



**ROAD DEVELOPMENT  
AGENCY**

# ANNUAL REPORT

# 2014



## **Vision**

To be the leading Model Road Agency in the developing world that is providing a world class Core Road Network in Zambia.

## **Mission**

To provide a World Class Core Road Network in Zambia

## **Core Values**

Honest and integrity  
Transparency and Accountability  
Teamwork  
Responsiveness  
Zero tolerance to corruption  
Commitment  
Stakeholder satisfaction

# Contents

<b>Abbreviations</b> .....	<b>4</b>
<b>Section One</b>	
<b>Chairperson's Statement</b> .....	<b>5</b>
<b>Section Two</b>	
<b>Chief Executive Officer's Report</b> .....	<b>7</b>
<b>Section Three</b>	
<b>The Board of Directors</b> .....	<b>9</b>
<b>Section Four</b>	
<b>Road Maintenance Initiative</b> .....	<b>10</b>
Committee of Ministers on Road Maintenance Initiative (RMI) .....	11
Committee of Permanent Secretaries on RMI .....	11
<b>Section Five</b>	
<b>RDA Structure - Executive Management</b> .....	<b>12</b>
Regional Offices .....	13
Local Road Authorities .....	13
<b>Section Six</b>	
<b>2014 Road Condition</b> .....	<b>14</b>
Paved Network Condition .....	14
Unpaved TMD Condition .....	14
Unpaved Primary Feeder Roads (PFR) .....	15
Paved Primary Feeder Roads (PFR) .....	15
<b>Section Seven</b>	
<b>General</b> .....	<b>16</b>
2014 RSAWP Physical Progress .....	16
2015 – 2024 Road Maintenance Strategy .....	16
2014 Road Sector Budgetary allocation .....	18
Releases of Funds & Disbursements- Local Resources .....	18
The 2015 Road Sector Annual Works Plan (RSAWP) .....	19
<b>Section Eight</b>	
<b>Internal Audit</b> .....	<b>20</b>
Activities During the Year .....	20
Consultancy and other Special Assignments .....	20
Risk Management Program Evaluation .....	21
Recommendations to the Board .....	21
<b>Section Nine</b>	
<b>Planning and Design</b> .....	<b>22</b>
Design and Feasibility Studies .....	22
Bridge Management .....	22
Research and Development .....	22
Environmental and Social Management .....	22
<b>Section Ten</b>	
<b>Procurement</b> .....	<b>23</b>
Procurement Operations and Activities .....	23
Procurement of Goods and Services .....	24
Development of Standard Solicitation Documents for the Road Sector .....	24

## Contents (continued)

### Section Eleven

<b>Construction and Rehabilitation</b> .....	<b>25</b>
Link Zambia 8000 .....	25
Pave Zambia 2000 .....	26
Other Major Road & Bridge Projects .....	27
Challenges .....	29

### Section Twelve

<b>Maintenance</b> .....	<b>30</b>
On Going Road Projects under Periodic Maintenance .....	31
Rehabilitation of Unpaved Mining Roads .....	32
Urban Roads under Local Road Authorities .....	32
Major Urban Roads Projects On-going .....	32
L400 road project .....	32
Feeder Roads .....	33
National Park Roads .....	33
Bridges .....	33
Emergency Works .....	33

### Section Thirteen

<b>Commercial and Technical</b> .....	<b>34</b>
Axle Load Control Unit .....	34
Road Tolling Unit .....	35
Construction of toll plazas .....	35
Mechanical Services Unit .....	35

### Section Fourteen

<b>Legal</b> .....	<b>36</b>
--------------------	-----------

### Section Fifteen

<b>Human Capital and Administration</b> .....	<b>37</b>
Staff Establishment .....	37
Staff Training and Development .....	37
Workshops and Seminars .....	37
Industrial Relations .....	37
Staff Health and Wellness .....	37
Recruitments and Transfers .....	38
Terminations/Non Renewal/Retirements .....	38
Obituaries .....	38
Administration .....	38
Information and Communication Technology (ICT) .....	38

### Section Sixteen

<b>Public Relations</b> .....	<b>39</b>
Media Tours .....	39
Media Workshops .....	40
Television Programmes .....	40
Corporate Magazines .....	40
Shows and Exhibitions .....	40
Official Visits .....	41
Media Briefings .....	41

### Section Seventeen

<b>Monitoring and Evaluation</b> .....	<b>42</b>
Vendor Rating System .....	42
Kaizen .....	43

### Section Eighteen

<b>Financial Statements</b> .....	<b>44 - 75</b>
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## Abbreviations

<b>AWP</b>	Annual Work Plan
<b>CEO</b>	Chief Executive Officer
<b>COMI</b>	Committee of Ministers
<b>CRN</b>	Core Road Network
<b>GRZ</b>	Government of the Republic of Zambia
<b>JICA</b>	Japan International Corporation Association
<b>Km</b>	Kilometer
<b>LRA</b>	Local Road Authority
<b>MACO</b>	Ministry of Agriculture and Cooperatives
<b>MTWSC</b>	Ministry of Transport, Works, Supply and Communication
<b>MDGs</b>	Millennium Development Goals
<b>MLGH</b>	Ministry of Local Government and Housing
<b>MoF</b>	Ministry of Finance
<b>MoJ</b>	Ministry of Justice
<b>MP</b>	Member of Parliament
<b>MFA</b>	Ministry of Foreign Affairs
<b>MMEWD</b>	Ministry of Mines, Energy and Water Development
<b>OPRCs</b>	Output and Performance based Road Contracts
<b>PAC</b>	Parliamentary Accounts Committee
<b>PDCC</b>	Provincial Development Coordinating Committee
<b>PSRP</b>	Public Sector Reform Program
<b>PS</b>	Permanent Secretary
<b>RDA</b>	Road Development Agency
<b>RMI</b>	Road Maintenance Initiative
<b>RMS</b>	Road Maintenance Strategy
<b>RTSA</b>	Road Transport and Safety Agency
<b>SADC</b>	Southern Africa Development Community
<b>TMD</b>	Trunk, Main and District Roads
<b>US\$</b>	United States Dollar
<b>ZAWA</b>	Zambia Wildlife Authority
<b>ZMW</b>	Zambian Kwacha rebased

## Chairperson's Statement



Mr. Willie Nsanda  
**RDA Board Chairman**

I am privileged to present the 2014 Annual Report for the Road Development Agency (RDA). The report highlights the achievements, successes and challenges of the Agency during the year ended 31st December, 2014. The Agency continued to carry out its mandate as enshrined in the Public Roads Act. No. 12 of 2002 i.e. by ensuring that the Core Road Network (CRN) was kept in a maintainable condition in line with targets set out in the 2014 Road Sector Annual Work Plan (RSAWP). The budgetary allocation in the 2014 RSAWP was ZMW 4.943 billion. This was an increase from the previous allocation of ZMW 3.28 Billion in 2013.

During the year under review, Eng. Bernard Chiwala, was appointed Chief Executive Officer (CEO) of RDA, to replace Eng. Charles Mushota who was appointed as Executive Director for the National Council for Construction (NCC). The Board also approved the Monitoring and Evaluation Policy of the RDA, aimed at enhancing monitoring activities of the Agency.

The year 2014 was a special one in that Zambia celebrated her golden jubilee. RDA is proud of its contribution during the fifty (50) years of political independence that the Country has enjoyed. During the year under review, some projects under the Link Zambia were completed and these include: Construction of the Michael Chilufya Sata Bridge in Chiawa and Upgrading to Bituminous Standard of the Leopard Hill Road (D152) from State Lodge Junction to Katoba Basic School. The Techno-Economic Study, Detailed Engineering Design and Tender Document Preparation for the Upgrading to Dual Carriageway of 210km of T2 from Lusaka to Kapiri-Mposhi Road in Lusaka and Central Provinces was also completed.

The Agency continued receiving support from Government, co-operating partners, and other stakeholders. Meanwhile some of the on-going projects were: Design and Construction of Mansa to Luwingu (M3) Road (175Km) in the Luapula and Northern Provinces and 30Km of Township Roads in Mansa and Luwingu, Upgrading to Bituminous Standard of Approximately 65 Km (lot 1) of Road M020 from Landless Corner to Mumbwa in Central Province - and Periodic Maintenance of 65.5Km of the Kabwe to Kapiri-Mposhi road.

The Board is pleased to have witnessed the commissioning of works for the long awaited Kazungula Bridge in Southern Province. The project is a joint venture between the Governments of Zambia and Botswana and once completed, the project is expected to increase economic activity between the two countries.

Further the Agency is pleased to have recorded a surplus in the collection of toll fees. The fees collected were nineteen percent (19%) percent above the target set for 2014, which was K 250,000,000.00.

On behalf of the Board, I would like to thank Government, co-operating partners and all other key road sector players for their continued support to the success recorded in the road sector in the year 2014.

Lastly, but not the least, the Board would like to express its appreciation to the CEO, Senior Management and RDA staff members for their continued dedication and zeal in achieving the Agency's objectives.

A handwritten signature in black ink, appearing to read 'Willie Nsanda', is written over a light grey circular stamp.

**Willie Nsanda**  
Chairman

## Chief Executive Officer's Report



Eng. Bernard M. Chiwala  
**Director and CEO**



In the year 2014, RDA continued implementing the major roads programmes, these being: The Link Zambia 8000 Road Project, the Lusaka 400 (also known as L400), the Pave Zambia 2,000 and the upgrading of selected township roads across the country. These Projects had progressed well and were at various stages of construction, rehabilitation, maintenance and upgrading.

During the year under review, the Agency drafted and launched the first ever Road Maintenance Strategy (RMS). The primary goal of this strategy which will be implemented over a ten (10) year period (2015 – 2024) is to ensure that the CRN is in a maintainable state for sustainable economic growth and development. The RMS is geared towards ensuring that there is timely implementation and improved quality of maintenance on the CRN, which will enhance the life span of roads and related infrastructure.

The Agency remained committed to participating in employment creation for Zambians. By the end of 2014 there were eighteen thousand four hundred and forty-four (18, 444) Zambians employed on various construction projects throughout the country. Further in line with Government's (20%) subcontracting policy, three hundred and sixty-eight (368) local contractors were engaged as subcontractors by the end of the reporting period.

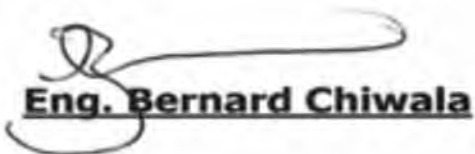
I am pleased to report that the National Tolling Programme which was initiated in 2013 has been successful, with the Agency collecting K296, 833, 688.83 in Toll revenue for the period January 2014 to December 2014 from both ports of entry and weighbridges against a collection target of K250, 000, 000.00 for 2014. The Agency has already signed contracts with two contractors to start the construction of the initial six (6) Toll Plazas. The construction of these toll Plazas which form part of Phase II will facilitate the capturing of all motor vehicles including those weighing six (6) tonnes and below. This development will assist Government through the RDA obtain the much needed revenue to assist in maintaining both new and old roads.

Other successes the Agency recorded during the reporting period include signing of contracts for Construction of Mufuchani bridge in Kitwe and the Upgrading of Road D769 from Mumbwa/Itezhi Tezhi Junction on M009 to Itezhi Tezhi (109 Km) including 2.2 Km of the Inkonkaile to Itezhi Tezhi Boma Access Road in Central Province. Projects such as Phase I of the inner Ring Road connecting the Lusaka South Multi Facility Economic Zone (MFEZ) to Kafue road were completed.

In conclusion, I extend my thanks to the Board for its support. Sincere thanks also go to road sector partners, in particular the donor community for their continued support. RDA also appreciates the role of the office of the Auditor General in the governance of the Agency.

Finally, to our road users, many thanks for your support and feedback.

We remain committed to realising our vision, which is to be the leading Model Road Agency in the developing world that is providing a world class Core Road Network in Zambia.

A handwritten signature in black ink, followed by the printed name "Eng. Bernard Chiwala" in a bold, black, sans-serif font.

**Eng. Bernard Chiwala**

Director and Chief Executive Officer

# The Board of Directors

Board Members as 31st December, 2014:



Mr. Willie Nsanda  
**Chairman**



Mrs. Phidelia Mwaba  
(CILT)



Mr. G Msichili  
PS. Local Government



Mrs. Doreen K. Mwanza  
(ZNFU)



Eng Golden Makayi  
(NCC)



Mrs. Charity Ngoma  
(MTWSC)



Eng. Charles Sakanga  
(EIZ)



Mrs Pamela Kabanga  
(Mof)



Ms. Atridah Mulonga  
(NSTC)



Ms. Chisheshe Mutale  
(MTA)



Mr. Zindaba Soko  
(RTSA)



Mr. Peter Lungu  
(MAC)



Dr. Anthony Mwanaumo (NRFA)  
Representative from the Attorney Generals Chambers



Eng. Bernard Chiwala  
(RDA- Board Secretary)

## Road Maintenance Initiative

### Committee of Ministers on Road Maintenance Initiative (RMI)

The RDA Board reports to the Committee of Ministers (COMI) on RMI on Policy issues through the Committee of Permanent Secretaries. The composition of the COMI on RMI during the period under review is shown below.



**Hon. Yamfwa Mukanga**  
Minister of Transport,  
Works, Supply and  
Communications –  
Chairman



**Hon. Jean Kapata**  
Minister of Tourism



**Hon. Alexander Chikwanda**  
Minister of Finance and  
National Planning



**Hon. Emmelyn Kabanshi**  
Minister of Local  
Government and Housing



**Hon. Christopher Yaluma**  
Minister of Mines, Energy  
and Water Development



**Hon. Edgar C. Lungu**  
Minister of Justice



**Hon. Wilber Simusa**  
Minister of Agriculture &  
Cooperatives

## Committee of Permanent Secretaries on RMI



**Mr. Charles Sipanje**  
PS – MTWSC Chairman



**Mr. Julius Shawa Ps**  
Ministry Agriculture and  
Livestock



**Mr. G Msichili**  
PS. Local Government



**Mr. George Zulu –PS**  
Ministry of Energy and  
Water Development



**Ms. Mbololwa Muyaba**  
Ps - Ministry of justice



**Mrs. Pamela Chibanga Kabamba**  
PS - Budget and Economic Affairs  
Ministry of Finance



**Mr. Stephen Mwansa**  
PS- Ministry of Tourism

## RDA Structure - Executive Management

In order to undertake all its functions the Agency has an agile structure which is conveniently organised around the nine (09) departments namely: - Planning and Design; Construction and Rehabilitation; Maintenance; Commercial & Technical Services; Procurement; Finance; Audit and Risk Assurance; Legal and Human Capital and Administration . The composition of the Agency's Senior Management is shown below;



**Eng. Bernard Chiwala**  
Director and Chief Executive Officer



**Eng. William Mulusa**  
Director – Planning and Design



**Eng. Emmanuel Kaunda**  
Director Maintenance



**Eng. Kanyuka Mumba**  
Director – Construction & Rehabilitation



**Eng. Stephen Mwale**  
Director Comercial & Technical Services



**Mr. Keeta Shisholeka**  
Director – Procurement



**Mr. Anderson Mwape**  
Director – Audit & Risk Assurance



**Mr. Kapembwa Mulenga**  
Director – Finance



**Mr. Andrew Chisala**  
Director – Corporate Services



**Mrs. Mwaka Ngoma**  
Director Legal



## **Regional Offices**

The RDA has Regional Offices in all the ten (10) Provincial Centers. The Regional Offices are headed by Regional Managers and are responsible for road networks within their provincial jurisdictions. The regional offices carried out road surveys and prepared work plans for their respective regions. The regions also participated in the enforcement of Axle load limits.

During the period under review, the Procurement of Routine Maintenance by Performance Contracts continued to be undertaken by the Regional Offices with Headquarters coordinating the preparation and signing of awarded contracts. The regional offices were also actively involved in the procurement and supervision of emergency works.

## **Local Road Authorities**

The Regions fully engaged the Local Road Authorities (LRA's) in management of the networks in the districts in collaboration with Ministry of Local Government and Housing (MLGH). During the year under review MLGH and RDA's working relationship further improved with all road projects falling under the jurisdiction of City, Municipal and District Councils being coordinated from a central point at MLGH.

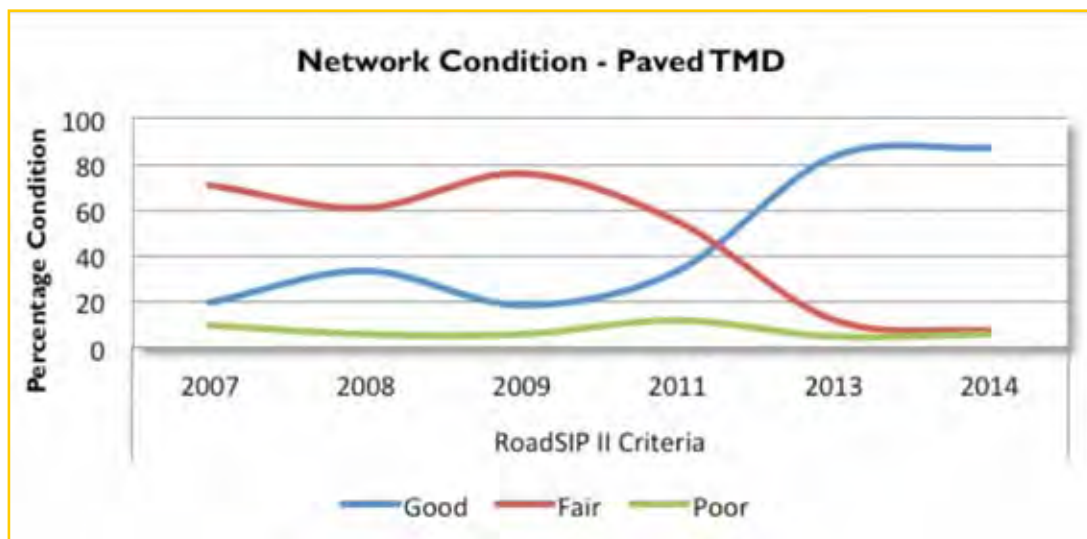
## 2014 Road Condition

Zambia has a total classified network of 67,671km of public roads comprising Trunk, Main, District, Primary, Secondary and Tertiary Feeder, Urban and Park Roads. For the purpose of management of the public roads network, the RDA has delegated some responsibility to Local Road Authorities in line with Section 20 (1) (2) (3) and Section 73 (1) of the Public Roads Act No. 12 of 2002.

The Agency through its Planning Unit has since 2006 been collecting data on the Core Road Network (CRN) using condition parameters defined by RoadSIP II. The CRN is comprised of 40,454km of roads. According to the RoadSIP-II criteria, the CRN condition was established using the International Roughness Index (IRI) for paved roads and gravel thickness for unpaved roads. This criterion has consistently been used as the key performance indicator for assessing the condition of the CRN. The following sub-headings therefore provide information on the condition of the Core Road Network in 2014.

### Paved Network Condition

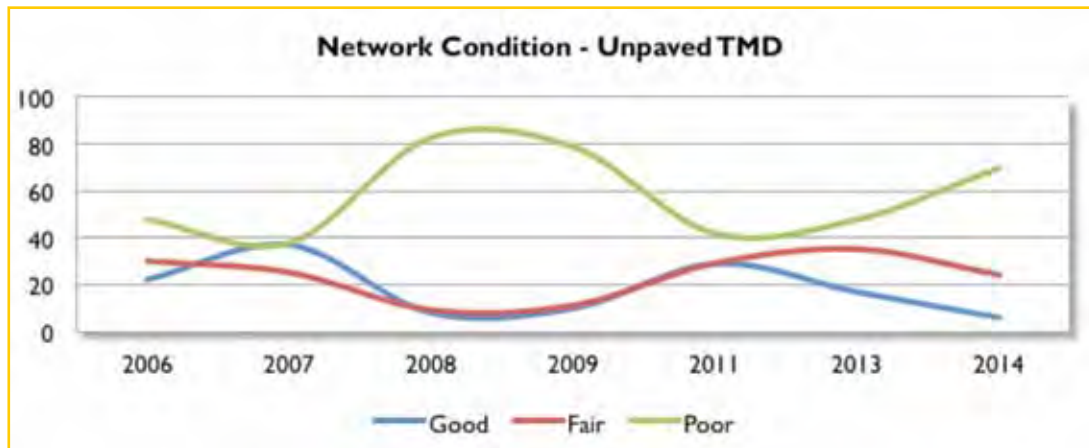
On the paved Trunk, Main and District (TMD) network, 87% were assessed in good condition, 7% in fair condition and 6% in poor condition. There has been a significant improvement in the overall paved network condition for the TMD category since 2006 (See figure below).



Condition of paved TMDs from 2007 to 2014

### Unpaved TMD Condition

On the unpaved TMD network, 6% were assessed in good condition, 24% in fair condition and 70% in poor condition. The assessment criteria on unpaved roads have been relaxed in recent years. However, the trend has seen a decrease in the roads in good and poor condition, with more roads being assessed as in a fair condition as seen in Figure 6-2.



**Condition of Unpaved TMD from 2006 to 2014**

### Unpaved Primary Feeder Roads (PFR)

For the unpaved Primary Feeder Roads (PFR), 4% are in good condition, 14% in fair condition and 82% in poor condition. There has been a slight decrease over the past few years of the amount of the network in poor condition, The extent of the PFR network (>15,000km), accounting for close to one third of the total CRN, demonstrates that the current investments in the PFR network need to increased substantially.

### Paved Primary Feeder Roads (PFR)

For the paved primary feeder roads (PFR), as at 31st December, 2014, 92% were in good condition, 7% in fair condition and 1% in poor condition.

In terms of condition of the CRN as a whole, 60% requires major rehabilitation and 40% is in a maintainable condition. It is hoped that some of the major rehabilitation, upgrading and maintenance programmes planned for the year 2015 will improve the overall network condition and create an enabling environment for commerce and trade.



**A feeder road in Chongwe District**



# Activities in 2014

## General

The functions of RDA as defined in the Public Roads Act No. 12 of 2002 are: “To provide care and maintenance and construction of public roads in Zambia; to regulate maximum weights permissible for transmission on roads; and to provide for matters connected with and incidental to the foregoing”

This annual report presents the activities of the Road Development Agency (RDA) during the period 1st January, 2014 to 31st December, 2014. The report highlights the key activities and successes of the Agency during the period under review. It is intended to give stakeholders an understanding of the performance of the Agency with regards to road infrastructure development, maintenance and management in line with good corporate governance.

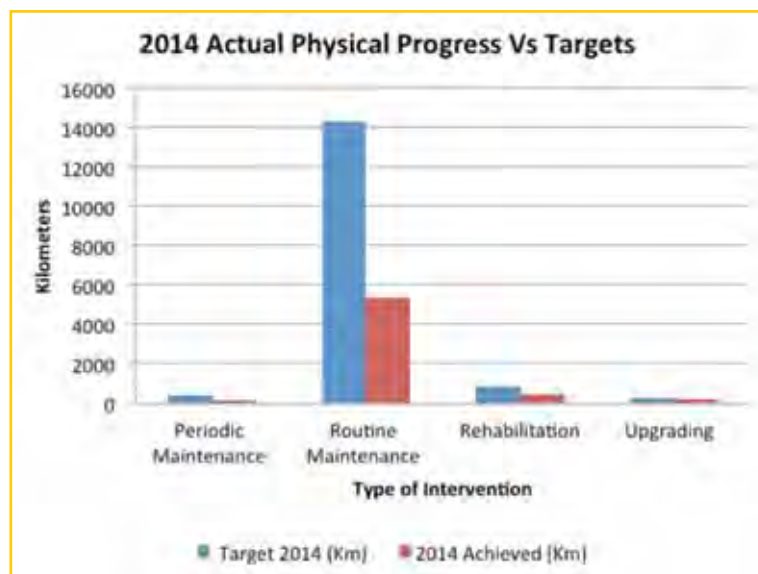
## 2014 RSAWP Physical Progress

The below Table depicts the performance of the 2014 RSAWP in relation to the 2014 Road Sector Annual Work Plan Targets. It is evident that considerable progress has been achieved on the CRN with regard to the rehabilitation and upgrading works. However, periodic maintenance and routine maintenance interventions on the CRN have not recorded considerable progress in relation to the achieved kilometers for 2014 versus the targeted kilometers.

**Key Performance Indicators (KPIs)**

Programme	Target 2014 [Km]	Achieved 2014 [Km]	Per cent (%)
Periodic Maintenance	389	142	36
Routine Maintenance	14,294	5,352	37
Rehabilitation	826	404	49
Upgrading	263	184	70

The Table indicates that periodic and routine maintenance activities stood at 36 percent while rehabilitation and upgrading were at 49 and 70 percent of the target values respectively.



**2014 Actual Physical Progress against Targets**

The low levels of achievements on the maintenance interventions of the CRN were largely attributed to delays in the procurement process as well as delays in the clearance of contracts from the Attorney General's Office. The biased tilt of the 2014 RSAWP to major upgrading and rehabilitation works as opposed to maintenance activities on the network also contributed to low levels of achievement for maintenance. Other factors affecting performance for the year 2014 included budget constraint coupled with inadequate releases of funds.

### **2015 – 2024 Road Maintenance Strategy**

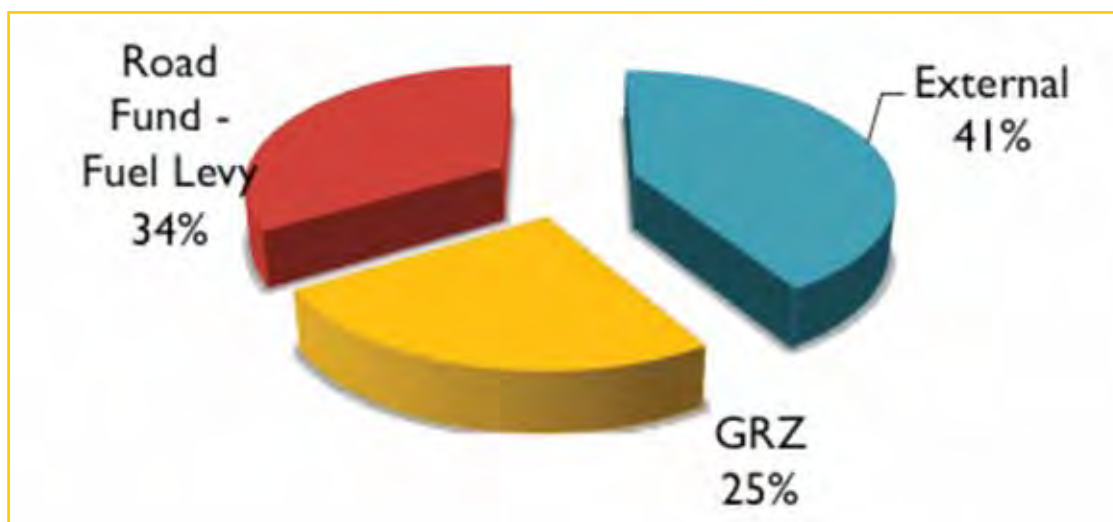
The Agency drafted the first ever Road Maintenance Strategy. The Strategy would be implemented from the period 2015 – 2024 Road and is aimed at setting a pathway for the provision of maintenance activities on the Core Road Network (CRN). This will in turn create an atmosphere that will ensure that the roads are properly maintained thus promoting economic growth and development. The draft RMS was presented and approved by the Technical Committee of the Board on November 25, 2014.



**Periodic Maintenance of Ndola – Kitwe Dual Carriageway**

## 2014 Road Sector Budgetary allocation

The budgetary allocation in the 2014 RSAWP was ZMW4.943 billion comprising 59% of local resource funding from GRZ (25%) and Road Fund (34%) and the External Support (41%) as shown in the pie chart below. Table also shows the amounts released as at 31st December, 2014.



AWP Funding by Source

### 2014 Budget performance (ZMK' million) as at 31st December, 2014

Source	Budget	Receipts	Expenditure	Balance on Budget	% Resource Mobilization
Fuel Levy & Other Road User Charges (ORUC)	1,664	1,664	1,664	0	100
GRZ - Project Funds	1,236	1,454	1,454	-218	117
<b>Sub Total</b>	<b>2,900</b>	<b>3,118</b>	<b>3,118</b>	<b>-218</b>	<b>107</b>
External Sources	2,043	1,808	1,818	225	88
<b>Overall</b>	<b>4,943</b>	<b>4,926</b>	<b>4,937</b>	<b>6</b>	<b>99</b>

Source: NRFA 2014

## Releases of Funds & Disbursements- Local Resources

The 2014 RSAWP had a total budgetary allocation of ZMW2.9 billion in local resources split between GRZ direct financing and Fuel Levy Collections and ORUCs as shown in Table 7-2. The 2014 RSAWP also had a carryover of Interim Payment Certificates (IPCs) from 2013 amounting to ZMW586 million. These outstanding IPCs from 2013 did not receive any supplementary funding to offset them in 2014. They were paid from local resources in the 2014 budget. Thus the inability by Ministry of Finance to provide requisite resources for these IPCs imposed a constraint on the planned activities in the 2014 budget.

During the period under review the Road Fund receipts were ZMK 1,664 million representing a 100 percent mobilization rate of which expenditure 100 percent. The Government released a total of ZMK 3,118 million from local resources for the various on-going projects in the 2014 RSAWP. This represents 107 percent of local resources component of the total road sector budget for 2014.

Seven (7) percent over and above the budget was received in the form of supplementary funding as shown in Table 7-2 from local resources. ZMW46.5 million was collected in the form of weighbridge fines in the year 2014 by the end of 31st December.

In terms of external funding and mobilization a total of ZMK1, 808 million was receipted from the planned ZMK 2,043 and expenditure was at ZMK 3,118 million representing a mobilization rate of 88 percent. Overall, the 99 percent of funding was mobilized for various road sector projects in the year 2014.

### The 2015 Road Sector Annual Works Plan (RSAWP)

RDA undertook the drafting of the 2015 Road Sector Annual Work Plan. The final 2015 Road Sector Annual Work Plan (RSAWP) was tabled in Parliament on December 4, 2014 and the total allocation for 2015 was ZMW 5, 462 million. This amount is broken down as shown in the Table below:

#### 2015 Budget Summary

No.	Funding Source	Amount (ZMW'000)	Percent
1	GRZ	1,877,834.56	34%
2	Road Fund (Fuel Levy)	1,348,503.53	25%
3	External Sources	2,235,825.39	41%
<b>Total</b>		<b>5,462,163.48</b>	<b>100%</b>

# Internal Audit

The role of Internal Audit in the Agency is to assist all members of Management in the effective discharge of their responsibilities, by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed. This involves going beyond the accounting and financial records to obtain full understanding of the operations under review. The Internal Audit Department of the RDA continued to provide the necessary needed analysis and recommendations to the agency in the year 2014.

## ACTIVITIES DURING THE YEAR

### Works Projects

In the year 2014 the Audit Department inspected a total of twenty-nine (29) projects. These included on-going and new projects. Selected routine maintenance contracts in all the ten (10) provinces of Zambia were also inspected.



**Audit of the Consultant/Contractor Laboratory on site in North Western Province**

In addition four (4) force-account projects were also verified.

### Consultancy and other Special Assignments

Thirteen (13) special assignments and consultancy audits were undertaken and reported against planned activity of four (4). Table 9-1 below shows the achievement of audit activities during the year against plan.

### Summary of Internal Audits in 2014

Activity	Annual Plan	Actual 2014	% Achievement
Fixed Weighbridges	4	4	100%
Works Projects	30	25	83%
Subtotal (A)	34	29	85%
Ad-hoc assignments	0	5	
Consultancy	4	8	200%
Subtotal Total (B)	4	13	325%
Total Audits Executed	38	42	111%

### Risk Management Program Evaluation

Internal Audit also undertook a Risk Assessment for the Agency. Management is currently working on the risk management regime. It is hoped that the Risk Profile and Register for the Agency will be ready in 2015.

### RECOMMENDATIONS TO THE BOARD

The Audit Committee held meetings on nine (9) occasions and adopted eleven (11) internal audit reports. The Audit Committee also made fourteen (14) recommendations to the Board out of which the Board approved and accepted thirteen (13).

# Planning and Design

The Planning and Design Department is responsible for project planning and preparation of activities for the CRN and the attendant road infrastructure such as bridges, culverts and other related road furniture. The Department also oversees research and development studies, environmental and social assessments, compliance monitoring and assisted in the procurement of road projects. The following are some of the key activities the Department embarked on in 2014.

## Design and Feasibility Studies

In the year under review, the Agency signed twenty-four (24) contracts with Consultants for design and feasibility study contracts. A total of 5 contracts were completed and the remaining nineteen (19) are expected to be completed by December 2017. Among the five (5) which were completed included: Techno-Economic Study, Detailed Engineering Design and Tender Document Preparation for the Upgrading of 135km of the Matebele -Shangombo (RD463) Road in Western Province; Detailed Engineering Design and Tender document preparation for the Upgrading of 196.5km of the Luwingu to Chilubi Island (D043, RD044 and RD 045) Roads in Northern Province; and Techno-Economic Study, Detailed Engineering Design and Tender Document Preparation for the Upgrading to Dual Carriageway of 210km of T2 from Lusaka to Kapiri-Mposhi Road in Lusaka and Central Provinces. The other two are: Techno-Economic Study, Detailed Engineering Design and Tender Document Preparation for the upgrading to bituminous standard of Mporokoso to Kaputa via Mutundu gate in Northern Province; and the Techno-Economic Study, Detailed Engineering Design and Tender Document Preparation for the the upgrading of 124km of the Lufwanyama to Kankolonkolo in Copperbelt/North Western province.

## Bridge Management

The contract for the rehabilitation of the Kafue Hook Bridge was awarded towards the close of the year 2014. Preparation for signing of contract was underway.

## Research and Development

There were a total of thirteen (13) projects that the Research & Development Unit was undertaking some of which were scheduled to continue in 2015. A total of Eight (8) projects were still under the procurement process and the remaining five (5) were under implementation. Notable among the Research projects being undertaken was the production of a Model for Unit Cost Estimation in the Construction of Roads in collaboration with the University of Zambia (UNZA)'s Council's Department of Civil and Environmental Engineering, collaboration between RDA and Lafarge involving construction of a trial section of a rigid pavement at Kafulafuta weighbridge and research on causes of variation orders and the effect on project performance.

## Environmental and Social Management

During the year under review, properties for Project Affected Peoples (PAPs) along the Safwa-Chinsali-Mulilansolo road in Muchinga Province, and villages near the Ngwenya quarry at Petauke in Eastern Province were valued in conjunction with officials from the Government Valuation Department. All the PAPs met were willing to cooperate with the road construction project that is likely to affect their properties.

Also, Government through the RDA handed over 57 houses and 2 churches to PAPs in relation to the construction of the Mufuchani Bridge in Kitwe on the Copperbelt Province.

## Procurement

Section 3(1) of the Public Procurement Act, 2008 (PPA) provides that all procurement carried out by procuring entities using public funds shall be in accordance with the PPA, except where the procurement involves or relates to the security, defence or international relations of the Republic.

### Procurement Operations and Activities

#### Procurement Planning

Section 42(2) of the PPA provides that procuring entities shall prepare and submit annual procurement plans to ZPPA by end of January during each financial year. The 2014 procurement Plan as submitted to ZPPA covered fifty-six (56) works procurement items and sixty-six (66) Consultancy services. The Procurement Plans were derived from the 2014 Road Sector Annual Work Plan.

#### Procurement of Works and Consultancy Services

Out of the fifty-six (56) planned works contracts, twenty-two (22) were signed as at 31st December, 2014. These included among others:

- i. Rehabilitation of T2: Lusaka-Chirundu Road – Link 4 (Km 110+145 to Km 134+576) in Lusaka Province
- ii. Works to Lusaka Drainages
- iii. Periodic Maintenance of approximately 10Km of the T004 Great East Road from Arcades to Airport Junction in Lusaka Province; and
- iv. Construction of New Kafue Weighbridge



**Newly constructed drain on Great East Road**



With regards to contracts for Consultancy Services, as at 31st December, 2014, thirty-six (36) had been signed and included among others the following:

- i. Design & Supervision of Access Roads to the New Independence Stadium
- ii. Dual Carriageway Chingola to Chililabombwe/Kasumbalesa road (T003) 45 km and Chingola to Solwezi/Mutanda road (T005) 205 km on the Copperbelt and North-Western Provinces of Zambia
- iii. Supervision of the Mpika to Nabwalya Road
- iv. Supervision of New Kafue Weighbridge

### **Procurement of Goods and Services**

It should be noted that the procurement plan did not cover all specific goods procurement items as most of these were normally agreed, described and specified as and when the actual need arose, but were already included under general programmes or activities contained in the RSAWP. Some of the major goods procured were:

- (i) Supply and Installation of Weighbridge Software.
- (ii) Supply and Delivery of Heavy Duty Tractors, Crane Mounted Truck and Crane mounted Low bed truck unit.
- (iii) Supply, delivery and installation of Toll Booths & Booms
- (iv) Supply and delivery of Bridge Inspection Equipment
- (v) Supply and delivery of Laboratory equipment for UNZA
- (vi) Supply and delivery of road maintenance materials for force account works

### **Development of Standard Solicitation Documents for the Road Sector**

Following the various challenges faced by the Agency in contract management during implementation of road and bridge construction projects, the Agency embarked on the development of Standard Solicitation Documents for the Road Sector in Zambia.

Consequently, training sessions on FIDIC guidelines and working meetings with ZPPA and the Attorney General in a quest to arrive at the realisation of user-friendly works contracts were held in the year under review. The first training sessions took place from October 20 to 22, 2014 and included heads of the RDA directorates, members of the Procurement Committee, Senior Managers, Regional Managers, Contracts Engineers, other procurement staff from RDA as well as officers from ZPPA and the Office of the Attorney General.

## Construction and Rehabilitation

The RDA's Construction and Rehabilitation Department continued to monitor the implementation of construction, rehabilitation and upgrading of road and bridge projects. The Department also coordinated the implementation of projects under Link Zambia 8000 and Pave Zambia 2000 Projects.

### Link Zambia 8000

In the year under review, there were twenty-seven (27) projects under the Link Zambia 8000, which were under construction, thus representing approximately 2,616.09 Km. As of December 31, 2014 a total of approximately 406.09 Km of Roads under Link Zambia had been surfaced out of the 2,616.09 Km under implementation representing 15.52% overall progress. The project for the Upgrading to Bituminous Standard of the Leopards Hill Road (D152) from the State Lodge Junction to Katoba Basic School (43.8 Km) in Lusaka Province was completed. Construction of the Michael Chilufya Sata Bridge across the Kafue river in Chiawa was also completed.

Meanwhile, projects such as Upgrading and Re-alignment of D301 from Muyombe Junction to Chama (32 Km) and Road from Chama to Luangwa River (42 Km) including 12 Km of Urban Roads in Chama in Muchinga Province of Zambia- Lot 1, recorded significant progress. Physical progress was at 85% against the planned 66.85%, with 46 km of road surfaced. Further, works were ongoing on the Construction of a Dual Carriageway between Kitwe and Chingola- 45.5 Km on the Copperbelt Province, where a total of 13.5 Km had been surfaced. In the year 2014, the overall progress was at 40% against the planned 55.38%.

**Table below shows status of some of the Link Zambia 8000 projects as at 31st December, 2014**

No.	Project Item name and description	Comments on the Progress
1	Contract No. RDA/CE/014/12: Design and Construction of Mansa to Luwingu (M3) Road (175Km) in the Luapula and Northern Provinces and 30Km of Township Roads in Mansa and Luwingu	76.8 Km has been surfaced. Physical Progress is 45.0%, against the planned 30.62%.
2	Contract No. TB/CE/012/12: The Upgrading and Re-Alignment of D301 from Muyombe Junction to Chama (32 Km) and Road from Chama to Luangwa River (42 Km) including 12 Km of Urban Roads in Chama in Muchinga Province of Zambia- Lot 1	46 Km have been surfaced. Physical Progress is 85.0%, against the planned 66.85%.
3	Contract No. TB/CE/013/12: The Upgrading And Re-Alignment of R231 from Great North Road At Matumbo to Luangwa Bridge (115 Km) Road in Muchinga Province of Zambia- Lot 2	23.0 Km has been surfaced. Physical Progress is 50.0%, against the planned 69.32%.
4	Contract No. ZPPA/CE/011/12: The Rehabilitation of the Kawambwa-Mushota-Luwingu Road and the Chisembe-Chibote-Chief Chama Road in Luapula Province	58.0 Km has been surfaced. Physical Progress is 75.0%, against the planned 88.47%.
5	Contract No.: RDA/CE/005/014: The Upgrading to Bituminous Standard of approximately 98 Km of D481/D482 Road from Katoba to Chirundu via Chiawa in Lusaka Province of Zambia-Lot 1	Surfacing has not commenced. Physical Progress was 7.0%, against the planned 1.22%.
6	Contract No: RDA/CE/027/012:The Upgrading Of D753/A2 Kenneth Kaunda Intl Airport Through Kasisi To Great East Road (24.7km) And D176 Ngwerere road From T2 Great North Road At Kabangwe To D753 At Kasisi Mission Junction (23 Km) Including D564 From T4 At Caltex To D176 At Ngwerere Basic School (7km) And Zambezi Extension From Roma Park To Ngwerere (6km) Road In Lusaka Province Of Zambia-Lot 3	11.5 Km has been surfaced. Physical Progress is 47.9%, against the planned 95.3%.

No.	Project Item name and description	Comments on the Progress
7	Contract No.RDA/CE/030/012:The Upgrading of RD149 and D151 from Great East Road at Chongwe District Hospital to Katoba Basic School (48.5 km) Including D150 From Great East Road at CC Farms To RD149 (12.5 Km) Road – Lot 1 in Lusaka Province.	19.0 Km has been surfaced. Physical Progress is 53.0%, against the planned 88.63%.
8	Contract No.ZPPA/CE/022/12: The Upgrading To Bituminous Standard of 91 km of D145 from Great East Road at Luangwa Bridge to Luangwa (Feira) in Lusaka Province-Lot 4	86.6 Km has been surfaced. Physical Progress is 95.16%, against the planned 95.75%. This Project is Substantially complete
9	Contract No.RDA/CE/028/013:The Upgrading Of 113 Km of Samfya to Kasaba Via Lubwe (D096) Road In Luapula Province – Lot 1	Commencement date is November 4, 2014. Mobilization Phase. Camp Establishment has commenced. Delayed payments to the contractor are the main reasons for the delay in these works.
10	Contact No. RDA/CE/25/013: The Upgrading of Road D769 from Mumbwa/Itezhi Tezhi Junction on M009 to Itezhi Tezhi (109 Km) including 2.2 Km of the Inkonkaile to Itezhi Tezhi Boma Access Road in Central Province.	0.50 Km has been surfaced. Physical Progress is 13.70%, against the planned 41.81%.
11	Contact No. RDA/CE/52/013: The Upgrading Of Approximately 74 Km of the Monze-Niko (D365) Road to Bituminous Standard in the Southern Province Of Zambia.	2.4 Km has been surfaced. Physical Progress is 12.0%, against the planned 31.19%.
12	Contact No. RDA/CE/030/013: The Upgrading Of The Isoka-Muyombe-Chama-Lundazi Road: Lot-3: M14 (Chire River)- Chama (D103 Junction)-(90km) In Muchinga Province	Commencement date is May 9, 2014. Mobilization Phase. Camp Establishment has commenced.
13	Contact No. RDA/CE/023/013: The Upgrading of 107.5 Km of the Bottom Road (Lot 2-RS19, RS7 & RS5) from Chaboboma via Sinazeze to Sinazongwe in Southern Province Lot 2: Bottom Road (107.5 Km)	Commencement order has not been issued. Pending provision of the Performance Guarantees by contractor
14	Contract No. RDA/CE/014/14: The Construction and Upgrading to Bituminous Standard and Re-Alignment of approximately 78 Km of RD54 Road from Chief Mukungule's Area (Mwaleshi River)-Lufile Kakoko to Kalalantekwe-Lot 2	This is New Project. Project is under Mobilisation Phase

### Pave Zambia 2000

With regards to the Pave Zambia 2000 Project, all the ten (10) Regions had by 31st December, 2014 received the equipment for the implementation of the project. Manufacturing of pavers commenced in Lusaka, Copperbelt, North Western, Luapula, Eastern, and Southern Regions.



**Production of Pavers in Eastern Province**

## Other Major Road & Bridge Projects

A total of thirty two (32) major road construction and rehabilitation projects representing 2,515.98km, among them: Construction of a Bridge at Mufuchani across the Kafue River in Kitwe, Copperbelt Province, Rehabilitation of 131.5 km of the Bottom Road (Lot1: from Munyumbwe to Chaanga and from Chaanga to Njami (D500/D501) in Southern Province and Rehabilitation of Nacala Road Corridor - Phase II Rehabilitation of the Great East Road (T4) Nyimba - Petauke - Sinda were under implementation.

### Mongu - Kalabo road

The Engineering Design and Construction of the Mongu – Tapo section of the Mongu - Kalabo road was progressing in accordance with the schedule. In the year 2014, although surfacing of the works had not commenced the actual physical progress was 70.0%, against the planned 74.15%.



Mongu Kalabo road project-Bridge construction in progress

### Mbala Nakonde road

Construction Works on Approximately 171.9 km of Mbala-Nakonde Road in Northern Province was also in progress. Thirty nine (39) Km had been surfaced and the actual physical progress was 40.0%, against the planned 68.42%.

## Kazungula Bridge project

The Governments of the Republic of Zambia and Botswana in conjunction with the AfDB and JICA are financing the construction of the Kazungula Bridge. The ground breaking ceremony for the construction of package 1 (Bridge component) took place in Kasane, Botswana on 12th September 2014. The contract was signed and the status of the Project as at December, 2014 was mobilisation stage.



**Ground breaking ceremony for the Kazungula Bridge project**

## Michael Chilufya Sata Bridge

The construction of the Michael Chilufya Sata Bridge at Chiawa crossing on the Kafue River was completed in 2014 and opened for public use. The bridge was under the defect liability period.



**Michael Chilufya Sata Bridge**

As at December 31, 2014, a total of approximately 1,312.09 Km have been surfaced out of the approximately 2,515.98 Km currently under implementation representing 52.15% overall progress for major construction, rehabilitation and upgrading projects. Meanwhile, Thirteen (13) of these projects were completed and were in the Defects Liability Period.

### Challenges

Some of the challenges included: scarcity of construction materials on certain projects resulting in increased unit costs as a result of long haulage distances, limited contractor and consultant capacity to execute works at the desired rate and quality and the encroachment on road reserves by individuals and business houses

# Maintenance

During the year under review, there were several contracts pertaining to maintenance works. Some of these were completed while some were on-going. Notable among the projects which were completed was the Periodic Maintenance of Kaoma/Katunda Junction to Mongu in Western province and the Lukulu Bridge to Chinsali road on the Great North road (T2).

The Contracts for the Periodic Maintenance of Solwezi to Chingola and Kaoma to Kaoma/Lukulu Junction roads were terminated to pave way for the full rehabilitation of the roads. Both roads had deteriorated to such extent that they required full rehabilitation.



**Section of the Katunda Junction-Mongu Road**

## On Going Road Projects under Periodic Maintenance

There were nine (9) periodic maintenance road projects that were carried out and progress was as depicted in Table below.

Table showing ongoing periodic maintenance projects

Item No.	Road Name	Contract Length (km)	Progress as at 31 <sup>st</sup> December 2014
1	Ndola – Kitwe	60	49.9 Km has been surfaced (Two way)
2	Livingstone – Sesheke	115	85Km has been surfaced
3	Kabwe – Kapiri Mposhi	65.5	25.6Km of carriageway & 50km of shoulders surfaced
4	Arcades– Airport Roundabout	10	6.0km has been surfaced
5	Mpika –Chambeshi Bridge	131	17.5km of clearing and grubbing done
6	Chambeshi Bridge –Kasama	86	86km of clearing and grubbing done
7	Solwezi – Mwinilunga Lot 1	136	8Km of surface dressing has been done
8	Solwezi- Mwinilunga Lot 2	151.8	Contractor mobilizing
9	Chinsali - Nakonde	213	4.2km surfaced



Surfacing on Chinsali – Nakonde Road



## Rehabilitation of Unpaved Mining Roads

The department embarked on rehabilitation of unpaved roads for small scale mines across the country, namely: Chasefu – Sangu and Fiwila Mission-Mboroma Lot 1. These projects were all complete by 31st December 2014.

## Urban Roads under Local Road Authorities

The Local Road Authorities continued to coordinate Urban and Feeder Road Projects with technical assistance from Road Development Agency. During the year, 2014, a number of urban roads projects were undertaken in Lusaka, Copperbelt and Central provinces. The Contract for the upgrading of urban roads in Chingola was terminated due to poor performance by the Contractor. The Agency has since engaged another Contractor to finish up the remaining works.

## Major Urban Roads Projects On-going

The Ongoing projects as at 31st December, 2014 are summarized in the Table below.

### Ongoing urban roads projects:

Item No.	Road Name	Contract Length (km)	Progress as at 31 <sup>st</sup> December 2014
1	Ndola City Roads	54.39	33Km surfaced
2	Kabwe & Kapiri Mposhi	40	39.4Km surfaced
3	Lusaka L400	408.00	100Km surfaced
4	Chingola Urban Roads	23.35	1.2Km surfaced*

\* This represents progress under the new contract and not a cumulative progress from the contract which was terminated.

## L400 road project

The L400 covers 408km of roads in Lusaka Province and is expected to be completed by 15th January 2017. Some of the key objectives for the project are to help reduce congestion and to improve drainage and street lighting in the city of Lusaka. The overall progress as at December 31, 2014 was 100km representing approximately 25% physical progress. The slow progress of works was attributed to delays in relocation of services such as water, electricity and telephones lines as well as difficulties faced in land acquisition especially in built up areas.



Asphalt works on Mumbwa road under the L 400 project

## Feeder Roads

The RDA embarked on rehabilitation of Feeder Roads on selected unpaved roads in Southern Province through funding from KfW under the Rural Transport for Poverty Reduction Programme. Interventions were mainly upgrading from earth to all weather gravel standard.

The Agency through the Zambia National Service (ZNS) carried out rehabilitation works of 86.6km feeder road in Msanzala Constituency of Petauke District in Eastern Province. Progress by 31st December was 90%.

## National Park Roads

Zambia Wildlife Authority (ZAWA) and the RDA Regional office in Eastern Province coordinated the maintenance and construction of drainage structures in Luangwa National Park. The works were completed by December, 2014.

## Bridges

During the period under review, construction of selected river crossings in Vubwi District which Included: Mwami, Chakale and Mangwe Bridges and construction of selected bridges in Mambwe District Bridges in Eastern Province were completed. The construction of Mwamba Bridge in Northern Province and construction of Drainage Structures on selected roads in Lusaka Urban were on-going.

## Emergency Works

The Agency in collaboration with the Disaster Management and Mitigation Unit (DMMU) dealt with emergency works on roads and drainage structures. These included, among others:

1. Construction of Chamusenga Culverts in Chabola, Shivan'gandu;
2. Construction of lower Lwamfumu Bridge and Kashiba road and Pontoon landing in Mwense District;
3. Construction of Ngoma Bridge in Nsumbu;
4. Rehabilitation of Petauke-Ukwimi road; and
5. Construction of Kalomboshi Bridge



**Petauke – Ukwimi Road**

# Commercial and Technical

The Commercial and Technical Services Department comprises four (4) units namely: Axle Load Control, Road Tolling, Commercial Services and Mechanical Services.

## Axle Load Control Unit

During the year 2014, the Commercial and Technical Services Department through its Axle Load Control Unit achieved the following:

- Overload levels were below the 5% target;
- Average monthly compliance level was 97.8%
- Total revenues collected from weighbridge fines, abnormal load permits, compensation and inspection fees amounted to K 44,474,027.95 and USD 935,169.39.
- Rehabilitation of the Kapiri-Mposhi weighbridge was completed.

Meanwhile preparations for contract signing for construction of weighbridges in selected areas among them: Chongwe, Luansobe, Solwezi (Phase II) and Mpika were underway.



Trucks being weighed at Kapiri-Mposhi weighbridge

## Road Tolling Unit

A total of K296, 833, 688.83 was collected in Toll revenue for the period January 2014 to December 2014 from both ports of entry and weighbridges against a collections target of K250, 000, 000.00 for 2014. This translated into a revenue collections surplus above target of nineteen percent (19%) for the period January 2014 to December 2014 and also brought the total toll revenues collected since 1st November 2013 when RDA started collecting toll fees to K341, 265,006.70 as shown in the table below.

### Toll Revenue since November, 2013

Period	Nov & Dec 2013 ZMK'000	1st QTR 2014 ZMK'000	2nd QTR 2014 ZMK'000	3rd QTR 2014 ZMK'000	4th QTR 2014 ZMK'000	Total ZMK'000
Weighbridge collections	3,967	5,861	10,992	12,882	13,541	47,244
Port of entry collections	40,464	56,588	64,283	63,070	69,616	294,021
<b>TOTAL TOLL REVENUE</b>	<b>44,431</b>	<b>62,449</b>	<b>75,275</b>	<b>75,952</b>	<b>83,157</b>	<b>341,265</b>

## Construction of toll plazas

The Agency signed contracts two (2) contracts in October 2014. Lot 1 which was awarded to Shire Construction would cover construction of toll plazas at Levy Mwanawasa Stadium, Kamfinsa, and Garneton while Lot 2 awarded to Nzovu Transport Limited would cover construction of toll plazas at Manyumbi, Kafulafuta and Choma.

The Agency also signed a contract for the supply, delivery, installation and commission of thirty (30) pre-fabricated Toll Booths for eleven (11) toll sites.



**Toll Collector starting toll collection process**

## Mechanical Services Unit

In the year 2014, the Agency acquired eleven (11) new quarries. This brought the total number of number of quarries with Mining and Small-Scale Prospecting Permits registered in the name of RDA to forty-two (42) from the previous thirty-one (31) in 2013.

The Agency successfully leased seven (7) quarries to various contractors engaged in the construction of road projects under the RDA.

# Legal

During the year 2014, the Directorate had an average of nineteen (19) active court cases. In all of them, the Agency was defending itself against claims ranging from compensation for wrongful termination of employment (5 cases) damages for trespass to land (5 cases), damage to property and compensation for wrongful termination of contracts (9 cases).

In addition to the nineteen (19), there were other cases which were inactive as they were not being prosecuted by the claimants while others were awaiting judgment. The Agency managed to resolve nine (9) cases out of court through negotiation while Judgments where entered in others. At the end of 2014, ten (10) cases where in Court, while two (2) were still at Arbitration.

Board Meetings were held as scheduled, with special meetings being called to consider issues that arose during the year. Training in Corporate Governance was arranged for Board Members.

Meanwhile, the Agency commenced the process of purchasing two (2) plots earmarked for construction of weighbridges.



**Site for Chongwe Weighbridge**

# Human Capital and Administration

The Human Capital function includes the management and development of all staff in the Agency. This is achieved through ensuring adherence to statutory obligations, recruitment and selection, training and development, employee relations, health and safety.

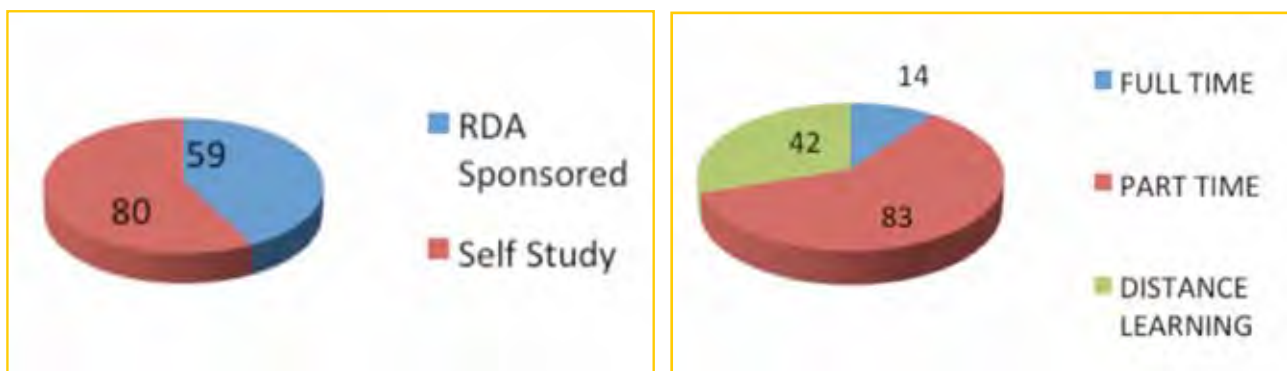
## Staff Establishment

The Agency had a total of four hundred ninety-seven (497) employees as at 31st December, 2014, against the approved establishment of five hundred forty-four (544). This represented a recruitment rate of 91.4%.

## Staff Training and Development

The Agency has continued to invest in the skills and talent development of its employees through training and development interventions. As at 31st December, 2014, a total number of two hundred and twelve (212) employees received job relevant training in areas including: civil engineering, finance, general management and procurement to address identified skills, knowledge and competency gaps.

Meanwhile, a total of one hundred thirty-nine (139) staff were engaged in long term studies of which fifty-nine (59) staff were on RDA full sponsorship as indicated below.



## Workshops and Seminars

During the period under review, fifty-one (51) staff underwent short term training through workshops and seminars; two (2) abroad and forty-nine (49) local.

## Industrial Relations

A new executive of the National Union of Building Engineering and General Workers (NUBEGW) RDA Branch was elected. The elections were conducted amongst eligible members in all the 10 Regions.

## Staff Health and Wellness

The Agency had arranged recreational facilities and acquired sports equipment to encourage employees to participate in various sports disciplines on a regular basis as a way of enhancing employee wellness. The medical insurance scheme for employees was maintained in the period under review.

## Recruitments and Transfers

The Agency recruited fifty-five (55) new members of staff in the year 2014 in various Directorates. A total of twenty (20) staff members were transferred to various work station within the Agency.

## Terminations/Non Renewal/Retirements

During the period under review, the Agency recorded one resignation, one termination of contract and two dismissals.

## Obituaries

The Agency lost two (2) members of staff in the period under review.

## Administration

The following activities were undertaken in the section period under review;

- Issuance of identity cards to all members of staff.
- Procurement of additional security personnel to safeguard the PAVE Zambia equipment at all the Region Offices.
- Renovation of the office block currently occupied by Axle Load Unit staff at Lusaka Region office.
- The Section was also involved in the paving of the walkways around Ridgeway Office.

## Information and Communication Technology (ICT)

The following activities were conducted under the ICT Unit during the year under review;

**New Software for Weighbridges:** A new weighbridge software (WBx) was procured and delivered. Installation was supposed to commence on 17th November 2014 beginning with Kapiri and Kafue weighbridges but could not commence because RDA had not paid 70% of the contract sum.

**Installation of New Local Area Network Weighbridges:** The LAN has been implemented at Kafue, Livingstone, Mpika, Solwezi and Kazungula weighbridges.

**Installation of Telepresence/Teleconferencing System:** The equipment for RDA Telepresence System was supplied, installed and configured at RDA-HQ small conference room, Alick Nkhata small conference room and Lusaka Regional office. The implementation of the Project was completed.

# Public Relations

## Media Tours

Several media tours were conducted during the year under review and these included among others the following:

- (i) Tour of washed away sections of the Chinsali – Nakonde road. Emergency repair works were carried out by the Road Development Agency and the Disaster Management and Mitigation Unit (DMMU);
- (ii) Tour of Kapiri - Mposhi Weighbridge which was upgraded to an ultra-modern facility;



**Minister of Transport, Works, Supply and Communications, Hon. Yamfwa Mukanga (second from left) during the official opening of the Weighbridge.**

- (iii) Tour of Bridge construction works in Chiawa - The tour was undertaken by Deputy Minister of Transport, Works, Supply and Communications, Hon. Mwimba Malama and Senior RDA officials;
- (iv) Tour of selected Urban roads in Lusaka under the L400 Road Project by Minister of Transport, works, Supply and Communications, Hon. Yamfwa Mukanga;
- (v) Tour of Road Projects in Western Province by the Committee of Audit and Risk Assurance; and
- (vi) Tour of Kitwe – Chingola Dual carriage way by Acting President His Excellency Dr. Guy Scott.

Media institutions that took part in the media tours included: Zambia National Broadcasting Corporation (ZNBC), MUVI Television, Prime Television, Radio Phoenix, Times of Zambia, Zambia Daily Mail, The Post and some community radio stations.



## Media Workshops

The Agency successfully hosted a media workshop at the Intercontinental Hotel on 25th May, 2014. The Agency briefed the media on major on-going road going projects in the institution including new developments.

## Television Programmes

A total of twenty six (26) television programmes were produced and aired on the Zambia National Broadcasting Corporation TV channel 1. The programmes featured both studio based discussion programmes and documentaries on various road and bridge projects.

## Corporate Magazines

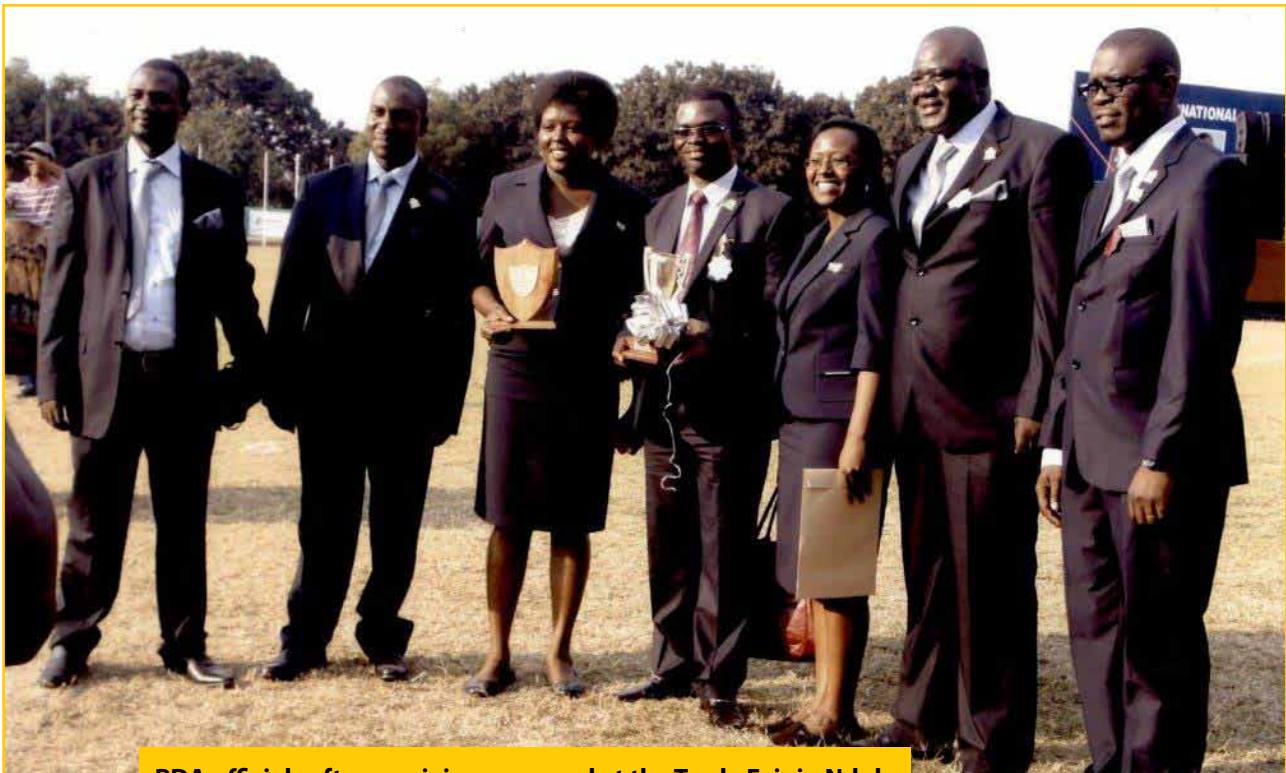
The Agency produced four (4) editions of the Corporate Magazine covering all the quarters of the year. These were the ninth, tenth, eleventh and twelfth editions of the ROADS Magazine.

## Shows and Exhibitions

The Agency took part in a number of exhibitions that took place in the country. The exhibitions included the following:

- (i) Public Service Day;
- (ii) Zambia International Trade Fair; and
- (iii) Agriculture and Commercial Society of Zambia

At the Zambia International Trade Fair, RDA emerged overall winners for the Building & Construction category and the Best Infrastructure Development category at the Lusaka Show.



**RDA officials after receiving an award at the Trade Fair in Ndola**

## Official Visits

During the period under review, the Agency received delegations from ASNARA, Uganda National Road Authority and Parliamentarians from Nigeria. The delegations were in Zambia to familiarise themselves with the road sector reforms currently going on in Zambia. The delegations had an opportunity to visit selected road projects and appreciated the strides that Zambia was making in improving the national road network.

## Media Briefings

The Agency held over twelve (12) Press Briefings during the period under review. Notable among them were: the contract signing for the upgrading of 118km Mpika - Nabwalya road the construction of 113 km Sambya - Kasaba via Lubwe among others.



Media briefing at RDA Head Quarters

## Monitoring and Evaluation

The Monitoring and Evaluation Unit is comprised of three (3) sections namely: Quality, Evaluation and Quantity Surveying. The M&E Unit is responsible for monitoring policies, programmes/projects encompassing mainly quality, cost, schedule, scope, effects and impacts; and also internal operations to enhance effectiveness and efficiency within the organisation. The Unit is also responsible for the management of the Vendor Rating System, Total Quality Management (TQM) as well as the Kaizen Programme.

### Vendor Rating System

The unit continued with the implementation of the Vendor Rating System. Nineteen (19) Consultant's projects were assessed from the time the system was implemented in 2013. Out of these, sixteen (16) had a Past Performance Rating (PPR) above 60% which translated into acceptable satisfactory performance. Three (3) Consultant's projects had a PPR of between 47% and 59% which translated into slightly poor performance. Table 18.1 shows the performance of Consultants in 2013 in 2014.

Description of Grade Obtained	Number of Local Consultants in each Category		Number of Foreign Consultants in each Category		Recommended Actions / Comments
	2013	2014	2013	2014	
Totally Satisfactory Performance	0	0	0	0	Acceptable
Highly Satisfactory Performance	0	0	0	0	Acceptable
Acceptable Satisfactory Performance	7	8	4	5	Acceptable
Slightly Poor Performance	2	1	3	0	Warning Letters
Very Poor Performance-Technically Incompetent	0	0	0	0	Suspension

In terms of performance of local and foreign consultants on different projects only one local consultant's project review had slight poor performance records as compared to none among the foreign consultant's in the year 2014. Twenty (20) Contractor's projects were rated from 2013. Thirteen (13) Contractor's projects had a PPR above 60% which translated into acceptable satisfactory performance whilst seven (7) had a PPR between 48% and 58% which translated into slightly poor performance. The table below shows the performance of the Contractors in 2013 and 2014.

Description of Grade Obtained	Number of Local		Number of Foreign		Recommended Actions / Comments
	2013	2014	2013	2014	
Totally Satisfactory Performance	0	0	0	0	Acceptable
Highly Satisfactory Performance	0	0	0	0	Acceptable
Acceptable Satisfactory Performance	3	4	8	5	Acceptable
Slightly Poor Performance	2	3	3	3	Warning Letters
Very Poor Performance-Technically Incompetent	1	0	0	0	Suspension

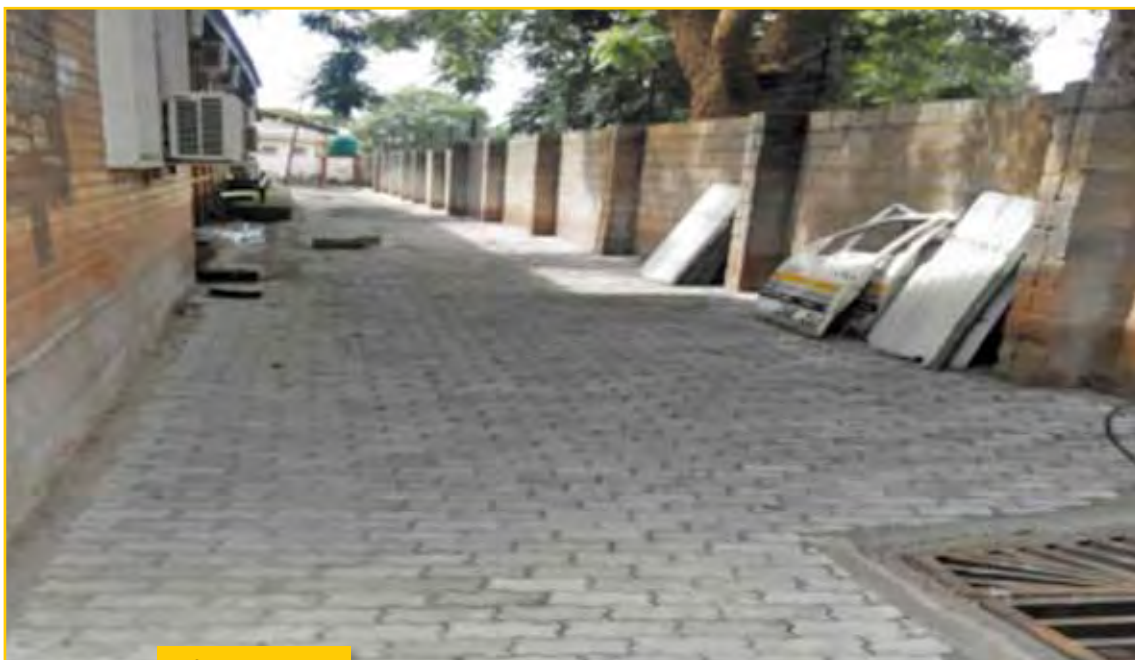
In terms of performance of local and foreign contractor's on different projects three contractor's projects reviewed had slight poor performance records for both foreign and local in the year 2014. The general outlook on the performance of the foreign and local vendors was generally the same in the year 2014.

### Kaizen

The Kaizen Institute of Zambia (KIZ) in collaboration with JICA in May 2014 selected RDA as a pilot institution. This entailed technical support to the RDA in implementing Kaizen. To this effect Kaizen experts made a total of eleven (11) visits to RDA during which the formation of Kaizen teams (Quality Control Circles) was done. Consequently, the CEO and Director launched the Kaizen and 5S on 7th November 2014.



Before Kaizen



After Kaizen

# Audited Financial Statements



Road Development Agency  
Financial statements  
31 December 2014

## ROAD DEVELOPMENT AGENCY FINANCIAL STATEMENTS – 31 DECEMBER 2014

<b>Contents</b>	<b>Page</b>
Report of the directors	46 - 48
Statement of members' responsibilities	49
Report of the independent auditors	50 - 51
Statement of comprehensive income	52
Statement of changes in funds	53
Statement of financial position	54
Statement of cashflows	55
Notes to the financial statements	56 – 72
Detailed analysis of income	Schedule 1 73
Detailed analysis of administration costs	Schedule 2 74
Detailed analysis of routine repairs, maintenance works and project related costs	Schedule 3 75

## Report of the Directors

The directors present their report on the activities of the Agency for the year ended 31 December 2014.

### 1. Principal functions

The Agency's main activity is to provide care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads. The Agency's operations are dependent on Government grants and donor funding.

### 2. Results

The Agency's results for the year are as follows:

	<b>2014</b>	<b>2013</b>
	<b>K</b>	<b>K</b>
Income	<u>1,321,299,466</u>	<u>705,683,142</u>
Total comprehensive income/(deficit) for the year	<u>156,571,150</u>	<u>(65,077,293)</u>

### 3. Directors and secretary

The following directors and secretary were appointed to hold office with effect from 23 December 2013:

- Mr Willie Nsanda - Chairman
- Mr Charles Sipanje - Ministry of Transport, Works, Supply and Communication
- Mr Stanford Mschili – Ministry of Local Government and Housing
- Mrs Chiseche Mwanza Mutale - Ministry of Tourism and Arts
- Mrs Pamela Chibonga - Ministry of Finance
- Mr Peter Lungu – Ministry of Agriculture and Livestock
- Mr Charles P Sakanya – Engineering Institute of Zambia
- Mrs Phidelia Sichone Mwaba – Chartered Institute of Transport
- Mrs Doreen Mwanza – Zambia National Farmers Union
- Mr Golden Makayi - National Council for Construction
- Mr Zindaba Soko - Road Transport & Safety Agency
- Dr Anthony Mwanaumo – National Road Fund Agency
- Ms Atridah Mulonga – Board Member

## Report of the Directors (continued)

### 3. Directors and secretary (continued)

#### Secretary

Eng Bernard Chiwala, Director and Chief Executive Officer  
Road Development Agency  
P O Box 50003  
Lusaka

### 1. Management

The management of the Agency during the year ended 31 December 2014 was as follows:

Eng Bernard Chiwala	-	Director and Chief Executive
Eng Kanyuka Mumba	-	Director - Construction and Rehabilitation
Eng Steven Mwale	-	Director - Commercial and Technical Services
Eng Emmanuel Kaunda	-	Director - Road Maintenance Initiative
Mr Kapembwa Mulenga	-	Director - Finance
Eng William Mulusa	-	Director - Planning and Design
Mr Anderson Mwape	-	Director – Audit and Risk Assurance
Mr Keeta Shisholeka	-	Director - Procurement
Mrs Mwaka Ngoma	-	Director - Legal
Mr Andrew Chisala	-	Director – Human Capital and Administration

### 5. Employees

The average number of persons employed by the Agency during the year was 464 (2013 – 427). The total staff costs were K159,742,000 (2013 – K142,492,000).

### 6. Property, plant and equipment

Additions to property, plant and equipment in the year amounted to K40,327,670 (2013 – K94,649,362). In the opinion of the directors, the fair value of property, plant and equipment is not less than the amounts at which they are included in the financial statements.

### 7. Other material facts, circumstances and events

The directors are not aware of any material fact, circumstances or event which occurred between the accounting date and the date of this report which might influence an assessment of the Agency's financial position or the results of its operations.

### 1. Annual financial statements

The annual financial statements on pages 52 to 72 have been approved by the members.

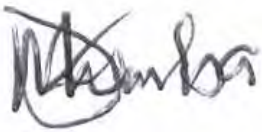


## Report of the Directors (continued)

9. **Auditors**

In accordance with the provisions of the Act, the auditors, Messrs Grant Thornton, will retire as auditors of the Agency at the forthcoming Annual General Meeting and having expressed their willingness to continue in office a resolution for their reappointment, and fixing their remuneration, will be proposed at the Annual General Meeting.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'M. M. M.', is written over a faint, light-colored rectangular stamp or watermark.

**Board Secretary**

**Lusaka**

**Date**

## Statement of Members' Responsibilities

The Public Roads Act No. 12 of 2002 of the Laws of Zambia requires the members of the Agency to prepare financial statements for each financial year which give a true and fair view of the financial position of the Road Development Agency and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the members are responsible for

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgments and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and enable them to ensure that the financial statements comply with the Public Roads Act No. 12 of 2002 of the Laws of Zambia. They are also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Agency Members confirm that in their opinion

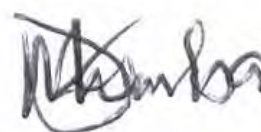
- (a) the financial statements give a true and fair view of the financial position of Road Development Agency as at 31 December 2014, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the Agency will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with applicable International Financial Reporting Standards.

This statement is made in accordance with a resolution of the members.

Signed at **Lusaka** on

A handwritten signature in black ink, appearing to be a stylized name.

**Board Chairperson**

A handwritten signature in black ink, appearing to be a stylized name.

**Director/Chief Executive Officer**

## Report of the Independent Auditors to the Minister of Transport, Works, Supply and Communication

We have audited the accompanying financial statements of the Road Development Agency, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Members' responsibility for the financial statements**

As described on page 49, the members of the Agency are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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

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

### **Basis for qualified opinion**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion, except for the matters indicated below:

## Report of the Independent Auditors to the Minister of Transport, Works, Supply and Communication (continued)

### Basis for qualified opinion (continued)

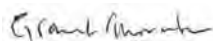
- a) The Agency does not have description and location details as well as title deeds for land and buildings shown at a cost of K13 million and we were therefore unable to verify ownership and existence of these properties.
- b) Included in property, plant and equipment are motor vehicles at a cost of K21 million for which no details of valuation were provided. We could therefore not verify the accuracy of the cost of the vehicles.
- c) In the absence of sufficient information of properties leased out by the Agency, we were unable to verify completeness of rental income amounting to K0.089 million

### Qualified opinion

In our opinion, except for the effects of such adjustments if any as might have been determined necessary had we satisfied ourselves regarding the matters in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Road Development Agency as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In our opinion, the financial statements of the Road Development Agency as at 31 December 2014 have been properly prepared in accordance with the Public Roads Act. No. 12 of 2002 of the Laws of Zambia, and the accounting and other records and registers have been properly kept in accordance with the Act.



### Chartered Accountants



**Christopher Mulenga (M/PC0000006)**

**Name of Partner signing on behalf of the Firm**

**Lusaka**

**Date**

## Statement of Comprehensive Income for the Year Ended 31 December 2014

	Note	2014 K	2013 K
<b>Income</b>	Schedule 1	1,321,299,466	705,683,142
<b>Administration costs</b>	Schedule 2	(922,408,878)	(637,278,970)
<b>Routine repairs and maintenance works</b>	Schedule 3	<u>(242,319,438)</u>	<u>(133,481,465)</u>
<b>Surplus/(deficit) before taxation</b>		156,571,150	(65,077,293)
<b>Income tax expense</b>	7	—	—
<b>Total comprehensive income/(deficit) for the year</b>		<u>156,571,150</u>	<u>(65,077,293)</u>


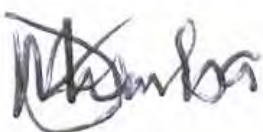
## Statement of Changes in Funds for the Year Ended 31 December 2014

	<b>Accumulated funds/(deficits) K</b>	<b>Capital grants K</b>	<b>Total K</b>
At 1 January 2013	(83,207,202)	9,250,324,360	9,167,117,158
Capital grants received (works)	-	3,891,044,958	3,891,044,958
Capital grants received (advance payments)	-	1,094,616,318	1,094,616,318
Capital grants received (operations)	-	29,933,665	29,933,665
Total comprehensive deficit for the year	(65,077,293)		(65,077,293)
Amortisation of capital grants	-	(463,663,933)	(463,663,933)
At 31 December 2013	(148,284,495)	13,802,255,368	13,653,970,873
Capital grants received (works)	-	4,535,350,325	4,535,350,325
Capital grants received (advance payments)	-	512,429,912	512,429,912
Write off (note 8b)		(892,252,595)	(892,252,595)
Capital grants received (operations)	-	42,144,657	42,144,657
Total comprehensive income for the year	156,571,150	-	156,571,150
Amortisation of capital grants	-	(711,492,719)	(711,492,719)
At 31 December 2014	<u>8,286,655</u>	<u>17,288,434,948</u>	<u>17,296,721,603</u>

## Statement of Financial Position - 31 December 2014

	Note	2014 K	2013 K
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	5,714,610,976	2,503,753,179
Capital work in progress	9	<u>10,408,178,404</u>	<u>9,973,824,261</u>
		<u>16,122,789,380</u>	<u>12,477,577,440</u>
<b>Current assets</b>			
Inventories		8,181,683	312,526
Trade and other receivables	10	4,308,736,983	3,720,190,275
Cash and cash equivalents	11	<u>39,061,137</u>	<u>32,769,819</u>
		<u>4,355,979,803</u>	<u>3,753,272,620</u>
<b>Total assets</b>		<u>20,478,769,183</u>	<u>16,230,850,060</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Accumulated funds/(deficits)		8,286,655	(148,284,495)
Capital grants		<u>17,288,434,948</u>	<u>13,802,255,368</u>
		<u>17,296,721,603</u>	<u>13,653,970,873</u>
<b>Current liabilities</b>			
Trade and other payables	12	<u>3,182,047,580</u>	<u>2,576,879,187</u>
		<u>3,182,047,580</u>	<u>2,576,879,187</u>
<b>Total funds and liabilities</b>		<u>20,478,769,183</u>	<u>16,230,850,060</u>

The financial statements on pages 52 to 72 were approved by the Agency Members on and were signed on its behalf by:-

 )  
 ) **BOARD CHAIRPERSON**  
 )  
 )  
 )  
 )  
 ) **DIRECTOR/CHIEF EXECUTIVE OFFICER**  
 )

## Statement of Cashflows for the Year Ended 31 December 2014

	2014 K	2013 K
<b>Cash inflow/(outflow) from/(on) operating activities</b>		
Income/(deficit) before taxation	156,571,150	(65,077,293)
Interest received	(8,524)	(10,198)
Interest paid	14,466,556	932,514
Loss/(profit) on disposal of property, plant and equipment	959,537	29,375
Amortisation of capital grants	(711,492,719)	(463,663,933)
Depreciation	711,492,719	463,663,933
Increase in inventories	(7,869,157)	(121,905)
Increase in trade and other receivables	(588,546,708)	(1,786,478,271)
Increase in trade and other payables	<u>648,879,201</u>	<u>1,504,988,311</u>
<b>Net cash inflow/(outflow) from/(on) operating activities</b>	<u>224,452,055</u>	<u>(345,737,467)</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	8,524	10,198
Interest paid	<u>(14,466,556)</u>	<u>(932,514)</u>
<b>Net cash outflow on returns on investments and servicing of finance</b>	<u>(14,458,032)</u>	<u>(922,316)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(5,294,495,065)	(4,680,331,321)
Proceeds from disposal of property, plant and equipment	<u>867,423</u>	<u>519,545</u>
<b>Net cash outflow on investing activities</b>	<u>(5,293,627,642)</u>	<u>(4,679,811,776)</u>
<b>Net cash outflow before financing</b>	<u>(5,083,633,619)</u>	<u>(5,026,471,559)</u>
<b>Financing</b>		
Capital grants received	<u>5,089,924,937</u>	<u>5,015,594,941</u>
<b>Net cash inflow from financing activities</b>	<u>5,089,924,937</u>	<u>5,015,594,941</u>
<b>Increase/(decrease)/ in cash and cash equivalents</b>	6,291,318	(10,876,618)
<b>Cash and cash equivalents at the beginning of the year</b>	<u>32,769,819</u>	<u>43,646,437</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>39,061,137</u>	<u>32,769,819</u>
<b>Represented by:</b>		
Bank balances and cash	<u>39,061,137</u>	<u>32,769,819</u>



## Notes to the Financial Statements - 31 December 2014

### 1. **The Agency**

The Road Development Agency (RDA) is a statutory body which was established by the Public Roads Act No. 12 of 2002. The main function of RDA is to plan, manage and coordinate the road network in the country. The Agency is also responsible for the planning, care and maintenance and construction of public roads in Zambia. It also regulates the maximum permissible weights on roads, conducts studies for the development and improvement of the road network and reviews design standards and classification.

### 2. **Principal accounting policies**

The principal accounting policies applied by the Agency in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) **Basis of presentation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Agency has elected to present the "Statement of Comprehensive Income" in one statement, the "Statement of Comprehensive Income". The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### (b) **New and revised standards that are effective for annual periods beginning on or after 1 January 2014**

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

##### **IFRIC 21 'Levies'**

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has no material effect on the annual financial statements but affects the allocation of the cost of certain property taxes between interim periods. The Agency's past practice was to spread the cost of property taxes payable annually over the year, resulting in the recognition of a prepayment at interim reporting dates. The application of IFRIC 21 requires the Agency to recognise the entire obligation as an expense at the beginning of the reporting period, which is the date specified in the relevant legislation. IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the financial statements for any period presented.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (b) New and revised standards that are effective for annual periods beginning on or after 1 January 2014 (continued)

##### **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Agency does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

##### **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional Provisions and had no material effect on the financial statements for any period presented.

#### (c) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Agency**

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Agency. Information on those expected to be relevant to the Agency's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Agency's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Agency's financial statements.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Agency (continued)

##### **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Agency's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

##### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Agency's management have not yet assessed the impact of IFRS 15 on these financial statements.

Based on the Agency's current business model and accounting policies, management does not expect material impact on its financial statements when the standards or interpretations become effective.

#### (d) **Income**

##### (i) **Capital grants**

Government grants are accounted for when there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received. Grants that relate to specific capital expenditure are treated as capital grants which are then amortised through the statement of comprehensive income over the related asset's useful life. Other grants are credited to the statement of comprehensive income in the period in which they are received.

##### (ii) **Other income**

Income from interest earned and other income is accounted for on an accrual basis.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Pontoons and bridges	8
Weigh bridges	10
Leasehold land and buildings	2
Furniture and fittings	20
Office equipment	20
Motor vehicles	20
Computers	33.33
Plant and machinery	8.30

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in other operating income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (f) Roads

Maintenance of the existing roads involving performing works to offset the deterioration of roads on a continuous basis is treated as routine maintenance and is expensed in the year the works are carried out.

Other works on new roads such as expanding road capacity, providing stronger surface and significantly changing characteristics of the roads is capitalized and depreciated on the following basis:

	<b>Paved</b>	<b>Gravel</b>	<b>Earth</b>
	%	%	%
Periodic maintenance	20	33.33	100
Rehabilitation	10	20	100
Construction	5	10	25

#### (g) Financial assets

The Agency classifies its investments into the following categories: financial assets at fair value through profit or loss, trade and other receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

##### (i) *Financial assets at fair value through income*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (g) Financial assets (continued)

##### (ii) *Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Agency intends to sell in the short term or that it has designated as at fair value through income or available for sale. Trade and other receivables are recognised at nominal value, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms.

##### (iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of trade and other receivables that the Agency's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms.

##### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Agency has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realised gains or losses on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Agency's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Agency establishes fair value by using valuation techniques.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (h) Impairment of assets

##### (i) *Financial assets carried at amortised cost*

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Agency about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Agency, including:
  - adverse changes in the payment status of issuers or debtors in the Agency; or
  - national or local economic conditions that correlate with defaults on the assets in the Agency.

The Agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Agency determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (h) Impairment of assets (continued)

##### (i) *Financial assets carried at amortised cost (continued)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

##### (ii) *Financial assets carried at fair value*

The Agency assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the equity.

##### (iii) *Impairment of other non-financial assets*

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### (i) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and balances held with banks. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents.



## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (j) Foreign currencies

##### (i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Agency operates (the 'functional currency'). The financial statements are presented in Zambian Kwacha, which is the Agency's presentation currency.

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items, such as equity at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in fair value reserve in the statement of changes in funds.

#### (k) Employee benefits

##### (i) *Provision for retirement benefits*

The pension plan is with National Pension Scheme Authority (NAPSA) where the Agency pays an amount equal to the employees' contributions. Employees contribute 5% of their gross earnings.

The employees of the Agency are entitled to defined benefits at retirement for non contract employees and to gratuity at end of contract for contract employees. Provisions for gratuity payable to contract employees are recognized as an expense and the liability is shown in the statement of financial position. There is no scheme in place to meet obligations arising from the retirement benefits payable to non contract employees. However, these obligations will be funded from future government grants.

Provisions for leave pay are made in respect of all staff. Leave days are provided for up to the maximum leave days allowed under the conditions of service.

#### (l) Trade and other payables

Trade and other payables are stated at cost.

#### (m) Provisions

##### *legal claims*

Provisions for legal claims are recognised when: the Agency has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

#### (n) Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is determined on a first in first out basis and includes all expenditure incurred in the normal course of business in bringing the goods to their present location and condition, including production overheads based on normal level of activity. Net realisable value takes into account all further costs directly related to marketing, selling and distribution. Provision is made for obsolete and slow moving inventories.

## Notes to the Financial Statements - 31 December 2014

### 2. Principal accounting policies (continued)

#### (o) Operating leases

The Agency rents properties as a lessee. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

### 3. Critical accounting estimates and judgements

The Agency makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Agency's accounting policies, management has made judgements in determining:

- (a) the classification of financial assets;
- (b) whether assets are impaired;
- (c) estimation of provision and accruals; and
- (d) recoverability of trade and other receivables.

### 4. Management of financial risk

#### 4.1 Financial risk

The Agency is exposed to a range of financial risks through its financial assets and liabilities. The most important components of this financial risk are interest rate risk and credit risk.

These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

The Agency manages these positions with a framework that has been developed to monitor debtors and return on its investments.

##### 4.1.1 Credit risk

The Agency exposure to credit risk is medium.

##### 4.1.2 Capital management

The Agency's objective when managing capital is to safeguard the Agency's ability to continue as a going concern so that it can continue to provide benefits to stakeholders.

The Agency's capital is supported by grants from the Government of the Republic of Zambia (GRZ).

### 5. Income

Income represents amortisation of grants received from the Government of the Republic of Zambia.

## Notes to the Financial Statements - 31 December 2014

	2014 K	2013 K
6. <b>Deficit for the year</b>		
Deficit for the year is stated after charging:-		
Depreciation	<u>711,492,719</u>	<u>463,663,933</u>
Interest paid	<u>14,466,556</u>	<u>932,514</u>
Loss on sale of assets and after crediting:-	<u>959,537</u>	<u>29,375</u>
Interest received	<u>8,524</u>	<u>10,198</u>
7. <b>Taxation</b>		
The Agency is exempt from taxation under Section 15 of the Income Tax Act Cap 323 of the Laws of Zambia and in accordance with paragraph 5 part III of the second schedule of the same Act.		

## Notes to the Financial Statements - 31 December 2014

### 8. Property, plant and equipment (a) Summary

	Roads K	Pontoons & bridges K	Land and buildings K	Weigh- bridges K	Motor vehicles K	Plant and machinery K	Computers and office equipment K	Furniture and fittings K	Total K
<b>Cost or valuation</b>									
At 1 January 2013	3,162,801,151	133,245,883	12,516,492	15,541,076	46,996,134	9,522,252	9,141,136	3,629,413	3,393,393,537
Additions	-	-	-	-	22,138,225	63,594,313	6,700,523	2,216,301	94,649,362
Capitalisation	449,292,807	5,548,617	-	-	(1,618,119)	-	-	-	454,841,424
Disposals	-	-	-	-	67,516,240	73,116,565	15,841,659	5,845,714	(1,618,119)
At 31 December 2013	3,612,093,958	138,794,500	12,516,492	15,541,076	18,946,186	8,524,570	11,722,496	634,418	3,941,266,204
Additions	-	-	500,000	-	(1,327,192)	(4,906,850)	(4,036,253)	(549,720)	40,327,670
Capitalisation	3,847,101,766	84,103,287	-	31,648,678	(5,038,427)	-	-	-	3,962,853,731
Write offs	(334,209,783)	(9,492,389)	-	-	80,096,807	76,734,285	23,527,902	5,930,412	(354,522,187)
Disposals	-	-	-	-	-	-	-	-	(503,842,7)
At 31 December 2014	7,124,985,941	213,405,398	13,016,492	47,189,754	80,096,807	76,734,285	23,527,902	5,930,412	7,584,886,991
<b>Depreciation</b>									
At 1 January 2013	892,142,255	36,534,653	1,310,378	1,787,328	28,116,937	5,523,090	6,754,542	2,749,108	974,918,291
Charge for the year	428,161,423	11,103,562	250,330	1,554,107	12,231,324	6,068,675	3,500,366	794,146	463,663,933
Disposals	-	-	-	-	(1,069,199)	-	-	-	(1,069,199)
At 31 December 2013	1,320,303,678	47,638,215	1,560,708	3,341,435	39,279,062	11,591,765	10,254,908	3,543,254	1,437,513,025
Charge for the year	655,849,086	17,072,434	260,330	4,718,975	16,375,591	8,223,163	8,083,436	909,704	711,492,719
Write offs	(262,803,239)	(4,556,347)	-	-	(1,327,193)	(2,245,519)	(4,036,244)	(549,720)	(275,518,262)
Disposals	-	-	-	-	(3,211,467)	-	-	-	(3,211,467)
At 31 December 2014	1,713,349,525	60,154,302	1,821,038	8,060,410	51,115,993	17,569,409	14,302,100	3,803,238	1,870,276,015
<b>Net book value</b>									
At 31 December 2014	5,411,636,416	153,251,096	11,195,454	39,129,344	28,980,814	59,164,876	9,225,802	2,027,174	5,714,610,976
At 31 December 2013	2,291,790,280	91,156,285	10,955,784	12,199,641	28,237,178	61,524,800	5,586,751	2,302,460	2,503,753,179

(b) Property, plant and equipment and capital work in progress included amounts for which details were not available. During the year, the directors of the agency resolved to write off these accounts together with the related depreciation. The related amounts have been written off in capital grants in the statement of changes in funds.

## Notes to the Financial Statements - 31 December 2014

### 9. Capital work in progress

	<b>Roads</b>	<b>Pontoons and bridges</b>	<b>Totals</b>
	<b>K</b>	<b>K</b>	<b>K</b>
At 1 January 2013	5,534,835,030	308,148,696	5,842,983,726
Additions	4,497,932,517	87,749,442	4,585,681,959
Capitalisation	<u>(449,292,807)</u>	<u>(5,548,617)</u>	<u>(454,841,424)</u>
At 31 December 2013	9,583,474,740	390,349,521	9,973,824,261
Additions	5,123,521,066	130,646,329	5,254,167,395
Write offs (note 8b)	(798,389,861)	(58,569,660)	(856,959,521)
Capitalisation	<u>(3,847,101,766)</u>	<u>(115,751,965)</u>	<u>(3,962,853,731)</u>
At 31 December 2014	<u>10,061,504,179</u>	<u>346,674,225</u>	<u>10,408,178,404</u>

	<b>2014</b>	<b>2013</b>
	<b>K</b>	<b>K</b>
<b>10. Trade and other receivables</b>		
Amounts advanced to contractors and suppliers	1,296,522,615	1,466,451,660
Amounts receivable from National Roads Fund Agency (NRFA)	3,004,492,897	2,246,270,324
Special imprest	1,049,849	1,816,265
Salary advances	6,235,781	6,163,107
Other debtors	918,704	796,041
Less: Provision for bad and doubtful debts	<u>(482,863)</u>	<u>(1,307,122)</u>
	<u>4,308,736,983</u>	<u>3,720,190,275</u>
<b>11. Cash and cash equivalents</b>		
Bank balances	39,051,160	32,756,811
Petty cash	<u>9,977</u>	<u>13,008</u>
	<u>39,061,137</u>	<u>32,769,819</u>
<b>12. Trade and other payables</b>		
Amounts payable to contractors	2,203,213,265	1,760,207,688
Retention payable	784,302,065	612,384,123
Provisions and accruals	167,153,163	118,211,099
Sundry creditors	<u>27,379,087</u>	<u>86,076,277</u>
	<u>3,182,047,580</u>	<u>2,576,879,187</u>

Amounts payable to contractors had included a judgement debt of K133,665,023 payable to J J Lowe following judgement on 4 November 2011 for J J Lowe to be paid US\$24,440,423 and K1,686,738 in respect of various contracts. Although the debts had been expected to be assumed by the Ministry of Finance, provisions had been made in the books of the Road Development Agency. However, during the year, the directors of the Road Development Agency resolved that this debt should no longer be recognized in the Agency's books on the understanding that the Ministry of Finance has taken over and is serving the debt. The debt has been derecognized and recognized as other income in the profit and loss account.

## Notes to the Financial Statements - 31 December 2014

### 13. Financial instruments

#### Financial assets

The Agency's principal financial assets are bank balances and cash and trade debtors. The Agency maintains its bank accounts with banks of high credit standing. Trade debtors carrying amounts is net of appropriate allowances for estimated irrecoverable amounts.

#### Financial liabilities

The Agency's financial liabilities are employee liabilities and trade and other accounts payable. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Accounts payable are stated at their nominal value.

#### (a) Price risk

##### (i) Currency risk

The Agency is exposed to currency risk as it holds foreign currency denominated assets and liabilities.

##### (ii) Interest rate risk

Financial assets are not exposed to the risk that their value will fluctuate due to changes in market interest rates.

#### (b) Credit risk

Credit risk is the risk of financial loss to the Agency if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables and other receivables.

In order to manage this risk the Agency makes allowance for impairment against non-performing accounts, where recovery is doubtful.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was: -

#### Classes of financial assets

	Carrying amount	
	31 December 2014 K	31 December 2013 K
Trade and other receivables	4,308,736,983	3,720,190,275
Cash and cash equivalents	<u>39,061,137</u>	<u>32,769,819</u>
	<u>4,347,798,120</u>	<u>3,752,960,094</u>

The credit risk for cash and cash equivalents and short term deposits is considered negligible, since the counterparts are reputable banks with high quality external credit ratings.

In respect of trade and other receivables, the Agency is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

#### In respect of trade and other receivable

The trade receivables comprise amounts receivable from National Road Fund Agency (NRFA) which is used by the Government of the Republic of Zambia for funding roads and related projects.

## Notes to the Financial Statements - 31 December 2014

### 13. Financial instruments (continued)

#### (c) Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

#### 31 December 2014

	Level 1 K	Level 2 K	Level 3 K	Total K
<b>Financial assets</b>				
Trade and other receivables	-	<u>4,308,736,983</u>	-	<u>4,308,736,983</u>
	-	<u>4,308,736,983</u>	-	<u>4,308,736,983</u>
<b>Financial liabilities</b>				
Trade and other payables	-	<u>3,182,047,580</u>	-	<u>3,182,047,580</u>
	-	<u>3,182,047,580</u>	-	<u>3,182,047,580</u>

#### 31 December 2013

	Level 1 K	Level 2 K	Level 3 K	Total K
<b>Financial assets</b>				
Trade and other receivables	-	<u>3,720,190,275</u>	-	<u>3,720,190,275</u>
	-	<u>3,720,190,275</u>	-	<u>3,720,190,275</u>
<b>Financial liabilities</b>				
Trade and other payables	-	<u>2,576,879,187</u>	-	<u>2,576,879,187</u>
	-	<u>2,576,879,187</u>	-	<u>2,576,879,187</u>

There were no transfers between Level 1 and Level 2 in 2014 or 2013.

## Notes to the Financial Statements - 31 December 2014

### 13. Financial instruments (continued)

#### (d) Categories of financial instruments

##### At 31 December 2014

	<b>Loans and receivables K</b>	<b>Fair value K</b>
<b>Financial assets</b>		
Trade and other receivables	4,308,736,983	4,308,736,983
Cash and cash equivalents	<u>39,061,137</u>	<u>39,061,137</u>
	<u>4,347,798,120</u>	<u>4,347,798,120</u>
<b>Financial liabilities</b>	<b>Financial liabilities At amortised cost K</b>	<b>Fair value K</b>
Trade and other payables	<u>3,182,047,580</u>	<u>3,182,047,580</u>
	<u>3,182,047,580</u>	<u>3,182,047,580</u>
<b>Net position</b>	<u>1,165,750,540</u>	<u>1,165,750,540</u>

##### At 31 December 2013

	<b>Loans and receivables K</b>	<b>Fair value K</b>
<b>Financial assets</b>		
Trade and other receivables	3,720,190,275	3,720,190,275
Cash and cash equivalents	<u>32,769,819</u>	<u>32,769,819</u>
	<u>3,752,960,094</u>	<u>3,752,960,094</u>
<b>Financial liabilities</b>	<b>Financial liabilities At amortised cost K</b>	<b>Fair value K</b>
Trade and other payables	<u>2,576,879,187</u>	<u>2,576,879,187</u>
	<u>2,576,879,187</u>	<u>2,576,879,187</u>
<b>Net position</b>	<u>1,176,080,907</u>	<u>1,176,080,907</u>



## Notes to the Financial Statements - 31 December 2014

	2014 K	2013 K
<b>14. Related party transactions</b>		
The following transactions were carried out with related parties:		
(i) <i>Key management compensation</i> Salaries and other short term benefits	<u>8,715,891</u>	<u>6,322,506</u>
(ii) <i>Directors' remuneration</i> Fees for service as directors	<u>1,643,387</u>	<u>199,344</u>
(iii) <i>Loans to directors</i>	<u>-</u>	<u>-</u>
(iv) The following business transactions were undertaken with a related party.		
	2014 K	2013 K
Acmms Lodge	<u>127,086</u>	<u>162,082</u>
<b>15. Contingent liabilities</b>		
There are contingent liabilities in respect of various legal claims made against the Agency amounting to K247.3 million (2013 – K72.452 million). There is also a contingent liability in the form of interest payable to contractors for delayed payment of certified works amounting to K 83.679 million (2013 – K136.779 million).		
<b>16. Capital commitments</b>		
As at 31 December 2014, the Agency had entered into a number of contracts for works. Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:		
	2014 K	2013 K
Roads and bridges	<u>4,764,931,244</u>	<u>5,697,239,689</u>
The Agency is certain that all such commitments will be fully financed from Government grants through the National Roads Fund Agency and from cooperating partners.		
<b>17. Comparative figures</b>		
The comparatives have been restated where necessary to afford comparability.		
<b>18. Events subsequent to the reporting date</b>		
There has not arisen since the reporting date any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Agency, to affect substantially the operations of the Agency, the results of those operations or the state of affairs of the Agency in subsequent financial years.		

## Detailed Analysis of Income for the Year Ended 31 December 2014

### SCHEDULE 1

	<b>2014</b>	<b>2013</b>
	<b>K</b>	<b>K</b>
<b>Income</b>		
Amortisation of capital grants	711,492,719	463,663,933
Project grants from National Roads Fund Agency (NRFA)	354,269,633	143,287,737
Revenue grants from GRZ <u>113,406,755</u>	<u>84,001,004</u>	
	<u>1,179,169,107</u>	<u>690,952,674</u>
<b>Other income</b>		
Abnormal load fees	2,796,755	2,066,136
Bill boards	98,047	239,714
Equipment hire	62,550	-
Interest income	8,524	10,198
Liquidated damages	1,337,278	5,618,525
Private Public Partnership	900	5,200
(Loss)/profit on disposal of property, plant and equipment	(959,537)	(29,375)
Rental income	89,100	94,050
Road infringement charges	33,250	31,404
Quarry royalties	1,195,600	1,608,290
Soil testing analysis fees	428,930	403,590
Routeway inspection fees	1,988,670	2,223,276
Tender document sales	1,187,834	1,885,487
Weighbridge fines	-	22,600
Debts taken over by GRZ	133,665,024	-
Other	<u>197,434</u>	<u>551,373</u>
	<u>142,130,359</u>	<u>14,730,468</u>
<b>Total income</b>	<u>1,321,299,466</u>	<u>705,683,142</u>

## Detailed Analysis of Administration Costs for the Year Ended 31 December 2014

### SCHEDULE 2

	2014 K	2013 K
Accommodation and meals	3,505,008	3,037,044
Audit fees	760,017	424,212
Bank charges	141,769	239,819
Board expenses	2,469,896	304,968
Civil maintenance	441,267	693,121
Cleaning materials and toiletries and sanitary services	361,621	246,031
Computer expenses	410,304	168,009
Depreciation	711,492,719	463,663,933
Electricity, water and sewerage	232,606	189,760
Equipment service and repair	48,716	94,886
Exchange losses	4,890,729	574
Insurance	2,817,925	1,372,565
Interest on long outstanding contractor debts	14,466,556	932,514
Internet services	288,951	245,457
Laboratory reagents and chemicals	17,550	-
Labour day celebrations	315,265	259,353
Legal fees	548,807	274,273
Motor vehicle expenses	5,320,806	5,087,105
Newspapers	68,423	54,608
Office beverages and refreshments	218,435	198,287
Other costs	46,277	159,297
Printing and stationery	1,804,897	1,613,236
Provision for bad and doubtful debts	190,245	-
Public relations and advertising	3,521,923	3,040,463
Recruitment costs	70,077	298,829
Rent collection costs	-	10,004
Routeway inspection costs	285,528	716,386
Security services	2,020,047	1,063,829
Staff costs	159,742,012	142,492,569
Staff training	2,671,054	6,943,791
Staff Welfare	316,290	74,890
Subscriptions	295,498	302,257
Office Rentals	1,408,110	1,120,379
Telephone and postage	520,129	443,922
Tender Committee allowances	-	214,624
Travelling expenses	36,439	518,046
Miscellaneous expenses	18,983	158,921
Workshops and seminars	643,999	621,008
	<u>922,408,878</u>	<u>637,278,970</u>



## Detailed Analysis of Routine Repairs, Maintenance Works and Project Related Costs for the Year Ended 31 December 2014

### SCHEDULE 3

	<b>2014</b>	<b>2013</b>
	<b>K</b>	<b>K</b>
Environmental costs	1,957,695	2,079,109
Project procurement costs	9,745,553	10,030,663
Routine maintenance – roads	161,219,660	35,469,913
Routine maintenance – force accounts	46,303,824	40,268,968
Supervision expenses – roads and bridges	10,161,224	8,523,688
Supervision expenses – routine maintenance	1,091,529	919,779
Technical assistance and other consultancy costs	233,194	1,528,990
Pave Zambia 2000 costs	6,818,551	332,835
Road Tolling costs	2,699,657	1,703,004
Information & Communication Technology costs	1,603,692	515,305
Legal costs and Arbitration awards	<u>484,859</u>	<u>32,109,211</u>
	<b><u>242,319,438</u></b>	<b><u>133,481,465</u></b>



**Road Development Agency**

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