

Road Maintenance Fund Administration (RMFA)

Financial statements
for the year ended 31 December 2018

*This report contains 21 pages
Ref: S651/sm/emj*

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General information

Board of Directors : Mr. Y. T. Sesay - Chairman (Ended June 2018)
Mr Smart K. Senessie - Chairman (Appointed September 2018)
Ing. Obafemi Davies - Member (Retired March 2018)
Revend J. Y. Conteh - Member (Ended June 2018)
Mr. Buffy Bailor - Director (Ended June 2018)
Mr. Abdul Kareem Kalokoh - Member & CEO (Ended July 2018)
Mr Sheku Mahmoud Kanneh - Member & CEO (Appointed August 2018)

Registered Office : Road Maintenance Fund Administration
Maritime Building
Government Wharf
Freetown

Secretary : Foresees Consultants Ltd.
4 Liverpool Street
Freetown

Solicitor : Tanner Legal Advisory
1st Floor, Red Lion Building
65 Siaka Stevens Street
Freetown

Bankers : Bank of Sierra Leone
Siaka Stevens Street
Freetown

Auditor : Baker Tilly Sierra Leone
Chartered Accountants
Baker Tilly
37 Siaka Stevens Street
Freetown

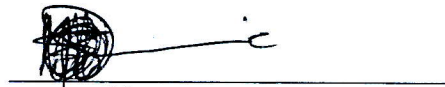
Management responsibility statement

Management is responsible for the preparation and presentation of the financial statements, comprising the statement of financial position for the year ended 31 December 2018, and the statements of financial performance, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals, the Road Maintenance Fund Administration Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Approval of the financial statements

The financial statements were approved by management on 26th March 2020 and signed on its behalf by:


Director


Director

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Road Maintenance Fund Administration (RMFA), set out on pages 6 to 21 which comprise the statement of financial position as at 31 December 2018, and the statements of financial performance, changes in equity and cash flows for the year then ended and the notes to the financial report which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Road Maintenance Fund Administration (RMFA) give a true and fair view of the financial performance of the programme for the year ended 31 December 2018 in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals and the Road Maintenance Fund Administration Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA) *(continued)*

Responsibilities of Directors and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Accruals and the Road Maintenance Fund Administration (RMFA) Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with international standards on auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.

Independent Auditor's report to the Directors of Road Maintenance Fund Administration (RMFA) (continued)

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the entity's audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The Engagement Partner on the audit resulting in this independent auditor's report is Derrick Kawaley.

Freetown


Chartered Accountants

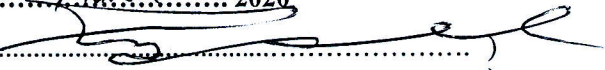
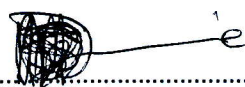
Date: 26 MARCH 2020

Statement of financial position
at 31 December 2018

<i>In thousands of Leones</i>	<i>Notes</i>	2018	2017
Non-current assets			
Property and equipment	8	827,341	1,314,484
		<u>827,341</u>	<u>1,314,484</u>
Current assets			
Receivables	9	145,780,027	145,161,236
Cash and cash equivalents	10	20,100,634	4,468,760
		<u>165,880,661</u>	<u>149,629,996</u>
Total assets		<u><u>166,708,002</u></u>	<u><u>150,944,480</u></u>
Equity and liabilities			
Financed by			
Accumulated fund	14	(2,449,719)	(33,748,643)
Total equity		<u>(1,518,344)</u>	<u>(33,748,643)</u>
Non-current liabilities			
End of service benefit	12	842,180	2,062,176
Borrowings due after one year	13a	21,630,487	43,333,827
		<u>(2,449,719)</u>	<u>45,396,003</u>
Current liabilities			
Payables	11	123,015,027	117,296,011
Borrowings due within one year	13b	23,670,027	22,001,109
		<u>146,685,054</u>	<u>139,297,120</u>
Total liabilities		<u>169,157,721</u>	<u>184,693,123</u>
Total equity and liabilities		<u><u>166,708,002</u></u>	<u><u>150,944,480</u></u>

These financial statements were approved by the Board of Directors on

26th March..... 2020

.....)
)
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) Directors

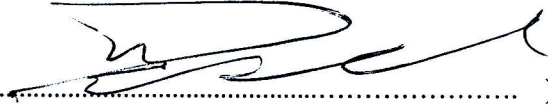

The notes on pages 10 to 21 are an integral part of these financial statements.

Statement of financial performance
for the ended 31 December 2018

<i>In thousands of Leones</i>	Notes	2018	2017
Operating income	4	85,909,941	114,166,893
Other operating income	5	8,874,883	346,292
Total income		94,784,824	114,513,185
Expenditure			
Road maintenance expenses	6	53,020,799	101,016,141
Administrative expenses	7	10,465,101	10,203,450
Total expenditure		63,485,900	111,219,591
Surplus/(deficit) for the year		31,298,924	3,293,594

These financial statements were approved by the Board of Directors on

26th March2020

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Directors

The notes on pages 10 to 21 are an integral part of these financial statements

Statement of changes in equity
for the ended 31 December 2018

<i>In thousands of Leones</i>	Accumulated fund
Balance as at 1 January 2017	(37,042,237)
Surplus for the year	3,293,594
Balance at 31 December 2017	<u>(33,748,643)</u>
Balance as at 1 January 2018	(33,748,643)
Surplus for the year	31,298,924
Balance at 31 December 2018	<u><u>(2,449,719)</u></u>

The notes on pages 10 to 21 are an integral part of these financial statements

Statement of cash flows
for the year ended 31 December 2018

<i>In thousands of Leones</i>	<i>Notes</i>	2018	2017
Net cash inflow from operating activities	<i>15</i>	26,990,275	(30,081,005)
		<hr/>	<hr/>
Cash flow from investing activities			
Payments to acquire property and equipment	<i>8</i>	(158,919)	(134,062)
Interest received and other income	<i>5</i>	8,874,883	31,292
		<hr/>	<hr/>
Net cash flow from investing activities		8,715,964	(102,770)
		<hr/>	<hr/>
Cash flow from financing activities			
Loans and borrowings	<i>13</i>	(20,034,422)	30,790,948
		<hr/>	<hr/>
Net cash flow from financing activities		(20,034,422)	30,790,948
		<hr/>	<hr/>
Net increase in cash and cash equivalent		15,671,817	607,173
Balance at 1 January		4,468,760	3,861,587
Effect of exchange rate		(39,943)	
		<hr/>	<hr/>
Cash and cash equivalent at 31 December	<i>10</i>	20,100,634	4,468,760
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 21 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

The Road Maintenance Fund Administration was established through the Road Maintenance Fund Administration Act, for financing the maintenance of the core road network and to provide for other related matters.

2. Basis of accounting

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accruals. They were authorized for issue on 2020.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied unless otherwise stated.

3.1 Borrowing costs

All of the costs incurred in connection with borrowing are treated as expenses in the period in which they are incurred.

3.2 Cash, investments and other financial assets

Cash and cash equivalents include cash in hand, deposits held at call with banks.

3.3 Expense recognition

Expenses are recognized as goods are received and services delivered.

3.4 Financial risks

The Administration does not have significant exposure to foreign currency risk as its revenue and expenses are most times in its functional currency which is the Leones.

The Administration does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations

The Administration is to exposed to the risk of interest rates risk as its road maintenance expenditure is partly financed by loan. The Administration does not use financial instruments to hedge interest rate risk.

The Administration's accounts receivable is almost exclusively from Oil Marketing Companies (OCM), and therefore risks related to credit are considered minimal. No allowance has been established against the asset value of accounts receivable to reflect receivables for which payment is not anticipated in the short-term.

Notes to the financial statements *(continued)*

3.5 Foreign currency transactions

The functional currency of Organisation is the Sierra Leone Leone and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Sierra Leone Leone using the Central Bank (Bank of Sierra Leone) mid exchange rates which represent those prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than RMFA's functional currency are recognized in the Statement of Financial Performance.

3.6 Property and equipment

Property and equipment are valued at cost less accumulated depreciation and impairment. Property and Equipment are recognized as an asset if it has a cost of Le 500,000 or more per unit.

Subsequent costs of major renovations and improvements to fixed assets that increase or extend the future economic benefits or service potential are valued at cost. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance.

Depreciation is charged so as to write off the full cost of fixed assets over their estimated useful lives using the straight-line method. Where fixed assets are only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following useful lives are applied to the different classes of fixed assets:

Office equipment	20%
Office furniture & fittings	10%
Motor vehicles	25%
Computer equipment	25%
Generator	10%

3.7 Provisions

Provisions are recognized when the Organization has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

3.8 Receivables

Receivables from Oil Marketing Companies and Utility Companies and Sierra Leone Road Safety Authority for vehicle registration and license fees are measured at the fair value of the consideration received or receivable for fuel. No provision for bad debt is made as the debts are highly recoverable. Over the years, the default rate is very low.

Notes to the financial statements (continued)

3.9 Revenue Recognition

a) Operating income

Operating Income represents receipts from Oil Marketing companies by way of fuel levies and registration & licensing fees from Sierra Leone Road Safety Authority (formerly Sierra Leone Road Transport Authority).

b) Other operating income

This represents income from investments arising from short term placement of funds. It also includes income from utility companies for the reinstatement of excavated roads, and any other income not included under operating income.

3.10 Use of estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: defined benefit plan accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

4. Operating income

<i>In thousands of Leones</i>	2018	2017
Fuel Levy	81,548,775	111,454,709
Sierra Leone Road Transport Authority	4,361,166	2,712,184
	<u>85,909,941</u>	<u>114,166,893</u>

5. Other operating income

<i>In thousands of Leones</i>	2018	2017
Investment Income	7,649	11,008
Income from Utility Companies	-	9,067
Other income	8,867,234	11,217
Grant income	-	315,000
	<u>8,874,883</u>	<u>346,292</u>

Notes to the financial statements *(continued)*

6. Road maintenance expenses

<i>In thousands of Leones</i>	2018	2017
Direct payments to SLRA	4,682,195	735,011
Indirect costs - SLRA contractors	23,554,365	67,566,208
SLRA operational expenses	4,500,000	235,140
Freetown City Council	809,170	9,764,754
District Councils	10,097,368	6,425,871
Other road maintenance expenses	77,233	5,450,637
Interest on (Road Maintenance) Borrowing	9,300,466	10,838,520
	53,020,799	101,016,141
	53,020,799	101,016,141

7. Administrative expenses

<i>In thousands of Leones</i>	2018	2017
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a) Staff costs

Gross salaries & allowances	3,805,669	3,097,539
Employers' 10% NASSIT	337,703	309,754
Leave allowances	335,873	252,349
Fuel Allocation	196,543	165,012
Phone card top-up	50,985	60,100
Casual & contract staff	1,000	4,896
End of service benefits	38,274	478,097
Medical	154,929	102,719
Staff Annual Bonus	-	257,769
Uniforms & other staff costs	-	9,404
Staff Rent Allowance	573,708	517,954
Other Salary Allowances	110,444	105,158
	5,605,128	5,360,751
	5,605,128	5,360,751

b) Board of Directors costs

Fess and allowance	206,853	525,361
Sitting fees	3,000	43,850
Entertainment	-	8,665
Travel	20,285	204,391
	230,138	782,267
	230,138	782,267

Notes to the financial statements *(continued)*

7. Administrative expenses *(continued)*

c) Other operating expenses

<i>In thousands of Leones</i>	2018	2017
Electricity	98,000	119,000
Generator repairs	8,625	5,590
Generator fuel	24,272	15,834
Rent & rates	560,000	383,250
Vehicle fuel	30,758	29,052
Vehicle maintenance costs	141,925	162,729
Cost of newspapers, bid adverts etc.	5,266	16,838
Recruitment expenses	5,970	25,748
Human resources expenses	14,857	19,664
Office stationery	12,636	24,535
General office supplies	39,433	39,849
Telephone and other communication Expenses	178,119	228,573
Entertainment and hospitality	104,047	27,285
Statutory audit fee	95,000	65,000
Internal audit fee	79,623	40,000
Subscriptions and donations	101,850	57,475
Vehicle license and registration	83,561	93,304
Other property Insurance	3,713	20,953
Staff medical overseas	-	68,303
Local M&E Travel	383,293	264,588
Overseas travelling	1,092,189	215,168
Printing, newspaper, adverts, publications	50,953	7,992
Public relations	20,555	53,200
Security expenses	31,800	55,918
Cleaning costs	86,658	86,131
Networking and website hosting	1,190	45
Building repairs and maintenance	131,337	58,585
Legal retainership fees	125,000	110,000
Board secretary retainership fees	73,600	74,090
IFMIS service retainership	-	30,000
Computer running costs	17,360	24,160
Bank charges	99,379	399,125
Office furniture and equipment repairs	3,448	16,309
Staff training local	4,350	19,673
Staff training overseas	201,725	415,260

Notes to the financial statements *(continued)*

7. Administrative expenses *(continued)*

c) Other operating expenses *(continued)*

<i>In thousands of Leones</i>	2018	2017
Examination fees and professional membership subs	2,300	4,800
Professional membership fees - International	27,138	27,396
Non capitalised expenditure	2,150	2,725
Other office expenses	1,500	6,508
Transportation	-	20
Christmas hamper	-	77,996
Incentive/honorarium	250	-
Depreciation	646,062	667,761
Exchange rate difference	39,943	-
	<hr/>	<hr/>
	4,629,835	4,060,432
	<hr/>	<hr/>
Total administrative expenses	10,465,101	10,203,450
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

8. Property and Equipment

In thousands of Leones

Cost	Office equipment	Office furniture and fittings	Motor vehicles	IT equipment	Generator	Total
Balance at 1 January 2018	183,049	374,260	1,828,220	901,421	91,995	3,378,945
Additions	31,393	73,025	-	54,501	-	158,919
Balance at 31 December 2018	<u><u>214,442</u></u>	<u><u>447,285</u></u>	<u><u>1,828,220</u></u>	<u><u>955,922</u></u>	<u><u>91,995</u></u>	<u><u>3,537,864</u></u>
Balance at 1 January 2017	175,869	352,295	1,828,220	796,504	91,995	3,244,883
Additions	7,180	21,965	-	104,917	-	134,062
Balance at 31 December 2017	<u><u>183,049</u></u>	<u><u>374,260</u></u>	<u><u>1,828,220</u></u>	<u><u>901,421</u></u>	<u><u>91,995</u></u>	<u><u>3,378,945</u></u>

Notes to the financial statements (continued)

8. Property and equipment (continued)

In thousands of Leones

Accumulated depreciation

Balance at 1 January 2018
 Charge for the year

Balance at 31 December 2018

Balance at 1 January 2017
 Charge for the year

Balance at 31 December 2017

Carrying value at 31 December 2018

Carrying value at 31 December 2017

	Office equipment	Office furniture and fittings	Motor vehicles	IT equipment	Generator	Total
	126,867	156,879	1,104,353	632,663	43,699	2,064,461
	30,700	41,657	373,233	191,272	9,200	646,062
	<u>157,567</u>	<u>198,536</u>	<u>1,477,586</u>	<u>823,935</u>	<u>52,899</u>	<u>2,710,523</u>
	94,981	120,296	703,297	443,627	34,499	1,396,700
	31,886	36,583	401,056	189,036	9,200	667,761
	<u>126,867</u>	<u>156,879</u>	<u>1,104,353</u>	<u>632,663</u>	<u>43,699</u>	<u>2,064,461</u>
	<u>56,875</u>	<u>248,749</u>	<u>350,634</u>	<u>131,987</u>	<u>39,096</u>	<u>827,341</u>
	<u>56,182</u>	<u>217,381</u>	<u>723,867</u>	<u>268,758</u>	<u>48,296</u>	<u>1,314,484</u>

Notes to the financial statements (continued)

9. Receivables

<i>In thousands of Leones</i>	2018	2017
Advance payment to SLRA contractors	116,396,087	115,467,185
Receivable from OMCs	4,878,216	6,283,185
Receivable from utility companies	238,520	238,520
SLRTA receivable	1,268,519	168,519
Fuel prepayment	17,892	1,938
Advance payment to Beton Villa (as per MOU)	22,973,767	22,973,767
Staff travel contingencies	7,026	28,122
	<hr/> 145,780,027 <hr/>	<hr/> 145,161,236 <hr/>

10. Cash & cash equivalents

<i>In thousands of Leones</i>	2018	2017
Bank of Sierra Leone	679,351	1,421,660
Union Trust Bank(Admin a/c)	-	483
Union Trust Bank (Maintenance a/c)	-	8,294
Zenith Bank (Salaries a/c)	-	795,697
Rokel Commercial Bank (EOS) a/c	-	2,065,965
Bank of Sierra Leone (Escrow a/c)	2,781	2,781
Sierra Leone Commercial Bank Ltd.	158,996	158,996
Rokel Commercial Bank S.L. Ltd.	-	5,224
Bank of Sierra Leone (Revenue) a/c	10,050,013	-
Bank of Sierra Leone (Disbursement a/c)	9,191,062	-
Cash-on-hand (Forex Cash in safe)	18,421	8,931
Petty cash (Imprest a/c)	10	729
	<hr/> 20,100,634 <hr/>	<hr/> 4,468,760 <hr/>

Notes to the financial statements (continued)

11. Payables

<i>In thousands of Leones</i>	2018	2017
PAYE payable	25	-
NASSIT payable	41	-
WHT payable	461,558	2,223,115
BOD fees payable	12,575	12,575
Other payables	17,503,055	8,685,213
National petroleum	-	2,367,003
Provision for audit fees	241,077	136,077
SLRA contractors	92,174,244	92,075,623
Retention fees payable	8,395,213	7,940,643
Payable to district councils	4,227,239	3,855,762
	<u>123,015,027</u>	<u>117,296,011</u>

12. End of service benefits

<i>In thousands of Leones</i>	2018	2017
Balance at 1 January	2,062,176	1,584,079
Service cost	38,274	478,097
Payments during the year	(1,258,270)	-
Balance at 31 December	<u>842,180</u>	<u>2,062,176</u>

The end of service benefits due to staff was revised in the 2018 Finance Act, which necessitated the revision of the end of service benefit provision accordingly.

13 Loans and borrowings

<i>In thousands of Leones</i>	Loan Amount	Rate (%)	Tenure (months)	Outstanding balance 2018	Outstanding balance 2017
Sierra Leone Commercial Bank	30,000,000	16	36	14,125,949	23,655,964
Rokel Commercial Bank	15,000,000	16	36	7,430,302	11,891,682
Commerce and Mortgage Bank (revolving loan)	35,000,000	16.5	60	23,744,263	29,787,290
				<u>45,300,514</u>	<u>65,334,936</u>

Notes to the financial statements (continued)

13a) Loans and borrowings due after one year

<i>In thousands of Leones</i>	2018	2017
Sierra Leone Commercial Bank	3,160,300	14,125,949
Rokel Commercial Bank	1,845,015	7,126,675
Commerce and Mortgage Bank	16,625,172	22,081,203
	<u>21,630,487</u>	<u>43,333,827</u>

13b) Loans and borrowings due within one year

<i>In thousands of Leones</i>	2018	2017
Sierra Leone Commercial Bank	10,965,649	9,530,015
Rokel Commercial Bank	5,585,287	4,765,007
Commerce and Mortgage Bank	7,119,091	7,706,087
	<u>23,670,027</u>	<u>22,001,109</u>

14. Accumulated fund

<i>In thousands of Leones</i>	2018	2017
Balance as at 1 January	(33,748,643)	(37,042,237)
Surplus	31,298,924	3,293,594
	<u>(2,449,719)</u>	<u>(33,748,643)</u>

Notes to the financial statements (continued)

15. Net cash inflow from operating activities

<i>In thousands of Leones</i>	2018	2017
Operating surplus	32,230,299	3,293,594
Depreciation	646,062	667,761
Interest received	(8,874,883)	(346,292)
Increase in receivables	(618,792)	(48,687,340)
Increase in payables	5,719,017	14,513,175
Increase in end of service benefits	(1,219,995)	478,097
Exchange difference	39,943	-
Net cash inflow (outflow)/ from operating activities	26,990,275	(30,081,005)

16. Related party transactions

As at 31 December 2018, total loans obtained from three commercial banks was Le 80 billion (Sierra Leone Commercial Bank, Rokel Commercial Bank, and Commerce and mortgage Bank). These institutions are largely owned by the Government of Sierra Leone.

17. Contingent liabilities

There were no contingent liabilities at 31 December 2018. (31 December 2017: Nil)

18. Commitments

There were no commitments at the reporting date. (31 December 2017: Nil)

19. Events after the reporting date

No material events, favorable or unfavorable, which would have impacted upon the financial statements have been incurred between the reporting date and the date on which the financial statements were authorized for issue.