Achievers Award in the small/medium-size company category of the 2018 Deloitte "Best Company to Work for" survey is testimony to this.

We have also invested more than N$68 million in staff housing at various border post offices within the country, boosting staff morale and resulting in excellent customer service.

Our Manufactured Capital constitutes the physical infrastructure of the road network, our 20 representation points, and our digital infrastructure. To this effect, an investment of N$2.4 billion was made in the maintenance and preservation of our roads, and funding towards the maintenance of access roads was increased by a massive 30%.

When it comes to technology as an operational enabler, our ICT infrastructure is healthy and stable with limited downtime experienced.

With respect to Social and Relationship Capital, we engage closely with our key stakeholders at international, regional and community levels.

As one of the year's highlights, the RFA hosted the 17th ARMFA/AGA/Meeting held in Swakopmund under the theme of 'Sustainable Road Infrastructure: Impact on Regional Integration and Free Trade in Africa.' Productive discussions were held, lessons learned, and experiences shared, and I look forward to continued servicing of the Association and a broader focus on building a connected future for the African continent.

At the home front, we continue to engage and be associated with key stakeholders and various bodies to boost our presence in the road transport sector and the logistics hub concept. Stakeholder engagements and consultations were also held with AAs concerning the draft RFA five-year (2019 – 2024) Integrated Strategic Business Plan during the year under review.

Through our commitment to Social Capital, our investment in the road infrastructure adds immense value to the overall economy via suppliers of goods and services and job creation. We have facilitated the provision more than 650 contractual employments and sustenance to numerous small to medium enterprises locally.

The RFA participates actively in reducing road accidents and deaths, though the behavior of our motorists, in general, has not improved much. I appeal to all citizens to take the necessary precautions to avoid accidents on our roads.

Natural Capital and the environmental resources used throughout the entire value chain of constructing, maintaining and preserving our national road infrastructure. Innovative and alternative solutions will be investigated to ensure that the impact we have on our environment is minimal.

**Challenges**

The RFA faces many challenges today, especially with regard to RUCs tariffs which have lagged behind over the past 20 years. Revenue is gradually being eroded, making it difficult to achieve an economically efficient road sector as envisaged in the RFA Act. With the tariffs being far below what was expected, we have postponed some of the planned and critical roads projects.

Revenue generated by fuel levies (which makes up 60% of the RUCs) is also shrinking, due to constantly evolving technology making vehicles more fuel-efficient. Additional sources of revenue will therefore need be explored.

Another major challenge that we currently face is procurement delays due to the requirements of the new Procurement Act. While we acknowledge the need for adherence to the Act, the processes have inhibited our ability to move quickly on major projects.

**Looking Ahead**

Our current five-year strategy (2014 – 2019) has come to an end in September 2019. Planning for the new strategic planning cycle (2019 – 2024) commenced.

The new strategy will address key aspects such as innovation, organisational sustainability, and stakeholder synergy. This includes technological innovation and the integration of various information management systems to optimise revenue collection. Legal instruments to support innovative solutions such as vehicle and monitoring tracking; research and development on cost-efficient construction material; and performance contracts for major capital works with the inclusion of SMME as a condition, are all part of the envisaged new strategy.

# CHIEF EXECUTIVE OFFICER'S REPORT

Moreover, the RFA will strive to find more creative funding mechanisms to sustainably increase road maintenance funding to the optimal level of N$3.2 billion that is needed to maintain the quality of our N$101 billion net value road network.

One such way is to review the 'user pay' principle. The current RUCS will be reviewed and an equitable system investigated, where each vehicle category pays a proportionate share of road use. MDC automation will also be investigated and a Feasibility Study on road tolling in Namibia, informed by extensive stakeholder consultations, is already in the pipeline.

In addition to investing in the development of its own people, the RFA will emphasise the building of specific technical capacity to address the shortage of professional engineers in the road sub-sector in Namibia in the coming years.

Our internal organisational efficiency will be enhanced through the implementation of a new ERP System, which will replace the current, obsolete, system.

**Acknowledgment**

I would like to extend my sincere thanks to our road users who have, over the years, stood by us in contributing to a well-maintained national road infrastructure network. Without them, there would be no sustainable road infrastructure in the country.


To our shareholder – we have done our fair share in meeting all the compliance requirements, laws and regulations that our institution is governed by, and will continue to comply with all legal instruments and the principles of the NamCode.

To the Board, who have carried out their mandate of steering the RFA in the right direction – I am extremely grateful for the collective wisdom, insight, and integrity in which you have led the RFA. I look forward to working closely with the Board on the new five-year Strategic Plan.

To my fellow Executive team and staff who continue to serve the RFA with dedication and loyal service – thank you for maintaining the high standards of excellence the RFA has become known for.

To the Approved Authorities – we have come a long way in implementing the joint performance agreements that regulate our relationships. We have together accomplished what needed to be done and have set a solid baseline for what still needs to be done in the future.

To our funding partners as well as continental, regional and local associations and bodies - thank you for investing resources in the RFA and for sharing your expertise. I look forward to a continued and mutually rewarding relationship.

**Ali Ipinge**
Chief Executive Officer

# EXECUTIVE COMMITTEE MEMBERS

**Anna Matebele**

**Principal Officer:** Compliance, Legal and Company Secretariat

**Qualifications**
LLM – Masters in Law (Commercial and Financial Law, Kings College, London, United Kingdom). B. Juris, LLB (University of Namibia).

**Patricia Keeja**

**Executive:** Strategic Services

**Qualifications**
B. Com. (HED, PG, University of Namibia). Senior Management Development Program (SMDP), Namibia Institute of Public Administration and Management).

**Ali Ipinge**

**Chief Executive Officer**

**Qualifications:**
B. Econ (University of Namibia), MBA (Maastricht School of Management, Netherlands).

**Elvis Kambatuku**

**Acting Chief Financial Officer:** Fund Management

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

**Namene Kalili**

**Executive:** Programme Management and Policy Advice

**Qualifications**
MBA (Management College of Southern Africa), B.Econ. (University of Namibia), Certification in Econometric Analyses (University of Pretoria), Certificate in Project Management (University of Cape Town).

**Edison Mberirua**

**Executive:** Information and Communication Technology

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

**Tulonga Neputa**

**Acting Principal Officer:** Audit and Risk

**Qualifications**
B-Tech Accounting and Finance (Polytechnic of Namibia), Postgraduate Diploma in Internal Auditing (University of Namibia), Management Development Programme (University of Stellenbosch, South Africa).

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

*The RFA, being the funder of a connected future values and upholds good corporate governance throughout all levels of the organisation. We attach immense importance to promoting shareholder and stakeholder value, building and maintaining investor confidence, living out our corporate values and implementing our corporate policies in a tangible manner.*

The RFA is an epitome of public enterprise governance, largely attributed and highly influenced by the adoption of the NamCode during the FY 2016/2017.

The RFA is governed by a Board of Directors accountable to the Minister of Finance. The Directors are responsible for policy formulation, control and risk management of the Fund. An executive management team consisting of the Chief Executive Officer and six executives executes the day-to-day management of the Fund.

Concrete steps have been taken in consolidating the ethos of the NamCode within the organisation. The NamCode framework is viewed as critical by the line Ministry. It has added value to the organisation by providing it with clear delegation of authority frameworks, leadership accountability and certainty in decision-making. This has shaped a more robust interaction between the line Ministry, the Board and Management.

Key initiatives and outcomes for the year under review focused on ensuring adherence to good governance practices as well as ensuring compliance with the Namibian Legislative Framework.

**Implementation of the Corporate Governance Framework**

Management actively embarked upon implementing the NamCode during the period under review.

Management and the Board are focused on meeting the requirements applicable to the RFA and implementation of performance is therefore reviewed quarterly.

**Review of Legal Framework in respect of the RUCS for Potential Improvement and Stakeholder Engagement**

Due to changes in the industry, the RFA Act - which has been in existence for more than 18 years - is no longer fully responsive to changes in the industry and will be reviewed. The RFA has embarked on consultations with its stakeholders across all regions of Namibia with the aim of introducing future amendments to the current RFA Act. The purpose of these engagements was to receive input from various stakeholders on the impact of the amendments. This is also an opportunity for stakeholders to present their points of view on the effects of legislation on business.

As an organisation, the RFA strives to ensure that it is a good corporate citizen in terms of compliance with the required laws. Management submits quarterly compliance registers to the Board to highlight high-risk issues.

The approved Board Charter clarifies the Board's role and the manner in which the Board is required to maintain internal Board and stakeholder relationships. In terms of the Role and Responsibilities of the Board, the RFA Board monitors the relationship between Management and the stakeholders. During the period under review, an implementation plan was finalised and is being reviewed on a continuous basis. Furthermore, relevant Terms of Reference have been finalised for all Board Committees to ensure that appropriate governance structures are in place for the Board and Board Committees to function effectively.

> "We are unwavering in our support of good corporate governance principles and practices. Compliance and commitment with the laws, rules and regulations of the country will always remain one of our fundamental core values."

## Board of Directors
Board Leadership and Composition

The current 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 | 6/6 | Member | 2/4 | - | - | - | - |
| Zia Stellmacher | Member | 5/6 | - | - | - | - | Chairperson | 4/4 |
| Robanus Amadhila | Member | 6/6 | - | - | Member | 4/4 | - | - |
| Dr. Simeon Amunkete | Member | 6/6 | Chairperson | 4/4 | - | - | - | - |
| Naemi Henok | Member | 6/6 | - | - | Chairperson | 4/4 | Member | 3/4 |
| Schalk Walters | - | - | - | - | - | - | Co-opted Independent Member | 4/4 |

### Summary of Board Annual Remuneration
The Board Remuneration is aligned with the Public Enterprise Directive on Board Remuneration, and is provided in the Table below:

| Board Member | 2018/2019 |
|---|---|
| Penda Ithindi | – |
| Dr Simeon Amunkete | N$160 909.73 |
| Zia Stellmacher | N$140 691.60 |
| Naemi Henok | N$185 258.73 |
| Robanus Amadhila | N$136 590.16 |
| Schalk Walters | N$60 000.00 |
| **TOTAL** | **N$683 450.22** |

**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 approvals were granted by the Board during the period under review:

- RFA Annual Financial Statements Fund, Administration and Consolidated for the year ended 31 March 2018.
- RFA Annual Report for the FY 2017/2018.
- RFA Business Plan for the period FY 2019/2024.
- GRN Financial Statement for the year ended 31 March 2018.
- RFA Administration Budget for the FY 2019/2020.

| Department | Policy Name | Approved Date |
|---|---|---|
| Strategic Services | • RFA Telecommunications/Mobile Devices Policy<br>• Performance Management Policy | 13 December 2018<br>13 December 2018 |
| Audit and Risk | • Whistle Blowing Policy<br>• Business Continuity and Disaster Recovery Policy | 01 November 2018<br>01 November 2018 |
| Fund Management | • Policy on Accounts Payable<br>• Policy on Financial Reporting<br>• Fuel Levy Refund Policy<br>• Procedures Manual on Inspections | 13 December 2018<br>13 December 2018<br>13 December 2018<br>13 December 2018 |
| Compliance, Legal and Company Secretariat | • Reviewed Compliance Policy and Framework June 2016<br>• Revised Terms of Reference: HR Committee | 16 August 2018<br>01 November 2018 |

**Looking Ahead**

As we look ahead, we will endeavour to continuously review our governance practices in order to ensure their consistent alignment with the NamCode as the organisation's governance framework. The RFA will continue to track the implementation matrix for remedial mitigation measures, focusing on those areas in which the RFA is not yet fully compliant and which constitute a risk to the institution.

# BUILDING STRONG STAKEHOLDER ENGAGEMENTS ACROSS ALL SECTORS FOR A CONNECTED FUTURE

# STAKEHOLDER SYNERGY

*The RFA, as a key funder for a connected future, strategically values stakeholder engagement as indicated in the Strategic Plan. The RFA proactively engages and involves a multitude of stakeholders in the execution of its mandate. It is committed to its strategic objective of bringing about strong stakeholder engagement across all sectors.*

Stakeholders today are closely examining organisations' impact on society, and their expectations concerning good corporate citizenship are escalating. In an effort to meet these expectations, leading organisations are making citizenship a core part of their strategy and identity.

The social enterprise must evaluate its actions based not only on its bottom line, but also on its impact on society. As stakeholder expectations rise, an inauthentic or uneven commitment to citizenship can quickly damage an organisation's reputation and limit its ability to attract talent.

In alignment with NDP5, HPP and Vision 2030, the RFA regularly participates at strategic fora, including the African Road Maintenance Funds Association (ARMFA), Namibia Chamber of Commerce and Industry (NCCI), International Road Federation (IRF), Walvis Bay Corridor Group (WBCG) and various transport sub-sector role players.

**Building strong Stakeholder Engagement Across all Sectors**

The GRN, as the main shareholder of the RFA is actively engaged through strong relationships maintained with the Ministry of Finance (MoF), the Ministry of Public Enterprises (MPE), Ministry of Works and Transport (MWT), and various other Ministries. In keeping with this dedication, the RFA's Annual General Meeting with the line Ministry was held on the 18 October 2018 where the Board and Management presented the Annual Report, Business Plan and the Audited Financial Statements. The Annual Report was subsequently presented to Parliament as per provision by the RFA Act.

Our staff members are the ambassadors of the RFA brand and valued internal stakeholders. It is, therefore, important that they are kept abreast of the performance of the RFA on a regular basis. Good engagement programmes, amongst others, include regular staff meetings, where staff members are briefed by the executive leadership on the performance of the RFA and other issues of interest. Such platforms also provide staff with an ideal opportunity to openly share ideas and raise any concerns they may have.

In keeping with its corporate social responsibilities, the RFA recognises that, for all Namibian citizenry, having a shelter is not a luxury, but rather an important human need that fulfils a very important need for security, shelter and self-preservation. The RFA management therefore took note of the plight of employees working at remotely located border posts and committed to construct houses for them at various border posts. This initiative has significantly raised employees' living conditions. Furthermore, since the RFA manages 17 border posts across the country and employs around 77 employees who manage RFA offices at the borders, providing housing at these posts not only boosts employee morale, but also promotes productivity and enables a better service to all road users.

The entire RFA Border Post Housing Project has yielded about 55 houses and providing housing to 66 RFA employees at a total investment of N$68 million.

The RFA participated in the 2018 Deloitte "Best Company to Work For Survey" and received the Gold Achievers Award in the Small/Medium size company category. This coveted award is a result of the Board and Management's deliberate policy drive and action-oriented approach towards delivering on the targets of the Strategic Plan. It is a tribute to the loyalty, commitment and hardworking people that make us who we are. Taking care of people is an essential way of taking care of business.

RFA equally engages with its external stakeholders in its business endeavours. The five-year Business Plan Consultation meeting, a platform where the RFA consults with key stakeholders in the road fraternity (as provided for in the RFA Act), took place on 20 November 2018. Stakeholder inputs and recommendations gathered from this consultative meeting informs decisions regarding road maintenance and rehabilitation funding allocations at both National, and Local Authority level.

Regional networking is essential for the road maintenance sector, especially with the current corridor developments.

Regional counterparts were engaged during the period under review, and in his capacity as the 2nd Vice President of ARMFA, Mr Ali Ipinge, the CEO of the RFA actively participated in the strategic interventions of ARMFA.

As part of these interventions, the RFA hosted a delegation of fifteen leaders of Road Fund Agencies across Southern Africa at a three-day African Road Maintenance Funds Association (ARMFA) Southern Africa Focal Group Meeting (ASAFG) in Windhoek from 29 January 2019 to 2 February 2019. The latter was hosted under the theme "Sustainable Road Infrastructure: Impact on Regional Integration and Free Trade in Africa."

The delegates deliberated on road development needs and challenges experienced in their respective countries and the sub-region. The Southern Africa Focal Group comprises Namibia, the Comores, Zambia, Zimbabwe, Malawi, Lesotho, Mozambique and Madagascar.

ARMFA's mandate is to form a platform and a network for experience and information sharing on best road maintenance practices in Africa; to discuss and find opportunities on funding options; to promote and strengthen links between members of African Road Maintenance Funds; and to ensure that Road Funds achieve sustainability in funding and functions.

The ASAFG Meeting was followed up by the 17th ARMFA AGA/AGM that took place in Swakopmund from 10 to 16 March 2019. Over 120 stakeholders and policy-makers from 34 African countries attended the 17th ARMFA AGM hosted by the RFA. The AGM was held under the same theme: "Sustainable Road Infrastructure: Impact on Regional Integration and Free Trade in Africa", and provided stakeholders with a unique opportunity and platform to discuss matters of common interest, resulting in unity towards road network interconnectedness amongst African countries.

RFA is an active participant in the Public Enterprises Fraternity and participates at various PE Forums. During the period under review the Public Enterprises CEO 's Forum Annual General Meeting was held in Swakopmund and the PE Games in Walvis Bay.

The RFA's soccer team won 2nd place at the Games, a platform that engages employees of the various Public Enterprises. We continue with our efforts in strengthening our strategic alliances through this Forum as well as with the NCCI, WBCG, Joint RFA and RA Management Committee, ARMFA and the Namibia Working Group for Intelligent Transport Systems.

The RFA participated in the festive season Road Safety Campaign and provided sponsorship at selected road blocks across the country in partnership with the National Road Safety Council and the Motor Vehicle Accident Fund.

Furthermore, the RFA participated at Trade Fairs and Shows such as the Ongwediva, Keetmanshoop, Erongo Regional and the prominent Windhoek Industrial and Agricultural Show, to create public awareness.

As part of the RFA's strategic perspective, the institution needs to ensure effective brand positioning and corporate identity visibility and awareness through communities nationally and abroad. To attain this strategic objective, we will embark upon interventions to improve the corporate identity and institutional brand. To further our commitment to road users in terms of "value-for-money", a Customer Service Survey and subsequent Customer Service Charter is under development by a consultant appointed in the year under review, with the implementation of the Charter scheduled to take place in the coming year.

# FUNDING A CONNECTED FUTURE

## FUNDING A CONNECTED FUTURE THROUGH OUR ROAD INFRASTRUCTURE

*We have responded to the policy priorities of responsible, transparent and accountable management of financial resources and the related need to direct resources to the most effective operational interventions.*

### Performance for the Year under Review

The financial statements for the year ending 31 March 2019 reflect an unqualified audit opinion, a standard of financial management and internal control, which the RFA is committed to maintain.

Although challenging economic conditions have prevailed, the RFA nonetheless exceeded a budget surplus (which was set at N$135 million) to a surplus of N$201 million and can show a year-on-year revenue growth of 5.5% from the previous year.

There was a significant reduction in the RA's Post-Retirement Medical Aid obligation from N$23 million in the FY 2017/2018 to N$12 million in the FY ended 31 March 2019.

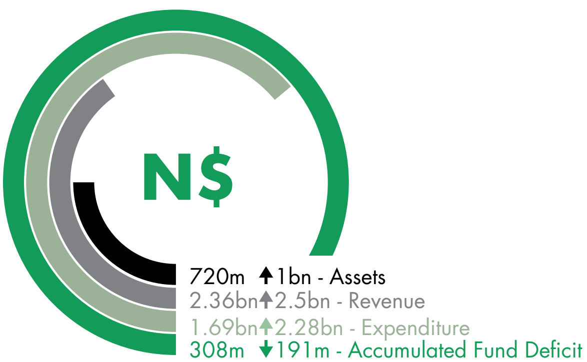
The Fund realised revenue of N$2.50 billion as at 31 March 2019, with expenses being N$2.28 billion. Despite the tough economic environment, the performance of the RFA remained solid during the FY 2018/2019 and is thus, to date, consistent with its approved five-year Strategic Plan.

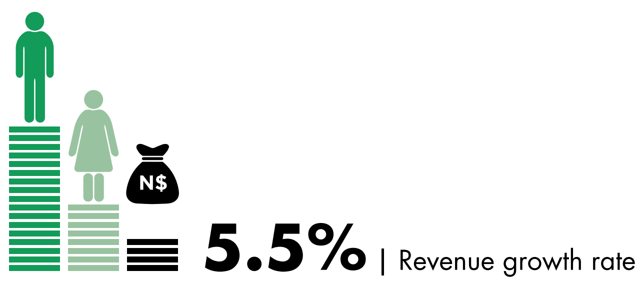
**This positive performance is attributed to:**

- Revenue increased year-on-year from N$2.37 billion in the prior year to N$2.50 billion as at 31 March 2019. This representing a 5.5% increase in revenue, complemented by the annual RUCS tariff increase.
- Fully funded all programmed road maintenance work on national road network as well as urban roads and traffic related law enforcement.
- Expenditure on the Road Projects amounted to N$1.72 billion (2018 N$1.69 billion) – direct support of economic activity in the road sector.
- Completion of 10 RFA staff housing units at various border posts.

An operating surplus of N$201 million was recorded at 31 March 2019. The RFA's asset base is relatively narrow and the accumulated Fund deficit stood at N$191 million (an improvement from N$308 million in the FY 2017/2018). This is, however, inherent to the nature of the 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$720 million in the FY 2017/2018 to N$1 billion in the FY ended 31 March 2019, further strengthening the financial position. The level of spending commitments was efficiently managed in the current economic climate, save during emergencies and natural calamities. The recent experience with multiple large-scale road construction and maintenance projects running concurrently is unprecedented and exerts funding pressures on the RFA and the GRN. This situation calls for greater coordination and prioritisation to ensure that future project commitments are within sustainable and affordable means of financing.



## Meeting Our Strategic Objectives

A summary of the key initiatives and outcomes for the year is provided below:

*Implement an Optimum Funding Strategy to inform Annual Business Plans*

The RFA secures sufficient funding to execute its mandate through the development and optimisation of a funding strategy to inform annual business plans. This is accomplished by determining the amount of funding required by engaging key stakeholders, and by allocating funding according to the approved business plans.

Funding determinations are based on budgets submitted to the RFA by the RA and other Approved Authorities in accordance with section 20(1) of the Act. It is therefore important to note that the RFA does not of its own accord budget for projects and programmes included in this Business Plan, other than those relating to the management of the RUCs and the Road Fund, which are managed by the RFA. The Business Plan is therefore almost entirely based on budgets and programmes submitted for funding by the RA and other AAs. These funding determinations comprise the expenditure part of the Business Plan.

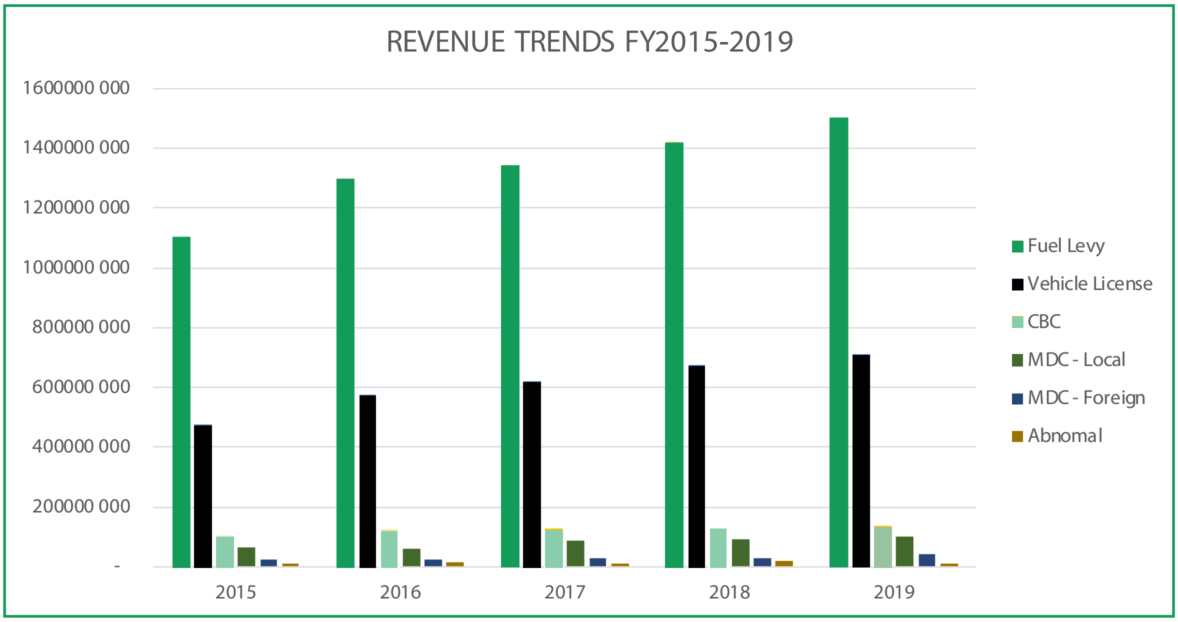
The RFA increased its RUCs rates during the current FY by 4.3% with the input and approval by Minister of Finance. This resulted in year-on-year improvement of the collection trend pertaining to all RUCs with the exception of abnormal permit fees.

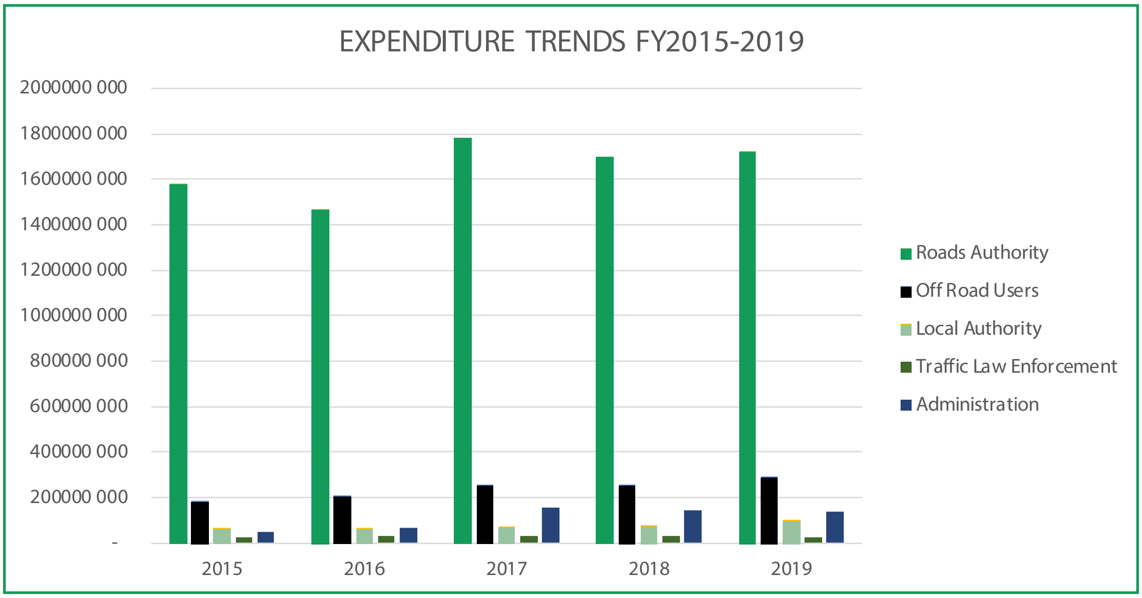
*Annual revenue and increase in RUCs tariffs*

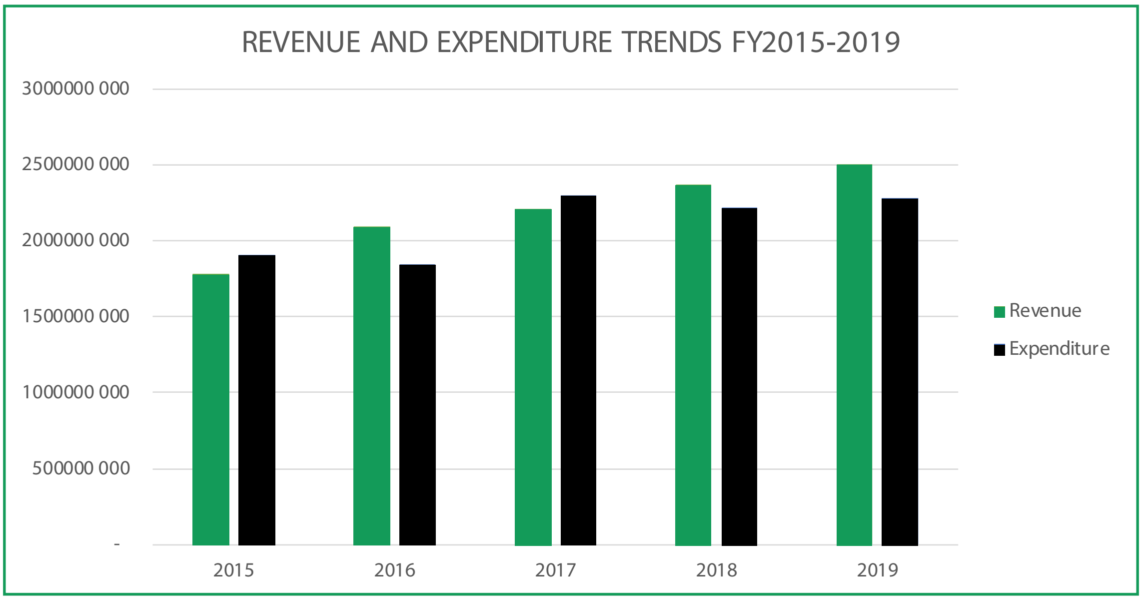
Monthly revenue collections targets are closely monitored by the RFA.

A total of N$2.28 billion was invested in the local economy, of which 75% was used for national road sector projects and the administration thereof. This represents 25% for AAs, road safety, and RFA administration costs, thus adding to capital formation, creating and retaining jobs and facilitating other economic opportunities.

A working capital facility of N$500 million was raised on behalf of the GRN and deployed in the economy to defray the cost of urgent funding needs in the road sector. The GRN shall repay this during the FY 2019/2020.




EXPENDITURE TRENDS FY2015-2019
2000000 000
1800000 000
1600000 000
1400000 000
1200000 000
1000000 000
800000 000
600000 000
400000 000
200000 000
-
2015
2016
2017
2018
2019
Roads Authority
Off Road Users
Local Authority
Traffic Law Enforcement
Administration


REVENUE AND EXPENDITURE TRENDS FY2015-2019
3000000 000
2500000 000
2000000 000
1500000 000
1000000 000
500000 000
-
2015
2016
2017
2018
2019
Revenue
Expenditure

The Fund is currently servicing two loans, i.e. KfW loan (I) of 2015 which amounts to N$447 million and KfW loan (II) of 2017 which amounts to N$482 million.

In November 2015, the RFA signed a loan agreement with the KfW to the amount of N$447 million denominated in South African Rand, at an interest rate of 7.81%. This loan was needed to finance the rehabilitation of a portion of the TR1/6 road between Windhoek and Okahandja.

In December 2017, the RFA signed another loan agreement with KfW backed up by a GRN guarantee for N$482 million for the purpose of funding the rehabilitation of the Mariental/Keetmanshoop road. The first tranche was received in May 2018 and the second tranche is due in May 2019, at an interest rate of 7.50%.

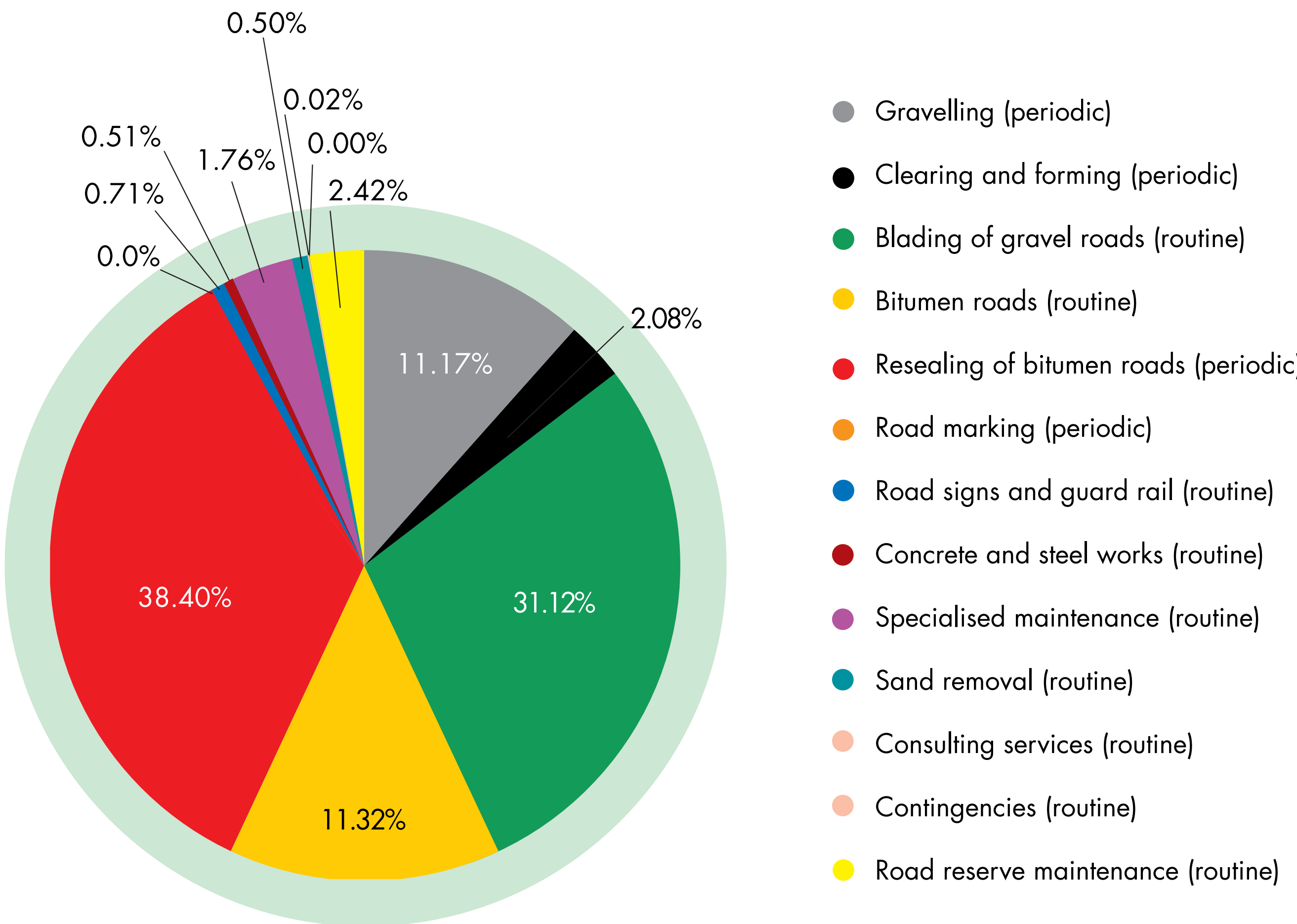
The RFA has medium to long-term financial plans for ensuring that obligations towards these loans shall be met, and that liquidity of the Fund shall be strategically protected.

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, continues to be provided.

## Road Maintenance Expenditure

For the third year in a row, Namibian roads were rated number one in Africa in terms of quality and access, according to the World Competitiveness Report. This achievement speaks to the efficacy of the current maintenance programme in place. Despite the funding constraints, the RFA continues to ensure value for money on every road maintenance project, for the ultimate benefit of the road user.

ROAD MAINTENANCE EXPENDITURE DISTRIBUTION (N$1.14 billion)



**Major Road Maintenance Expenditure Distribution**

| Activity | Production | Total Cost (incl. VAT) (N$) |
|---|---|---|
| **Blading** | 2.13 million km | 355.3 million |
| **Gravelling/re-compacting** | 349 km | 127.6 million |
| **Routine paved road maintenance** | Entire Network | 129.2 million |
| **Resealing** | 886 km | 438.4 million |
| **Road signs** | Entire Network | 8.1 million |

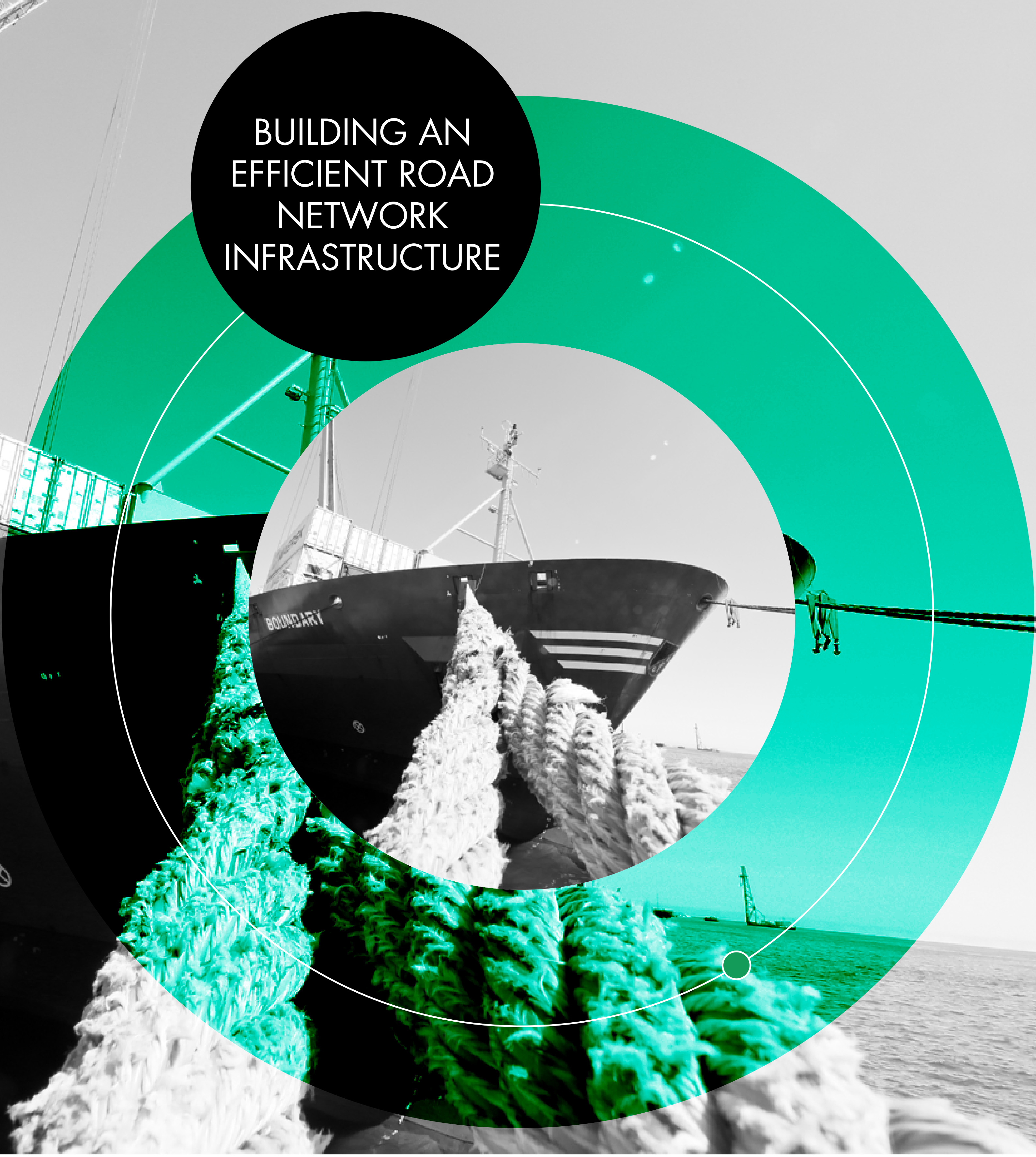
## Looking Ahead

Despite the overall contraction of the Namibian economy during the period under review and the contraction of the vehicle population growth in Namibia, the RFA was able to achieve its mandate and honour all its commitments to the RA and other AAs. It increased year-to-year funding allocation for road development, maintenance while the rehabilitation of roads remains a key priority of the RFA.

Over reliance on fuel levies revenue remains a challenge due to lowering overall fuel consumption of road users as a result of increasingly fuel-efficient vehicles. This, however, creates an opportunity for the RFA to explore alternative revenue streams and the enhancement of the current revenue streams.

Moreover, the RFA intends to adopt a strategy of increasing (in real terms) the level of road maintenance funding earmarked for increasing industry capacity in road maintenance over the next few years. It also intends to commence with urban road maintenance funding for the LAs, and gradually also the smaller municipalities, subject to capacity improvement measures.

# BUILDING AN EFFICIENT ROAD NETWORK INFRASTRUCTURE

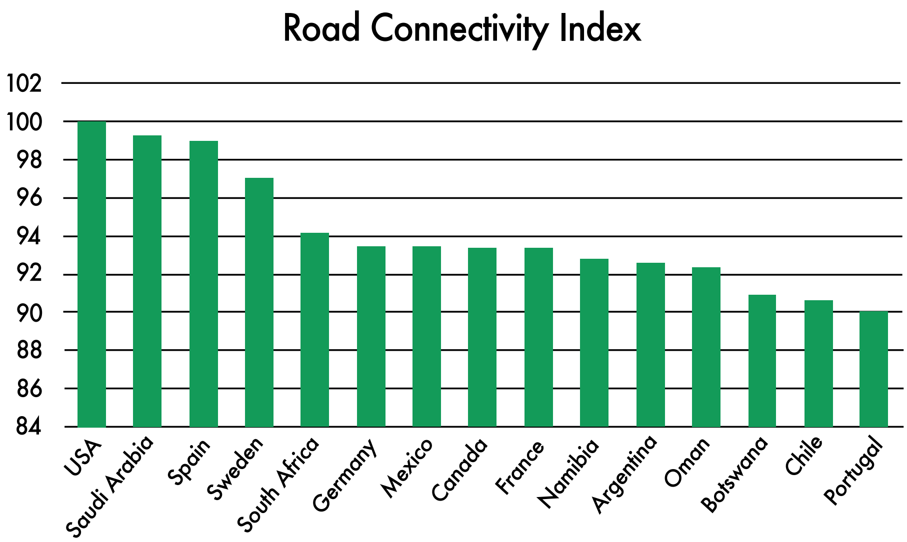


## BUILDING AN EFFICIENT ROAD NETWORK INFRASTRUCTURE FOR THE FUTURE

*Infrastructure is critical for the development of any economy, and Namibia is no exception. Our extensive road network has connected communities across the entire country and are the arteries through which the Namibia economy pulses, vital to all of our economic development imperatives.*

The N$101 billion worth road infrastructure has built a conducive environment to facilitate trade, in terms of N$67 billion in imports and N$17 billion in exports at regional and continental level. According to the 2018 Labour Force Survey, the road sector formally employs 24,710 people and informally employs a further 10,749 people, whilst providing a gateway for 1.1 million tourists into Namibia.

By maintaining this vital asset, the RFA is contributing towards connecting the majority, if not all, of our people to goods, services, assets and markets via a safe, reliable, accessible, affordable and sustainable transport system. Safety is important to the RFA in achieving its mandate, and during the period under review an amount of N$26 million was spent on traffic law enforcement equipment such as high-performance vehicles, speed cameras and breathalysers. The RFA believes that well-equipped traffic law enforcement agencies are the first step towards safer roads.




*Source: World Economic Forum, Global Competitiveness Report 2018.*

**Meeting Our Strategic Objectives**

A summary of the key initiatives and outcomes for the year under review is provided on the following pages.

**Funding the National Road Network**

The RFA's obligation is to ensure that funding towards the operations of the RA and RFA, and projects and programmes implemented and managed by the Approved Authorities is done in an equitable and sustainable manner for the benefit of the road user in terms of quality, safety and mobility.

| Budget Category | FY 2018/2019 | |
|---|---|---|
| | Budget Amount (N$'000) | Allocation (%) |
| RA Administration | 511,704 | 25.7 |
| Network Planning and Consultation | 27,000 | 1.4 |
| Roadworks - Maintenance | 1,192,888 | 60.0 |
| Roadworks - Rehabilitation | 183,152 | 9.2 |
| Roadworks - Development | 0 | 0.0 |
| Road Management System | 26,000 | 1.3 |
| Overload Control | 10,000 | 0.5 |
| Traffic Information System | 38,000 | 1.9 |
| Total Budget (N$'000) | **1,988,744** | **100.0** |

## The Road Network Status

The RFA funds road network maintenance in Namibia at National, Regional and Local Government level from the RUCs. In order to ensure value for money for the road user, the RFA further manages and monitors road maintenance projects and programmes funded under the RUCs.

The Approved Authorities requested N$3.20 billion funding during the year under review, where N$2.50 billion was required, based on the economic efficiency principle. Due to funding constraints, the RFA could only fund a total of N$2.20 billion. Although the need for road maintenance is widely recognised, there were simply insufficient resources to preserve or improve road assets to the required construction or rehabilitation conditions.

The foregoing includes maintaining the pavement, shoulders, slopes, signage, drainage facilities and all other structures within the road reserve, as determined by the Medium to Long Term Roads Master Plan. This was also done in line with the country's developmental aspiration articulated in Vision 2030, NDP5 and HPP.

The national road network is a key enabler for economic growth and prosperity, facilitating efficient transportation of goods and services, providing connectivity the country's citizens, and ensuring access to social services.

**FUNDING DETERMINATION**
**N$2.50 bn**

- Roads Authority
- Local Authorities
- Regional Councils
- Namibian Police Traffic
- Traffic Law Enforcement Agencies
- National Road Safety Council

**FUNDING DETERMINATION**
**N$2.50 bn**

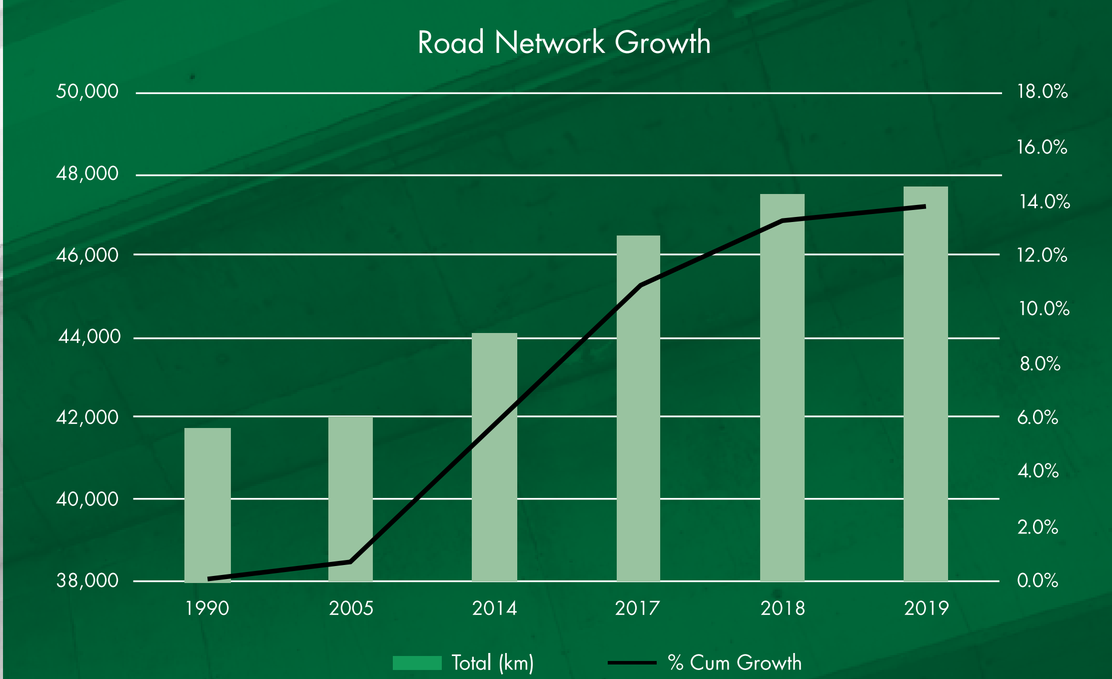
To determine the amount of funding that should be allocated to each project and program based on mainly economic efficiency principles and additional considerations as stated in the RFA Act.

**MANNER OF FUNDING**
**N$2.28 bn**

To determine the amount of funding that can be allocated to each project and program subject to the availability of funds from the Road User Charging System

### The Road Network Status

| Item | Road Type (By Surface) | 1990 (Network 0) | 2005 (Network 4) | 2014 (Network 8) | 2017 (Network 10) | 2018 (Network 11) | 2019 (Network 12) |
|---|---|---|---|---|---|---|---|
| | | Total (km) | Total (km) | Total (km) | Total (km) | Total (km) | Total (km) |
| **1** | Bitumen surfaced (paved) | 4,572 | 6,199 | 6,664 | 7,568 | 7,893 | 8,260 |
| **2** | Gravel (unpaved) | 37,017 | 35,629 | 37,170 | 38,626 | 39,362 | 39,249 |
| **3** | Salt road (unpaved) | 226 | 272 | 288 | 304 | 300 | 189 |
| | **TOTAL** | **41,815** | **42,100** | **44,122** | **46,498** | **47,555** | **47,698** |




**Note:** The distances have been rounded off to the nearest km (source: Roads Authority)

The paved road network consists of 8,260 km. Over the past year traffic volumes continued to increase. In addition, more cargo volumes are being moved along our paved road network each year. This places additional strain on the aged road network, necessitating increased routine maintenance and rehabilitation, all under increased funding constraints. To ensure that the paved road network quality is maintained, N$129.2 million was spent on routine maintenance of paved roads and road markings.

An additional N$438.4 million was spent on resealing existing roads to improve the quality of the roads as well as extend the useful life of the resealed roads and to keep the road network functional. A total of 886 km of paved roads were resealed during the year under review. Reseal operations extend the life of a road when applied correctly and within time. A further N$8.1 million was spent on repairing damaged and vandalised road signs. Road signs increase road safety significantly and thus play an integral role in the wider roads network.

The gravel road network consists of 39,362 km and similarly, traffic volumes on the gravel road network have increased significantly. The implementation of development blading contracts has reduced maintenance cost through disintermediation, which has improved the quality of the maintenance work and extended the useful life of the respective gravel roads.

Consequently, 349 km of roads were regravelled at a cost of N$127.6 million using the limited Gravel Resurfacing Units (GRUs) available. The Windhoek GRU as well as the Oshakati GRU ceased operations, leaving the remaining 2 GRUs as the only remaining operational units for the duration of the year. To ensure that the gravel roads remain functional and safe, 2,13 million blade kilometres were completed at a cost of N$355.3 million. On average, gravel roads were bladed 54.1 times during the year, depending on traffic volumes and as per maintenance schedules. Despite these positive achievements, Namibia is losing its gravel road network due to insufficient gravel road rehabilitation. Ideally, the gravel road network should exceed a thickness of 75 mm, however the average gravel road thickness has declined to 42 mm. A more intensive regravelling programme is required to rebuild the gravel road network, starting from the base, to ensure long term sustainability of the national road asset. The development of a gravel road strategy is underway, which will quantify the minimum periodic and routine maintenance for the gravel road network.

**Challenges**

In total N$1.059 million was utilised for routine and periodic maintenance, where the Medium to Long Term Roads Master Plan (MTRMP) requires N$2.946 million for routine and periodic maintenance. Expenditures were therefore prioritised, with gravel road maintenance bearing the brunt of the prioritisation whilst increasing the rehabilitation backlog.

The backlog of rehabilitation works creates a future maintenance burden. Furthermore, the pace of current rehabilitation works is dramatically retarding the effectiveness of the maintenance operations. This is becoming specifically clear on the surfaced road network with its high average age.

The funding requirement according to the MTRMP remains sub-optimal, resulting in sub-optimal road maintenance and preservation works. This has increased vehicle operation costs for the road users, as wear and tear on vehicles increase as a direct result of sub-optimal road maintenance and preservation works.

## Payments towards GRN Capital Projects

From time to time, the RFA is called upon by the shareholder to assist in sourcing additional funding for road capital projects carried out by the Roads Authority and supported by a GRN guarantee.

During the year under review, the RFA raised a N$500 million loan facility to fund on-going road construction across the country:

- Windhoek - Hosea Kutako International Airport.
- Windhoek - Okahandja Dual Carriageway.
- Walvis Bay - Swakopmund Dual Carriageway.
- Otjinene - Grootfontein.
- Swakopmund - Henties Bay - Uis - Kamanjab.
- Okatana - Endola - Onhuno.
- Namalubi - Isize - Luhonono.
- Rosh Pinah - Oranjemund.

These projects are at various levels of completion (between 62% and 100%)

These upgrades will undoubtedly bolster the paved national road network, increasing connectivity for people, goods and services, whilst reducing travelling times and road congestion on the busy Windhoek-Okahandja and Walvis Bay-Swakopmund roads. Despite on-going road works, travelling time between Windhoek and Okahandja has been reduced to 30 minutes at an average speed of 120 km per hour, making residential developments along the dual carriageway to Okahandja more attractive for those willing to commute. The dual carriageway between Walvis Bay and Swakopmund will reduce traffic volumes and accidents on the existing road. Of particular importance is the Swakopmund-Henties Bay-Uis-Kamanjab and Gobabis-Aminuis-Aranos road construction, which will effectively increase the north bound roads from one to three. The major benefits of these projects are less congestion during peak travelling times, shorter travelling times and most importantly, fewer accidents.

The dual carriageway between Walvis Bay and Swakopmund forms a critical part of the national transport corridors that unlock trade opportunities with Angola, DRC and Zambia in anticipation of the Intercontinental Free Trade Agreement. Increased regional trade is expected to drive volume growth at the Port of Walvis Bay and, as such, entrench Namibia as an alternative logistics hub.

In fulfilling our road safety mandate, the RFA funded N$26 million to traffic law enforcement and adjudication across the country. Beneficiaries included NAMPOL, City of Windhoek, Walvis Bay, Swakopmund, Henties Bay, Otjiwarongo and Keetmanshoop traffic divisions. RFA funded high performance vehicles, speed cameras, breathalysers and various training programmes to improve traffic law enforcement on the national road network. Although still in its early days, feedback from traffic law enforcement agencies suggests a marked reduction in speed related traffic violations.

## Management and Maintenance of Urban and Settlement Roads

*Technical Assistance Programme to LAs and Regional Councils*

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

The Technical Assistance to LAs and Regional Councils (RCs) Projects, which were launched in August 2017, resulted in the appointment of Regional Consultants to provide technical assistance, mostly of an engineering, management and administrative nature, to the LAs and RCs.

During the FY 2018/2019, funding towards the maintenance of urban, rural and settlement roads - which is channelled to the LAs and RCs - was increased by 30%. Such notable increases have allowed the LAs to implement more road maintenance works and gradually address backlogs that have persisted over time.

**Impacts to date of the Technical Assistance Programme:**

- Adherence and compliance to the Procedures Agreement and Manual.
- The extent of the road network(s) has been identified and recorded in an inventory:
  - o GIS coordination/mapping.
  - o Length of road sections.
  - o Determination of road classifications (paved/gravel/interlock paving).
- The actual works performed are monitored and verified.
- The payment claim procedure and understating has been improved.
- Payment certificates are being processed timeously
- Improved planning (and quality) of works:
  - o Prioritisation of projects.
  - o Scheduling of works.
- Up-skilling of technical personnel at Local Authority level.
- Improved condition of the roads.
- Future/gradual introduction of a Road Management System for each respective Local Authority.

Considering the fact that there is 47,698 km of roads to maintain, constrained revenue sources have indicated that not all maintenance work could be funded.

**Looking ahead**

Maintaining and improving the quality of the road network remains a key priority, and in doing so the RFA provides connectivity to essential services and supports the movement of goods and services. Therefore, it is essential to perform periodic and routine maintenance on the entire road network to keep the network in a functional state without compromising on safety. This can only be accomplished through sufficient continued sustainable funding to maintain resealing and regravelling of the aging road network. Despite continued successes in revenue collection from RUCs, allocation to road maintenance remains under-funded.

The RFA will continue to apply the 'user pay' principle, though the methodology for the application of this principle needs to be reviewed. Annual increases of road user charges may not be a sustainable long-term solution. As indicated earlier in the report, the current fee structure is not equitable. As vehicles become more fuel efficient, road users pay less per kilometre of road travelled. However, lower income groups are still stuck with fuel inefficient cars resulting in them paying more per kilometre of road travelled. This disparity has simply become too large to ignore and sadly, the lower income road users end up subsidising road maintenance for the wealthier road users. Therefore, in the interest of equitable distribution of the road maintenance costs, the RFA is seeking a more equitable road user charging methodology which is more transparent to all road users and socially just to the less fortunate.

As improvements in technological innovations provide new challenges, new opportunities need to be explored, such as introducing kilometre travelled based costing, which means consumers only pay for the roads they have used, nothing less and nothing more. Evidence from around the world seems to suggest that broadening the levy base in such a way that not one single levy is prohibitively expensive for the road users, seems to be the most optimal solution. The RFA will consequently strive to find more creative funding mechanisms to sustainably increase road maintenance funding from N$2.6 billion annually to the optimal level of N$3.2 billion needed in order to maintain the quality of our N$101 billion net value road network.

The national logistics hub strategy continues to increase the number of vehicles on Namibian roads and the revenues from cross border charges and mass distance charges. This would effectively distribute the funding gap over a larger base and lessen the burden of road maintenance to the Namibian road user. However, a review of the applicability of the current road user charging system will ensure that each vehicle category pays a share of road consumption, coupled with the mass distance automation, in order to ensure compliance.

> "The future will bring dramatic technological improvements to the transportation sector, requiring closer stakeholder engagement and policy innovation to create the legal framework for intelligent transport systems. Whatever the future of transportation holds, the RFA will continue to track these developments to ensure that Namibia has a safe and more connected road network."

## Border Post Staff Accommodation Project

The RFA continued to invest in the construction of houses for it's staff at the various border posts, with 17 houses constructed at a cost of N$25.2 million during the year under review. A total investment of N$68 million has been made to date with 55 houses constructed for 66 employees.

Phase 3

**Oshikango**
N$6.6m
5 Units
2 One bedroom Units
3 Two bedroom Units

**Wenela**
N$7.8m
6 Units
2 One bedroom Units
4 Two bedroom Units

**Omahanene**
N$3.7m
2 Units
1 One bedroom Units
1 Two bedroom Units

**Katwitwi**
N$3.5m
2 Units
1 One bedroom Units
1 Two bedroom Units

**Kashamane**
N$3.6m
2 Units
1 One bedroom Units
1 Two bedroom Units

## Automation of Mass-Distance Charges (MDC) Project

The Mass Distance Charges (MDCs) project continued through the year under review. The project aims to automate the current logbook system for vehicles in excess of 3,500 kg to cater for the increased road consumption with an increase in vehicle mass. The revenue from the log book system amounted to N$142 million, and with 25,000 registered heavy vehicles in Namibia, the RFA suspects substantial under recoveries under the current system. Additionally, the automated system would increase traffic law enforcement, compliance and revenues, whilst ensuring better overload control on our national roads. One stakeholder engagement session was held during the year, involving a multitude of stakeholders ranging from Roads Authority (RA) to various private business owners.

Due to the magnitude of the project, the contractor is being procured through the Central Procurement Board of Namibia (CPBN). The Individual Procurement Plan (IPP) for the project was approved in February 2018. The RFA continues to engage the CPBN to approve the bid documents, and despite the numerous delays the RFA remains committed to the public procurement process.

## NaTIS Land

NaTIS provides important vehicle and driver testing services to the public. Given in increased human and vehicle populations, demand for these services have increased beyond the capacity of the Windhoek facility. As a result, the service experience at the Windhoek Northern Industrial facility has deteriorated below acceptable standards. The daily scramble of individuals at the testing station is a challenge. Long queues are frustrating clients, leading to increased incidence of unlicensed drivers. Driving vehicles illegally on the road is creating an increased road safety risk.

With the consent of the Ministry of Works and Transport as well as the Ministry of Finance, the RA and RFA have embarked on a project to construct a larger facility, that will house all NaTIS and related RFA and RA functions in one location. Thereby streamlining service delivery to the public and restoring customer experience to acceptable levels. This requires the acquisition of 7 hectares of land to construction the new facility.

In alignment with the Namibian Procurement Act of 2015, the IPP was prepared, and subsequently approved by the CPBN. The bid process is anticipated to be concluded in the FY 2019/2020, followed by procurement of the land and subsequent design and construction of the facility.

# INNOVATIVE INFORMATION, COMMUNICATION & TECHNOLOGY SOLUTIONS

# INNOVATIVE INFORMATION, COMMUNICATION AND TECHNOLOGY SOLUTIONS

*Effective and smart technologies that enhance operational efficiency and support the RFA integrated business environment are continuously being created and introduced.*

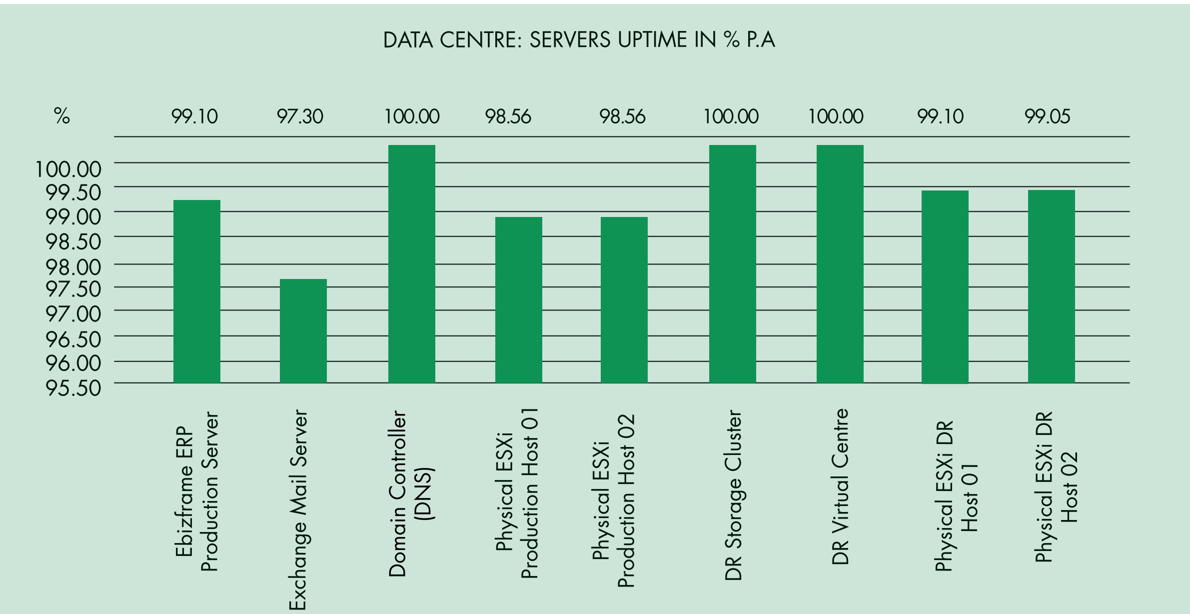
Innovative ICT solutions proactively facilitate service excellence through the provision and planned evolution of technology and related support services and support the RFA mission by:

- Providing reliable, secure, and easily accessible ICT infrastructure to meet the business and service needs of the organisation.
- Planning, implementing and maintaining the corporate desktop, ICT Service Desk, printing and telephony infrastructure.
- Developing and supporting ICT Programme, Project, and Service Management.

This report reflects the continuing evolution of the ICT within the RFA through various strategic initiatives undertaken during the period under review.

**Overall state of the ICT Infrastructure**

The RFA overall enterprise network infrastructure is very stable, with very limited downtime. There are no active alarms in the physical and VMware consoles, which advocates that the physical and virtual environment, is in a healthy state.

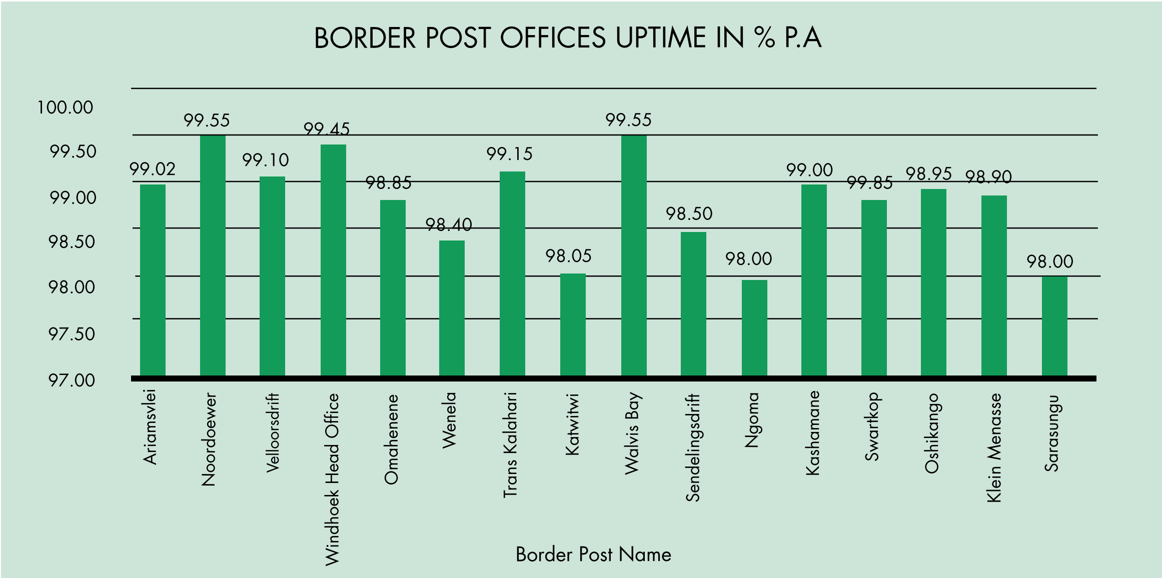



NODE/SERVER NAME

The above graph demonstrates a well-managed enterprise server environment and disaster recovery architecture. Server availability average was 99.05% for the preceding FY. Fault tolerant hardware, proactive monitoring, and sound data centre management were key to this success.

To enable effective and efficient collections of road user charges and manage transactional information at Namibia border post entries, the Information, Communication and Technology Division (ICTD) continues to provide stable accessibility to its Enterprise Resource Planning (ERP) System for the 17 border post offices, as well as to 38 NaTIS offices of the Roads Authority countrywide.

The graph on the next page shows the average up-time of a well managed Wide Area Network (WAN) to the remote offices with average availability of 98.83%, connecting over 100 resources.




## Meeting Our Strategic Objectives

The ICTD made excellent progress towards delivering on its ICT strategic initiatives during the period under review, a summary of which is provided below.

*Upgrading the Multiprotocol Label Switching (MPLS) Link Speed to all border post offices and the Disaster Recovery Site*

To improve data sharing and host-to-host communication on our Virtual Private Network (VPN), the RFA has embarked upon an initiative to upgrade all MPLS links to all border post offices including the link to the Disaster Recovery Centre. The upgrade of the link to the Disaster Recovery Centre means the improvement of data replication from the primary Data Centre to the Disaster Recovery Centre. The current latency is 12 hours and we anticipate improving this period to a significantly shorter time-frame. The upgrade will be performed by Telecom Namibia.

Upgrading the MPLS Link Speed to all border post offices and the Disaster Recovery Site, to 2 Megabytes and 16MB/s respectively, was successfully completed during the period under review.

*Terminal Services Pilot Project at Remote Offices*

To improve desktop security at user level and provide all staff members at the border post offices with a unique single user logon experience, a pilot project was initiated to implement terminal computers at the Walvis Bay and Trans-Kalahari border post offices. The pilot project was successfully implemented and will be rolled out to seven selected border post offices in the FY 2019/2020.

*Implementation of Close Circuit Television (CCTV) System at all RFA Remote Offices*

To enhance office and staff security at the border post offices, the RFA embarked upon a project to implement a security and surveillance system. The project to install and implement a Close Circuit Television System started in December 2018 and was anticipated to be completed in July 2019.

The project is 92% complete, with the exception of one border post office which still has to be fitted with the CCTV system.

*Migration from Microsoft Exchange On-Premise to Microsoft Exchange Online*

In order to improve and provide a reliable email solution, the RFA initiated the project to migrate all the mailboxes from an on-premise Microsoft Exchange hosted server to a new Microsoft Exchange Cloud platform, namely Office 365.

The project to implement the new Office 365 platform and migrate all users' mailboxes was completed successfully.

## Looking Ahead

Going forward, the RFA confident that the new ERP System will streamline business processes and improve efficiency across its business segments. The current legacy ERP system has been in place for over ten years and has become obsolete and incapable of further enhancement. The new ERP system will resolve the current business challenges and align business processes with the organisational goals.

# AUDIT AND RISK

# AUDIT AND RISK

*Internal Audit plays the pivotal role of providing assurance and consulting services that allows for the improvement of the RFA's governance, risk management, and control processes. It does this by ensuring that effective internal controls are put in place to safeguard the RFA's assets. Overall, Internal Audit has a fiduciary responsibility by ensuring that internal controls are effective and to further ensure that the RFA is compliant with applicable laws and regulations. This is exercised through audits as set out in the Internal Audit Plan for the year.*

Internal Audit findings are evaluated to provide a level of assurance on the effectiveness of the system of internal control using the Internal Audit Matrix as well as the Internal Audit Tracker. The Audit Matrix allows the institution to track the implementation of recommendations provided via prior audits. The findings from prior audits are potential risks that have been identified before they become issues for the organisation. Internal Audit advises management on the integration of risk management in the day-to-day operations of the business.

Management through stakeholder consultations determines the entity's risk appetite. Hence, risks emanating from business strategies are identified and prioritised in accordance to set criteria. On-going monitoring activities are conducted to periodically re-assess the identified risks and the effectiveness of controls put in place to mitigate those risks, in addition to identifying new risks that may not have been identified initially.

The RFA has a whistleblowing hotline, which is administered by Deloitte Namibia. The hotline is a channel that allows employees and clients to confidentially alert the RFA regarding suspicions of misconduct. It is an important tool for reducing risk and building trust, as it enables managers to detect and act on possible misconduct at an early stage.

**Organisation Specific Risks**

- Revenue Streams – Additional sources of revenue need to be investigated as heavy reliance on RUCs is unsustainable in the long-run.
    - o This risk is mitigated through the consistent engagement of stakeholders to maintain the survival of the Road Fund through the enhancement of its revenue streams.

- Fuel Levies – the organisation further relies on the collection of fuel levies collected through the purchase of fuel at the pump. However, this revenue stream is at risk due to the introduction of fuel-efficient vehicles.
    - o The RFA has embarked on a study to identify additional revenue streams.

- Economic recession – the economic downturn experienced in sub-Saharan Africa over the past three years has negatively impacted on the RFA's projected revenue targets, due to a reduction in vehicle sales, and, subsequently licence renewals and fuel levies.
    - o The RFA has altered its approach to financial management and projection to align to the current status quo.

- Operational Inefficiency – the RFA is further responsible for the collection of MDCs and CBCs from local and foreign truck owners. This process is largely cumbersome and requires automation.
    - o The RFA is in the process of possible automation enhancement of the current processes towards realising an increasingly automated system, which will introduce new efficiencies in normal operations.

**Looking Ahead**

Internal Audit is an evolving process and as part of this process we are planning to incorporate data analytics into day-to-day audits.

| | Technological Risks | Human Capital Risks | Reputational Risks | Financial Risks | Legal Risk | Stakeholder Engagement Risk |
|---|---|---|---|---|---|---|
| **What is the risk?** | • System unavailability and business continuity management. | • Ineffective communication leading to poor staff morale.<br>• Not having a functional organisational structure and key positions are filled. | • Theft, fraud and corruption. | • Insufficient revenue collection. | • Inadequate third party service provider management. | • Stakeholder management. |
| **What is the impact?** | • Increased system down time, disruption to IT systems, virus attacks, system breaches and poor data integrity. | • Poor staff morale.<br>• Performance management problems.<br>• Inadequate capacity in the organisation. | • Validity of invoices (Fuel Levy Refunds).<br>• Fraudulent Reporting (misstated information/ financial information).<br>• Manipulation of Fuel Levy Refunds, CBC, Log Books, MDC, License Fees.<br>• Incidences of bribery and corruption within processes. | • Company cash flow proving inadequate to meet its obligations.<br>• Credit risks.<br>• Liquidity risk. | • Lack of contract management.<br>• Lack of service management.<br>• Inadequate controls in the management of service providers. | • Lack of stakeholder support.<br>• Poor organisational visibility. |
| **What actions are taken?** | • IT security technologies and controls are in place.<br>• ICT Operational Recovery Site at Bank of Namibia (Prosperita) is in place.<br>• Quarterly feedback on status Report on IT Projects submitted to the ICT Committee.<br>• Annual Maintenance contract (AMC) for Ebizframe support.<br>• Identification of threats to RFA business operations and develop mitigating plans (Business Continuity and Disaster Recovery Plan). | • An organisational Culture Change Programme was developed.<br>• Employee satisfaction survey conducted.<br>• Provision of accommodation for staff.<br>• Employee wellness programme implemented.<br>• Regular staff meetings are held.<br>• Review, approve and implement functional organisational structure.<br>• Review and update job descriptions and grades of all positions.<br>• RFA awarded Gold as "Best Company to Work For" via the Deloitte survey. | • Compliance to Company Policies & Procedures, Laws and Regulations of Namibia.<br>• Develop and approve Fraud Prevention Policy.<br>• Internal Audit Reports as a useful tool for management (MRL).<br>• Compliance to the HR Handbook.<br>• Whistle Blower Policy (RFA Hotline). | • Enhance MDC revenue collection.<br>• Engage stakeholders for funding determination and allocation (RA, AA etc).<br>• Investigate the ability of Tolling system in Namibia.<br>• Request for RUC's increments for FY 2019/2020 at 4.3%. | • Define standard template for RFA contracts.<br>• Consider service management for the management of contracts.<br>• All legally binding contracts are reviewed by the Principal Officer: Compliance, Legal and Company Secretary, before being submitted to the CEO for signature. | • Engage stakeholders for funding determination and allocation (RA, AA etc.).<br>• Business Plan Stakeholder workshop held in November 2018. |

# HUMAN CAPITAL

# HUMAN CAPITAL – DEVELOPING A HIGH-PERFORMANCE TEAM CULTURE

*The strategic theme of developing a High-Performance Culture (HPC), as embedded in the 2014 – 2019 Strategic Plan, embraces the theory of human capital as an essential asset of any institution. Based on the statement, the RFA continues to engage its employees.*

The RFA values its people and recognise that having a capable, responsive and diverse workforce is critical to delivering its strategic objectives. The focus on strong values ensures that the RFA upholds an inclusive culture and that all staff members are supported, challenged and given opportunities to learn and grow.

Over the last 12 months the RFA has been working diligently to enhance the capability of human capital and their engagement. This is because the RFA is cognisant of the fact that a skilled labour force will be able to perform the organisation's internal processes efficiently and effectively, thereby leading to the delivery of excellent service in line with the RFA's vision.

**Meeting Our Strategic Objectives**
A summary of the key initiatives and outcomes for the year under review is provided below:

*Develop Strategic Leadership and Innovation*
Growing and developing future leaders remains a key focus area of the RFA and in this respect various leadership development programs have been initiated, with the focus on developing middle management.

*Attract and Retain Best Possible Talent*
The organisation has a vigorous recruitment and selection programme in place to address vacancies. The Retention and Succession Strategy is executed in such a way as to attract and retain the best talent available in order to accomplish the RFA's mandate.

*Enhance a Performance Driven Culture*
The RFA is immensely proud of the fact that our workforce sentiments, as expressed when participating in the Deloitte "Best Company to Work For" survey during the year under review, are clearly integrated with our corporate values of integrity, accountability, efficiency, transparency, teamwork and innovation.

Receiving the Gold Achievers Award in the small/medium size company category of the 2018 Deloitte "Best Company to Work For" survey is testimony to the RFA's deliberate policy drive and action-oriented approach to deliver results in developing a high-performance team culture. It is a tribute to the loyalty, commitment and hardworking people that make us who we are.

The RFA achieved a best company index score of 68.2% (above the benchmark for Namibia of 64.8%) in the Employer Attractiveness category, and 74.3% (above the benchmark of 71.7% for Namibia) in the Employee Engagement category.

Throughout the year the streamlining of performance appraisals, together with the participation of employees, has taken place and all employees have finalised their performance agreements along with key performance indicators. The overall performance indicator of the company was averaged as 3.8 out of 5.

*Creating a Learning and Development Culture*
Strong emphasis is placed on creating a conducive environment for building and creating a favourable learning and development culture within the company. This is alongside on-going and specific training interventions identified as part of the needs analysis conducted through the process of the performance management system.

During the year under review assistance was granted to five employees to pursue formal studies at various institutions of higher learning. The assistance was granted through direct funding in the form of bursaries, study loans and as study leave. Studies pursued by these employees were focused in the areas of Bachelor of Business Administration, Master in Business Administration, and Management Development Programmes.

In addition, the RFA also provided informal skills development interventions to 39 employees. Through this initiative, various staff members were able to attend a number of conferences, seminars and on-the-job training at a total investment of N$594,662 over 235 days.

The RFA recognises that there is a shortage of experienced technical staff (professional engineers), which poses a potential threat to the entire road sub-sector in Namibia. The RFA will need to target specific technical capacity building programmes to meet this need.

The RFA endeavours to manage employee turnover and the current figure stands at an acceptable level of 2.3%.

## Staff Complement

Six more positions have been created, thus the RFA staff complement has grown by 4% to a total number of 146, of which 141 are filled. The staff complement currently stands at a gender split of 63% female to 37% male and average age range of 25 – 42.

"The RFA therefore intrinsically believes that healthy minds make better choices and a healthy lifestyle correlates with increased productivity."

**The Table below displays the staff complement per Employment Category:**

| Employment Category | Approved Positions | Filled | | Vacancies |
|---|---|---|---|---|
| | | Male | Female | |
| Chief Executive Officer | 1 | 1 | 0 | 0 |
| Executives | 6 | 4 | 2 | 0 |
| Management & Professionals | 19 | 11 | 7 | 1 |
| Supervisory & Skilled Staff | 32 | 11 | 17 | 4 |
| Administrative | 87 | 24 | 63 | 0 |
| Unskilled Staff | 1 | 0 | 1 | 0 |
| **TOTAL** | **146** | **51** | **90** | **5** |

## Health, Safety and Employee Wellness

Our corporate values actively and conscientiously provide support and protect the health and safety of the workforce. The occupational health and safety management programme is furthermore aligned with, operated, and maintained according to the local regulatory and legislative requirements of Namibia. Dedicated safety and occupational health officers are tasked with the management of health and safety in the workplace.

The RFA therefore intrinsically believes that healthy minds make better choices and a healthy lifestyle correlates with increased productivity. The Employee Wellness Programme at the RFA therefore deals with three strategic dimensions, which are:

- Physical Fitness - to encourage employees to participate in physical activities to ensure fitness and healthy lifestyle habits.
- Wellness Screening - aimed at combating the negative products of unhealthy lifestyles, including obesity, high cholesterol, hypertension, prostate cancer, diabetes, stress and cardiac diseases, and to detect these well in advance.
- Psycho-Social Wellbeing – to ensure social and psychological wellbeing of employees.

## Looking ahead

The two most pressing human capital issues facing businesses today include maintaining a sound reputation based on good corporate governance principles and practices, and the social impact this has on the workforce and society. That is why the RFA places so much emphasis on investing in its people who collectively portray the culture of the RFA in pursuit of contributing greatly towards the social and economic development goals of the country and future generations.

## STRUCTURE

The Executive Management level organisational structure is continuously reviewed in order to ensure strategic alignment and cohesion.

## PERFORMANCE

The organisation will continue to streamline the performance appraisals with the involvement of all employees.

## RETENTION

The RFA endeavours to manage employee turnover by keeping it below 5%.

## RECRUITMENT

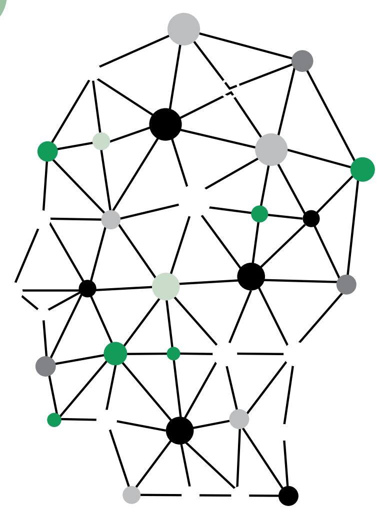
The organisation has a rigorous recruitment and selection programme in place aligned to the organisational culture to ensure cultural fit.

## TALENT

The Retention and Succession Strategy is to be executed to attract and retain the best possible talent to accomplish the mandate.

## HIGH PERFORMANCE BUDGET

N$6.5 million has been allocated to fund the high-performance culture development over the strategic plan period.



# SUSTAINABILITY REPORT

*Roads are vital to any development agenda, improve access, and create a connected future for human, social, financial, and natural assets. The impacts are felt both on the economic and social sectors.*

**Corporate Social Investment**

Although our national road network is well maintained and regarded as one of the best in Africa, the road accident rate remains unacceptably high. The RFA demonstrated its commitment to the safety of Namibians and visitors alike on our national roads and joined hands with its road safety partners in the annual Festive Season Road Safety Campaign. The campaign was aimed at law enforcement, road safety education and emergency response in order to curb road accidents.

A financial contribution of N$250,000 was made towards the re-activation of two temporary Emergency Medical Rescue Services (EMRS) bases along the B1 (Etunda Farm) and B2 highways (Karibib-Wilhelmstal Farm). This included the procurement of two mobile office units, one for each ERMS base and the rental of an accommodation unit for paramedics on duty at Karibib-Wilhelmstal ERMS base.

By undertaking to support the much-needed development initiatives in the communities in which it operates, the RFA reaffirms its commitment to contribute to the empowerment of underprivileged communities in line with Vision 2030. More so, paving the way for an equitable and child-friendly education system in Namibia. The construction of the brand-new Kindergarten and Early Childhood Development Centre for the Trans-Kalahari Border Post (Buitepos) community was successfully completed and unveiled on 2 November 2018.

The RFA invested N$1.2 million during the FY 2017/2018 to construct the modern structure. The Kindergarten caters for more than 60 children of the community, including those of RFA employees and the various Government agencies, such as Customs, Immigration, NamPol, Ministry of Health, Meat Board, Veterinary Services and AMTA operating at the border post.

The RFA's commitment to support initiatives aimed at strengthening education in Namibia was further reinforced by the support offered to improve academic results in English, Mathematics and Physical Science through remedial tutorials aimed at grade 9 and 12 learners of the Oshapapa Junior Secondary School in the Oshikoto region. An investment of N$96,000 was made to the pilot programme through EduSense Namibia.

In the same context the Ikumwe Combined School, located 49 km east of Katima Mulilo in the Zambezi region received a donation of two laptops, two printers and N$10,000 in cash towards the school's development fund.

Numerous organisations, institutions, charitable and needy causes benefitted from funds generated by the Cycle Classic, an event staged annually in Windhoek since 1999. An amount of N$30,000 was allocated to the Rotary Club Windhoek via sponsorship of Cycle Classic 2018 to fund a number of the Club's community service projects. In addition, the staff of the RFA also volunteered their time over a weekend to run a water point at the Cycle Classic. The Cycle Classic fundraising project is also one of the country's leading family fun-filled sporting events and attracted close to 2,000 participants of all ages.

Funds from the Cycle Classic fundraising project supported the following initiatives:

- Hosting of a leadership conference for Interact clubs at the Immanuel Shifidi High School in Katutura. Some 100 youngsters from high schools in Windhoek, Swakopmund, Otjiwarongo and Okahandja attended.
- More than 300 dictionaries and atlases for ten primary schools in low-income residential areas in Windhoek and in other smaller urban centres around the country were distributed.
- An Easter egg hunt for more than 100 children residing in close proximity to the Oponganda Centre in Wanaheda, which included the Oponganda Community Kindergarten.
- Thirty-four grade 7 learners accompanied by three teachers of Khomasdal Primary School took a week off during the school term break to attend an environmental education programme at the Namib Desert Environmental Education Trust (NaDEET) Centre. They learned about sustainability in the desert through educational, fun and hands-on activities.

**Looking ahead**

RFA will continue to be a responsible corporate citizen by investing in areas and activities that will be reprioritised on a year-to-year basis.

# ROAD FUND ADMINISTRATION


# ANNUAL FINANCIAL STATEMENTS
## for the year ended 31 March 2019

# 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 of achieving a safe and economically efficient road sector. |
| **Directors** | P Ithindi (Chairperson)<br>S Amunkete<br>Z Stellmacher<br>R Amadhila<br>N Henok |
| **Registered office** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Business address** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Postal address** | Private Bag 13372<br>Windhoek<br>Namibia<br>9000 |
| **Bankers** | Standard Bank Namibia |
| **Auditor** | PricewaterhouseCoopers<br>Registered Accountants and Auditors<br>Chartered Accountants (Namibia) |
| **Secretary** | Anna Matebele |

# Contents

# Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act (Act 18 of 1999) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with 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 2020 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 61 to 62.

The annual financial statements set out on pages 63 to 103, 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**

**Windhoek**
**15 August 2019**

# 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 Road Fund Administration (the "Fund") as at 31 March 2019, 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 63 to 100 comprise:
- the directors' report for the year ended 31 March 2019;
- the statement of financial position as at 31 March 2019;
- 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 sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

## Material Uncertainty Relating to Going Concern

We draw attention to the fact that as of 31 March 2019, the Fund's liabilities exceeds assets by N$ 191,393,412 (2018: N$ 307,884,338). As stated in the director report, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Road Fund Administration financial statements for the year ended 31 March 2019". The 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 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 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 (Namibia)
Per: Samuel N Ndahangwapo
Partner
Windhoek

Date: 30 September 2019

# Directors' Report

The directors have pleasure in submitting their report on the financial statements of Road Fund Administration for the year ended 31 March 2019.

## 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 2019, the Fund's total liabilities exceed its assets by N$(191) million (2018: N$(308) 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:

- Strategies have been deployed to contain expenditure within the Road User Charges income, including;
  - reserve funds creation to protect the liquidity and solvency of the Fund.
  - RFA loan book is managed prudently and the loans are matched to the inflow and outflow of cash
  - organisational strategic plan review plus development of 5 year integrated strategic business plan
- Road User Charges increases of 4.3% have been received for the 2019/2020 financial year
- The RFA paid for the construction of the RA building. This building will be added to the balance sheet of the RFA which will increase the total assets of the Fund.

## 5. Secretary

The company secretary is Anna Matebele.

## 6. Auditors

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

# Statement of Financial Position as at 31 March 2019

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 136 077 204 | 119 002 937 |
| Intangible assets | 4 | 10 091 113 | 3 088 307 |
| | | **146 168 317** | **122 091 244** |
| Current Assets | | | |
| Trade and other receivables | 5 | 561 668 294 | 476 047 866 |
| Other financial assets | 6 | - | 315 173 |
| Cash and cash equivalents | 8 | 284 102 930 | 121 657 332 |
| | | **845 771 224** | **598 020 371** |
| **Total Assets** | | **991 939 541** | **720 111 615** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Accumulated loss | | (191 393 412) | (307 884 338) |
| **Liabilities** | | | |
| Non-Current Liabilities | | | |
| Other financial liabilities | 9 | 594 065 748 | 440 294 147 |
| Retirement benefit obligation | 7 | 12 315 291 | 23 325 290 |
| Provisions | 24 | 5 865 752 | 4 645 586 |
| | | **612 246 791** | **468 265 023** |
| Current Liabilities | | | |
| Trade and other payables | 10 | 432 926 661 | 362 143 025 |
| Other financial liabilities | 9 | 47 092 096 | 51 541 025 |
| Provisions | 24 | 4 577 633 | 4 492 773 |
| Bank overdraft | 8 | 86 489 772 | 141 554 107 |
| | | **571 086 162** | **559 730 930** |
| **Total Liabilities** | | **1 183 332 953** | **1 027 995 953** |
| **Total Equity and Liabilities** | | **991 939 541** | **720 111 615** |

# Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| Revenue | 13 | 2 502 351 692 | 2 367 300 917 |
| Other income | 14 | 485 104 | 949 291 |
| Impairment loss on trade receivables | | (4 441 106) | - |
| Administrative and operating expenses | | (2 283 084 456) | (2 217 225 171) |
| **Operating (deficit) surplus** | 15 | **215 311 234** | **151 025 037** |
| Investment income | 16 | 35 187 138 | 20 306 402 |
| Finance costs | 17 | (49 123 143) | (36 716 988) |
| Other non-operating gains (losses) | 25 | - | (16 576) |
| **Surplus (deficit) for the year and other comprehensive income** | | **201 375 229** | **134 597 875** |
| **Total comprehensive income (loss) for the year** | | **201 375 229** | **134 597 875** |

# Statement of Changes in Equity

| Figures in Namibia Dollar | Accumulated loss | Total equity |
|---|---|---|
| **Balance at 01 April 2017** | **(442 482 213)** | **(442 482 213)** |
| Deficit for the year | 134 597 875 | 134 597 875 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | **134 597 875** | **134 597 875** |
| Opening balance as previously reported | (307 884 338) | (307 884 338) |
| Adjustments | | |
| Change in accounting policy | (84 884 304) | (84 884 304) |
| **Balance at 01 April 2018 as restated** | **(392 768 641)** | **(392 768 641)** |
| Surplus for the year and other comprehensive income | 201 375 229 | 201 375 229 |
| **Total comprehensive income for the year** | **201 375 229** | **201 375 229** |
| **Balance at 31 March 2019** | **(191 393 412)** | **(191 393 412)** |
| Note(s) | | |

# Statement of Cash Flows

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from road users | | 2 688 791 747 | 1 421 868 454 |
| Cash paid to suppliers and employees | | (2 577 212 842) | (1 456 619 832) |
| Cash generated from/(used in) operations | 18 | 111 578 905 | (34 751 378) |
| Interest income | | 35 187 138 | 20 306 402 |
| Finance costs | | (49 123 143) | (36 716 988) |
| **Net cash from operating activities** | | **97 642 900** | **(51 161 964)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (21 303 503) | (25 938 456) |
| Purchase of other intangible assets | 4 | (8 467 309) | (2 824 464) |
| Sale of financial assets | | 315 173 | 3 482 925 |
| **Net cash from investing activities** | | **(29 455 639)** | **(25 279 995)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans/(Repayments) | | 149 322 672 | (44 800 000) |
| **Net cash from financing activities** | | **149 322 672** | **(44 800 000)** |
| **Total cash movement for the year** | | **217 509 933** | **(121 241 959)** |
| Cash at the beginning of the year | | (19 896 775) | 101 345 184 |
| **Total cash at end of the year** | 8 | **197 613 158** | **(19 896 775)** |

# 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 except for the changes set out in note 1.13.

### 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**

*Impairment of Trade receivables*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

**Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading 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 |
| 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 |
| 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.

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

# Accounting Policies (continued)

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 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful Life |
|---|---|
| Computer Software | 5 years |

### 1.6 Financial instruments

**Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, with the exception of trade receivables without a significant financing component. Trade receivables without a significant financing component are initially measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

*Classification*
On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit and loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*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. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Fund recognises a loss allowance for expected credit losses on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date. The Fund measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in profit or loss as impairment loss on trade 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 profit or loss.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than four months 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 amortised cost.

*Other financial assets*
Other financial assets are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line item. Fair value is determined in the manner described in note 1.14.

### Impairment of financial assets
The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime Expected Credit Loss (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*
The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*(iv) Write-off policy*
The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### Measurement and recognition of expected credit losses

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 5.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as Impairment loss on Trade and other receivables.

### Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### Financial liabilities and equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

**Financial liabilities**
All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*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.

*Other financial liabilities*
Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. 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.

**Derecognition of financial liabilities**
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 1.7 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.

### 1.8 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.

### 1.9 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.

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.

### 1.10 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.

**Defined benefit plans**
For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year , any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the Fund has a present obligation as a result of a past event;

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

- 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.

### 1.12 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

A government grant that becomes receivable as compensation for expenses or 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.

### 1.13 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. Debtors (MDC-Local) is identified when assessment is performed.

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

**Road User Charge**
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 licence fees, cross border charges, mass distance charges and abnormal load fees.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

### 1.14 Changes in significant accounting policies

### A. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Because of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

- *Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments. For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1.3.

- *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.3. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 April 2018 has not resulted in an additional allowance for impairment.

- *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made because of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The following table summarises the impact of transition to IFRS 9 on the opening balance of the Accumulated deficit.

| **Accumulated deficit** | **2019** |
|---|---|
| Recognition of expected credit losses under IFRS 9 | 84,884,304 |
| Impact at 1 April 2018 | **84,884,304** |

### Classification and measurement of financial assets and financial liabilities

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 April 2018.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

The effect of adopting IFRS 9 on the carrying amounts of the financial assets at 1 April 2018 relates solely to the new impairment requirements.

| Financial assets | Notes | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| Trade and other receivables | a | Loans and receivables | Amortised cost | 476,047,866 | 453,387,139 |
| Other financial assets | b | Designated as at fair value through profit or loss | Mandatorily at fair value through profit or loss | 315,173 | 315,173 |
| Cash and cash equivalents | c | Loans and receivables | Amortised cost | 121,657,332 | 59,438,181 |
| **Total financial assets** | | | | **598,020,371** | **513,136,067** |
| | | | | | |
| **Liabilities** | | | | | |
| Other financial liabilities | | Other financial liabilities | Other financial liabilities | 491,835,172 | 491,835,172 |
| Trade and other payables | | Other financial liabilities | Other financial liabilities | 362,143,025 | 362,143,025 |
| Bank overdraft | | Other financial liabilities | Other financial liabilities | 141,554,107 | 141,554,107 |
| **Total financial liabilities** | | | | **995,532,304** | **995,532,304** |

a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of N$12,887,623 in the allowance for impairment over these receivables was recognised in opening Accumulated deficit at 1 April 2018 on transition to IFRS 9.

b) Under IAS 39 these equity securities were designated as at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at fair value through profit or loss under IFRS 9.

c) Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of N$62,219,151 in the allowance for impairment over these receivables was recognised in the opening Accumulated deficit at 1 April 2018 on transition.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

**Impairment of financial assets**

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

| | |
|---|---|
| Loss allowance at 31 March 2018 under IAS 39 | 62,219,151 |
| Additional impairment recognised at 1 April 2018 on | |
| - Trade receivables | 22,665,153 |
| - Cash and cash equivalents | 62,219,151 |
| Loss allowance at 1 April 2018 under IFRS 9 | **147,103,455** |

# Notes to the Financial Statements

## 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 2019-N$** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| Trade and other payables | 432 926 661 | - | - | - |
| Other financial liabilities | 47 092 096 | 94 184 192 | 191 987 342 | 307 894 214 |
| | **480 018 757** | **94 184 192** | **191 987 342** | **307 894 214** |
| **As at 31 March 2018-N$** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
| Trade and other payables | 362 143 025 | - | - | - |
| Other financial liabilities | 51 541 025 | 103 111 874 | 309 335 622 | 27 866 301 |
| | **413 684 050** | **103 111 874** | **309 335 622** | **27 866 301** |

### 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$0.00 (2018: N$315,173). The Fund invests in high-yielding Namibian and South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 2. Risk management (continued)

**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 counter-party.

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** | **2019** | **2018** |
|---|---|---|
| Trade and other receivables | 561 668 294 | 476 047 866 |
| Other financial assets | - | 315 173 |
| Cash and cash equivalents | 197 613 158 | (19 896 775) |

**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 other financial assets (available-for-sale financial asset) in the prior year.

## 3. Property, plant and equipment

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **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 | 133 750 096 | (7 818 415) | 125 931 681 | 113 161 401 | (5 539 478) | 107 621 923 |
| Furniture and fixtures | 2 776 379 | (991 072) | 1 785 307 | 2 679 763 | (711 185) | 1 968 578 |
| Motor vehicles | 4 552 125 | (2 422 795) | 2 129 330 | 4 552 125 | (1 512 369) | 3 039 756 |
| Office equipment | 602 706 | (396 596) | 206 110 | 466 453 | (294 774) | 171 679 |
| Computer equipment | 4 673 320 | (3 962 558) | 710 762 | 4 191 131 | (3 304 144) | 886 987 |
| **Total** | **151 668 640** | **(15 591 436)** | **136 077 204** | **130 364 887** | **(11 361 950)** | **119 002 937** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2019**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | 5 314 014 | - | - | 5 314 014 |
| Buildings | 107 621 923 | 20 588 693 | (2 278 935) | 125 931 681 |
| Furniture and fixtures | 1 968 578 | 397 748 | (279 652) | 2 086 674 |
| Motor vehicles | 3 039 756 | - | (910 426) | 2 129 330 |
| Office equipment | 171 679 | 52 913 | (101 809) | 122 783 |
| Computer equipment | 886 987 | 264 149 | (658 414) | 492 722 |
| **Total** | **119 002 937** | **21 303 503** | **(4 229 236)** | **136 077 204** |

**Reconciliation of property, plant and equipment - 2018**

| | Opening balance | Additions | Other changes, movements | 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 equipment | 1 233 626 | 323 823 | - | (670 462) | 886 987 |
| | **96 046 792** | **25 938 455** | **(16 576)** | **(2 965 734)** | **119 002 937** |

Pledged as security

There were no assets pledged for security during the year under review (2018; none)

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 3. Property, plant and equipment (continued)

Land and Buildings comprise of the following:

| Description | Carrying Amount-2019 (N$) | Carrying Amount -2018 (N$) |
|---|---|---|
| Land Erf 5846 &Erf 5845 Feld Street Windhoek | 5 314 014 | 5 314 014 |
| Buildings - RFA Head office | 53 207 033 | 52 265 002 |
| Buildings - Regional CBC Offices | 4 538 607 | 4 681 349 |
| CBC Regional Staff Accommodation | 68 186 041 | 50 675 572 |
| | **131 245 695** | **112 935 937** |

**CBC Regional staff Accommodation consist of the following:**

| | | |
|---|---|---|
| Ngoma | 3 206 541 | 3 243 178 |
| Ariamsvlei | 10 168 098 | 9 659 109 |
| Klein Menasse | 2 640 416 | 2 409 366 |
| Noordoewer | 13 337 629 | 13 047 816 |
| Trans-Kalahari | 6 784 720 | 6 467 047 |
| Sendelingsdrift | 1 008 591 | 1 029 531 |
| Oranjemund | 266 759 | 24 606 |
| Oshikango | 7 219 737 | 3 922 360 |
| Kashamane | 3 909 953 | 2 016 212 |
| Katwitwi | 3 804 313 | 1 622 669 |
| Mahenene | 4 049 373 | 1 626 766 |
| Wenela | 8 673 175 | 2 423 461 |
| Mohembo | 662 593 | 676 997 |
| Mata-Mata | 2 454 143 | 2 506 454 |
| | **68,186,041** | **50,675,572** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 4. Intangible assets

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** |
| Computer software | 17 935 460 | (7 844 347) | 10 091 113 | 9 468 402 | (6 380 095) | 3 088 307 |

**Reconciliation of intangible assets - 2019**

| | **Opening balance** | **Additions** | **Amortisation** | **Total** |
|---|---|---|---|---|
| Computer software | 3 088 307 | 8 467 309 | (1 464 503) | 10 091 113 |

**Reconciliation of intangible assets - 2018**

| | **Opening balance** | **Additions** | **Amortisation** | **Total** |
|---|---|---|---|---|
| Computer software | 1 610 377 | 2 824 464 | (1 346 534) | 3 088 307 |

## 5. Trade and other receivables

| | | |
|---|---|---|
| Government Accounts Receivable | 423 493 109 | 324 206 523 |
| Road User Charges receivable (refer to table below) | 7 690 091 | 12 405 123 |
| KfW and vehicle and driving testing stations | 112 056 | - |
| Accrued Income-Fund | 121 418 380 | 121 871 229 |
| Payroll control accounts | 121 889 | 114 333 |
| MDC receivable provision | - | 10 921 735 |
| Sundry debtors | 588 983 | 607 832 |
| Accrued interest income fund | 8 243 786 | 5 921 091 |
| | **561 668 294** | **476 047 866** |

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

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 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**

| | 2019 | 2018 |
|---|---|---|
| **Counterparties without external credit rating** | | |
| Group 1 | 121 418 380 | 121 871 229 |
| Group 2 | 440 249 914 | 354 176 637 |
| | **561 668 294** | **476 047 866** |

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.

**Trade and other receivables past due but not impaired**
The Fund uses an allowance matrix to measure the ECLs of trade receivables from the customers, which comprise a very large number of small balances.

Loss rates calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of dilinquency to write-off. Roll rates are calculated on a global basis as the customers has common credit risk characteristics - geographic region, age of customer relationship and type of service offered.

The Fund does not require collateral in respect of trade and other receivables. The Fund does not have trade receivables for which no loss allowance is recognised because of collateral.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 March 2019.

| | 30 | 30-60 | 60-90 | 90-120 | >120 | Total |
|---|---|---|---|---|---|---|
| Credit Impaired | No | No | No | Yes | Yes | |
| Averaged loss rate | 25,23% | 29,59% | 35.14% | 35,97% | 100% | |
| Gross carrying amount at | 8,460,869 | 2,486,061 | (198,142) | (188,593) | 14,072,289 | 24,632,484 |
| Loss allowance | (2,134,378) | (735,726) | - | - | (14,072,289) | (16,942,393) |
| **Net Trade receivable balance** | **6,326,491** | **1,750,335** | **(198,142)** | **(188,593)** | **-** | **7,690,091** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 5. Trade and other receivables (continued)

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Fund's view of economic conditions over the expected credit lives of the receivables.

Scalar factors are based on actual and forecast GDP, nominal, Local Currency Unit (LCU) rates at 3%.

**Accrued interest income Fund**
This relates to the interest on the investment in SME Bank. The balance is credit-impaired because 90 days past due and the SME Bank was put on provisional liquidation and the preliminary indicators are only depositors with less than N$25,000 are guaranteed to their full amounts deposited. Management assessment is that the recovery will be close to zero

| **Accrued interest income Fund** | |
|---|---|
| Credit impaired | Yes |
| Average loss rate | 100% |
| Gross carrying amount at default | 9,777,530 |
| Loss allowance | (9,777,530) |
| **Net balance** | **-** |

On initial application of IFRS 9, the Fund recognised and impairment allowance as at 1 April 2018 in the amount of N$9,777,530. The amount of the allowance did not change during 2019.

**Trade and other receivables impaired**
The following table provides information about the exposure to credit risk and ECLs for Government receivables as at 31 March 2019.

**Government Account Receivable**

| | |
|---|---|
| Credit Impaired | No |
| Averaged loss rate | 0.09% |
| Gross carrying amount at defaul | 423,879,444 |
| Loss allowance | (386 335) |
| **Net Trade receivable balance** | **423,493,109** |

Impairment on Government Accounts Receivable has been measured on a 12- month expected loss basis and reflects the short maturities of the exposures. RFA considers that it's Government Accounts Receivable have low credit risk based on the payment history and forward looking information.

The loss rates is a product of Probability of Defaults (PD) and the Loss Given Default (LGD). The PD used in the calculation is derived as the year-to-year differences of the cumulative default rates published by Moody's based on the history of sovereign defaults and the LGD is based on the present value of the expected payments upon default, discounted at the 8.5% rate as agreed between the parties.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 6. Other financial assets

| | | |
|---|---|---|
| **At fair value through profit or loss - designated** | | |
| Investec High Income Fund Namibia | - | 315 173 |
| Investments are currently invested in a mixed portfolio, which consists of N$0.00 (2018: N$315,173) in Capital Markets. | | |
| | | |
| **Current assets** | | |
| Other financial assets | - | 315 173 |

**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 |

**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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 7. Retirement benefits

**Carrying value**

| | | |
|---|---|---|
| Present value of the defined benefit obligation - wholly unfunded | (12 315 291) | (23 325 290) |
| The fair value of plan assets includes: | | |
| **Movements for the year** | | |
| Opening balance | (23 325 290) | (78 288 995) |
| Benefits paid | 11 009 999 | 54 963 705 |
| Settlement gain | - | 17 493 000 |
| Net expense recognised in profit or loss | - | (17 493 000) |
| | **(12 315 291)** | **(23 325 290)** |

**Net expense recognised in profit or loss**

| | | |
|---|---|---|
| Current service cost | - | (11 439 000) |
| Interest cost | - | (6 054 000) |
| | **-** | **(17 493 000)** |

**Key assumptions used**

Assumptions used on last valuation on 31 March 2019.

| | | |
|---|---|---|
| Discount rates used | 8,97 % | 8,97 % |
| Consumer price inflation | 6,63 % | 6,63 % |
| Medical aid contribution inflation | 7,63 % | 7,63 % |
| Net effective discount rate | 1,25 % | 1,25 % |

**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 depend on actual future levels of assumed variables.

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

- A 1% increase/decrease in the medical aid inflation assumption;and
- A 20% increase/decrease in the assumed level of morality

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

**7. Retirement benefits (continued)**

| **2019** | **-20% Mortality Rate** | **Valuation assumption** | **+20% Mortality Rate** |
|---|---|---|---|
| Total accrued liability | (13,382,066) | 12,315,291 | 11,464,240 |
| Interest cost | (3,818,000) | 3,048,000 | 2,833,000 |
| Service cost | (876,000) | 804,000 | 746,000 |
| | **(17,576,066)** | **16,167,291** | **15,043,240** |

| **2018** | **-20% Mortality Rate** | **Valuation assumption** | **+20% Mortality Rate** |
|---|---|---|---|
| Total accrued liability | (25,345,773) | 23,325,290 | 21,713,391 |
| Interest cost | (3,818,000) | 3,048,000 | 2,833,000 |
| Service cost | (876,000) | 804,000 | 746,000 |
| | **(29,539,773)** | **27,177,290** | **25,292,391** |

**Medical Aid Inflation**

The cost of the subsidy after retirement is dependent on the increase in the contribution 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 years. We tested the effect of 1% p.a. change in medical aid inflation assumption. The effect is as follows:

| **2019** | **-1% Medical Aid Inflation** | **Valuation assumption** | **+1% Medical Aid Inflation** |
|---|---|---|---|
| Total accrued liability | (10,948,799) | 12,315,291 | 13,938,066 |
| Interest cost | (2,701,000) | 3,048,000 | 3,460,000 |
| Service cost | (687,000) | 804,000 | 947,000 |
| | **(14,336,799)** | **16,167,291** | **18,345,066** |

| **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** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 19 769 | 104 416 |
| Bank balances-current accounts | 25 796 777 | 18 268 149 |
| Short-term deposits | 382 724 686 | 165 503 918 |
| Provision for doubtful deposits (SME Bank) | (124 438 302) | (62 219 151) |
| Bank overdraft | (86 489 772) | (141 554 107) |
| | **197 613 158** | **(19 896 775)** |
| Current assets | 284 102 930 | 121 657 332 |
| Current liabilities | (86 489 772) | (141 554 107) |
| | **197 613 158** | **(19 896 775)** |
| Cash and cash equivalents held by the entity that are not available for use by the group. | 45 959 000 | 14 760 635 |

**Restricted Cash**
Included in the cash and cash equivalent is an amount of N$45.9 million (2018: N$14.8 million) received from the Government of the Republic of Namibia for specific 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.

The Fund has an 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$136 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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 8. Cash and cash equivalents (continued)

**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 | 2019 | 2018 |
|---|---|---|
| Bank Windhoek Limited (A1+ Moody's credit rating | 67 564 | 2 695 887 |
| Standard Bank Namibia Limited (BB+ Fitch credit rating) | (60 692 995) | (124 920 671) |
| First National Bank Namibia Limited (A+Global credit rating) | 258 218 820 | 4 441 |
| SME Bank (not rated) | - | 62 219 151 |
| Namibia Post Limited (not rated) | - | 40 000 000 |
| | **197 593 389** | **(20 001 192)** |

SME Bank is not rated and Namibia Post Limited has no history of default. SME Bank was put on provisional liquidation in the prior year 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 100% of the deposits held at SME Bank was made during the year.

## 9. Other financial liabilities

**Held at amortised cost**

| | 2019 | 2018 |
|---|---|---|
| **Ministry of Finance on lending loan**<br>The KfW loan through the Ministry of Finance bears a fixed interest of 2% per annual 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. | - | 44 476 822 |
| **KfW Loan**<br>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). | 400 281 166 | 447 358 350 |
| **KfW Loan**<br>The loan bears a fixed interest of 7.505% per annum and is repayable in 20 bi-annual payments of N$25.3 million starting 15 May 2021. 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) | 240 876 678 | - |
| | **641 157 844** | **491 835 172** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 9. Other financial liabilities (continued)

The carrying amount of other financial liabilities approximates its fair value.

| | 2019 | 2018 |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 594 065 748 | 440 294 147 |
| **Current liabilities** | | |
| At amortised cost | 47 092 096 | 51 541 025 |
| | **641 157 844** | **491 835 172** |

## 10. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| Roads Authority project administration | 269 589 605 | 217 110 862 |
| Amounts received in advance - CBC | 1 987 514 | 2 282 251 |
| Other accruals | 8 399 452 | 7 495 502 |
| Accrual Local Authorities and Traffic Law Enforcement | 58 397 979 | 27 091 464 |
| Fuel levy refund | 34 148 792 | 81 478 168 |
| Interest accrual - KfW Loans | 14 444 319 | 9 150 688 |
| Vehicle Licence fee - refunds payable | - | 2 769 590 |
| Government Road Project | 45 959 000 | 14 764 500 |
| | **432 926 661** | **362 143 025** |

Included in the Government Road project is an amount of N$45.9 million (2018: N$14.8 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.

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

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 11. Financial assets by category

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

| 2019 | Loans and receivables | Total |
|---|---|---|
| Trade and other receivables | 561 668 294 | 561 668 294 |
| Cash and cash equivalents | 284 102 930 | 284 102 930 |
| | **845 771 224** | **845 771 224** |

| 2018 | Loans and receivables | Available-for-sale | 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** |

### 12. Financial liabilities by category

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

| 2019 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Other financial liabilities | 641 157 844 | 641 157 844 |
| Trade and other payables | 432 926 661 | 432 926 661 |
| Bank overdraft | 86 489 772 | 86 489 772 |
| Retirement benefit obligation | 12 315 291 | 12 315 291 |
| | **1 172 889 568** | **1 172 889 568** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 12. Financial liabilities by category (continued)

| 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** |

## 13. Revenue

| | | |
|---|---|---|
| Fuel levies | 1 500 272 583 | 1 420 353 929 |
| Road user charges | 1 002 079 109 | 946 946 988 |
| | **2 502 351 692** | **2 367 300 917** |

**The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:**

| | | |
|---|---|---|
| Vehicle license fees | 710 195 617 | 674 687 564 |
| Cross border charges | 137 420 557 | 131 436 895 |
| Mass distance charges-local | 100 997 613 | 91 065 992 |
| Mass distance charges-foreign | 41 116 865 | 28 231 761 |
| Abnormal permit fees | 12 348 457 | 21 524 776 |
| | **1 002 079 109** | **946 946 988** |

## 14. Other operating income

| | | |
|---|---|---|
| Sundry income | 485 104 | 949 291 |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 15. Operating surplus/(deficit)

Operating (deficit) surplus for the year is stated after charging (crediting) the following, amongst others:

| | | |
|---|---|---|
| **Auditor's remuneration - external** | | |
| Audit fees | 1 225 391 | 987 830 |
| **Leases** | | |
| **Operating lease charges** | | |
| Premises | 233 755 | 78 452 |
| Equipment | 8 944 | 52 663 |
| | **242 699** | **131 115** |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 5 693 737 | 4 312 268 |
| **Expenses by nature** | | |
| The total operating expenses are analysed by nature as follows: | | |
| Employee costs | 82 381 325 | 72 931 695 |
| Operating lease charges | 242 699 | 131 115 |
| Depreciation, amortisation and impairment | 5 693 737 | 4 312 268 |
| Other expenses | 76 914 933 | 101 701 682 |
| Fuel levy refunds | 291 381 936 | 259 786 180 |
| Local authorities | 102 603 855 | 78 838 639 |
| National road network expenditure | 1 723 865 972 | 1 699 523 592 |
| | **2 283 084 457** | **2 217 225 171** |

Bank charges have reduced from N$12 million to N$6 million due to the erroneous calculation of the fees in the 2017/2018 financial year.The excessive fees (including interest thereon) were recovered from the Bank but is only recognized in the 2019/2020 financial year as the amount to be recovered was only finalised after the 2019 year-end.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|
| **16. Investment income** | | |
| **Interest income** | | |
| **From investments in financial assets:** | | |
| Bank and other cash | 1 669 020 | 2 016 970 |
| Other financial assets | 33 518 118 | 18 289 432 |
| **Total interest income** | **35 187 138** | **20 306 402** |
| **17. Finance costs** | | |
| Non-current borrowings | 49 123 143 | 36 716 988 |
| **18. Cash generated from/(used in) operations** | | |
| Surplus for the year | 201 375 229 | 134 597 875 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 5 693 737 | 4 312 268 |
| Losses on disposals, scrappings and settlements of assets and liabilities | - | 16 576 |
| Interest income | (35 187 138) | (20 306 402) |
| Finance costs | 49 123 143 | 36 716 988 |
| Movements in retirement benefit assets and liabilities | (11 009 999) | (54 963 705) |
| Movements in provisions | 1 305 026 | 1 673 814 |
| Other non-cash items IFRS 9 | (84 884 301) | - |
| **Changes in working capital:** | | |
| Trade and other receivables | (85 620 428) | (336 666 939) |
| Trade and other payables | 70 783 637 | 199 868 147 |
| | **111 578 905** | **(34 751 378)** |

## 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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 20. Related parties

### Relationships

| | |
|---|---|
| RFA receives money from Roads Authority 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 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 Loan |

### Related party balances

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

| | 2019 | 2018 |
|---|---|---|
| Roads Authority | (195 501 996) | (217 110 862) |
| Local Authorities | (32 998 456) | (26 772 171) |
| KfW loan | (641 157 844) | (491 835 172) |
| Government Road Projects | (45 959 000) | (14 764 500) |

### Related party transactions

**Payments made to related parties**

| | 2019 | 2018 |
|---|---|---|
| Roads Authority | 1 723 865 972 | 1 699 523 592 |
| Local Authorities | 102 603 855 | 78 838 639 |
| Traffic Law Enforcement Agencies | 26 382 533 | 30 917 871 |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 21. 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:** | **2019** | **2018** |
|---|---|---|
| Balance at the beginning of the year | 14 764 058 | 3 167 141 |
| Payment during the year | 31 194 942 | 11 596 917 |
| | **45 959 000** | **14 764 058** |
| **The amount is represented by:** | | |
| Project accounts included in bank balances | 45 959 000 | 14 764 058 |

## 22. National Road Network Expenditure

| | **2019** | **2018** |
|---|---|---|
| Roads Authority - NATIS | 31 331 735 | 24 760 723 |
| Roads Authority - Construction & rehab | 11 617 552 | 77 996 411 |
| Roads Authority - Network Planning | 13 112 817 | 27 597 401 |
| Roads Authority - Maintenance | 1 149 062 550 | 1 093 741 928 |
| Roads Authority - Road Management | 21 776 889 | 18 582 141 |
| Roads Authority - Admin | 437 008 335 | 409 955 567 |
| Roads Authority - Road Transport Inspection | 8 947 009 | 8 169 265 |
| Roads Authority - Office Accommodation | 33 658 062 | 16 536 190 |
| Roads Authority - Business Systems | 17 351 023 | 15 611 362 |
| Roads Authority - IT Operations | - | 6 572 604 |
| | **1 723 865 972** | **1 699 523 592** |

## 23. Commitments

The leases are renewable on an annual basis.

## Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 24. Provisions

**Reconciliation of provisions - 2019**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Leave pay provision | 4 492 773 | 84 860 | 4 577 633 |
| Severance pay provision | 4 645 586 | 1 220 166 | 5 865 752 |
| | **9 138 359** | **1 305 026** | **10 443 385** |

**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** |

| | 2019 | 2018 |
|---|---|---|
| Non-current liabilities | 5 865 752 | 4 645 586 |
| Current liabilities | 4 577 633 | 4 492 773 |
| | **10 443 385** | **9 138 359** |

Provision for severance pay

In accordance with Section 35(1) of the Namibia Labour Act, 2007, severance benefits are payable when an employee is unfairly 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.

### 25. Other non-operating gains (losses)

**Gains (losses) on disposals, scrappings or settlements**

| | 2019 | 2018 |
|---|---|---|
| Non-current assets held for sale and disposal groups | - | (16 576) |

### 26. Directors' emoluments

Directors emoluments of N$838,988 (2018: N$554,601) were paid to the directors for holding a prescribed office during the year.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 27. Going concern

We draw attention to the fact that at 31 March 2019, the Fund had accumulated losses of N$191,393,412 and that the company's total liabilities exceed its assets by N$191,393,412.

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 a going concern into the foreseeable future. Due to the following reasons:

- Strategies have been deployed to contain expenditure within the Road User Charges income, including;
  - reserve funds creation to protect the liquidity and solvency of the Fund.
  - RFA loan book is managed prudently and the loans are matched to the inflow and outflow of cash
  - organisational strategic plan review plus development of 5 year integrated strategic business plan

- Road User Charges increases of 4.3% have been received for the 2019/2020 financial year

- The RFA paid for the construction of the RA building. This building will be added to the balance sheet of the RFA which will increase the total assets of the fund

The ability of the company 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 company, contain expenditure within road user charges income and secure a yearly increase of the road user charges.

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Notes | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Fuel Levy | | 1 500 272 583 | 1 420 353 929 |
| Road User Charges | | 1 002 079 109 | 946 946 988 |
| | 13 | **2 502 351 692** | **2 367 300 917** |
| **Other income** | | | |
| Sundry income | | 485 104 | 949 291 |
| **Other operating gains (losses)** | | | |
| Impairment loss on trade receivables | | (4 441 106) | - |
| **Expenses (Refer to pages 102 and 103)** | | **(2 283 084 457)** | **(2 217 225 171)** |
| **Operating Surplus/(Deficit)** | 15 | **215 311 233** | **151 025 037** |
| Investment income | 16 | 35 187 138 | 20 306 402 |
| Finance costs | 17 | (49 123 143) | (36 716 988) |
| **Other non-operating gains (losses)** | | | |
| Losses on disposal of assets or settlement of liabilities | | - | (16 576) |
| **Surplus/deficit for the year** | | **201 375 228** | **134 597 875** |

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

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income (continued)

| Figures in Namibia Dollar | Notes | 2019 | 2018 |
|---|---|---|---|
| **Other operating expenses** | | | |
| Advertising | | (1 806 911) | (711 996) |
| Auditors remuneration | 15 | (1 225 391) | (987 830) |
| Bank charges | 15 | (6 482 949) | (12 141 688) |
| Books | | - | (28 130) |
| Cleaning | | (614 981) | (598 883) |
| Computer expenses | | (3 054 786) | (312 104) |
| Corporate Services | | (266 214) | (710 863) |
| Corporate items | | (717 992) | (414 201) |
| Depreciation | | (5 693 737) | (4 312 268) |
| Development of RUCS | | - | (2 630 681) |
| Donations | | (557 572) | (554 256) |
| E-mail & internet | | - | (116 701) |
| Employee costs | | (82 381 325) | (72 931 695) |
| Entertainment | | (1 117 954) | (681 932) |
| Equipment Hire | | (3 036) | - |
| Fuel levy refunds | | (291 381 936) | (259 786 180) |
| IT expenses | | (2 172 126) | (1 737 845) |
| Insurance | | (328 019) | (520 686) |
| Lease rentals on operating lease | | (242 699) | (131 115) |
| Legal fees | | (1 273 007) | (350 297) |
| Long service awards | | (59 100) | (173 500) |
| Management fees-KfW loan | | - | (1 204 388) |
| Minor office furniture | | (97 577) | (130 549) |
| Motor vehicle expenses | | (403 737) | (594 962) |
| NRSC: Road Safety Programme | | (1 186 628) | (320 069) |
| Other expenses | | (469 542) | (1 925 122) |
| Postal and courier services | | (206 968) | (171 025) |
| Printing and stationery | | (764 353) | (1 680 464) |
| Professional fees | | (3 244 712) | (2 280 788) |
| Provison for doubtful deposit (SME Bank) | | - | (18 666 151) |
| Relocation costs | | (28 332) | (100 000) |

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income (continued)

| Figures in Namibia Dollar | Notes | 2019 | 2018 |
|---|---|---|---|
| Repairs and maintenance | | (554 131) | (346 718) |
| Road Authority - Road maintenance and management | | (1 723 865 972) | (1 699 523 592) |
| Security | | (2 773 107) | (2 751 787) |
| Seminars & conference | | (1 122 568) | (254 771) |
| Stationery & consumables | | (110 433) | (26 407) |
| Subscriptions | | (1 053 830) | (943 174) |
| Subsistence & travelling | | (4 319 549) | (4 200 556) |
| Technical assistance AA | | (10 007 512) | (5 954 720) |
| Telephone and fax | | (878 905) | (1 422 484) |
| Traffic Law Enforcement Agencies | | (26 382 533) | (32 020 658) |
| Training | | (1 823 546) | (2 175 033) |
| Transfer to administration account | | (333 119) | (130 093) |
| Transport and freight | | (168 878) | (924 870) |
| Urban road maintenance | | (102 603 855) | (78 849 657) |
| Water and Electricity | | (1 304 935) | (794 282) |
| | | **(2 283 084 457)** | **(2 217 225 171)** |

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

# FUND ACCOUNT


## ANNUAL FINANCIAL STATEMENTS
## for the year ended 31 March 2019

# 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 of achieving a safe and economically efficient road sector. |
| **Directors** | P Ithindi (Chairperson)<br>S Amunkete<br>Z Stellmacher<br>R Amadhila<br>N Henok |
| **Registered office** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Business address** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Postal address** | Private Bag 13372<br>Windhoek<br>Namibia<br>9000 |
| **Bankers** | Standard Bank Namibia |
| **Auditor** | PricewaterhouseCoopers<br>Registered Accountants and Auditors<br>Chartered Accountants (Namibia) |
| **Secretary** | Anna Matebele |

# Contents

# Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act (Act 18 of 1999) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with 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 2020 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 108 to 109.

The annual financial statements set out on pages 110 to 144, 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**

**Windhoek**
**15 August 2019**

# 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 Road Fund Administration - Fund Account (the "Fund") as at 31 March 2019, 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 110 to 142 comprise:

- the directors' report for the year ended 31 March 2019;
- the statement of financial position as at 31 March 2019;
- 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 sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

**Material Uncertainty Relating to Going Concern**

We draw attention to the fact that as of 31 March 2019, the Fund's total liabilities exceeds total assets by N$ 204,878,493 (2018: N$ 318,531,669). As stated in the director report, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "Road Fund Administration - Fund Account financial statements for the year ended 31 March 2019". The 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 Road Fund Administration Act (Act 18 of 1999), and for such internal control as the directors determine is necessary to enable

# Independent Auditor's Report (continued)

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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

**PricewaterhouseCoopers**
**Registered Accountants and Auditors**
**Chartered Accountants (Namibia)**
**Per: Samuel N Ndahangwapo**
**Partner**
**Windhoek**

**Date: 30 September 2019**

# 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 2019.

## 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 2019, the Fund's total liabilities exceed its assets by N$(204) million (2018: N$(308) 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;

- Strategies have been deployed to contain expenditure within the Road User Charges income, including;
  - reserve funds creation to protect the liquidity and solvency of the Fund.
  - RFA loan book is managed prudently and the loans are matched to the inflow and outflow of cash
  - organisational strategic plan review plus development of 5 year integrated strategic business plan
- Road User Charges increases of 4.3% have been received for the 2019/2020 financial year
- The RFA paid for the construction of the RA building. This building will be added to the balance sheet of the RFA which will increase the total assets of the Fund.

## 5. Secretary

The company secretary is Anna Matebele.

## 6. Auditors

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

# Statement of Financial Position as at 31 March 2019

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 131 918 058 | 113 800 405 |
| Intangible assets | 4 | 8 432 534 | - |
| | | **140 350 592** | **113 800 405** |
| **Current Assets** | | | |
| Trade and other receivables | 5 | 560 957 422 | 475 325 701 |
| Other financial assets | 6 | - | 315 173 |
| Cash and cash equivalents | 8 | 258 306 114 | 103 389 143 |
| | | **819 263 536** | **579 030 017** |
| **Total Assets** | | **959 614 128** | **692 830 422** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Accumulated deficit | | (204 878 493) | (318 531 669) |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Other financial liabilities | 9 | 594 065 748 | 440 294 147 |
| Retirement benefit obligation | 7 | 12 315 291 | 23 325 290 |
| | | **606 381 039** | **463 619 437** |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | 424 529 714 | 354 647 522 |
| Other financial liabilities | 9 | 47 092 096 | 51 541 025 |
| Bank overdraft | 8 | 86 489 772 | 141 554 107 |
| | | **558 111 582** | **547 742 654** |
| **Total Liabilities** | | **1 164 492 621** | **1 011 362 091** |
| **Total Equity and Liabilities** | | **959 614 128** | **692 830 422** |

# Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| Revenue | 13 | 2 502 351 692 | 2 367 300 917 |
| Other income | 14 | 269 200 | 254 503 |
| Impairment loss on trade receivables | | (4 441 106) | - |
| Administrative and operating expenses | | (2 285 705 477) | (2 225 694 757) |
| **Operating (deficit) surplus** | 15 | **212 474 309** | **141 860 663** |
| Investment income | 17 | 35 186 314 | 20 270 725 |
| Finance costs | 18 | (49 123 143) | (36 716 988) |
| **Surplus (deficit) for the year and other comprehensive income** | | **198 537 480** | **125 414 400** |
| **Total comprehensive surplus/(deficit) for the year** | | **198 537 480** | **125 414 400** |

# Statement of Changes in Equity

| Figures in Namibia Dollar | Accumulated loss | Total equity |
|---|---|---|
| **Balance at 01 April 2017** | **(443 946 069)** | **(443 946 069)** |
| Deficit for the year | 125 414 400 | 125 414 400 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | **125 414 400** | **125 414 400** |
| Opening balance as previously reported | (318 531 669) | (318 531 669) |
| Adjustments | | |
| Change in accounting policy | (84 884 304) | (84 884 304) |
| **Balance at 01 April 2018 as restated** | **(403 415 973)** | **(403 415 973)** |
| Surplus for the year and other comprehensive income | 198 537 480 | 198 537 480 |
| **Total comprehensive income for the year** | **198 537 480** | **198 537 480** |
| **Balance at 31 March 2019** | **(204 878 493)** | **(204 878 493)** |

## Statement of Cash Flows

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from road users | | 2 381 065 616 | 1 421 868 454 |
| Cash paid to suppliers and employees | | (2 277 764 099) | (1 471 861 745) |
| Cash generated from/(used in) operations | 19 | 103 301 517 | (49 993 292) |
| Interest income | | 35 186 314 | 20 270 725 |
| Finance costs | | (49 123 143) | (36 716 988) |
| **Net cash from operating activities** | | **89 364 688** | **(66 439 554)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (20 588 693) | (25 254 301) |
| Purchase of other intangible assets | 4 | (8 432 534) | - |
| Sale of financial assets | | 315 173 | 3 482 925 |
| **Net cash from investing activities** | | **(28 706 054)** | **(21 771 376)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans/(Repayments) | | 149 322 672 | (44 800 000) |
| **Net cash from financing activities** | | **149 322 672** | **(44 800 000)** |
| **Total cash movement for the year** | | **209 981 306** | **(133 010 930)** |
| Cash at the beginning of the year | | (38 164 964) | 94 845 966 |
| **Total cash at end of the year** | 8 | **171 816 342** | **(38 164 964)** |

# 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, except for the changes set out in note 1.13.

### 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

#### Impairment of trade receivables

The impairment provisions for financial assets are based on assumptions about risk of dedault and expected credit loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of key assumptions and inputs used, refer to the individual notes addressing financial assets.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading 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.

#### 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.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

The directors resolved to provide for this liability in terms of IAS19 R- "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 |
| IT equipment | Straight line | 3 years |
| Computer equipment | 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.

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

#### Initial recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

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

Financial assets and financial liabilities are initially measured at fair value, with the exception of trade receivables without a significant financing component. Trade receivables without a significant financing component are initially measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**
On initial recignition,the Fund classifies financial assets as measured at amortised cost or fair value through profit or loss(FVTPL).

A financial asset is measured at amortised cost if it meets both of the follwing conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- It is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise aris

*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. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Fund recognises a loss allowance for expected credit losses on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date. The Fund measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in profit or loss as impairment loss on trade 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 profit or loss.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than twelve months 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 amortised cost.

*Other financial assets*
Other financial assets are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line item. Fair value is determined in the manner described in note 1.13.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

### Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime Expected Credit Loss (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*
The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

*(iv) Write-off policy*
The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### Measurement and recognition of expected credit losses

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 5.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as an Impairment loss on Trade and other receivables.

### Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**
Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

**Financial liabilities**
All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*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.

*Other financial liabilities*
Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on

an effective yield basis. 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.

**Derecognition of financial liabilities**
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 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.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

### 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.

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.

**Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year , any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

# Accounting Policies (continued)

**1. Significant accounting policies (continued)**

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

**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.

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.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

### 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. Debtors (MDC - Local) is identified when assessments are performed.

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

**Road User Charge**
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 licence fees, cross border charges, mass distance charges and abnormal load fees.

### 1.13 Changes in significant accounting policy

**A. IFRS 9 Financial Instruments**
IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Because of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

*i) Classification and measurement of financial assets and financial liabilities*
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1.3.

*ii) Impairment of financial assets*
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.3. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 April 2018 has not resulted in an additional allowance for impairment.

*iii) Transition*
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

i) The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

ii) The following assessments have been made because of the facts and circumstances that existed at the date of initial application.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

- The determination of the business model within which a financial asset is held.

iii) If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The following table summarises the impact of transition to IFRS 9 on the opening balance of the Accumulated deficit.

| **Accumulated deficit** | **2019** |
|---|---|
| Recognition of expected credit losses under IFRS 9 | 84,884,304 |
| Impact at 1 April 2018 | **84,884,304** |

**Classification and measurement of financial assets and financial liabilities**
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 April 2018.

The effect of adopting IFRS 9 on the carrying amounts of the financial assets at 1 April 2018 relates solely to the new impairment requirements.

| | **Notes** | **Original Classification under IAS 39** | **New classification under IFRS 9** | **Original carrying amount under IAS 39** | **New carrying amount under IFRS 9** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade and other receivables | a | Loans and receivables | Amortised cost | 476,047,866 | 453,382,713 |
| Other financial assets | b | Designated as at fair value through profit or loss | Mandatorily at fair value through profit or loss | 315,173 | 315,173 |
| Cash and cash equivalents | c | Loans and receivables | Amortised cost | 121,657,332 | 59,438,181 |
| **Total financial assets** | | | | **598,020,371** | **513,136,067** |
| | | | | | |
| **Liabilities** | | | | | |
| Other financial liabilities | | Other financial liabilities | Other financial liabilities | 491,835,172 | 491,835,172 |
| Trade and other payables | | Other financial liabilities | Other financial liabilities | 362,143,025 | 362,143,025 |
| Bank overdraft | | Other financial liabilities | Other financial liabilities | 141,554,107 | 141,554,107 |
| **Total financial liabilities** | | | | **995,532,304** | **995,532,304** |

a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of N$12,887,623 in the allowance for impairment over these receivables was recognised in opening Accumulated deficit at 1 April 2018 on transition to IFRS 9.
b) Under IAS 39 these equity securities were designated as at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at fair

# Accounting Policies (continued)

### 1. Significant accounting policies (continued)

value through profit or loss under IFRS 9.

c) Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of N$62,219,151 in the allowance for impairment over these receivables was recognised in the opening Accumulated deficit at 1 April 2018 on transition.

**Impairment of financial assets**
For assets in the scope pf the IFRS 9 impairment model,impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

| | |
|---|---|
| **Loss allowance at 31 March 2018 under IAS 39** | 62,219,151 |
| Additional impairment recognised at 1 April 2018 on | |
| - Trade receivables | 22,665,153 |
| - Cash and cash equivalents | 62,219,151 |
| **Loss allowance at 1 April 2018 under IFRS 9** | **147,103,455** |

# Notes to the Financial Statements

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 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 2019-N$** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| Trade and other payables | 424 529 712 | - | - | - |
| Other financial liabilities | 47 092 096 | 94 184 192 | 191 987 342 | 307 894 214 |
| | **471 621 808** | **94 184 192** | **191 987 342** | **307 894 214** |

| **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** |

### 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$0.00 (2018: N$315,173). The Fund invests in high-yielding Namibian and South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 2. Risk management Capital risk management (continued)

**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 | 2019 | 2018 |
|---|---|---|
| Trade and other receivables | 560 957 422 | 475 325 701 |
| Other Financial Assets | - | 315 173 |
| Cash and bank balances | 171 816 342 | (38 164 964) |

**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) in the prior year.

## 3. Property, plant and equipment

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **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 | 133 750 096 | (7 818 415) | 125 931 681 | 113 161 401 | (5 539 478) | 107 621 923 |
| Motor vehicles | 960 520 | (288 157) | 672 363 | 960 520 | (96 052) | 864 468 |
| **Total** | **140 024 630** | **(8 106 572)** | **131 918 058** | **119 435 935** | **(5 635 530)** | **113 800 405** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2019**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | 5 314 014 | - | - | 5 314 014 |
| Buildings | 107 621 923 | 20 588 693 | (2 278 935) | 125 931 681 |
| Motor vehicles | 864 468 | - | (192 105) | 672 363 |
| | **113 800 405** | **20 588 693** | **(2 471 040)** | **131 918 058** |

**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** |

Pledged as security

There were no assets pledged for security during the year under review (2018; none)

Land and Buildings comprise of the following:

| **Description** | **Carrying Amount 2019 (N$)** | **Carrying Amount 2018 (N$)** |
|---|---|---|
| Land Erf 5846 & Erf 5845 Feld Street Windhoek (RFA Head Office) | 5 314 014 | 5 314 014 |
| Buildings - RFA Head Office | 53 207 033 | 52 265 002 |
| Buildings - Regional CBC Offices | 4 538 607 | 4 681 349 |
| CBC Regional Staff Accommodation | 68 186 041 | 50 675 572 |
| | **131 245 695** | **112 935 937** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 3. Property, plant and equipment (continued)

**CBC Regional staff Accommodation consist of the following:**

| | Carrying Amount 2019 (N$) | Carrying Amount 2018 (N$) |
|---|---|---|
| Ngoma | 3 206 541 | 3 243 178 |
| Ariamsvlei | 10 168 098 | 9 659 109 |
| Klein Menasse | 2 640 416 | 2 409 366 |
| Noordoewer | 13 337 629 | 13 047 816 |
| Trans-Kalahari | 6 784 720 | 6 467 047 |
| Sendelingsdrift | 1 008 591 | 1 029 531 |
| Oranjemund | 266 759 | 24 606 |
| Oshikango | 7 219 737 | 3 922 360 |
| Kashamane | 3 909 953 | 2 016 212 |
| Katwitwi | 3 804 313 | 1 622 669 |
| Mahenene | 4 049 373 | 1 626 766 |
| Wenela | 8 673 175 | 2 423 461 |
| Mohembo | 662 593 | 676 997 |
| Mata - Mata | 2 454 143 | 2 506 454 |
| | **68 186 041** | **50 675 572** |

### 4. Intangible assets

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** |
| Computer software | 8 432 534 | - | 8 432 534 | - | - | - |

**Reconciliation of intangible assets - 2019**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Computer software | - | 8 432 534 | 8 432 534 |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 5. Trade and other receivables

| | | |
|---|---|---|
| Road User Charges receivables (Refer to table below) | 7 690 091 | 12 405 123 |
| Government Accounts Receivable | 423 493 109 | 324 206 523 |
| Accrued Income-Fund | 121 418 380 | 121 871 229 |
| Accrued Interest Income - Fund | - | 10 921 735 |
| KfW and vehicle and driving testing stations | 112 056 | - |
| MDC receivable-provision control | 8 243 786 | 5 921 091 |
| | **560 957 422** | **475 325 701** |

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 | 121 418 380 | 121 871 229 |
| Group 2 | 439 539 042 | 353 454 472 |
| | **560 957 422** | **475 325 701** |

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 2019, there were no trade and other receivables past due but not impaired (2018: N$nil).

**Trade and other receivables impaired**
The Fund uses an allowance matrix to measure the ECLs of trade receivables form the customers, which comprise a very large number of small balances.

Loss rates calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of dillinquency to write- off. Roll rates are calculated on a global basis as the customers has common credit risk characteristics-geographic region, age of customer relationship and type of service offered.

The Fund does not require collateral in respect of trade and other receivables. The Fund does not have trade receivable for which no loss allowance is recognised because of collateral.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 5. Trade and other receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 March 2019.

| | 30 | 30-60 | 60-90 | 90-120 | >120 | Total |
|---|---|---|---|---|---|---|
| Credit Impaired | No | No | No | Yes | Yes | |
| Averaged loss rate | 25.23% | 29.59% | 35.14% | 35.97% | 100% | |
| Gross carrying amount at default | 8,460,869 | 2,486,061 | (198,142) | (188,593) | 14,072,289 | 24,632,484 |
| Loss allowance | **(2,134,378)** | **(735,726)** | **-** | **-** | **(14,072,289)** | **(16,942,393)** |
| Net Trade receivable balance | **6,326,491** | **1,750,335** | **(198,142)** | **(188,593)** | **-** | **7,690,091** |

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Fund's view of economic conditions over the expected credit lives of the receivables.

Scalar factors are based on actual and forecast GDP, nominal, Local Currency Unit (LCU) rates at 3%.

**Accrued interest income Fund**

This relates to the interest on the investment in SME Bank. The balance is credit-impaired because 90 days past due and the SME Bank was put on provisional liquidation and the preliminary indicators are only depositors with less than N$25,000 are guaranteed to their full amounts deposited. Management assessment is that the recovery will be close to zero

| | |
|---|---|
| Accrued interest income Fund | |
| Credit impaired | Yes |
| Average loss rate | 100% |
| Gross carrying amount at default | 9,777,530 |
| Loss allowance | (9,777,530) |
| **Net allowance** | **-** |

On initial application of IFRS 9, the Fund recognised and impairment allowance as at 1 April 2018 in the amount of N$9,777,530. The amount of the allowance did not change during 2019.

As of 31 March 2019, there were no trade and other receivables that were impaired and provided for (2018: N$nil).

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 5. Trade and other receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for Government receivables as at 31 March 2019.

**Government Accounts Receivable**

| | |
|---|---|
| Credit Impaired | No |
| Loss rate | 0.09% |
| Gross carrying amount at default | 423,879,444 |
| Loss allowance | **(386 335)** |
| Net Trade receivable balance | **423,493,109** |

Impairment on Government Accounts Receivable has been measured on a 12- month expected loss basis and reflects the short maturities of the exposures. RFA considers that it's Government Accounts Receivable have low credit risk based on the payment history and forward looking information.

The loss rates is a product of Probability if Defaults (PD) and the Loss Given Default (LGD). The PD used in the calculation is derived as the year-to- year differences of the cumulative default reates published by Moody's based on the history of sovereign defaults and the LGD is based on the present value of expected payments upon default, discounted at the of 8.5% rate as agreed between the parties.

## 6. Other financial assets

| | 2019 | 2018 |
|---|---|---|
| **At fair value through profit or loss - designated** | | |
| Investec High Income Fund Namibia | - | 315 173 |
| Investments are currently invested in a mixed portfolio, which consists of N$0.00 (2018: N$315,173) in Capital Markets. | | |
| **Current assets** | | |
| Other financial assets | - | 315 173 |

**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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 6. Other financial assets (continued)

| | | |
|---|---|---|
| **Level 1** | | |
| Class 1 (e.g. Listed shares) | - | 315 173 |

**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 Road Authority's employees and not for Road Fund Administration's employees.

| | 2019 | 2018 |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation - wholly unfunded | (12 315 291) | (23 325 290) |
| **Movements for the year** | | |
| Opening balance | (23 325 290) | (78 288 995) |
| Benefits paid | - | 54 963 705 |
| Acquired on acquisition of subsidiary | - | 17 493 000 |
| Net expense recognised in profit or loss | 11 009 999 | (17 493 000) |
| | **(12 315 291)** | **(23 325 290)** |
| **Net expense recognised in profit or loss** | | |
| Current service cost | 11 009 999 | (11 439 000) |
| Past service cost | - | (6 054 000) |
| | **11 009 999** | **(17 493 000)** |
| **Key assumptions used** | | |
| Assumptions used on last valuation on 31 March 2019 | | |
| Discount rates used | 8,97 % | 8,97 % |
| Consumer price inflation | 6,63 % | 6,63 % |
| Medical Aid contribution inflation | 7,63 % | 7,63 % |
| Net effective discount rate | 1,25 % | 1,25 % |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 7. Retirement benefits (continued)

**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 depend on actual fuure levels of assummed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have 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

| **2019** | **-20% Mortality Rate** | **Valuation Assumption** | **+ 20% Mortality Rate** |
|---|---|---|---|
| Total accrued liability | (13,382,066) | 12,315,291 | 11,464,240 |
| Interest cost | (3,318,000) | 3,048,000 | 2,833,000 |
| Service cost | (876,000) | 804,000 | 746,000 |
| | **(17,576,066)** | **16,167,291** | **15,043,240** |

| **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** |

**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 years.

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

| **2019** | **-1% Medical Aid Inflation** | **Valuation Assumption** | **+ 1%Medical Aid Inflation** |
|---|---|---|---|
| Total accrued liability | (10,489,799) | 12,315,291 | 13,938,066 |
| Interest cost | (2,701,000) | 3,048,000 | 3,460,000 |
| Service cost | (687,000) | 804,000 | 947,000 |
| | **(14,336,799)** | **16,167,291** | **18,345,066** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 7. Retirement benefits (continued)

| 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** |

## 8. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Cash on hand | 19 730 | 104 376 |
| Short-term deposits | 382 724 686 | 165 503 918 |
| Provision for doubtful deposits (SME Bank) | (124 438 302) | (62 219 151) |
| Bank overdraft | (86 489 772) | (141 554 107) |
| | **171 816 342** | **(38 164 964)** |
| Current assets | 258 306 114 | 103 389 143 |
| Current liabilities | (86 489 772) | (141 554 107) |
| | **171 816 342** | **(38 164 964)** |
| Cash and cash equivalents held by the entity that are not available for use by the group. | 45 959 000 | 14 760 635 |

**Restricted Cash**
Included in the cash and cash equivalent is an amount of N$45,9 million (2018: N$14.8 million) received from the Government of the Republic of Namibia for specific 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.

The Fund has an 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$136 million( 2018: 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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 8. Cash and cash equivalents (continued)

**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) | 67 564 | 2 521 729 |
| Standard Bank Namibia Limited (BB + Fitch credit rating) | (86 489 772) | (143 014 661) |
| First National Bank Namibia Limited (A + Global credit Rtaing) | 258 218 820 | 4 441 |
| SME Bank (not rated) | - | 62 219 151 |
| Namibia Post Limited (not rated) | - | 40 000 000 |
| | **171 796 612** | **(38 269 340)** |

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.The Fund consideres that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, with the exceptions of the investment in SME bank as the bank is not rated and has filed for liquidation.

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. No additional information is available relating to the liquidity of the bank and hence management's judgement on the recovery of the investment is NIL.

On initial application of IFRS 9, the Fund recognised an impairement allowance as at 1 April 2018 in the amount of N$62,219,151. The amount of the allowance did not change during 2019.

## 9. Other financial liabilities

| | | |
|---|---|---|
| **Held at amortised cost** | | |
| **Ministry of Finance on-lending loan** | - | 44 476 822 |
| 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** | 400 281 166 | 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). | | |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 9. Other financial liabilities (continued)

| | 2019 | 2018 |
|---|---|---|
| **KfW Loan**<br>The loan bears a fixed interest of 7.505% per annum and is repayable in 20 bi-annual payments of N$25,3 million starting 15 May 2021. 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). | 240 876 678 | - |
| | **641 157 844** | **491 835 172** |

The carrying amount of other financial liabilities approximates its fair value.

| | 2019 | 2018 |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 594 065 748 | 440 294 147 |
| **Current liabilities** | 47 092 096 | 51 541 025 |
| At amortised cost | **641 157 844** | **491 835 172** |

## 10. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| Roads Authority project administration and other fund creditors | 269 589 608 | 217 110 861 |
| Amounts received in advance - CBC | 1 990 016 | 2 282 251 |
| Accrual Local Authorities and Traffic Law Enforcement | 58 397 979 | 27 091 464 |
| Fuel Levy refund | 34 148 792 | 81 478 168 |
| Interest accrual - KfW Loans | 14 444 319 | 9 150 688 |
| Vehicle Licence Fee - refunds payable | - | 2 769 590 |
| Government Road Project | 45 959 000 | 14 764 500 |
| | **424 529 714** | **354 647 522** |

Included in the Government Road project is an amount of N$45.9 million (2018: N$14.8 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.

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

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 11. Financial assets by category

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

| 2019 | Loans and receivables | Total |
|---|---|---|
| Trade and other receivables | 560 957 422 | 560 957 422 |
| Cash and cash equivalents | 258 306 114 | 258 306 114 |
| | **819 263 536** | **819 263 536** |

| 2018 | Loans and receivables | Available-for-sale | Total |
|---|---|---|---|
| Other financial assets | - | 315 173 | 315 173 |
| Trade and other receivables | 475 325 701 | - | 475 325 701 |
| Cash and cash equivalents | 103 389 143 | - | 103 389 143 |
| | **578 714 844** | **315 173** | **579 030 017** |

### 12. Financial liabilities by category

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

| 2019 | Financial liabilities at amortised cost | Total |
|---|---|---|
| Retirement benefit obligation | 12 315 291 | 12 315 291 |
| Other financial liabilities | 641 157 844 | 641 157 844 |
| Trade and other payables | 424 529 714 | 424 529 714 |
| | **1 078 002 849** | **1 078 002 849** |

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

## Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

### 13. Revenue

| | | |
|---|---|---|
| Fuel levies | 1 500 272 583 | 1 420 353 929 |
| Road User Charges | 1 002 079 109 | 946 946 988 |
| | **2 502 351 692** | **2 367 300 917** |

**The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:**

| | | |
|---|---|---|
| Vehicle license fees | 710 195 618 | 674 687 564 |
| Cross border charges | 137 420 557 | 131 436 895 |
| Mass distance charges - local | 100 997 613 | 91 065 992 |
| Mass distance charges - foreign | 41 116 865 | 28 231 761 |
| Abnormal permit fees | 12 348 456 | 21 524 776 |
| | **1 002 079 119** | **946 946 988** |

### 14. Other operating income

| | | |
|---|---|---|
| Admin sundry income | 269 200 | 254 503 |

### 15. Operating profit (loss)

Operating (deficit) surplus for the year is stated after charging (crediting) the following, amongst others:

| | | |
|---|---|---|
| **Auditor's remuneration - external** | | |
| Audit fees | 1 225 391 | 987 830 |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 2 471 040 | 1 607 221 |

**Expenses by nature**

The total operating expenses are analysed by nature as follows:

| | | |
|---|---|---|
| Depreciation, amortisation and impairment | 2 471 040 | 1 607 221 |
| Other expenses | 165 382 674 | 185 939 125 |
| Fuel Levy Refunds | 291 381 936 | 259 786 180 |
| Local Authorities | 102 603 855 | 78 838 639 |
| National road network expenditure | 1 723 865 972 | 1 699 523 592 |
| | **2 285 705 477** | **2 225 694 757** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 15. Operating profit (loss) (continued)

Bank charges have reduced from N$12 million to N$6 million due to the erroneous calculation of the fees in the 2017/2018 financial year.The excessive fees (including interest thereon) were recovered from the Bank but is only recognized in the 2019/2020 financial year as the amount to be recovered was only finalised after the 2019 year-end.

## 16. Depreciation, amortisation and impairment losses

| | | |
|---|---|---|
| **Depreciation** | | |
| Property, plant and equipment | 2 471 040 | 1 607 221 |

## 17. Investment income

| | | |
|---|---|---|
| **Interest income** | | |
| **From investments in financial assets:** | | |
| Bank and other cash | 1 698 533 | 1 981 293 |
| Other financial assets | 33 487 781 | 18 289 432 |
| **Total interest income** | **35 186 314** | **20 270 725** |

## 18. Finance costs

| | | |
|---|---|---|
| Non-current borrowings | 49 123 143 | 36 716 988 |

## 19. Cash generated from/(used in) operations

| | | |
|---|---|---|
| Surplus for the year | 198 537 480 | 125 414 400 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 2 471 040 | 1 607 221 |
| Interest income | (35 186 314) | (20 270 725) |
| Finance costs | 49 123 143 | 36 716 988 |
| Movements in retirement benefit assets and liabilities | (11 009 999) | (54 963 705) |
| Other non-cash items - IFRS 9 adjustments | (84 884 304) | - |
| **Changes in working capital:** | | |
| Trade and other receivables | (85 631 721) | (339 950 720) |
| Trade and other payables | 69 882 192 | 201 453 249 |
| | **103 301 517** | **(49 993 292)** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 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.

## 21. Related parties

### Relationships

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

### Related party balances

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

| | 2019 | 2018 |
|---|---|---|
| Roads Authority | (195 501 996) | (217 110 861) |
| Local Authorities | (32 998 456) | (26 772 171) |
| KfW loan | (641 157 844) | (491 835 172) |
| Government Road Projects | (45 959 000) | (14 764 500) |

### Related party transactions

**Payments made to related parties**

| | 2019 | 2018 |
|---|---|---|
| Roads Authority | 1 723 865 972 | 1 699 523 592 |
| Local Authorities | 102 603 855 | 78 838 639 |
| Traffic Law Enforcement Agencies | 26 382 533 | 30 917 871 |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 22. Fair value information

Description of valuation method and inputs of another class of level 2 fair values.

No changes have been made to the valuation technique.

## 23. Government Road Projects

The Fund administers some bank accounts that are used to finance certain projects on behalf of the Government of the Rebublic 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:** | **2019** | **2018** |
|---|---|---|
| Balance at the beginning of the year | 14 764 058 | 3 167 141 |
| Payment during the year | 31 194 942 | 11 596 917 |
| | **45 959 000** | **14 764 058** |
| **The amount is represented by:** | | |
| Project accounts included in bank balances | 45 959 000 | 14 764 058 |

## 24. National Road Network Expenditure

| | **2019** | **2018** |
|---|---|---|
| Roads Authority - NaTIS | 31 331 735 | 24 760 723 |
| Roads Authority - Construction & Rehabilitation | 11 617 552 | 77 996 411 |
| Roads Authority - Network Planning | 13 112 817 | 27 597 401 |
| Roads Authority - Maintenance | 1 149 062 550 | 1 093 741 928 |
| Roads Authority - Road Management | 21 776 889 | 18 582 141 |
| Roads Authority - Administration | 437 008 335 | 409 955 567 |
| Roads Authority - Road Transport Inspection | 8 947 009 | 8 169 265 |
| Roads Authority - Office Accommodation | 33 658 062 | 16 536 190 |
| Roads Authority - Business Systems | 17 351 023 | 15 611 362 |
| Roads Authority - IT Operations | - | 6 572 604 |
| | **1 723 865 972** | **1 699 523 592** |

## 25. Commitments

The leases are renewable on an annual basis.

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Fuel Levy | | 1 500 272 583 | 1 420 353 929 |
| Road User Charges | | 1 002 079 109 | 946 946 988 |
| | 13 | **2 502 351 692** | **2 367 300 917** |
| **Other operating income** | | | |
| Commissions received | | 269 200 | 254 503 |
| **Other operating gains (losses)** | | | |
| Impairment loss on trade receivables | | (4 441 106) | - |
| **Expenses (Refer to page 144)** | | **(2 285 705 477)** | **(2 225 694 757)** |
| **Operating Surplus/(Deficit)** | 15 | **212 474 309** | **141 860 663** |
| Investment income | 17 | 35 186 314 | 20 270 725 |
| Finance costs | 18 | (49 123 143) | (36 716 988) |
| **Surplus/deficit for the year** | | **198 537 480** | **125 414 400** |

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

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income (continued)

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Other operating expenses** | | | |
| Advertising | | (1 497 400) | - |
| Auditors remuneration - external auditors | 15 | (1 225 391) | (987 830) |
| Bank charges | 15 | (6 441 913) | (12 077 000) |
| Cleaning | | (32 317) | - |
| Computer expenses | | (1 910 962) | (43 698) |
| Consulting and professional fees | | 3 306 | - |
| Depreciation | | (2 471 040) | (1 607 221) |
| Development of RUCS | | - | (2 630 681) |
| Donations | | (557 572) | (544 256) |
| Entertainment | | (421 850) | - |
| Fuel Levy refunds | | (291 381 936) | (259 786 180) |
| Gifts | | (66 169) | - |
| IT expenses | | 104 963 | (104 963) |
| Lease rentals on operating lease | | (10 528) | - |
| Local Authorities | | (102 603 855) | (78 838 639) |
| Management fees | | (333 119) | (1 204 388) |
| Municipal expenses | | (273 319) | - |
| Other expenses | | - | (1 925 122) |
| Printing and stationery | | (15 111) | (116 623) |
| Professional fees | | (2 772 268) | (1 105 653) |
| Protective clothing | | (334 473) | - |
| Provision for doubtful deposit (SME) Bank | | - | (18 666 151) |
| Legal fees | | (1 276 314) | - |
| Road Authority - Road maintenance and management | | (1 723 865 972) | (1 699 523 592) |
| Security | | (307 936) | (988 122) |
| Technical Assistance AA | | (10 007 512) | (5 954 720) |
| Traffic Law Enforcement agencies | | (26 382 533) | (30 917 871) |
| Training | | (2 068 738) | (320 069) |
| Transfer to administration account | | (109 029 379) | (108 351 978) |
| Travel - local | | (526 139) | - |
| | | **(2 285 705 477)** | **(2 225 694 757)** |

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

# ADMINISTRATION ACCOUNT


## ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

# 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 of achieving a safe and economically efficient road sector. |
| **Directors** | P Ithindi (Chairperson)<br>S Amunkete<br>Z Stellmacher<br>R Amadhila<br>N Henok |
| **Registered office** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Business address** | 21 Feld Street<br>Windhoek<br>Namibia |
| **Postal address** | Private Bag 13372<br>Windhoek<br>Namibia<br>9000 |
| **Bankers** | Standard Bank Namibia |
| **Auditor** | PricewaterhouseCoopers<br>Registered Accountants and Auditors<br>Chartered Accountants (Namibia) |
| **Secretary** | Anna Matebele |

# ROAD FUND ADMINISTRATION - ADMINISTRATION ACCOUNT
Financial Statements for the year ended 31 March, 2019

## Contents

# Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act (Act 18 of 1999) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with 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 2020 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 149 to 150.

The annual financial statements set out on pages 151 to 174, which have been prepared on the going concern basis, were approved by the board on 15 August 2019 and were signed on their behalf by:

**Approval of financial statements**

**Director**

**Director**

**Windhoek**
**15 August 2019**

# 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 Road Fund Administration - Administration Account (the "Fund") as at 31 March 2019, 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 151 to 171 comprise:

- the directors' report for the year ended 31 March 2019;
- the statement of financial position as at 31 March 2019;
- 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 sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct 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 document titled "Road Fund Administration - Administration Account financial statements for the year ended 31 March 2019". The 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 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.

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.

# Independent Auditor's Report (continued)

**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 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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Samuel N Ndahangwapo
Partner
Windhoek

Date: 30 September 2019

# 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 2019

## 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 | 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 2018/2019 financial year.

## 6. Secretary

The secretary is Anna Matebele.

# Statement of Financial Position as at 31 March 2019

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 4 159 147 | 5 202 533 |
| Intangible assets | 16 | 1 658 580 | 3 088 306 |
| | | **5 817 727** | **8 290 839** |
| **Current Assets** | | | |
| Trade and other receivables | 4 | 710 872 | 722 165 |
| Cash and cash equivalents | 5 | 25 796 817 | 18 268 189 |
| | | **26 507 689** | **18 990 354** |
| **Total Assets** | | **32 325 416** | **27 281 193** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Retained income | | 13 482 582 | 10 647 335 |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Provisions | 6 | 10 443 385 | 9 138 359 |
| **Current Liabilities** | | | |
| Trade and other payables | 7 | 8 399 449 | 7 495 499 |
| **Total Liabilities** | | **18 842 834** | **16 633 858** |
| **Total Equity and Liabilities** | | **32 325 416** | **27 281 193** |

## Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| Revenue from the Fund | 10 | 109 245 283 | 109 046 766 |
| Operating expenses | | (106 410 859) | (99 882 393) |
| **Operating surplus (deficit)** | 11 | **2 834 424** | **9 164 373** |
| Investment income | 12 | 823 | 35 677 |
| Other non-operating gains (losses) | 13 | - | (16 576) |
| **Surplus (deficit) for the year** | | **2 835 247** | **9 183 474** |
| Other comprehensive income | | - | - |
| **Total comprehensive surplus (deficit) for the year** | | **2 835 247** | **9 183 474** |

# Statement of Changes in Equity

| Figures in Namibia Dollar | Accumulated Surplus | Total equity |
|---|---|---|
| **Balance at 01 April 2017** | **1 463 861** | **1 463 861** |
| Deficit for the year | 9 183 474 | 9 183 474 |
| **Total comprehensive income for the year** | **9 183 474** | **9 183 474** |
| **Balance at 01 April 2018** | **10 647 335** | **10 647 335** |
| Surplus for the year | 2 835 247 | 2 835 247 |
| **Total comprehensive income for the year** | **2 835 247** | **2 835 247** |
| **Balance at 31 March 2019** | **13 482 582** | **13 482 582** |

# Statement of Cash Flows

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from users | | 109 245 283 | 109 755 421 |
| Cash paid to suppliers and employees | | (100 967 894) | (94 513 508) |
| Cash generated from operations | 14 | 8 277 389 | 15 241 913 |
| Interest income | | 823 | 35 677 |
| **Net cash from operating activities** | | **8 278 212** | **15 277 590** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (714 809) | (684 154) |
| Purchase of other intangible assets | 16 | (34 775) | (2 824 465) |
| **Net cash from investing activities** | | **(749 584)** | **(3 508 619)** |
| **Total cash movement for the year** | | **7 528 628** | **11 768 971** |
| Cash at the beginning of the year | | 18 268 189 | 6 499 218 |
| **Total cash at end of the year** | 5 | **25 796 817** | **18 268 189** |

# 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 Namibian Dollars.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.13.

### 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**

*Impairment of Trade receivables*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

**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.

**Provisions**

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

**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 respoect 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.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

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).

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 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Computer Software | 5 years |

### 1.5 Financial instruments

*Recognition and initial measurement*
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, with the exception of trade receivables without a significant financing component. Trade receivables without a significant financing component are initially measured at the transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

*Classification*
On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit and loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*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. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Fund recognises a loss allowance for expected credit losses on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date. The Fund measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in profit or loss as impairment loss on trade 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 profit or loss.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than twelve months 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 amortised cost.

*Other financial assets*
Other financial assets are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line item. Fair value is determined in the manner described in note1.12.

### Impairment of financial assets
The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime Expected Credit Loss (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.
Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*
The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*(iii) Write-off policy*
The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Measurement and recognition of expected credit losses**
The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as an Impairment loss on Trade and other receivables.

**Derecognition of financial assets**
The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**
Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

**Financial liabilities**
All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*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.

*Other financial liabilities*
Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. 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.

**Derecognition of financial liabilities**
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 1.6 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.

### 1.7 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.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

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.

### 1.9 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.

### 1.11 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.

### 1.12 Changes in significant accounting policies

**A. IFRS 9 Financial Instruments**
IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Because of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

# Accounting Policies (continued)

## 1. Significant accounting policies (continued)

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

- *Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments. For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1.3.

- *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.3. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 April 2018 has not resulted in an additional allowance for impairment.

- *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made because of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly.

# Notes to the Financial Statements

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 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 funds 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 2019-N$** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| Trade and other payables | 8 399 449 | - | - | - |

| **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 | 7 495 499 | - | - | - |

**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.

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 3. Property, plant and equipment

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** |
| Furniture and fixtures | 3 077 746 | (991 072) | 2 086 674 | 2 679 764 | (711 185) | 1 968 578 |
| Motor vehicles | 3 591 605 | (2 134 638) | 1 456 967 | 3 591 605 | (1 416 317) | 2 175 288 |
| Office equipment | 519 379 | (396 596) | 122 783 | 466 453 | (294 774) | 171 679 |
| Computer software and equipment | 4 455 281 | (3 962 558) | 492 723 | 4 191 131 | (3 304 144) | 886 988 |
| **Total** | **11 644 011** | **(7 484 864)** | **4 159 147** | **10 928 953** | **(5 726 420)** | **5 202 533** |

**Reconciliation of property, plant and equipment - 2019**

| | **Opening balance** | **Additions** | **Depreciation** | **Total** |
|---|---|---|---|---|
| Furniture and fixtures | 1 968 579 | 397 747 | (279 652) | 2 086 674 |
| Motor vehicles | 2 175 288 | - | (718 321) | 1 456 967 |
| Office equipment | 171 679 | 52 913 | (101 809) | 122 783 |
| Computer equipment | 886 987 | 264 149 | (658 413) | 492 723 |
| | **5 202 533** | **714 809** | **(1 758 195)** | **4 159 147** |

**Reconciliation of property, plant and equipment - 2018**

| | **Opening balance** | **Additions** | **Disposal** | **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 equipment | 1 233 626 | 323 823 | - | (670 462) | 886 988 |
| | **5 893 467** | **684 154** | **(16 576)** | **(1 358 513)** | **5 202 533** |

Pledges and security

There were no assets pledged for security during the year under review (2018: none)

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 4. Trade and other receivables

| | | |
|---|---|---|
| Sundry debtors | 588 983 | 607 832 |
| Payroll control accounts | 121 889 | 114 333 |
| | **710 872** | **722 165** |

## 5. Cash and cash equivalents

| | | |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Cash on hand | 40 | 40 |
| Bank balances | 25 796 777 | 18 268 149 |
| | **25 796 817** | **18 268 189** |

**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) | - | 174 158 |
| Standard Bank (BB + Fitch credit rating) | 25 796 817 | 18 093 990 |
| | **25 796 817** | **18 268 148** |

## 6. Provisions

| **Reconciliation of provisions - 2019** | **Opening balance** | **Additions** | **Total** |
|---|---|---|---|
| Leave pay provision | 4 492 773 | 84 860 | 4 577 633 |
| Severance pay provision | 4 645 586 | 1 220 166 | 5 865 752 |
| | **9 138 359** | **1 305 026** | **10 443 385** |

| **Reconciliation of provisions - 2018** | **Opening balance** | **Additions** | **Total** |
|---|---|---|---|
| Leave pay provision | 3 440 025 | 1 052 748 | 4 492 773 |
| Severance pay provison | 4 024 520 | 621 066 | 4 645 586 |
| | **7 464 545** | **1 673 814** | **9 138 359** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|

## 6. Provisions (continued)

**Provison for severance pay**

In accordance with Section 35 (1) of the Namibia Labour Act, 2007, severance benefits are payable to an employee is unfairly 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 | 1 051 976 | 1 218 063 |
| Other payables | 7 347 473 | 6 277 436 |
| | **8 399 449** | **7 495 499** |

Other payables related to PAYE and salary control.

## 8. Financial assets by category

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

**2019**

| | Loans and receivables | Total |
|---|---|---|
| Trade and other receivables | 710 872 | 710 872 |
| Cash and cash equivalents | 25 796 817 | 25 796 817 |
| | **26 507 689** | **26 507 689** |

**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** |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
| --- | --- | --- |

## 9. Financial liabilities by category

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

**2019**

| | Financial liabilities at amortised cost | Total |
| --- | --- | --- |
| Trade and other payables | 8 399 449 | 8 399 449 |

**2018**

| | Financial liabilities at amortised cost | Total |
| --- | --- | --- |
| Trade and other payables | 7 495 499 | 7 495 499 |

## 10. Capital Contribution

| | 2019 | 2018 |
| --- | --- | --- |
| Transfer from Fund | 109 029 379 | 108 351 978 |
| Sundry income | 215 904 | 694 788 |
| | **109 245 283** | **109 046 766** |

## 11. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after charging (crediting) the following, amongst others:

| | 2019 | 2018 |
| --- | --- | --- |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 3 222 696 | 2 705 047 |

## 12. Investment income

| | 2019 | 2018 |
| --- | --- | --- |
| **Interest income** | | |
| **From investments in financial assets:** | | |
| Interest on current account | 823 | 35 677 |

## Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|
| **13. Other non-operating gains (losses)** | | |
| **Gains (losses) on disposals, scrappings or settlements** | | |
| Non-current assets held for sale and disposal groups | - | (16 576) |

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|
| **14. Cash generated from operations** | | |
| (Deficit)/Surplus | 2 835 247 | 9 183 474 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 3 222 696 | 2 705 047 |
| Losses on disposals, scrappings and settlements of assets and liabilities | - | 16 576 |
| Interest income | (823) | (35 677) |
| Movements in provisions | 1 305 026 | 1 673 814 |
| **Changes in working capital:** | | |
| Trade and other receivables | 11 293 | (281 842) |
| Trade and other payables | 903 950 | 1 980 521 |
| | **8 277 389** | **15 241 913** |

| Figures in Namibia Dollar | 2019 | 2018 |
|---|---|---|
| **15. Related parties** | | |
| **Related party transactions** | | |
| **Funds Transferred from Road Fund** | | |
| Road Fund Account | 109 029 379 | 108 351 978 |
| **Compensation to directors and other key management** | | |
| Directors Emolument - Board | 838 988 | 554 601 |

# Notes to the Financial Statements (continued)

| Figures in Namibia Dollar | 2019 | 2018 |
| --- | --- | --- |

## 16. Intangible assets

| | 2019 | | | 2018 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 9 502 927 | (7 844 347) | 1 658 580 | 9 468 401 | (6 380 095) | 3 088 306 |

**Reconciliation of intangible assets - 2019**

| | Opening balance | Additions | Amortisation | Total |
| --- | --- | --- | --- | --- |
| Computer software | 3 088 306 | 34 775 | (1 464 501) | 1 658 580 |

**Reconciliation of intangible assets - 2018**

| | Opening balance | Additions | Amortisation | Total |
| --- | --- | --- | --- | --- |
| Computer software | 1 610 376 | 2 824 465 | (1 346 535) | 3 088 306 |

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Sundry Income | | 215 904 | 694 788 |
| Revenue from the Fund | | 109 029 379 | 108 351 978 |
| | 10 | **109 245 283** | **109 046 766** |
| **Expenses (Refer to pages 173 and 174)** | | **(106 410 859)** | **(99 882 393)** |
| **Operating Surplus (Deficit)** | 11 | **2 834 424** | **9 164 373** |
| Interest income | 12 | 823 | 35 677 |
| **Other non-operating gains (losses)** | | | |
| Losses on disposal of assets or settlement of liabilities | | - | (16 576) |
| **Surplus (Deficit) for the year** | | **2 835 247** | **9 183 474** |

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

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income (continued)

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| **Other operating expenses** | | | |
| Advertising | | (309 511) | (711 996) |
| Bank charges | | (41 037) | (64 688) |
| Cleaning | | (582 663) | (598 883) |
| Computer expenses | | (1 165 911) | (268 406) |
| Consulting and professional fees | | (552 383) | (1 175 135) |
| Legal fees | | - | (350 297) |
| Consumables | | (166 654) | (259 314) |
| Depreciation | | (3 222 696) | (2 705 047) |
| Donations | | - | (10 000) |
| Employee costs | | (81 898 210) | (72 998 571) |
| Entertainment | | (696 105) | (681 932) |
| Books | | - | (28 130) |
| E-mail and internet services | | (2 045 770) | (1 130 481) |
| Training levy | | (747 902) | (657 319) |
| Seminar & conferences | | (188 948) | (204 656) |
| Other expense | | - | (130 093) |
| Public relations activities | | - | (1 102 787) |
| Motor vehicle expenses | | (403 737) | (594 962) |
| Minor computer equipment | | (88 845) | (143 828) |
| Hire | | (3 036) | - |
| Insurance | | (328 019) | (520 686) |
| IT expenses | | (392 570) | (1 017 397) |
| Lease rentals on operating lease | | (233 755) | (131 115) |
| Water and electricity | | (1 031 616) | (794 282) |
| Postage | | (207 111) | (171 025) |
| Printing and stationery | | (694 329) | (1 623 194) |
| Corporate Items | | (317 350) | (414 201) |
| Long service awards | | (518 017) | (173 500) |
| Repairs and maintenance | | (554 131) | (346 718) |
| Security | | (2 460 667) | (1 452 383) |

## Detailed Statement of Surplus or Deficit and Other Comprehensive Income (continued)

| Figures in Namibia Dollar | Note(s) | 2019 | 2018 |
|---|---|---|---|
| Sundry grants | | (8 460) | (100 000) |
| Subscriptions | | (1 968 217) | (943 174) |
| Telephone and fax | | (829 511) | (1 422 484) |
| Training | | (1 075 644) | (1 830 283) |
| Transport and freight | | (36 836) | (924 870) |
| Travel - local | | (3 641 218) | (4 200 556) |
| | | **(106 410 859)** | **(99 882 393)** |

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

# NOTES

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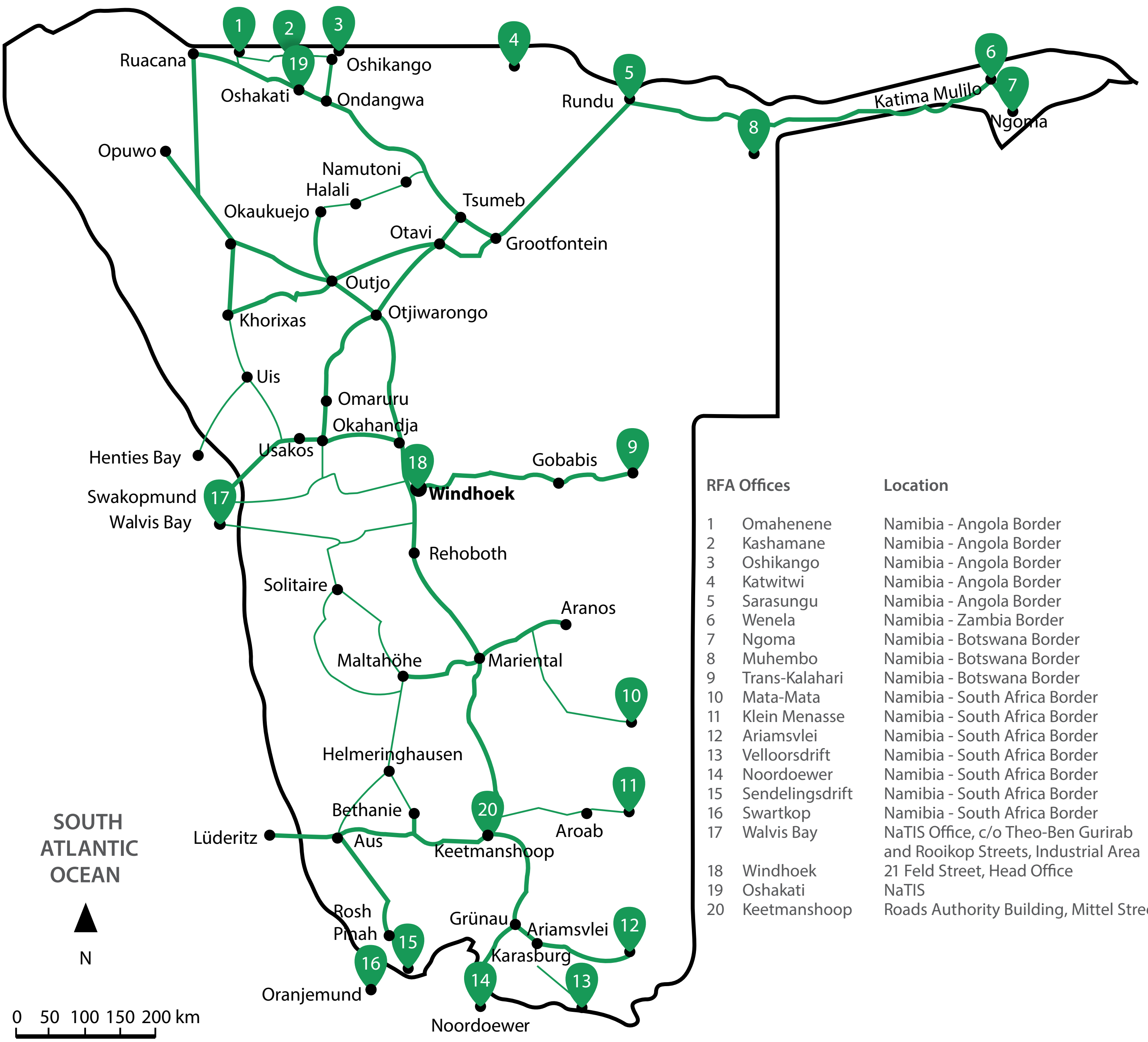
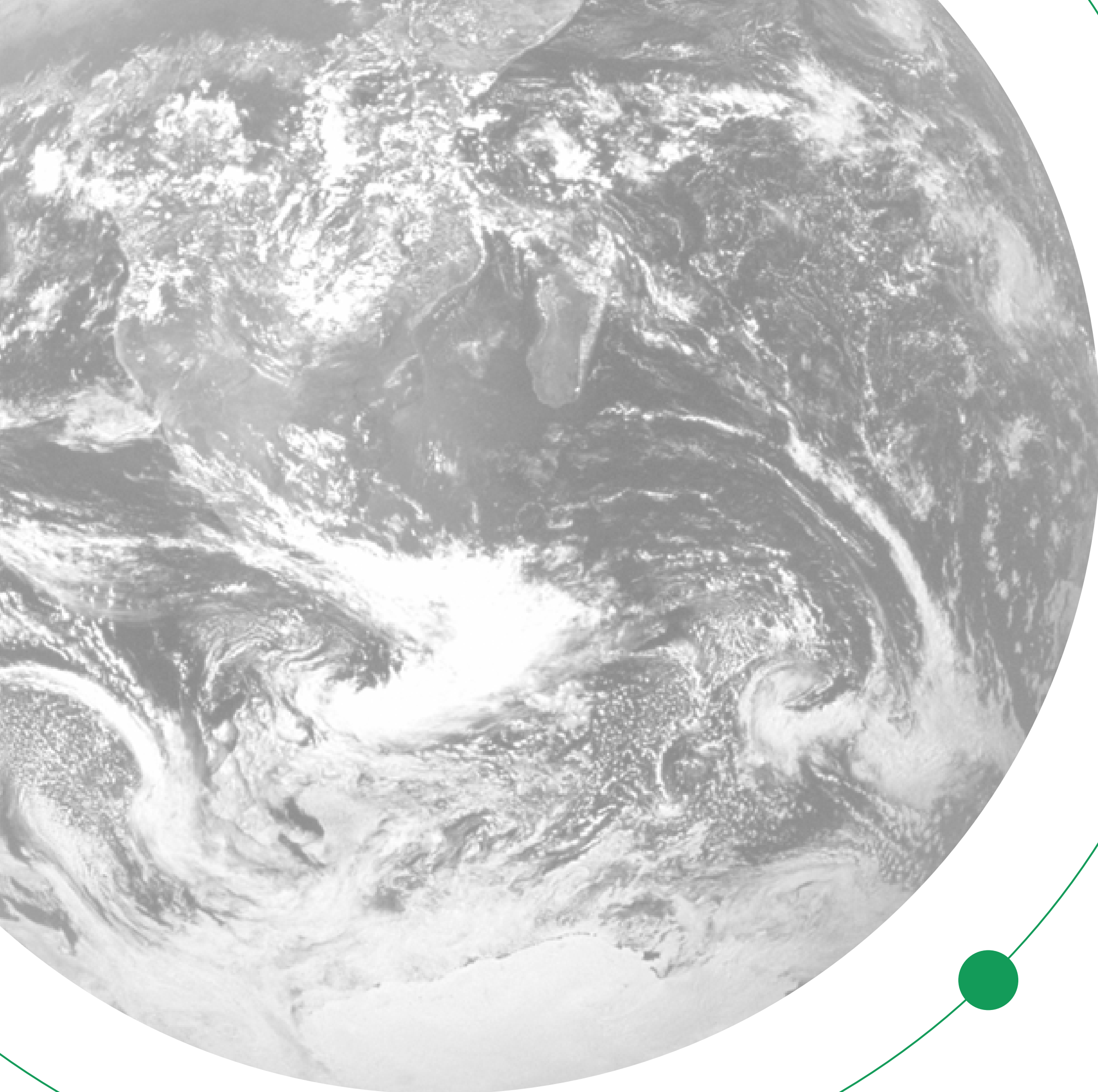
# ABBREVIATIONS

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

# RFA GEOGRAPHIC FOOTPRINT




| RFA Offices | | Location |
|---|---|---|
| 1 | Omahenene | Namibia - Angola Border |
| 2 | Kashamane | Namibia - Angola Border |
| 3 | Oshikango | Namibia - Angola Border |
| 4 | Katwitwi | Namibia - Angola Border |
| 5 | Sarasungu | Namibia - Angola Border |
| 6 | Wenela | Namibia - Zambia Border |
| 7 | Ngoma | Namibia - Botswana Border |
| 8 | Muhembo | Namibia - Botswana Border |
| 9 | Trans-Kalahari | Namibia - Botswana Border |
| 10 | Mata-Mata | Namibia - South Africa Border |
| 11 | Klein Menasse | Namibia - South Africa Border |
| 12 | Ariamsvlei | Namibia - South Africa Border |
| 13 | Velloorsdrift | Namibia - South Africa Border |
| 14 | Noordoewer | Namibia - South Africa Border |
| 15 | Sendelingsdrift | Namibia - South Africa Border |
| 16 | Swartkop | Namibia - South Africa Border |
| 17 | Walvis Bay | NaTIS Office, c/o Theo-Ben Gurirab and Rooikop Streets, Industrial Area |
| 18 | Windhoek | 21 Feld Street, Head Office |
| 19 | Oshakati | NaTIS |
| 20 | Keetmanshoop | Roads Authority Building, Mittel Street |

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ACKNOWLEDGEMENTS
Road Fund Administration: Strategic Services Division
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Safety • Efficiency • Equity