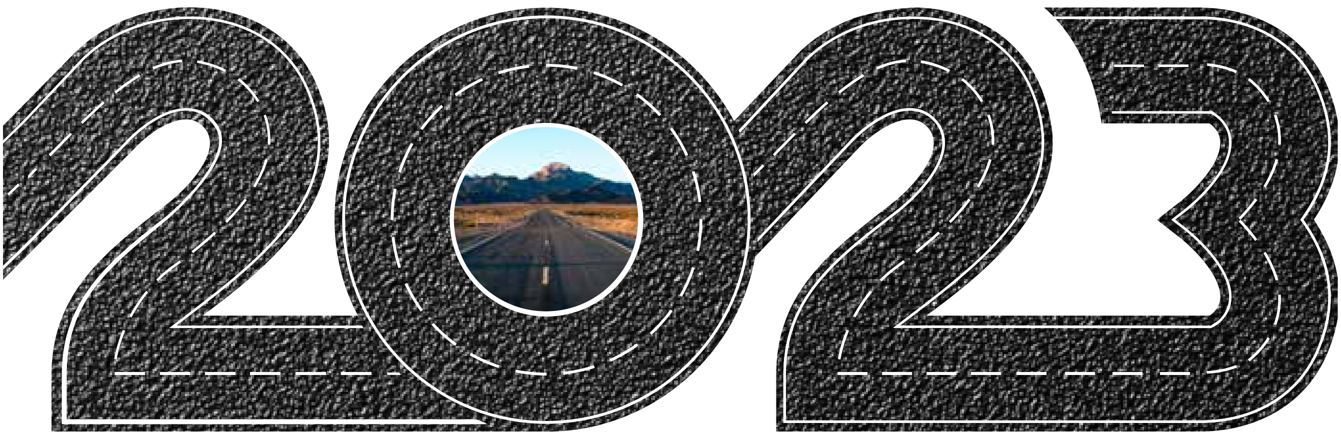
RFA

Road Fund Administration

Funding roads, steering growth.



INTEGRATED ANNUAL REPORT

Realigning and repositioning for growth

REALIGNING AND REPOSITIONING FOR GROWTH

In order to ensure that the road sector remains a key enabler for economic growth, development, and prosperity, the RFA has placed focus on realigning the Road User Charges towards economically efficient levels required to maintain Namibia's N$101 billion road network (2019 valuation). This Report highlights strategic changes that have been initiated to ensure that the Fund remains stable to play its role in our country's socio-economic development and growth.

This transformation is being driven by RFA's Board, management, and staff, defining new pathways, and creating scope for an enhanced future. With positive future outlook, this Integrated Annual Report (IAR) provides key insights into what our current transformation is doing for future sustainability.

RFA
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Funding roads, steering growth.

OUR LOGO

Roads carry an emotional resonance.
It stir up feelings of freedom, adventure and excitement.
It represent progress, carrying us forward into the future.
Our logo was inspired by a bird's eye view of roads, highways and intersections - creating an abstract shape that symbolises movement, progress and connection.

OUR BRAND POSITIONING

We drive Namibia's progress through funding road infrastructure maintenance that connects people and businesses, thus enabling economic growth.

SLOGAN

OUR SLOGAN

'Funding roads, steering growth
Our slogan reminds our stakeholders of what it is that we do and what value we offer as an organisation.

OUR BRAND PROMISE

To give all of our customers an effortless and seamless customer experience.

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ABOUT THIS REPORT

SCOPE AND BOUNDARY

This IAR covers RFA's performance for the Financial Year ended 31 March 2023 (FY2023). Any material events which occurred between the year-end and the report's approval are included to provide a forward-looking narrative which is as complete as possible.

The IAR provides our stakeholders with a holistic view of RFA's value-creation drivers, our strategy, governance, and performance. It also outlines the organisation's outlook for the Financial Year ending 31 March 2024 (FY2024) and beyond.

REPORTING GUIDELINES

The reporting process has been guided by the principles and requirements contained in International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework <IR>, and the Corporate Governance Code for Namibia (NamCode).

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements that relate to RFA's future operations and performance. Such statements are not intended to be interpreted as guarantees of future performance, achievements, financial or other results. They rely on future circumstances, some of which are beyond management's control, and the outcomes implied by these statements could potentially be materially different from future results.

No assurance can be given that forward-looking statements will be accurate; thus, undue reliance should not be placed on such statements. RFA does not undertake any obligations to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after this report's publication date or to reflect the occurrence of unanticipated events.

APPROVAL AND ASSURANCE

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report and believes it provides stakeholders with an accurate and balanced view of the RFA's strategy, past performance, and future prospects and addresses the material issues faced by the organisation.

The annual financial statements were audited by Grand Namibia Chartered Accountants and Auditors and approved by the Board on 22 August 2023.

Dr Emma Haiyambo
Board Chairperson

Ali Ipinge
Chief Executive Officer

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ABOUT THE ROAD FUND ADMINISTRATION

ABOUT ROAD FUND ADMINISTRATION

Our Mandate

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

Vision

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

Mission

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

Core Values: #SHINE

S **S**ERVICE EXCELLENCE
We embrace the highest possible performance standards to delight our stakeholders

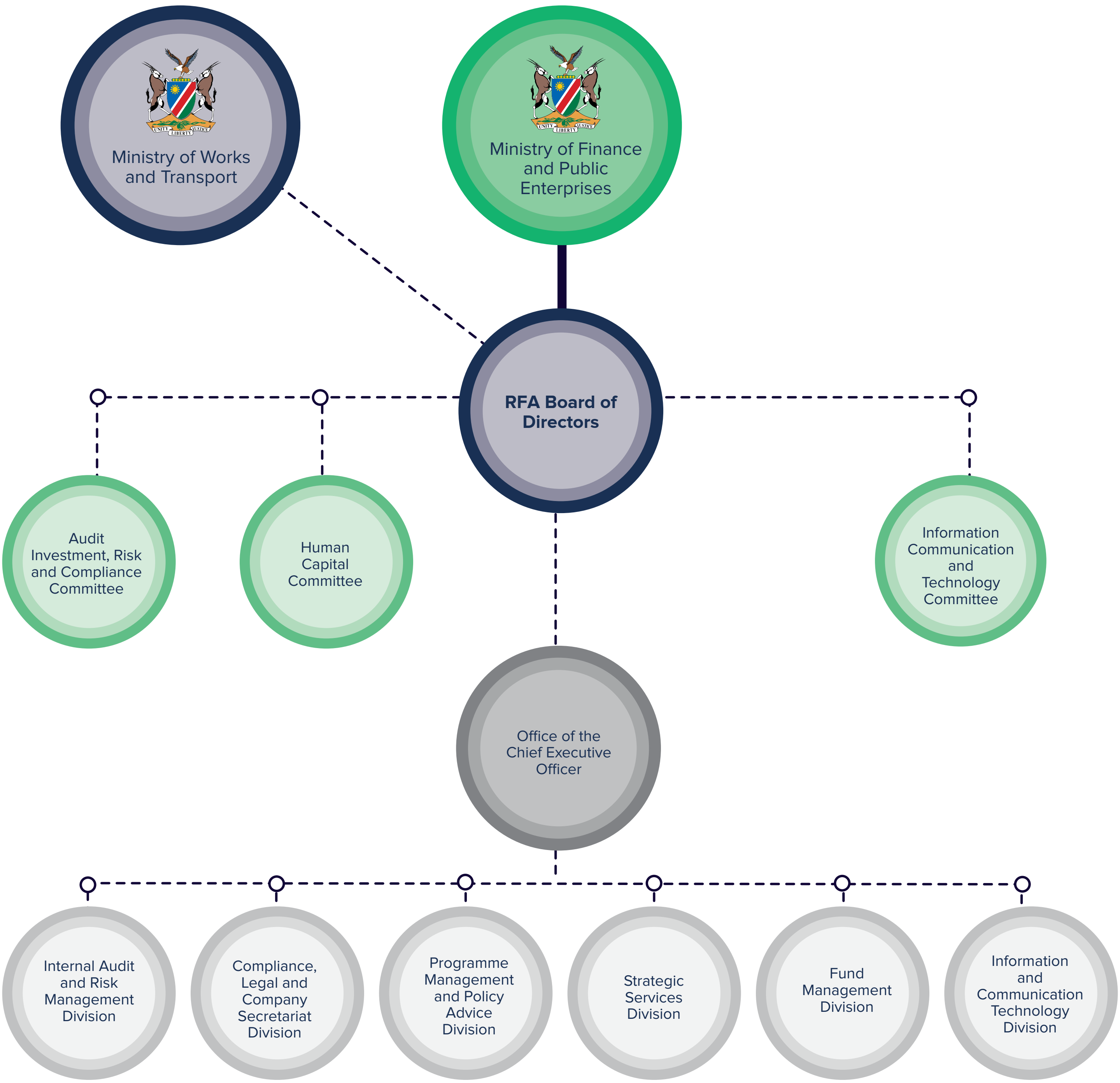
H **H**ONOUR
We account for our decision and actions as stewards of RFA

I **I**NTEGRITY
We inspire trust through honesty, transparency and ethical dealings

N **I**NNOVATION
We pursue creative ways to deliver on our mandate

E **E**MPOWERMENT
We embrace diversity, equity and life-long learning. Therefore, we empower ourselves and the stakeholders that we serve

GOVERNANCE STRUCTURE



OUR CORE BUSINESS

The RFA's mandate is to manage the Road User Charging System (RUCS) and the Road Fund (RF) with the aim of economically recovering the full cost of roads expenditure from road users in an equitable manner. The system determines the amount of funds and the manner in which it should be raised from road users in accordance with the 'user pay' principle. This consequently determines the Road User Chargers (RUCs) to be imposed.

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

REVENUE

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

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

ALLOCATION OF FUNDING

The RFA is responsible for determining the amount of funding to be allocated to Approved Authorities (AAs) to achieve a safe and efficient road sector. To accomplish this, the RFA requires budgets from the RA and other AAs for projects and programmes to be funded from the RF.

Budgets are assessed for compliance with the provisions of the RFA Act and for compliance with the generally accepted technical, transportation, economic and financial practices.

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

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

ROAD USER CHARGES

Fuel Levies

In terms of the Road Fund Administration Act, (Act 18 of 1999), a fuel levy is a fee charged on every litre of petrol and diesel sold by any undertaking, at any point in Namibia, which is to be included in any determination of the selling price of petrol or diesel, as the case may be, under any law relating to petroleum products. Fuel levies accruing to the RFA are currently set at N$1.48 per litre of petrol or diesel and is the major contributor to the Fund. Fuel levies are collected on behalf of the RFA by fuel wholesalers and paid directly into the Fund.

Abnormal Load Fees

Abnormal load fees are based on the user-pay principle and relate to the compensation paid by abnormal vehicles for damage and/or obstruction caused to the road infrastructure. An abnormal load is defined as an indivisible (for practical purposes) object that, due to its dimensions and/or mass, cannot be transported on a vehicle or vehicle combination without exceeding the limitations of the dimensions or mass as described in the Road Traffic and Transport Act, (Act 22 of 1999), as amended.

Annual Vehicle Registration and Licence Fees

Annual vehicle registration and licence fees are levied on every motor vehicle registered in Namibia, irrespective of the size of the vehicle and / or whether it is driven on a public road. Licensing is due within 21 days from the date of expiry of licence. These fees are collected on behalf of the RFA by NaTIS or registration authorities, some of which are managed by Local Authorities (LAs).

Mass Distance Charges (MDC)

Heavy vehicle owners are obliged to pay towards the maintenance of Namibia's road infrastructure, as the damage to roads increases commensurately with the increase in vehicle mass. MDCs were introduced to redress this inequity. MDCs apply to both local and foreign-registered vehicles weighing more than 3,500 kg utilising Namibia's road network.

Cross Border Charges (CBC)

The RFA collects CBCs or entry fees from every foreign-registered vehicle (including motorcycles). All foreign-registered vehicles entering Namibia are required to pay a CBC or entry fee to obtain a permit allowing them to utilise Namibia's roads.

RFA
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EXTENDED BUSINESS MODEL CANVAS

- **Strategic Control Points**: Access to the best road network in Africa - Generate first mover advantage in roadside RFID tag tracking - Scale across Southern Africa and create a natural monopoly
- **Switching Costs**: Reduced safety offered by alternative transport modes and routes - Decreased transport reliability offered by alternative transport modes and routes - Increased travel time offered by alternative transport modes and routes
- **Loyalty Drivers**: Best value road network - Convenience - Reliability - High quality client experience through advanced Customer Relationship Management interface

Key Partnerships
- Roads Authority
- Local Authorities
- Motor Vehicle Accident Fund
- Walvis Bay Corridor Group
- National Road Safety Council
- ARMFA
- National Planning Commission
- Ministry of Finance and Public Enterprises
- Ministry of Works and Transport
- Ministry of Urban and Rural

Key Activities
- Revenue collection
- Revenue optimization
- Funding determination
- Monitoring and evaluation

Key Resources
- Skilled management team
- Motivated and engaged staff
- Innovative technology
- Strong balance sheet
- Low cost delivery channels

Value Propositions
- Best cost service provider
- High quality roads
- Competitive road user charges

Customer Relationships
- Promise to give all our customers an effortless and seamless customer experience
- We pledge to adhere to and go beyond expectations with regards to Customer Service at the RFA

Channels
- Electronic communications
- Social media and contact centre
- Digital platforms
- Branches
- Branch deliveries
- Customer surveys

Customer Segments
- Demographic
  - Light vehicles
  - Heavy vehicles
- Geographic
  - Local
  - Foreign

Cost Structure - 5 Year Business Plan Forecast

Road Maintenance	N$ 5.8 billion
Administration	N$ 3.7 billion
Strategy Implementation	N$ 204 million
Total Expenditure	**N$ 12.9 billion**

Key Metrics

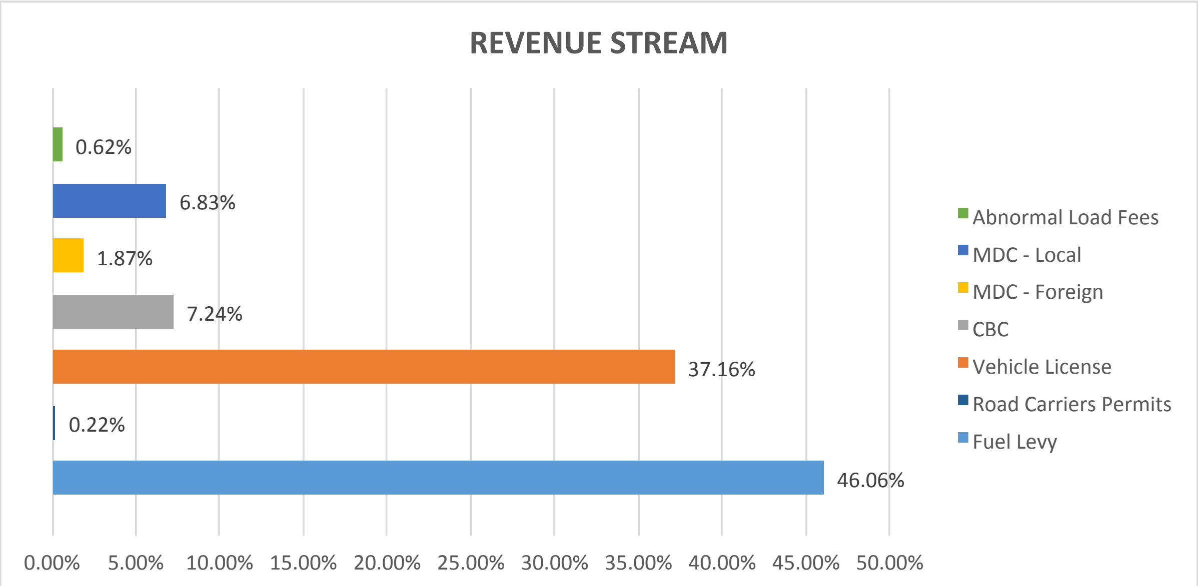
Vehicle population	406,312
Average Traveling Distance	140,000km
Gravel Road Thickness	17mm
Roughness Index (1-7)	3.2

Revenue Streams

Fuel Levies	N$6.8 billion
Vehicle License Fees	N$4 billion
Mass-Distance Charges	N$1 billion
Cross Border Charges	N$583 million
Abnormal Load Fees	N$51 million
Road Carrier Permits	N$5 million
Total Revenue	**N$ 12.4 billion**

Competitive Advantage
- RFA is best cost service provider
- Strong technological drive to improve operational efficiencies and excellent understanding of the market
- Strong technological drive to improve operational efficiencies and funding base
- Excellent road network quality and strong funding base

ROAD USER CHARGES AND BENEFICIARIES



REVENUE STREAM	FINANCIAL YEAR ENDED 31 MARCH 2023
Fuel Levy	1,040,295,863
Vehicle License	839,465,128
CBC	163,559,384
MDC - Foreign	42,305,947
MDC - Local	154,055,453
Abnormal Load Fees	14 027 847
Road Carriers Permits	5 057 220
ALL TOTAL (N$)	**2,258,766,842**

OUR VALUE CREATING BUSINESS MODEL

Financial

Our organisation's success is driven by strong financial performance aided by revenue growth and productivity improvement

- Optimise existing revenue streams
- Develop new revenue streams
- Increased cost diligence
- Productivity improvement

Customers

Which comes through delivering a great value proposition to our customers

- Grow existing customer base beyond current road users
- Drive customer retention through deep customer insights

Processes

Which is based on managing and enhancing process excellence and organisational effectiveness

- Automate internal business processes
- Enhance existing services
- Reposition towards a digital service provider
- Cross sell to new customer groups

Learning & Growth

Our human capital is the building blocks of our organisation

- Increased personal learning and development
- Right people in the right position
- Cultivate high performance culture
- Attract and retain the best possible talent

OUR SIX CAPITALS

CAPITALS	OUTCOMES
Financial capital	• Total Revenue of N$2.3 billion • Road maintenance expenditure of N$2.8 billion • Reserve Fund increased to N$326 million • N$134 million spent on Local Authorities and Regional Councils • N$30.4 million allocated to traffic law enforcement
Intellectual capital	• Cordial relationships and engagements with key stakeholders • Occupy the ARMFA presidency for two years since 2021 • Cultural repositioning • Positive rapport with regional political leaders
Human capital	• 148 filled positions • Additional posts approved with recruitment nearing completion • 63% female employees • Employee turnover low at 2% • Over N$1.1 million invested on employee capacitation
Manufactured capital	• Competent cyber security infrastructure • 100% ICT infrastructure availability • Dominant server uptime mostly at 100% • Enterprise Resource Planning System • Business Process re-engineering
Social and relationship capital	• Maintaining positive relationships with financial institutions locally and abroad • Invested in various social investment initiatives inclusive of health, sports, education, road safety and food security
Natural capital	• Increased the budget for the research component which subsequently benefits the birth of innovative ideas around environmental sustainability • RFA has budgeted for service consultants that will implement the installation of a solar system on the roof top of the RA and RFA head office buildings.

2023 AT A GLANCE

Revenue of N$2.3 billion

Reserve fund increased to **N$326 million**

The RFA allocated **N$30.4 million** to traffic law enforcement and adjudication across the country

Nearly **N$200 million** spent on low volume sealed roads

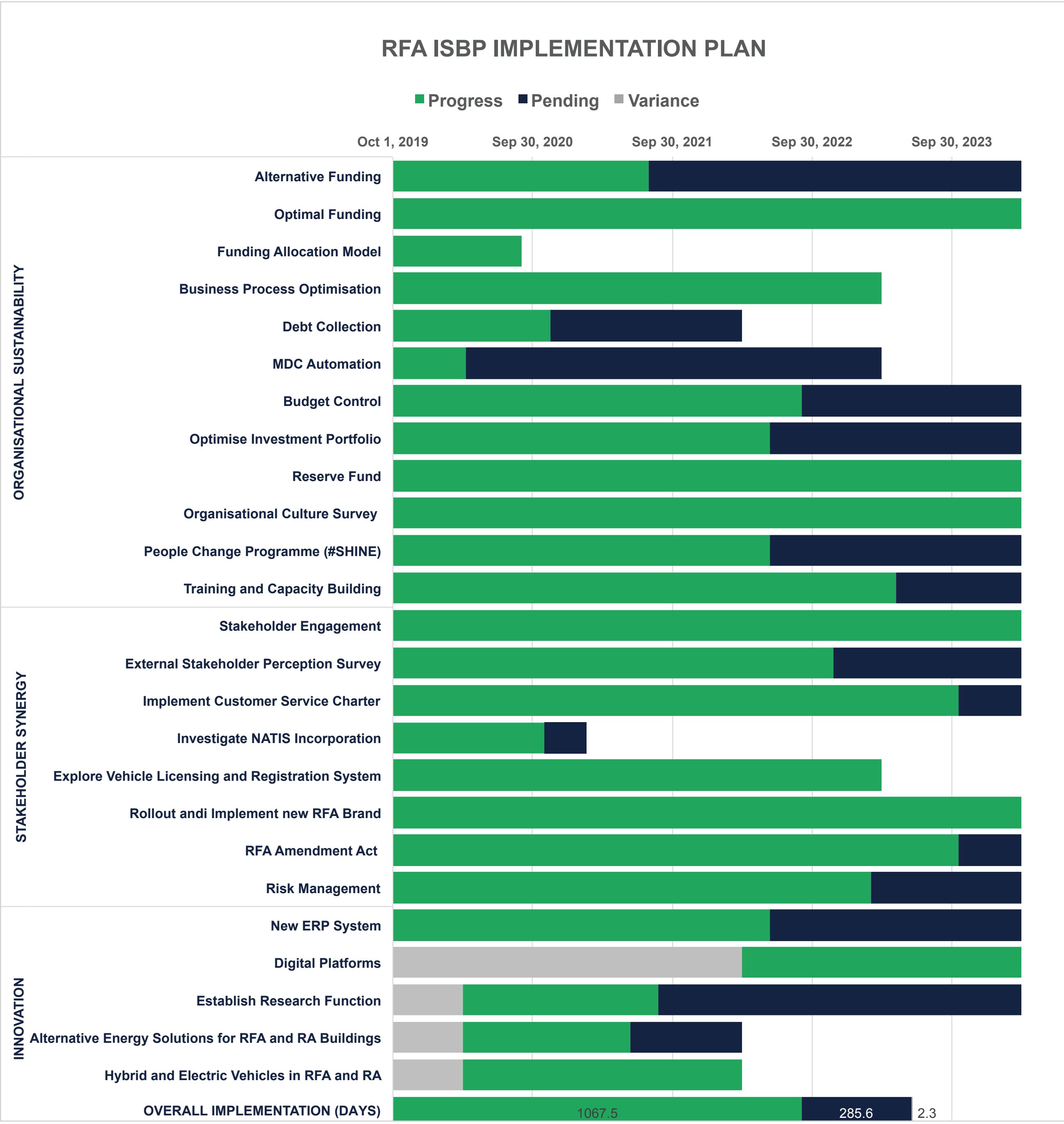
N$2.8 billion allocated towards management, maintenance and rehabilitation of roads

The RFA allocated funding to AA's (57 Local Authorities and 13 Regional Councils) totalling **N$134 million**

Through RA, successfully upgraded **144.3km** of gravel roads to low volume seal standard

Over **N$1.1 million** spent towards employee capacitation

2019- 2024 ISBP
MEDIUM TO LONG TERM MEASURES AND TARGETS



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LEADERSHIP REPORTS

DR EMMA HAIYAMBO
BOARD CHAIRPERSON

BOARD **CHAIRPERSON'S REPORT**

BOARD CHAIRPERSON'S REPORT

In a year of geopolitical and economic turmoil, with sharply higher energy prices, rising inflation and higher interest rates, RFA continued to make strategic progress, while driving to embed consistent performance across our operations after the disruptions of the two Covid-19 pandemic years.

In considering the evolution of our long term strategic context, we identified and analysed a wide range of trends that are likely to influence our business. In essence, the Board continued to diligently exercise its oversight role and remained engaged with stakeholders to strengthen RFA's partnerships as well as ensure speedy and constructive outcomes to emerging socio-economic matters.

I believe in the strength of our Board, with each member bringing their own specialist knowledge and experience to proceedings with all Board members demonstrating the independence of mind that brings constructive challenge to the Board's decision-making process. As part of our regular renewal process, there have been changes to the composition of the Board. Mr. Oshoveli Hiveluah, a member of the Board, resigned, effective 1 May 2022. Dr. Petrina Johannes was appointed effective 1 September 2022.

With this change, and has been from the beginning of our term of office, the Board's focus on sustainability and growth has always been supported by a parallel focus on economic transformation because we believe that our success as a public entity depends on the degree to which we deliver value to society. We therefore continue to play a critical role in the transformation of the roads sector by maximising commercial opportunities in the short- and medium-term.

It is worth noting that in the reporting period, the Board approved the RFA Business Plan for the Financial Years 2023-2028. This blueprint which will guide our activities for the next five years is critical in the execution of our mandate. Beyond this, various policies were approved further strengthening our governance architecture.

"In essence, the Board continued to diligently exercise its oversight role and remained engaged with stakeholders to strengthen RFA's partnerships with them as well as ensure speedy and constructive outcomes to emerging socio-economic matters.

These policies encompass the ICT governance policy, HR Policies, investment policy and the performance management policy just to name a few.

We continue to monitor RFA's performance in delivering on strategic objectives, maintaining strict internal controls and operating within established risk guidelines. This has helped us achieve our growth objectives, in addition to developing our pool of talent that aims to deliver attractive value for clients and stakeholders both in the present and over the coming generations.

Hindsight of the need to enhance positive corporate culture, the RFA is undergoing a cultural repositioning drive that seeks to strengthen its's values across the entire organisation.

To propel this agenda, Change Ambassadors were appointed across all Divisions, with the primary goal of serving as information conduits and influencers. We are confident that this initiative will bear fruit that will reposition the organisation and amplify its practices, enhance excellent service delivery and deliver present and future organisational sustainability.

As we look ahead into 2024, the global geopolitical and economic picture remains volatile and is anticipated to remain challenging. The capital markets have already been shaken by the failure in mid-March of two US banks, with repercussions also felt in the banking sector in Europe.

Locally, the year is likely to be another difficult one for Namibia. We are planning on this basis, and are determined that our operations should become even more resilient, so that we can serve our customers consistently and effectively, whatever the circumstances. Our ISBP remains relevant for our business and for our stakeholders. Armed with it, we remain determined to succeed, and to stay focused on meeting the needs of our broader stakeholders.

RFA will continue to implement proactive measures to manage inflationary pressures and macroeconomic volatility. Despite these challenges that impact our business in the short term, we still see attractive opportunities ahead and believe that RFA's resilient business model, strong balance sheet and robust and relevant strategy positioning the Fund for accelerated growth and relevance in the run-up to 2025 and beyond.

Conclusively, I would like to thank the CEO, Mr Ali Ipinge and the executive management for their wisdom and insight during the period, as well as for keeping a steady hand on the business throughout such a turbulent time. Your astute and incisive leadership and considered decision-making has been critical to maintaining our sustainability. Finally, thanks are due to our shareholder, suppliers and road users for your unwavering support at such a difficult time. As a business, we look forward to sustained recovery and a return to pre-COVID-19 operating and financial levels over the next two years.

Emma Haiyambo
Board Chairperson

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

The Board is responsible for support, providing policy guidance to management, and ensuring that the organisation operates in a manner that promotes the long-term success of the RFA. It is collectively responsible for providing leadership, promoting, and safeguarding the organisation.

The governance foundation of RFA is based on a combination of voluntary and compulsory guidelines founded on the principles and practices of the Corporate Governance Code for Namibia (NamCode), the Road Fund Administration Act, (Act 18 of 1999 as amended), and the Public Enterprises Governance Act (Act 1 of 2019).

RFA is committed to achieving high standards of corporate governance. The Board has developed self–governance principles over the years, which are applied transparently and consistently. The Board also recognises that compliance with legislation is an essential component of good governance.

MANDATE DELIVERY

The Board exercises overriding control and guides management in formulating strategies, setting targets and developing plans, while being mindful of the impact of the business on its stakeholders, its financial performance, and the environment. Its roles and responsibilities include determining the RFA's strategic direction, the formulation of policies, reviewing internal audit controls and risk management of the Fund. The Board is committed to ensuring, that sound governance principles are fully integrated into all aspects of the business. The Board discharges its responsibilities and control through the Board Charter, which serves as a guide and outlines the process for policies and practices regarding Board matters, such as the declaration of conflict of interest and those matters delegated to management.

BOARD INFORMATION AND SUPPORT

While the Board falls under the Minister of Finance and Public Enterprises, all directors have full and timely access to the information required to discharge their responsibilities effectively. They have access to the advice and services of the Company Secretary, other members of the RFA's management, and employees.

APPOINTMENT OF DIRECTORS

The current RFA Board was appointed for a period of three years from 01 October 2020 to 30 September 2023.

CHANGES TO THE BOARD OF DIRECTORS


Mr. Oshoveli Hiveluah, a member of the board, resigned, effective 1 May 2022. Dr. Petrina Johannes was appointed effective 1 September 2022 for a period of three years.

DECLARATION OF INTERESTS

According to Section 10 of the Road Fund Administration Act (Act 18 of 1999), board members must declare their interest at each board and committee meetings. Disclosure of interest is a standing item on the agenda for each board and committee meeting and where there is a conflict of interest declared, a board member is excused from an agenda item.

DIRECTORS' FEES

Remuneration takes place according to the Public Enterprise Directive on Board remuneration, as shown in the table below:

PERIOD: 01 APRIL 2022 TO 31 MARCH 2023	
Mr. J.Y. Mnyupe	136,692
Mr. O. Hiveluah	27,761
Dr. E. Haiyambo	188,509
Ms. M. Tjijenda	150,120
Mr. I. Angula	142,574
Dr. P.T. Johannes	93,505
TOTAL BOD REMUNERATION 2022-2023 FY	**739,161**

****Remuneration was paid to Directors for the following additional meetings: a Joint RFA/RA Board meeting to discuss strategic issues at Board level, A Board Risk Workshop, A Board Induction for new Director Dr. Johannes and an Annual General Meeting*

BOARD COMMITTEES

To support the execution of Board responsibilities, three Board Committees have been established in the governance framework of the RFA, namely:

- Human Capital Committee;
- Information, Communication and Technology Committee and
- Audit, Investment, Risk and Compliance Committee

Consisting of a minimum of two members, each committee's roles and responsibilities are set out in the terms of references, which provide the scope of the committee's overview function. Each committee, including the Board, promotes strong principles of integrity while the RFA Board remains the overall custodian of good corporate governance.

The table below sets out the composition of Board attendance by the Directors at committee meetings:

NAME OF DIRECTOR	BOARD	BOARD MEETINGS	HR COMMITTEE	HR COMMITTEE MEETINGS ATTENDED	ICT COMMITTEE	ICT MEETINGS ATTENDED	AIRCC COMMITTEE	AIRCC MEETINGS ATTENDED
Emma Haiyambo	Chairperson	6/6	Member	3/3	Alternate Member	1/1	-	-
Melanie Tjijenda	Member	4/6	-	-	Chairperson	3/3	Alternate Member	1/1
Isdor Angula	Member	6/6	Chairperson	3/3	-	-	-	-
James Mnyupe	Member	4/6	-	-	-	-	Chairperson	4/4
Board Member resigned, effective 1 May 2022								
Oshoveli Hiveluah	Member	1/1	-	-	-	-	-	-
New Board Member appointed, effective 1 September 2022								
Petrina Johannes	Member	4/4	-	-	Member	2/2	Member	3/3

KEY BOARD ACTIVITIES FOR 2023

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

- RFA Annual Fund Financial Statements, Administration and Consolidated, for the FY 2021/2022
- The RFA Business Plan for the period FY 2023-2028
- The Government Projects Financial Statements for the FY 2021/2022
- RFA Administration Budget for the FY 2023/2024
- Investment Policy
- RFA Board Confidentiality Policy
- Credit Card Usage Policy
- Employee Accommodation Policy and Procedures
- Disciplinary Policy and Procedures
- RFA Performance Management Policy
- Succession Management Policy
- Performance Management Recognition and Reward Guidelines

Policies approved by the Board during the period under review:

- RFA Information and Communication Technology (ICT) Governance Policy
- RFA Information and Communication Technology (ICT) Disaster Recovery Policy
- RFA Information and Communication Technology (ICT) Terms of Reference
- Promotion Policy
- Policy on Financial Reporting
- Policy on Accounts Payable

Other approvals by the Board during the period under review:

- Risk and appetite statement and tolerance framework
- RFA budget revision in respect to a 50% reduction in RFA's fuel levy
- The Board approved the consideration of a co-opted AIRCC Member to be appointed.

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BOARD MEMBERS PROFILES

DR. EMMA HAIYAMBO: CHAIRPERSON

MR. JAMES MNYUPE: BOARD MEMBER

MR. ISDOR ANGULA: BOARD MEMBER

MS. MELANIE TJIJENDA: BOARD MEMBER

MR. OSHOVELI HIVELUAH: BOARD MEMBER

DR. PETRINA JOHANNES: BOARD MEMBER

BOARD PROFILES

Dr Emma Haiyambo: Chairperson
Appointed: 01 October 2020

Current Employment: Director of Strategic Communications and Financial Sector Development (Bank of Namibia)

Qualifications: PhD in Development Finance - University of Stellenbosch (2016), Master in International Business - Polytechnic of Namibia (2013), MSc in Financial Economics - University of London, United Kingdom (2000), Postgraduate Diploma in Financial Economics (1999) - University of London, United Kingdom, Bachelor of Economics (BEconomics) - University of Namibia (1996), National Diploma in Public Administration - Technikon Namibia (1994).

Other specialised training includes:
Management Development and Project Management, University of Stellenbosch Business School, South Africa (2003).

Other directorships: N/A.

Mr. James Mnyupe: Board Member
Appointed: 01 October 2020

Current Employment: Presidential Economic Advisor

Qualifications: Chartered Accountant Registered CA (SA) and CA (NAM), Honors in Bachelor of Accounting (CTA)- Rhodes University (2006), Bachelor of Accounting (Cum Laude) – University of Namibia (2004), QE1, APT, QE2 SAICA (2007-2010), Levels I to III CFA Institute (2010-2013), Certificate in Infrastructure in Market Economy Harvard Kennedy School (2019)

Other directorships: Chair of Audit and Risk Committee: Gondwana Collection Namibia (Pty) Ltd, Advisory Board Member: Namibia Investment Promotion and Development Board (NIPDB), PPP Ministerial Committee Member: Ministry of Finance and Public Enterprises, Group Strategy Advisory Council Member: Capricorn Group Limited

BOARD PROFILES (CONTINUED)

Mrs Melanie Tjijenda: Board Member
Appointed: 01 October 2020

Current Employment: Chief Information Officer – Namibia Revenue Agency (NamRA)

Qualifications: Master of Business Administration MANCOSA (2015) Honours in Information Systems University of South Africa (2011) Bachelor of Science majoring in Computer Science & Statistics University of Namibia (2004)

Other directorships: Telecom Namibia.

Mr. Isdor Angula: Board Member
Appointed: 01 October 2020

Current Employment: Chief Human Resources Officer (FirstRand Namibia)

Qualifications: Master of Science Degree: Leadership & Change Management, Leeds Metropolitan University in Collaboration with Namibia University of Science & Technology (2011), Bachelor of Technology Degree in Human Resources Management – Polytechnic of Namibia (2007), Post Graduate Diploma in Law (Conciliation & Arbitration), University of Namibia in collaboration with the University of Cape Town & National University of Lesotho (2003). National Diploma in Public Administration - Polytechnic of Namibia (1995), High Performance Leadership Programme – University of Stellenbosch (2008). Isdor has completed numerous leaderships, management, and coaching programs.

Other directorships: Trustee for FirstRand Namibia Retirement Fund

BOARD PROFILES (CONTINUED)

Mr. Oshoveli Hiveluah: Board Member
Appointed: 01 October 2020

Current Employment: Civil Engineer: Roads Authority of Namibia

Qualifications: MSc Engineering (Civil), University of Cape Town (2007), BSc Engineering (Civil)- University of Witwatersrand (2002)

Other directorships: Board Member- National Housing Enterprise, Board Member, Hopsol Namibia.

Dr Petrina Johannes: Board Member
Appointed: 1 September 2022

Current Employment: Associated Dean: School of Engineering and the Built Environment, Campus Director: Jose Eduardo Dos Santos Campus, University of Namibia

Qualifications: Ph.D. Civil Engineering (Major in Statistics), (2014), University of Wisconsin-Madison, USA; M.S. Civil Engineering, (2010), University of Wisconsin-Madison, USA; B.S. Civil Engineering, (2006), University of Cape Town, South Africa

Other directorships: N/A.

MR ALI IPINGE
CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE **OFFICER'S REPORT**

CHIEF EXECUTIVE OFFICER'S REPORT

It has been an extraordinary year of changes and challenges and I am so encouraged by what the RFA has achieved in these circumstances. We have made excellent progress with the implementation of our Integrated Strategic Business Plan (ISBP) and we intend to forge ahead and continue to provide the best value possible for the road users.

Globally, the past year has seen the world face significant volatility laced with severe socio-political and economic headwinds. As the world emerged from the disruptions caused by the pandemic, smaller economies such as Namibia were prone to external shocks which subsequently prompted us to respond in ways that had considerable impact on our bottom line.

RESILIENT IN A CHALLENGING ECONOMIC ENVIRONMENT

Our operating environment in 2023 was characterised by elevated interest rates, local foreign exchange volatility and scarcity, evolving regulatory developments and rising energy costs. Taking the cue from deteriorating global trends, the macroeconomic landscape in our markets put additional pressure on consumers' disposable income and prompted enterprises to optimise operating and capital expenditure. To cushion consumers from skyrocketing fuel prices, government implemented a fuel levy cut which was critical in stabilising the fuel prices and inherent price inflation. Owing to this, our revenue which is mainly derived from fuel levies suffered a 7% decline.

Despite this and pursuant of recovery, we maintained our solvency and liquidity position which has remained stable and consistent with previous financial years. Further, we managed to increase the reserve fund which now stands at N$326 million, significantly strengthening the Fund and creating a positive platform for a sustainable RFA going forward. Notably, growing the reserve fund has strengthened our balance sheet, a key aspect of our growth aspirations and future development.

"Our operating environment in 2023 was characterised by elevated interest rates, local foreign exchange volatility and scarcity, evolving regulatory developments and rising energy costs.

Beyond this, RFA managed to service its N$350 million loan from Nedbank Namibia which was used to fund the Low Volume Seal Road strategy as well as loans from KFW totalling N$592 million for specific roads rehabilitations. This continues to showcase our unwavering commitment to delivering roads that are of the highest quality cognisant of the fact that roads are economic enablers that are central to economic development as they help to connect various sectors of the economy.

Operationally, the Low Volume Seal Road Strategy to upgrade highly trafficked gravel roads to Low Volume Seal standards progressed with positive outcomes. Nearly N$200 million was spent on the programme leading to the successful upgrade of 144.3km of gravel roads to a low volume seal standard. It is further envisaged that an estimated 166km of gravel roads will be upgraded under the same strategy from the RA budget. In a bid to maintain urban roads, we allocated funding to AA's (57 Local Authorities and 13 Regional Councils) totalling N$134 million. In addition N$48 million was also invested in the Rundu roads. Similarly, in fulfilling our road safety responsibility, the RFA allocated N$30.4 million for traffic law enforcement and adjudication across the country. The funds were spent on law enforcement vehicles, speed cameras, breathalyser, traffic surveillance equipment, two way radios, traffic management systems, laptops, advance defensive driver training and calibration services.

ROAD FUNDING SUSTAINABILTY

Notwithstanding the challenges we have faced and continue to face, we strive to not only be a progressive Public Enterprise, but one whose thrust on the sustainable maintenance of the national road network is forward looking and sustainable.

It has been well documented that fuel efficient vehicles, electric vehicles and depressed incomes among other realities have exerted revenue pressure on Road Funds. In an attempt to address this funding gap we have been, from the previous year, pursuing tolling as an alternative revenue stream. In the reporting period, we continued to engage stakeholders on the benefits of tolling to build a shared vision for distance-based road user charges that will sustain our road network for generations to come. Two presentations were made to the Joint Cabinet Committee on Treasury and Economics, resulting in the granting of policy support to engage the public on tolling. Importantly, we expect strong public resistance to tolling, given the negative experience with e-tolls in South Africa. However, there are very successful case studies in Zambia, Zimbabwe and Mozambique and we believe with extensive stakeholder consultations, the RFA can convince the public that distance-based road user charges are the way of the future.

OUTLOOK

Without doubt, the current levels of the road user charges remain insufficient to maintain the national road network and this funding gap will continue to grow as the road network ages. Therefore, there is an urgent need to increase revenue substantially. Various revenue sources are under consideration and in accordance with our strategic plan, the shift towards distance-based road user charges is inevitable, whilst optimising other road user charges.

Beyond this, we are cognisant that our immediate economic environment and the world at large has changed in many ways over the years. There is no denying that agility and resilience are qualities that we need in order to thrive, while also working to live up to increasing expectations of the entire roads sector value chain. As we look forward and combine those qualities with the global trends, I believe RFA is strongly positioned to emerge stronger in the short and long term.

GRATITUDE

Thank you to our chairperson Dr. Emma Haihambo and our directors for their guidance, counsel and oversight of RFA's affairs over the past year. My executive management colleagues continue to lead by example, and I thank them for their unwavering support in these challenging times. Our performance confirms the commitment of our staff across the country. Finally, I thank all our stakeholders for their unwavering support throughout the year.

Ali Ipinge
Chief Executive Officer

Road Fund Administration

Funding roads, steering growth.

EXECUTIVE MANAGEMENT PROFILES

MR. ALI IPINGE : CHIEF EXECUTIVE OFFICER

MS. ANNA MATEBELE: PRINCIPAL OFFICER: COMPLIANCE, LEGAL & COMPANY SECRETARY

MR. ELVIS KAMBATUKU: CHIEF FINANCIAL OFFICER

MS. PATRICIA KEEJA: EXECUTIVE: STRATEGIC SERVICES

MR. NAMENE KALILI: EXECUTIVE: PROGRAMME MANAGEMENT, POLICY AND ADVICE

MR. DENNIS SHINDUME: EXECUTIVE: INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

MR. JOSIA SHILYOMUNHU: PRINCIPAL OFFICER: INTERNAL AUDIT & RISK

EXECUTIVE MANAGEMENT PROFILES

Ali Ipinge: Chief Executive Officer

Qualifications: B.Econ (University of Namibia), MBA (Maastricht School of Management, Netherlands)
Value Addition: Strategic planning and leadership, corporate governance, project management, financial planning and corporate finance

Elvis Kambatuku: Chief Financial Officer: Fund Management

Qualifications: MBA, Finance (International University of Management, Namibia), B.Com (Accounting and Finance, University of Johannesburg, South Africa), National Diploma: Accounting and Finance (Polytechnic of Namibia /NUST), Certified Governance, Risk and Compliance Management (International Academy of Business and Financial Management).

Value Addition: Financial management, investment risk and fund management.

Anna Matebele: Principal Officer: Compliance, Legal and Company Secretariat

Qualifications: LLM - Master of Laws (Commercial and Financial Law, Kings College, London, United Kingdom), B.Juris, LLB (University of Namibia)
Value Addition: Corporate governance, compliance management, legal risk management, regulation, coaching, mentoring and strategic leadership

EXECUTIVE MANAGEMENT PROFILES (CONTINUED)

Patricia Keeja: Executive: Strategic Services

Qualifications: MPhil, Development Finance (University of Stellenbosch Business School), High Education Diploma (HED) PG, B.Com, (University of Namibia), Senior Management Development Program (SMDP), (Namibia Institute of Public Administration and Management)

Value Addition: Strategic management and administration, procurement, business development, and human capital development

Namene Kalili: Executive: Programme Management, Policy and Advice

Qualifications: MBA (University of Stellenbosch Business School), MBA (Management College of Southern Africa), B.Econ (University of Namibia). Certification in Econometric Analyses (University of Pretoria), Certificate in Project Management (Stellenbosch University)

Value Addition: Macro-economic analysis, market analytics, leadership, strategic thinking, managerial innovation and corporate finance

Dennis Shindume: Executive: Information and Communication Technology

Qualifications: MSc. ICT (University of Malaysia), Executive Development Programme (EDP) (Stellenbosch University), Post-Graduate qualifications in leadership and general management

Value Addition: Developing ICT strategies and driving innovative digital solutions

EXECUTIVE MANAGEMENT PROFILES (CONTINUED)

Josia Shilyomunhu: Principal Officer: Internal Audit & Risk

Qualifications: Post Graduate Diploma Internal Auditing (UNISA); Bachelor of Accounting (UNAM); National Diploma Commerce (Polytechnic of Namibia/ NUST): Certified Professional Internal Auditor (IIA SA).

Value Addition: Valuation of governance, risk, and internal control processes

INTERNAL AUDIT AND RISK MANAGEMENT

ADDRESSING MATERIAL RISKS FOR GROWTH

Our risk management philosophy is based on a clear understanding of first-line risk ownership, a mature risk culture, and effective risk oversight to create a clear and comprehensive view of the risk landscape in the organisation.

This enables us to proactively assess risks and opportunities and respond effectively; influence stakeholders; initiate risk management and strategic interventions; and further mature the organisational risk culture. The RFA also focuses on improving operational resilience through various proactive initiatives to deal with a higher frequency of unforeseen risk events.

RFA adopts an approved Enterprise-Based Risk Management methodology and philosophy that ensures adequate and effective risk management. In the reporting period, the RFA adopted an approved Risk Appetite and Tolerance Framework, a key component of our enterprise risk management framework and strategy. RFA's level of risk exposure is measured against formalised risk appetite statements and aligned with the RFA's strategic objectives.

The RFA focuses on proactively identifying, managing, mitigating, and monitoring key risks on an on-going basis. Risk management entails risks that may affect the:

a) Safety and well-being of the employees and the public,
b) Financial stability,
c) Ability to achieve its mission of providing services to the public or
d) Ability to maintain an excellent road infrastructure.
e) Adherence to governance principles.

The realisation of our strategic plan depends on us taking calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment and make informed decisions under conditions of uncertainty. This is done in line with an adopted Risk Appetite and Tolerance Framework.

The Board acknowledges its overall responsibility for Risk Management process, and for reviewing its effectiveness. Executive Management is accountable to the Board for designing, implementing, and monitoring the Risk Management process, as well as integrating it with the day-to-day activities. The responsibility for Risk Management resides with Management at all levels and members of the Board. The Principal Officer: Internal Audit & Risk ensures appropriate reporting on RFA's Risk profile and Risk Management process.

The core risk competencies are integrated into all management functions, business areas, and a risk-type level across RFA to support the business by providing the checks and balances to ensure sustainability, performance achievement of objectives, and avoidance of adverse outcomes and reputational damage.

Our commitment to Risk Management is an expression of our focus on the following:

- Compliance with applicable laws and legislation.
- Zero tolerance to fraud and corruption.
- Managing our material risks and coordinating RFA's Enterprise Risk Management (ERM) function, business continuity, and fraud risk management activities were prioritised throughout the reporting period.
- Monitoring the implementation and application of the risk appetite statement and tolerance framework.
- Regular reporting to management and the Board.

Financial risk management

RFA takes prudent measures to mitigate the inherent financial risks. RFA's activities expose it to financial risks, such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk, and liquidity risk.

Measures adopted by RFA to proactively manage exposures to these risks are detailed under the notes to the annual **financial statements on page 115**.

Risk matrix

RFA recognises its responsibility to manage public funds in a responsible manner, which includes identifying, addressing, and appropriately managing any risks that may affect the safety and well-being of its employees and the public; its financial stability; its ability to achieve its mission, and Its ability to maintain excellent road infrastructure.

These risk heat maps are related to the top ten risks.

Residual Risk Heat Map

LIKELIHOOD		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Almost Certain	5	Insignificant	Minor	Moderate	Major	Critical
Likely	4	Insignificant	Minor 8 9	Moderate	Major	Major
Possible	3	Insignificant	Minor 7 1 6 10	Minor	Moderate 2 4	Moderate 3 5
Unlikely	2	Insignificant	Insignificant	Minor	Minor	Minor
Rare	1	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant

IMPACT

Inherent Risk Heat Map

LIKELIHOOD		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Almost Certain	5	Insignificant	Minor	Moderate	10 Major	3 4 5 Critical
Likely	4	Insignificant	Minor	Moderate	Major 6 7 8 9	1 2 Major
Possible	3	Insignificant	Minor	Minor	Moderate	Moderate
Unlikely	2	Insignificant	Insignificant	Minor	Minor	Minor
Rare	1	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant

IMPACT

The top ten risks impacting our strategy

RFA effectively addressed its unique sets of risks during the period under review.

The table below shows the top ten major risks.

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	RISK MITIGATION ACTIONS
1	**Inadequacy and unavailability of ICT infrastructure (server, network, firewalls)**	1. Inability of the ICT infrastructure to support the business needs and requirements. 2. RFA's inability to recover from major business incident /disaster and to minimize business disruptions.	• Implemented an approved Enterprise-Wide Strategic Road Map including an ERP system to support the strategy. • Completed a network assessment and penetration test on the RFA network. • Review and alignment of the RFA's IT systems to business processes have been completed. • In the process of upgrading and replacing the backup solution. System failover test will be conducted during financial year 2023/2024.
2	**Lack of the ERP system support**	1. Lack of ICT Business Systems to support RFA business needs and requirements. 2.Inadequate ICT network and hardware infrastructure to support the business needs and requirements.	• Annual Maintenance Contract (AMC) between RFA and Eastern Software System (ESS) India was signed in December 2022. • Implementation of the New ERP System is in progress and completion is envisaged in next financial year.
3	**Failure in the implementation of the new ERP System**	1. Inability of the new system to meet the RFA business needs and requirements within the stipulated time. 2. Over reliance on external Service Provider for Ebizframe may affect the operational efficiency of the system.	• Contract was signed, and the project is managed in line with the project plan and performance contract. • RFA appointed an external ORACLE Consultant to support the RFA team with the new ERP system implementation.
4	**Risk of Cyber Security/ Cyber-attacks (Logical attacks) IDS/IPS, malware, phishing, denial of service attacks**	1. Cyber risks and attacks on the RFA systems that may result in reputational risk for the entity. 2. Service interruption due to denial-of-service (DoS) attacks.	• Network Assessment and Penetration (NAP) Testing was completed. • RFA is considering the possibility to sign an SLA with a suitable service provider to provide support for cyber security, subject to budget.
5	**Possible failure of the MDC automation implementation**	1. Delay in the MDC automation implementation which may impact the implementation of the new ERP system.	• The Project Manager has been appointed to ensure project is delivered on time and within budget. • Phased approach was decided upon to procure MDC automation through six separate contracts.

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	RISK MITIGATION ACTIONS
6	**Ineffective collection of revenue**	1. Ineffective monthly Reconciliations. 2. Ineffective safeguarding of funds and inaccurate collection of revenue reporting. 3. Lack of integrity of systems and financial information.	• Enhance revenue collection streams - MDC (Local) system Automation. • RFA Debt Collection Strategy is approved and being implemented.
7	**RFA excluded from the strategic planning of Road Networks**	1. Lack of participating in strategic Plannlng on all Road Network(s). 2. Lack of stakeholder understanding of policies and legislation frameworks within the road sector.	• Increase the % Optimal Funding for Maintenance and Rehabilitation of roads - (a) To date 78/79 (98%) procedures agreements were signed. • (b) The 7th Procedures Agreement between the RA & RFA was signed for implementation over the period of December 2021 to November 2024
8	**Insufficient research collaboration**	1. Insufficient funding for research.	• The Research Programme within the RFA is expected to be launched in the next financial year. • Collaborating and contracting for research project(s) is in the framework. The Framework cascaded activities for execution towards the implantation of the research strategy. N$2 million was budgeted for research and innovation. • The Draft Research Policy was approved by the Board and is yet to be implemented.
9	**Fuel levy dependency reducing RFA revenue**	1. Fuel levy revenue loss due to a reduction in fuel consumption as a result of fuel-efficient vehicles and emergence of electric vehicles. This results in reduction of revenue for the RFA.	• Looking at the broader concept of distance-based road user charges, but fairly new and investigations/studies will be explored in the next financial year. • Undertaking an investigation towards a road user charge to be levied on units of electricity specific to electric vehicles.
10	**Succession planning and retention**	1. No continuous up skilling and capacity building for key staff members. 2. No succession planning and retention in place.	• Retention Policy was approved and being implemented. • Employee Succession Planning Policy was revised and approved. • Service providers have been appointed to conduct training based on skills audit outcomes.

Emerging Risks: RFA takes proactive measures to mitigate the following emerging new risks that tend to have adverse effect on RFA strategic objectives:

	Risks	Measures
1.	**The emergence of Electric Vehicles:** Reduction in fuel consumption due to the emergence of electric vehicles and fuel-efficient vehicles. This may result in the reduction of revenue for the RFA.	1 Efforts are underway to increase NATIS's operational capacity, to increase revenue generated by non-RUCs (Road User Charges). 2. The determination of a specific road user charge on electric vehicles is currently not practical, but we are keeping abreast with developments in this space. 3. Implementation of Research Policy to build the necessary research capability is underway.
2.	**Decreased fuel levy**: Reduction of fuel levy by government because of fuel price increase will adversely impact RFA revenue stream.	As per measures under point 1 above.
3.	**ICT & Cyber Risks:** Cyber-attacks represent a growing threat that, if realized, may compromise RFA's systems and processes. This could breach the confidentiality of RFA and customers' data, impacting the company's reputation and financial position.	1. Enhancement of ICT Governance through the implementation of the ICT Digitalization Master Plan and approval of ICT Governance Charter. 2. On-going online awareness training for staff members on cyber security.
4.	**Inappropriate supervision of engineering works**: Compliance with Engineering Professions Act.	1. Measures to be incorporated into the procedures agreements with all Approved Authorities (AA) and the Road Authority (RA). Procedures Agreements are due for review in October 2024. 2. The RA already makes use of registered professional Engineers. 3. For the Local Authorities, the use of Engineers is recommended but is not compulsory.
5.	**Small septic tanks at RFA villages:** Non-Compliance with the minimum septic tank retention requirement of 3 months may result in environmental damage (Reputational Risk)	1. Increase the septic tank capacity to the legal minimum retention of 3 months - (a) Allocate funding in the next Business Plan to alleviate the problem at the RFA staff houses. (b) Long-term investigation to be undertaken to assess the cost of installing septic tanks or treatment of the greywater, amongst other solutions. (c) The RFA to issue long term contract with service providers to clean tanks for 2 to 3 years. (d) Engage other Stakeholders within "Border Management" Committees to look at common long-term solutions, such as constructing permanent sewer reticulation networks/systems.

Internal audit

The internal audit provides an independent, objective assurance and consulting services to the Board and management on the adequacy and effectiveness of the internal control, governance, and risk management processes by conducting periodic reviews of key processes linked to the significant risks of the Road Fund Administration.

Internal audit helps the RFA to accomplish its strategic objectives and aid management to provide assurance to the Board on the effectiveness of the RFA's governance, risk management, and internal controls processes.

The RFA adopted a three-year rolling internal audit plan. Thirteen (13) risk-based and cyclical audits were completed as per the approved annual audit plan (100% completion).

Cyclical audits entail continuous assessments of areas deemed of high operational risks. This involves audits on core revenue streams of RFA and other financial audits.

These are the risk-based and cyclical audits completed during the reporting period and the control environment status of the respective audit:

Risk Based Audits Completed	Control Environment Status
Biometric system	🟢
Fleet Management	🟢
Payroll Audit	🟡
Organisational Development and Training	🟡
National Road Safety Council	🟡
Traffic Law Enforcement	🟡

Cyclical Audits Completed	Control Environment Status
E-Natis, Abnormal load fees & Fuel Levy	🟢
Treasury: Investment	🟢
Border Posts visits	🟢
Mass Distance Charges (MDC) Local	🟡
Financial Management- Budget	🟡
Accounts Payable	🟡
Bank and Cash	🟡

Legends Descriptions:	
🟢	Adequate & Effective
🟡	Partially Adequate & Partially Effective
🔴	Inadequate & Ineffective

Future outlook

To ensure a robust risk management process, the RFA plans to go through an independent Risk Maturity Assessment. This would ensure that RFA maintains agile risk management process and aligns with best practices. We will continue with risk and fraud awareness, and enhance risk reporting across all the RFA structures, and report on emerging risks proactively.

The RFA internal audit will automate the audit and risk workflow by acquiring the integrated Audit and Risk Management Software to enhance efficiency. This software would assist the organisation in adopting a resilient auditing methodology, simplify the core risk management processes, and enhance the risk reporting and assessment process.

3

FINANCIAL CAPITAL

RECOVERY AND POSITIVE GAINS POST-COVID-19

Strategic Objective:
By 2024, RFA should have achieved 65% of optimal funding to the road sector

OUR 2023 FINANCIAL PERFORMANCE

The RFA delivered a resilent performance in the reporting period despite the revenue decreasing by 7% due to the implementation of a cut in fuel levy revenue.

This levy cut emanated from the government's efforts to cushion the public from an economic environment that saw skyrocketing fuel prices globally, with Namibia not an exception.

Despite this and pursuant to recovery, we maintained our solvency and liquidity position, which has remained stable and consistent with previous financial years.

Cementing our robust performance for the reporting period, we managed to increase the reserve fund which has now totalled N$326 million, significantly strengthening the Fund and creating a positive platform for a sustainable RFA going forward. Further, it is imperative to state that growing the reserve fund has had positive inroads into strengthening our balance sheet, a key element in our growth aspirations and future development.

We remain cognisant of the fact that a strengthened balance sheet creates room for greater organisational stability and process improvements while mitigating the risks of unexpected revenue shortfalls as experienced during the year under review.

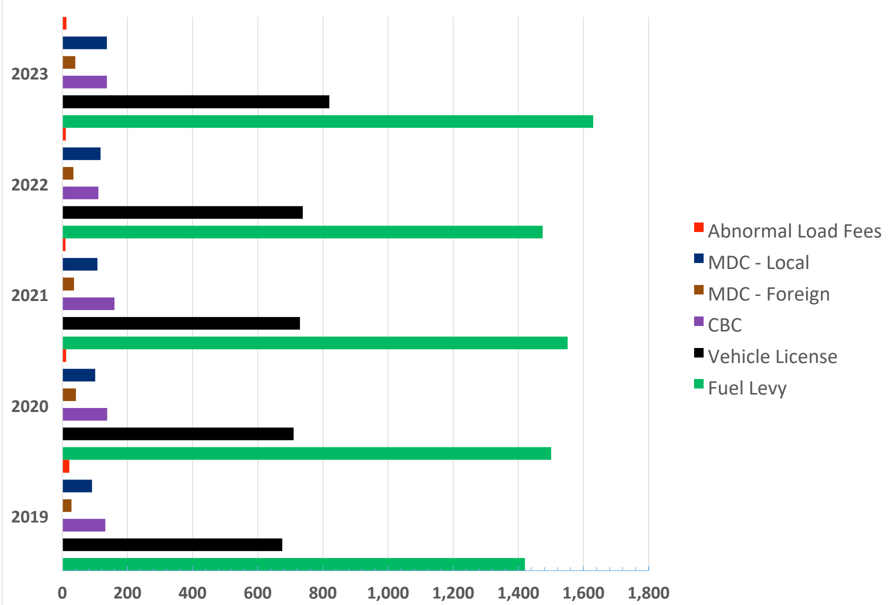
Regardless of the recessive economic environment, the RFA managed to service its N$350 million loan from Nedbank Namibia which was used to fund the Low Volume Seal Road strategy. We further serviced loans from KFW totalling N$592 million which was used to rehabilitate roads such as the Mariental-Keetmanshoop road. This continues to showcase our unwavering commitment to delivering roads that are of the highest quality. As we recover from the Covid-19 pandemic and reposition for growth, the significance of this endeavour has been amplified and we seek to be more prudent and deliver more than what is expected.

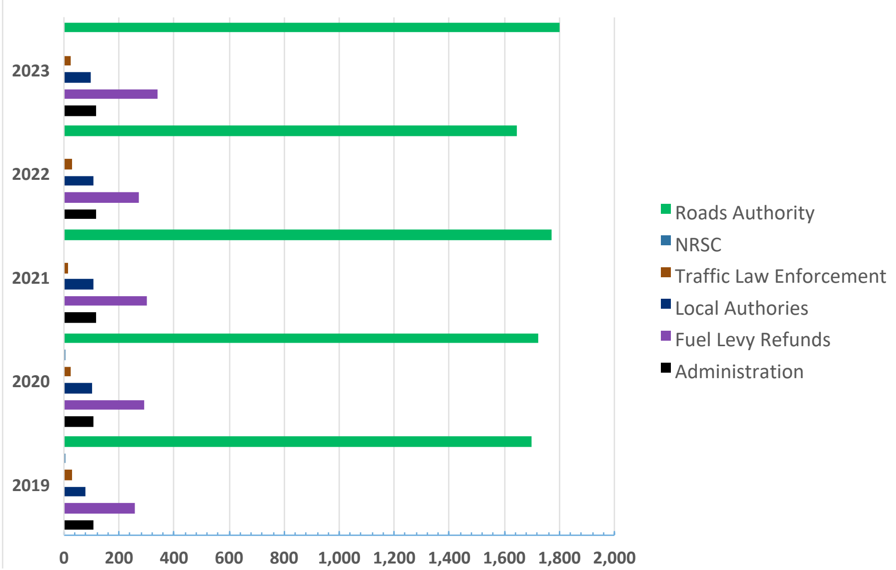
On the revenue side, we reiterate that the decrease in revenue due to a 50% fuel levy reduction was a noble cause that cushioned road users during a difficult period in the international oil market. This was done in consultation with the Minister of Mines and Energy and the Minister of Finance and Public Enterprises. The reduction was effected between May and October 2022, decreasing the fuel levy from N$1.48 to N$0.74 per litre.

Essentially therefore, in the year under review, RFA collected revenue of N$2.3 billion with expenditure towards management and maintenance of roads being N$2.8 billion of which 79% was invested directly into the preservation of the national road network. Crucially, a revenue decline has not significantly affected our resolve to continue funding roads in an equitable manner and we remain confident that this status quo will remain in the short and medium term.

We continue to monitor our performance in delivering on our strategic objectives, maintaining strict internal controls and operating within established risk guidelines. This should help us achieve our growth objectives and attain sustainability in the short and long term.

REVENUE AND EXPENDITURE





Road User Charges Revenue & Expenditure in the Past 5 years

ITEM	DESCRIPTION	FINANCIAL YEAR ENDED IN N$000 million					
		2018	2019	2020	2021	2022	2023
1	**Revenue**	2 367	2 502	2 594	2 485	2 775	2,259
2	**Expenditure**	2 217	2 286	2 365	2 213	2 408	2,832

DELIVERING A COMPETITIVE NATIONAL ROAD NETWORK

Strategic Objective:
By 2024, Namibia should be ranked 25 in Global Road Sector Competitive Index

The quest to maintain the competitiveness of Namibian roads remains an imperative for RFA. Within maintenance and across the entire Namibia, no effort was spared to keep vehicle operating costs as low as possible for the road users thereby contributing to Namibia's economic growth.

During the FY2023, no adjustments were approved on the road user charges. From 5 May to 5 October 2022 the fuel levy was reduced by 50% from N$1.48 to N$0.74 per litre to cushion the road users from volatile and high fuel prices. The resultant effect was to provide relief to the consumers amid rising interest rates and increased cost of living.

The revenue loss in the order of N$350 million was funded from the accumulated reserves and the budget commitments to the Roads Authority, Local Authorities, Traffic Law Enforcement Agencies, and other approved recipients were honoured.

The loss did however significantly undermine the efforts of the RFA to optimally meet the pressing and additional funding needs of the road sector, resulting in the widening of the funding gap. Careful consideration and concerted strategies need to be employed to ensure revenue growth, cost management and containment of the deterioration of the road network.

The Road Network Status (1990-2023)

Road Surface Type	Growth of the National Road Network by Surface Type							CAGR
	1990	2000	2005	2010	2015	2020	2023	1990-2023
Bitumen roads	4,572	5,477	5,477	6,664	7,568	8,260	8,400	1.9%
Earth roads	11,467	12,245	12,245	11,460	13,022	13,360	13,755	0.6%
Gravel roads	25,550	24,296	24,296	25,710	25,604	25,889	26,055	0.1%
Salt road	226	220	220	288	304	189	330	1.2%
Proclaimed road	0	745	745	1,524	1,829	1,202	663	-0.5%
Total (km)	41,815	42,983	42,983	45,646	48,327	48,900	49,203	0.5%
1. Earth and gravel roads make up the unsurfaced road network. 2. The distances have been rounded off to nearest kilometre (Source: RA) 3. Network 13 compiled in the Road Referencing System is applicable for FY2022/23. ** CAGR = Compound Annual Growth Rate *SGR = Simple Growth Rate or just Growth Rate*								SGR 16.08%

The country's national road network, of trunk, main and district roads, is conserved at a total distance of 48,540 km of which 8,400 km are bitumen surfaced (paved), 39,249 km are gravel (unpaved), and 330 km are unpaved salt roads. With the exclusion of proclaimed roads, the total network grew on average by 0.5% year-on-year, for the past 33 years since 1990 with 6,725 km added to the network, bringing it to the current 48,540 km.

Considering the unavailability of data in the years when visual and condition assessments were not carried out, the average 10-year network growth on a linear trendline is 4.2%. Between 2010 and 2020 a substantial number of bitumen surfaced roads were added to the network, i.e. 1596 km (41.7%) out of 3828 km constructed since 1990. In the same 2010-2020 period the composition of earth roads grew by 1.5% per annum, owing to the opening up of remote and rural areas previously inaccessible. The proclamation of about 1,800 km ensured that the construction of new rural access roads were assigned and ranked according to the Rural Access Indicator.

In the reporting period, 144.3km of gravel roads were upgraded to low volume seal standard, increasing the surfaced road network by 0.6% on average per annum.

ROAD MAINTENANCE EXPENDITURE

In line with its mandate to fund the road sector, Roads Authority utilised 99.4% of the allocated budget for the reporting period. The budget allocation was N$1.31 billion (inclusive of low volume seal) with an expenditure of N$1.3 billion (inclusive of low volume seal) being achieved, which is 99.4% of the budget allocation.

Fund Allocations to the Roads Authority

Budget Category	Financial Year 2022/2023	
	Budget Amount (N$'000)	Allocation (%)
RA Administration	411,989	18.4
Network Planning and Consultation	35,000	1.6
Roadworks-Maintenance	1,149,980	51.5
Roadworks-Rehabilitation	190,350	8.5
Roadworks-Development	2,000	0.1
Technical Services	37,552	1.7
Road Management System	29,855	1.3
Research and Development	4,943	0.2
Laboratoty Services	2,754	0.1
Low Volume Seal Roads	200,000	9.0
Overload Control	28,375	1.3
Weighbridges	18,000	0.8
RTTI Operations	10,375	0.5
Traffic Information System (NaTIS)	178,390	8.0
NaTIS Operations	40,550	1.8
NaTIS Administration	137,840	6.2
Total Budget (N$'000)	**2,233,636**	**100.0**

Road maintenance expenditure vs production distribution (as at 31 March 2023)

Activity	Production	Total Cost (incl. VAT) (N$)
Blading	1.90 million bl-km	486,012,753
Gravelling/Re-compaction	387 km	264,392,964
Routine Bitumen Road Maintenance	8,400km over entire network	171,432,019
Resealing	41 km	113,789,667
Road signs and guardrails	n/a	25,825,402

Unpaved Road Maintenance (Gravel) includes:
Routine blading of roads (GU's = Grader Units); periodic graveling of roads (GRU's = Gravel Re-surfacing Units) and periodic clearing and forming of new proclaimed routes and existing tracks (RBU's-Roving Betterment Units).

Paved Road Maintenance (Bitumen Surfaced) includes:

- Routine maintenance of bituminous roads (e.g. pothole patching & grass cutting) (BMU's = Bitumen Maintenance Units)
- Periodic maintenance includes reseals and rejuvenation
- Sealing of gravel roads as an alternative to preserve scarce road building materials and an intermediate step in the upgrading process (Low Volume Sealed Roads);
- Smaller works to improve safety and capacity of certain road sections;
- Light rehabilitation of roads that carry heavy volumes of traffic.

Miscellaneous Road Maintenance for both paved and unpaved roads:

- Contingencies for day works, special works and emergency repairs
- Road signage, supply and erection.
- Concrete and steel works, for the repair and or additional drainage structures
- Additional road reserve maintenance, cleaning of rest places and road reserve, mowing of grass and bush clearing
- Sand removal from road surfaces (Luderitz, Walvis Bay)
- Salt Road Maintenance (Walvis Bay, Swakopmund, Luderitz)
- Consultancy services (technical assistance when required)

Road maintenance expenditure distribution

The distribution of the road expenditure in the reporting period indicates that the major allocation of the expenditure was to Blading (39.8%), Reseal (9.3%), Bitumen Maintenance Units (14.0%) and Gravelling (21.6%).

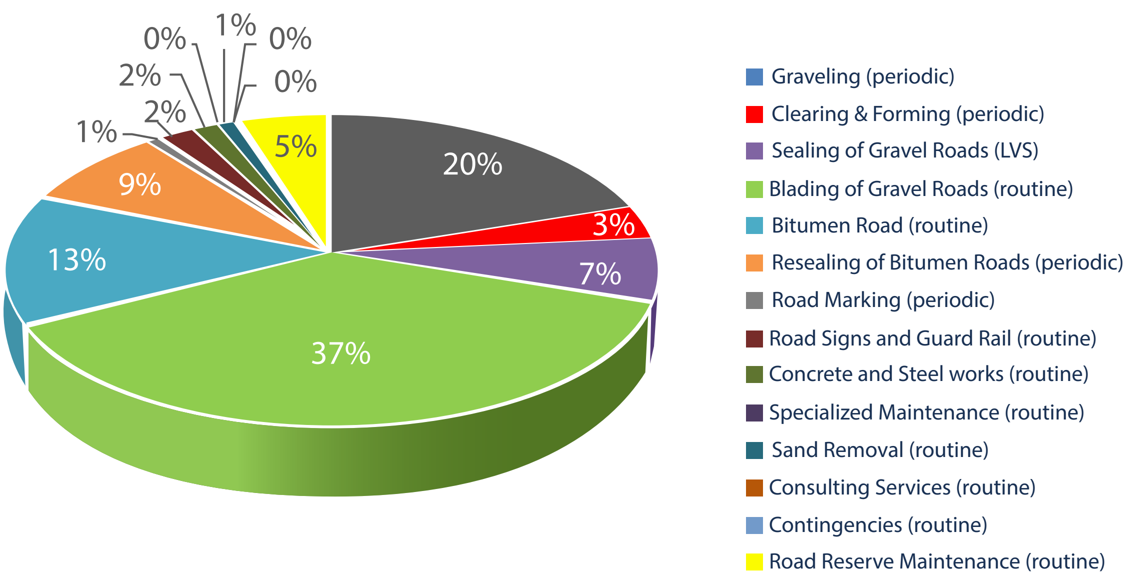
The RA continued with the strategy to ensure that the surfaced road network which is the backbone of the economy carrying freight and goods, is adequately maintained.

The reseal intervention continues to be done as a holding action as the rehabilitation of the network continues to fall behind target. Blading maintenance of the vast unsurfaced road network remains the major defence mechanism to protect this asset against excessive deterioration. These works were executed through the existing contractual arrangements.

The maintenance division through Central Procurement Board of Namibia (CPBN) managed to award re-gravelling Units (GRU) contracts for Windhoek, Otjiwarongo, Keetmanshoop and Rundu regions in the past financial year.

Item #	Activity	Amount (N$)	%
1	Gravelling (periodic)	264,392,964	20.3
2	Clearing & forming (periodic)	43,900,274	3.4
3	Blading of gravel roads (routine)	486,012,753	37.3
4	Sealing of Gravel Roads (LVS)	85,579,911	6.6
5	Bitumen Road (routine)	171,432,019	13.2
6	Resealing of bitumen roads (periodic)	113,789,667	8.7
7	Road Marking (periodic)	7,475,809	0.6
8	Road Signs and guard rail (routine)	25,825,402	2.0
9	Concrete and Steel works (routine)	19,914,087	1.5
10	Specialized Maintenance (routine)	314,814	0.0
11	Sand removal (routine)	14,139,354	1.1
12	Consulting Services (routine)	915,731	0.1
13	Contingencies (routine)	-	0.0
14	Road Reserve Maintenance (routine)	68,773,482	5.3
Total Maintenance Expenditure (N$)		**1,302,466,269**	**100.0**

Expenditure Distribution N$ 1.302 billion



FUNDING INFRASTRUCTURE DEVELOPMENT

Low Volume Sealed Road Programme

Namibia has the second lowest population density in the world after Mongolia. Coupled with scarce financial resources to maintain and preserve the ailing gravel road network, the RA and the RFA, embarked on a low-volume sealed road strategy to upgrade the highly trafficked unpaved roads to low-volume sealed (LVS) road standard.

The strategy effectively aims to reduce maintenance costs through the removal of blading and re-gravelling costs.

Since the savings over the life of the low-volume sealed road are greater than the maintenance costs, the strategy should yield a positive net present value at the current interest rate. Over time, the net savings would fund subsequent low volume sealed roads in the future, resulting in an improved driving quality on the low-volume sealed roads.

The RFA secured N$350 million debt funding from Nedbank Namibia to fund the low-volume sealed road strategy. The following roads were identified for upgrade to low-volume sealed road standards.

The following roads were identified for upgrade to low volume sealed road standard

NO.	Road No & Name	Average Annual Daily Traffic			Length (km)	Budget (2021-22)	Budget (2022-23)
		Light	Heavy	Total			
1	MR113 & MR114: Gam Settlement	85	15	100	7	25,079,929	-
2	DR3546, DR3547 and DR3575: Impalila Access Roads	17	2	19	25	25,924,230	40,000,000
3	DR3425, DR3402, DR3448: Rundu	100	10	110	22	18,249,678	16,000,000
4	DR3671: Okatana-Onamutayi	334	32	366	15	68,039,122	14,740,588
5	DR1635: Epukiro-du Plessis Plaas	99	23	122	45	9,305,793	29,865,911
6	(DR3406 & DR3444): Nkurenkuru-Nepara Clinic [Section]	30	11	41	25	-	17,522,074
7	DR1004 (M0091--Hosea Kutako Shrine)	15	2	17	25	-	35,000,000
8	DR3605: M0092-M0067	293	14	307	20	-	18,000,000
9	DR3616: Tsandi-Onesi-Epalela	140	10	150	49	2,629,180	10,000,000
10	DR3633: Tsandi - Omugulugwombashe	264	17	281	22	-	7,000,000
11	(DR3400, DR3447 & DR3459): Ndonga Linena - Ncaute [Section]	101	23	124	157	-	3,000,000
12	MR74: Tsumkwe-Grootfontein [Section A]	65	10	75	74	1,643,492	4,000,000
13	DR3425: Rundu-Ncaute-Karakuvisa	17	9	26	87	-	4,000,000
14	M0119: from T0602-Talismanus	60	13	73	146	-	-
15	MR36: from Junction of Sesriem-Solitaire	120	15	135	85	-	-
16	DR3824: Hugus Village-Aminius	21	1	22	14.8	-	-
17	DR3816: MR91 Junction - Corridor 13	46	6	52	53	-	-
18	DR2102: Ovitoto - Midgard	200	15	215	50	-	-
19	MR98: Berseba [Section]	49	9	58	40	-	-
20	MR33: Stampriet - Gochas	70	10	80	71	-	-
21	DR3507: Muyako - Ngoma [Section]	12	2	14	60	-	-
22	(DR3510, DR3524 & DR3512): Lusese -Ikumwe [Section]	42	8	50	49	-	-
23	DR3624: Etomba-Omundaungilo	101	11	112	70	-	-
Total Budget (N$) for Pilot per Financial Year						**150,871,426**	**199,128,573**
Total Funding (N$) Required							**350,000,000**

In the reporting period, N$199.1 million was spent on the programme, utilising the total funding for the strategy. Unit costs averaged N$618,375/km which is significantly lower than the estimated N$3 million/km rate. However, this also signals that many of the low-volume roads started have not been completed.

From the unit costs, 8 of the 12 roads identified for low-volume sealed roads are incomplete, with no additional funding available to complete them. Furthermore, the Okatana-Onamutayi upgrade (15km) cost N$82.8 million to upgrade at N$5.5 million per km.

This is incredibly expensive due to the Armaseal deployed on this road, increased fill height to raise the road above the Oshanas flood water level, complete road reconstruction in some sections, and upgrades to the drainage structures. Given the increased specifications, RFA acknowledged that unit costs in flood-prone areas are significantly higher, and we have refined cost expectations accordingly.

The Roads Authority has successfully upgraded 144.3km of gravel roads to a low-volume seal standard. It is further envisaged that an estimated 166km of gravel roads will be upgraded under the same strategy from the RA Budget.

Twyfelfontein low volume sealed road

The Twyfelfontein road, which was upgraded to low volume sealed road standard was completed. This road connects the scenic Kunene Region to the paved road network. At N$1.7 million a kilometre, the savings from routine maintenance alone will repay the investment in 5 years, whilst the benefits to society exceed N$100 million per year. Unit costs were managed diligently to deliver one of the most cost-effective low volume sealed roads to date, without compromising on quality and driving experience.

Feedback from road users has been exceptionally positive. Even for such a short section of road, the communities and businesses are delighted with the paved road connection to the national paved road network.

Low volume sealed road with road markings and cat eye reflectors

Full view of the low volume sealed road to Twyfelfontein

Twyfelfontein low volume sealed road showing the high-quality drainage structure

Mariental-Keetmanshoop Rehabilitation

The continued works at the Mariental-Keetmanshoop rehabilitation progressed to a completion rate of 52% in the reporting period after 74% of the time had lapsed.

The project was plagued with several delays, which emanated from labour unrest at the explosive factory in South Africa due to extreme weather. Consequently, the project fell 6.4 weeks behind schedule. As a corrective measure, more equipment was deployed onsite to scale up production.

In total, 499 people were employed onsite at financial year-end, of which 38% were from the Hardap Region and 24% were from the //Kharas Region. In line with youth development, 68% of the workforce on this project is under age 35. However, this remains a male-dominated industry, where 85% of the workforce is male.

This project injects a significant amount of money into the economies of the Hardap and Kharas Regions. Further spin-offs are that it upgrades the fencing in this communal area, employs locals from the regions, and increases consumer spending in the region, all while upgrading the national road. This has attracted new residents to the Asab Village and reinvigorated the business opportunities in and around the village.
This road rehabilitation is funded by RFA through a loan from KFW Bank.

Crusher plant

Front loader gathering material for road construction

Grader breaking down the material

Road construction material

Base stabilisation with cement

Base stabilisation with cement

Cement stockpile

Karibib-Omaruru Road Rehabilitation

Trunk road 2 section 3 (TR2/3) is an important corridor link between the towns of Karibib and Omaruru, connecting the north and eastern part of Namibia to the coastal Erongo Region.

The route provides direct access for freight destined to the Port of Walvis Bay via the Walvis Bay-Ndola-Lubumbashi Corridor. The 62.5 km long section is made up of a two surfaced single carriageway lanes in either direction.

Throughout its service life since 1977, the delayed rehabilitation in 2009 was only done on a single section, due to limited funds. In view of the unavailability of the funding required in excess of N$350 million for the full rehabilitation, it was decided in 2017 to implement an emergency light rehabilitation as a holding action to extend the lifespan of the pavement and to prevent it from collapse.

The scope of work for the light rehabilitation comprised of the reconstruction of the road base layer with a cement stabilised basecourse, slurry sealing and road traffic markings including the construction of a pedestrian bridge over the Omaruru River.

The implementation of the five-phased approach commenced in October 2020. In the 2021/22 financial year, the RFA invested N$36.71 million on Phase 4 (12.5km) at a unit rate of N$2.93 million per km. Over the project execution period, the reduction in vehicle operating costs was monumental against the minimum rate of return of plus 10%.

Karibib-Omaruru Road Rehabilitation

The table below is indicative of the investment made in in the rehabilitation of the road.

	PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5
Commencement	07 Oct 2020	19 Mar 2021	01 Aug 2021	13 Jan 2022	16 Feb 2023
Contract Period	6 months	3 months	4 months	5 months	6 months
Completion	06 Apr 2021	18 Jun 2021	30 Nov 2021	12 Jun 2022	16 Aug 2023
Original Contract	29,875,856	22,928,748	29,660,417	29,505,961	29,977,730
Additional	200,715	28,135	118,149	7,209,330	-
Final Contract Value	30,076,571	22,956,883	29,778,566	36,715,292	-
Scope	km 13 – 30	km 0 – 13	km 30 – 42.5	km 42.5 – 55	km 55 – 62.5
Status	Completed	Completed	Completed	Completed	Ongoing
Final Work	16.76 km	15.86 km	12.6 km	12.5 km	-

Phases 1 to 4 were completed at a total cost of N$119.5 million covering a distance of 57.7km and employing approximately 300 persons of which 60% of the skilled workforce is Namibian and 23% represents women.

Rehabilitation of TR8/4 Rundu-Divundu

The Medium to Long Term Roads Master Plan (MLTRMP) 2020 of the Roads Authority requires that at least 10% of the surfaced road network needs to be rehabilitated annually. The rehabilitation interventions are further informed by the condition assessment of the paved network. It then implies that of the 8,400km surfaced national road network, the target would be to rehabilitate and reseal 800km per annum. Due to funding constraints and local Contractor capacity, the NDP5 target over the period 2017/18-2021/22 required 242.8km road rehabilitation and 600km road reseal, per annum respectively.

In this reporting period only a small percentage of roads were rehabilitated. The Rundu-Divundu is one such strategic project, requiring improvements to the carrying capacity of the road pavement.

Trunk road 8 section 4 (TR8/4) is a is key transit link on the Trans Zambezi Highway connecting Namibia to the northeastern markets of Zambia, Zimbabwe, the Democratic Republic of Congo and further to Malawi. The 200km Rundu-Divundu road on the Walvis Bay-Ndola-Lubumbashi Development corridor was last rehabilitated in the late 1990s. and the road has exceeded its 20-year design life by over 10 years.

As a result of the rainfall received over time and the high frequency of heavy vehicles, the condition of a total of 78 km homogenous sections exhibited surfacing failure, potholes and edge breaks; and thus required urgent rehabilitation. The Roads Authority commenced with the rehabilitation of the Phase 1 and 2 covering a total 23.5km in August 2021 with funding from the RFA.

A Phase 3 contract for the light rehabilitation of 78 km; from km 0 and km 8, km 23.5 and km 26.5, and between km 53 and km 120; was awarded in June 2022 to the value of N$194 million to be executed over two financial years. A full pavement rehabilitation over the same distance would cost over N$585 million, of which the funds are not available.

By executing the roadworks in phases, the RFA and RA were able to derive more value from the investment in comparison to deferring works on a heavily distressed road. The scope of works entailed the removal of the existing road material and adding an imported top layer, before compacting and finishing of the riding layer slurry seal. New road marking will also enhance the safety of the road including compacted shoulders for recovery. Expenditure incurred in the FY2022/23 totalled N$47.7million (25%) with the remaining N$146.4million to be disbursed in the next financial year. Given the high unemployment rate specifically in the Kavango Regions, the road has provided employment to over 100 local inhabitants. With the sourcing of construction material locally, an economic stimulus was also given to the Region.

Maintenance of roads in the Etosha National Park

During the peak of the COVID-19 pandemic, when all the economic sectors were struggling and, especially the tourism sector coming to a halt, the RFA assisted the Ministry of Environment, Forestry and Tourism (MEFT) and concluded a financing agreement to fund the maintenance of gravel roads in the Etosha National Park.

This agreement entailed the financing of N$50 million in the FY2020/21, N$50 million in the FY2021/22 and N$60 million in the FY2022/23, for rehabilitating a total of 140km of park roads.

The upgrade of the 140km gravel roads in Etosha was done in phases and substantially completed in March 2023, with a total investment by the RFA standing at N$138 million.

The MEFT has also contributed a fair share of N$40 million.

To date the following expenditure has been incurred to date:

FY2020/21	Distance (km)	RFA (N$)	MEFT (N$)
Phase 1: Ozonjuitji m'Bari - Olifantsrus	18.2	-	12,217,285
Phase 2: Ozonjuitji m'Bari - Olifantsrus	13.1	-	8,055,058
Phase 3: Ozonjuitji m'Bari - Olifantsrus	15.8	-	11,824,168
Total cost: Phases 1 - 3	**47.2**	**0.00**	**32,096,511**
FY2020/21 – 2022/23			
Phase 4: Olifantsrus – Galton Gate	141.0		
Section 4A: Olifantsrus – Galton Gate	63.0	45,706,857	-
Section 4B: Olifantsrus – Renostervlei	78.0	54,542,459	-
Total cost: Phase 4	**141.0**	**100,249,316**	**0.00**
FY2021/22 – 2022/23			
Phase 5: Okaukuejo – Ozonjuitji m'Bari	86.0	37,773,771	8,006,828
Total cost: Phase 5	**86.0**	**37,773,771**	**8,006,828**
Total Investment	**271.2**	**138,023,088**	**40,103,340**

Phase 1: Etosha National Park

Phase 2: Etosha National Park

Phase 3: Etosha National Park

Phase 4: Etosha National Park

MAINTENANCE OF FLOOD DAMAGED ROADS

Over the years, there has always been a need to mitigate the effect of climate change and the need to fund for climate resilient roads and adaptation. In the ISBP the RFA availed N$30 million budget in the 2022/23 financial year to the RA towards the repair of flood damaged road infrastructure. The intervention is allocated N$150 million over the 5-year business plan period. Equally, a nominal amount of N$5 million was allocated for urban road maintenance to repair and restore climate induced damage to roads.

Despite the prevalence of drought and low rainfall in other parts of Namibia, medium to high rainfall has been recorded in other parts of Namibia during the 2022 rainy season. High rainfall in some parts of Namibia such as the //Karas, Kunene and Zambezi Regions resulted in floods causing wash-aways and other damages to the roads. Roads in other parts of the country were also generally affected and damaged by flash floods albeit to a lesser extent.

Since the start of the rainy season, several roads have (to varying degrees) sustained structural damage. Some of the damage is minor (to be repaired by the grader units), while the rest is of a structural nature, requiring heavy repair work.

Some of the flood damage required urgent repairs so that the roads could reopen to the public, such as the D0212 (Aussennkehr – Rosh Pinah).

The repair of flood damage on roads in the Rundu maintenance region is underway.

Similarly, urgent structural repair is needed for roads in both the Windhoek and Oshakati Regions.

The total value of works and expenditure for flood repair works N$349,624,832.02 (Incl. VAT)

MAINTENANCE REGION	VALUE OF WORK N$	EXPENDITURE TO DATE N$	STATUS OF INTERVENTION
Keetmanshoop	247,871,675	50,184,026	Structural Repair Works
Windhoek	9,000,000	0	Graders only
Otjiwarongo	49,308,439	36,859,277	Structural Repair Works
Oshakati	22,146,690	0	Structural Repair Works
Rundu	21,298,029	0	Spot Re-gravelling and Structural Repair Works underway
TOTAL	**349,624,833**	**87,043,303**	

MANAGEMENT AND MAINTENANCE OF URBAN AND SETTLEMENT ROADS

The provision of urban, village and settlement roads fall under the jurisdiction of Local Authorities and Regional Councils. As provided for in the RFA Act, the RFA contributes to the planning, construction and maintenance of urban arterials and traffic related maintenance of any other urban and rural road.

The RFA allocated funding to 57 Local Authorities and 13 Regional Councils totalling N$134 million. N$103 million was spent during the year under review, translating to a 77% expenditure rate.

On the downside, five Local Authorities and three Regional Councils did not submit a single claim for the year, which is concerning as road maintenance is a recurring activity, and road users are unjustifiably paying for such expenditure.

When road maintenance is not executed timeously, the cost increases exponentially increasing vehicle maintenance costs for road users.

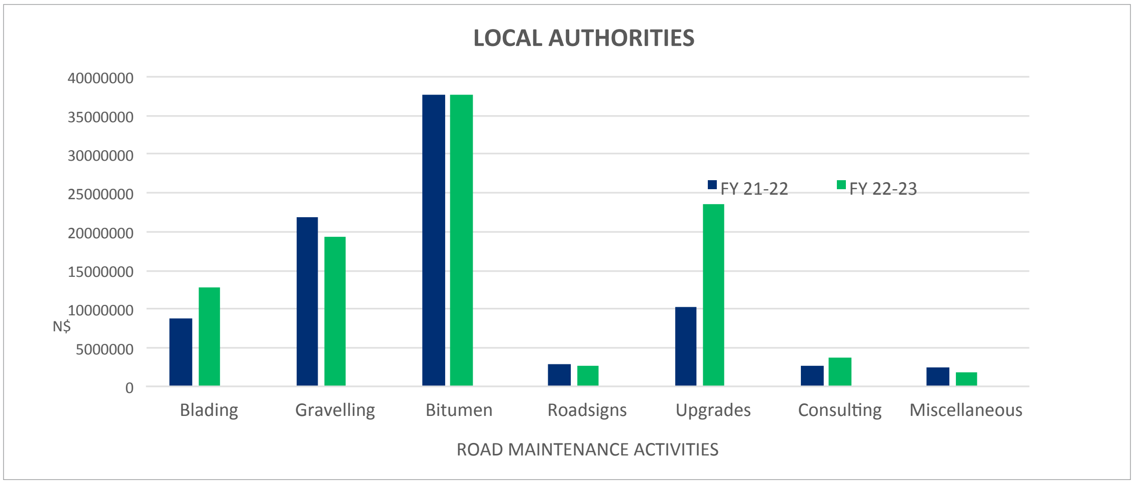
ROAD MAINTENANCE ACTIVITIES	FY2021/22	FY2022/23	% CHANGE
Blading	8,783,542	12,710,438	45%
Gravelling	21,865,269	19,346,974	-12%
Bitumen	37,628,004	37,625,353	0%
Roadsigns	2,949,154	2,748,570	-7%
Upgrades (incl. rehabilitation)	10,190,027	23,617,933	132%
Consulting	2,670,466	3,616,780	35%
Miscellaneous	2,374,427	1,834,599	-23%

In terms of contributory funding towards the Local Authorities, blading, upgrades, and consultancy services enjoyed the highest growth rates in funding. The RFA is delighted to see increased oversight from consulting engineers as per the Engineering Act. This allows Local Authorities to effectively execute engineering works for bitumen repairs, regravelling and road upgrades, which received the most significant share of the funds utilised.

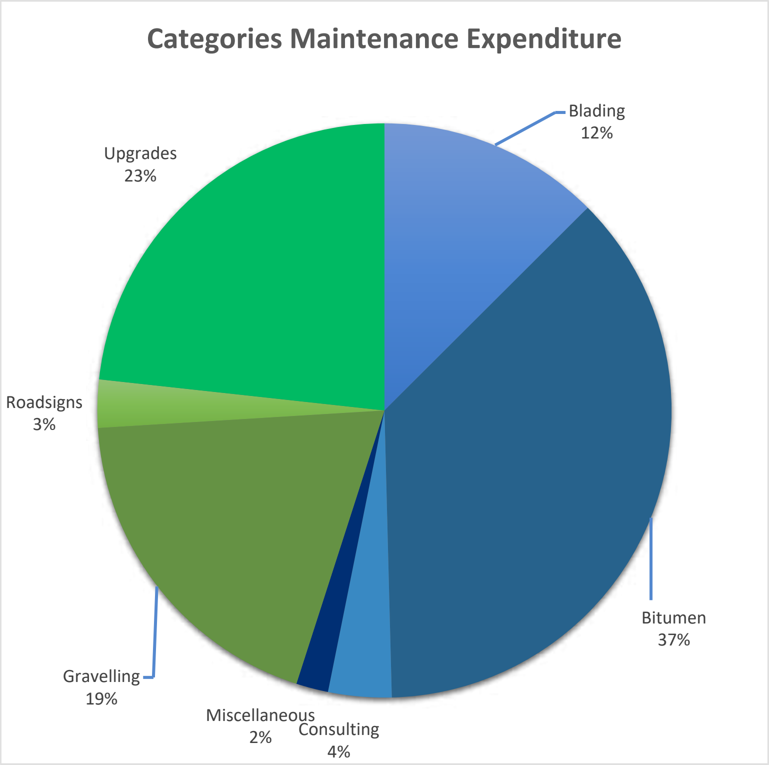
The Procedures Agreement introduced upgrades to the RFA's funding mandate. The Local Authorities are fully exploiting the provision, upgrading highly trafficked gravel roads to bitumen or interlock standards.

This effectively reduces routine maintenance costs, and our initial research shows that these upgrades have a positive net present value over the lifespan of the upgraded road. Consequently, we observed a 132% upgrade, comprising of 73% mostly to interlock standards and 59% for the light rehabilitation of roads in Rundu.

Across a number of Local Authorities, interlock surfacing is the more cost-effective solution, which also provides more employment opportunities within the respective Local Authority while supporting their local businesses that supply interlocks, sand, cement, and other related construction materials.



Comparison of funding for the maintenance of urban roads and settlements for two financial years 2021/22 and 2022/23



Notably, 37% of the total road maintenance expenditure went towards bitumen maintenance, which consist primarily of pothole repair, followed by regravelling and upgrades and gravelling with 23% and 19% respectively. Upgrades with interlocks seem to be the preferred strategy for upgrades and can easily be done by local contractors and do not require highly skilled interventions unlike bitumen products.

Mariental Rehabilitation Project

The Wolfaardt Street in the middle of Mariental's industrial area was built from gravel. This created a lot of dust in the area, where businesses could not effectively work under these dusty conditions. Due to the dust, a panel beating business was almost at the brink of closure, as they could not provide guarantees for their work.

The Municipality installed interlocks and road kerbs, under the supervision of a consulting engineer, to assist with the quality assurance of the installation of the interlocks. The first 1km section was eventually upgraded with interlocks for N$2 million and a further 750m section will be upgraded in the following financial year. The improved quality of roads will enhance the local economy, and the properties' valuation is expected to improve.

Completed section of Wolfaardt street

Local labour

Rehabilitation of roads in Rundu Town

The RFA has steadily progressed in its quest to see urban roads maintained to acceptable standard and to better serve all road users. In the reporting period, roads in Rundu Town were identified as those needing redress. In February 2022, the RFA embarked on a programme to support the emergency rehabilitation of sections of Dr Sam Nujoma Drive and John Mutorwa Road in Rundu Town. Notably, roads in Rundu exhibited extensive cracking, potholes and edge breaks coupled by poor conditions of the gravel roads especially in Kehemu and Kaisosi.

On top of the N$6.028 million contributory funding for urban road maintenance allocated to Rundu Town in FY2022/23, the following emergency light rehabilitation works were undertaken:

Description	Start	End	Distance	Total Cost
Dr Sam Nujoma Drive: Phase 1	01/03/2022	21/06/2022	2.8km	9,542,810
Dr Sam Nujoma Drive: Phase 2	01/06/2022	30/09/2022	2.4km	27,884,117
John Mutorwa Road: Phase 3	09/01/2023	31/03/2023	2.0km	10,600,786
Total project cost			**7.2km**	**48,027,713**

The above three phases entailed the reworking of the existing pavement and strengthening it with the recycling of the basecourse with a reclaimer and stabilising the top layer. This provided a safe, durable, cost-effective, and low maintenance road over the 10-year service life of the road surfacing. Due to high pedestrian concentration, phase two required the provision of 1.5m wide interlocked shoulders, 200mm concrete layer at the intersections, edge restraints on the sidewalks, taxi stops, and speed humps to significantly calm the traffic. With phase one, and because of maintenance done in the previous years, only the carriageway was rehabilitated with minimal improvements to road furniture.

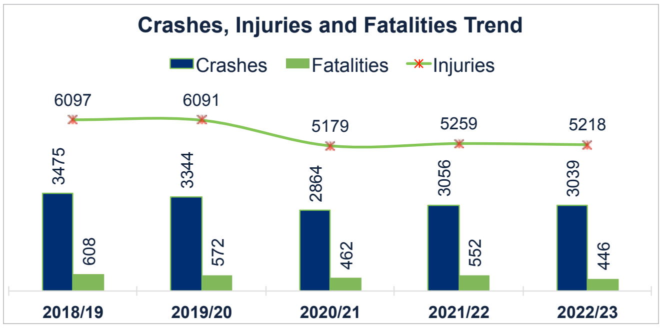
The investment in Rundu Town in the FY2022/23 was directly financed from the road user charges totalling N$54.05 million, of which this figure includes N$6.028 million for maintenance of the urban roads and streets. The livelihoods of the inhabitants significantly improved, with a net benefit of reduced vehicle maintenance and operating costs. With the additions of dedicated bus/ taxi stops as well as the installation of barrier kerbs, stormwater drifts and speed humps for traffic calming, the commuter experience and pedestrian road safety were improved.

Once again, emphasis is placed on the Local Authorities to develop Master Plans for the maintenance of roads, stormwater and the implementation of functional Pavement Management Systems. Such plans will go a long way in alleviating problems arising from poor planning of new infrastructure and not having the foresight for future management and maintenance of roads.

TRAFFIC LAW ENFORCEMENT

In fulfilling our road safety responsibility, the RFA allocated N$30.4 million for traffic law enforcement and adjudication nationwide. From the allocation, N$26.2 million was spent, thereby reflecting an execution rate of 86%. RFA funded the procurement of 36 traffic law enforcement vehicles and motorbikes at a cost of N$13.8 million.

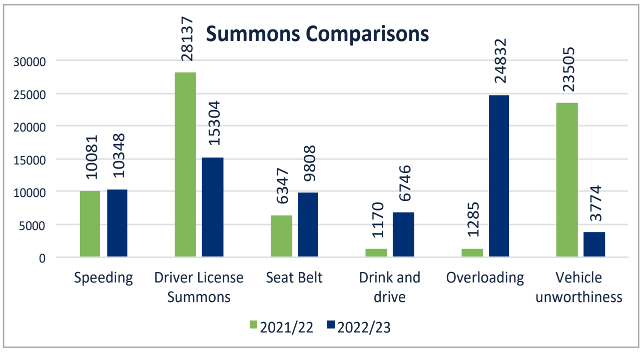
The remaining N$16.6 million was utilised to procure speed cameras, breathalysers, laptops, and calibration services that ensure that readings from these equipment are admissible in a court of law. This was done with the overall objective to improve road safety across the entire national road network. Police records continue to record positive improvements in vehicle crash statistics.



Since the financial years 2018/19 to 2022/23, a 3% annualised decrease in road crashes is observable, while fatalities have decreased by 5% per annum over the same period. Injuries have declined by 4% per annum.

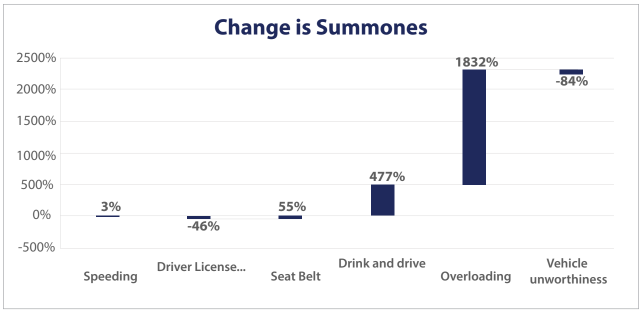
This data shows that crashes are becoming fewer and less severe and that the RFA's investment into the lives of road users is paying off thanks to the excellent work of the Traffic Law Enforcement Agencies.

However, overloading has become problematic, with a 1,832% year-on-year increase in the incidence of overloading. Furthermore, the incidence of driving under the influence of intoxicating substances and driving without a seatbelt continues to increase. These inconsiderate acts put the lives of law-abiding road users at risk. On a more positive note, vehicles are more roadworthy now than a year ago.



The evidential alcohol screening tests equipment and well calibrated equipment that was purchased and effectively used resulted in drinking and driving summons increasing to over 477% year on year, which indicates poor driver attitudes on the national roads.

Drinking and driving is unacceptably high and needs multiple stakeholders to intervene to change road users behaviour as traffic law enforcement alone may not be enough.



In another initiative, a special project was undertaken by traffic law enforcement that ensured loading within permissible limits.

This project is cognisant of an increase of 1,832% year on year in overloading cases which are now being dealt with to possibly save lives in an event of an unfortunate eventuality.

Traffic law enforcement has acquired traffic surveillance with tracking capability, which will make policing much more effective and result in higher prosecution rates. The high percentage of summonses is a clear testimony of the investment in traffic equipment. The body-worn cameras acquired by traffic law enforcement will further provide a reliable record of field interactions with the public.

The RFA will continue to invest into the modernisation of our Traffic Law Enforcement Agencies and to contribute to the improvement of their data management capacity, so they can focus on the hotspots and improve their impact over time.

National Road Safety Council funding

The National Road Safety Council (NRSC) is a statutory body responsible for promoting road safety in Namibia. The RFA is mandated to fund the NRSC to achieve its mandate, and a total of N$1.9 million was availed for two projects aimed at collecting road accident data and data analysis.

Project one was data entry from the forms collected from the police stations nationwide between 2017 and 2022. A total number of 59,884 records were entered by Namibia Statistics Agency (NSA) in the Road Safety Information Management System.

Project two was aimed at analysing road accident data from 2013 to 2019 and produced a comprehensive report on road accidents in Namibia. The report focused on various aspects, including time of day, week, month, year, region, police station, accident types, age and sex of individuals involved, and severity of accidents.

The National Road Safety Council (NRSC) was assisted by the NSA with their expertise in providing credible data interpretation and in-depth analysis. The comprehensive reports that were funded will provide valuable insights that stakeholders can utilize to enforce relevant legislation, enhance safety measures, and prevent road injuries effectively.

ENHANCING REVENUE COLLECTION

Introduction of tolling in Namibia

In our attempts to close the funding gap, the RFA continued to engage stakeholders on the benefits of tolling and build a shared vision for distance-based road user charges that will sustain our road network for generations to come. Two presentations were made to the Joint Cabinet Committee on Treasury and Economics, resulting in the granting of policy support to engage the public on tolling.

Public consultations are at an advance stage in the tolling process, as the success of tolling implementation will only be possible with public buy-in and participation. In order to track public perceptions, media tracking services were procured. Initial reports from the media tracking service indicated 38,000 negative reactions to tolling in Namibia and therefore the RFA had a challenge to overcome the negative public perceptions on tolling.

The RFA expects strong public resistance to tolling, given the experience with e-tolls in South Africa. However, there are very successful case studies in Zambia, Zimbabwe, and Mozambique, and we believe with extensive stakeholder consultations, the RFA will inform and educate the public that distance-based road user charges are the way of the future. A consultant was appointed to craft a stakeholder map and guide the RFA through the public consultation process. This included face-to-face interactions with directly affected stakeholders and various electronic channels for the indirectly affected stakeholders.

Essentially the average toll would range from N$19.26 for passenger vehicles to N$83.08 across all sections. The actual toll fee will be determined primarily by the traffic volumes, length of the road, and cost of capital. Sensitivity analysis indicates that the financial feasibility of tolling is more dependent on growing traffic volumes than increasing the toll.

Road users would save on vehicle operating costs due to good pavement surfaces and enjoy safer roads, amounting to N$0.21/km and N$1.65/km for light and heavy vehicles, respectively, or N$1.1 billion annually. For example, Namibia is importing three times more tyres per vehicle in real terms due to the deteriorating condition of the road network over the past 18 years.

Thus, increased funding is required to restore the road network to its original design specification. In addition, tolling can increase gross domestic production (GDP) growth by 0.4% annually, through construction activity, new jobs, consumption and second round economic impact. This amounts to N$600 million annually. Tolling would add N$1.7 billion to the Namibian economy, thus resulting in a social profit of roughly N$1 billion.

BUSINESS PLAN (2023/24-2027/28)

RFA started the Business Plan process in June 2022 to give approved authorities sufficient time to compile their respective budgets for funding consideration from the RFA. The Business Plan was drafted and presented to stakeholders on 01 November 2022.

> Revenue estimates were based on the economic forecasts provided by Cirrus Capital (June 2022). Given the substantial responsibilities of the RFA to fund certain projects, RUCs increases were budgeted into the Business Plan.

Therefore, revenues increase by 16.5% from N$3.0 billion in the current financial year to N$3.4 billion in the following financial year. N$4.2 billion funding was requested, but due to the revenue constraints, N$3.4 billion was funded. Therefore, 81% of the budget requested is funded under the Business Plan.

The RFA has, under the prevailing funding constraints, prioritised the allocation of funds within the Business Plan period as follows:

Priority 1: Road Maintenance and Rehabilitation.
Maintenance and rehabilitation of the national road network was increased by N$387 million. These additional amounts have been committed towards gravel and paved road maintenance in line with the RFA ISBP.

Maintenance and rehabilitation of urban roads was increased by N$32 million in FY2025 and scales up considerably by N$131 million in FY2026

- Upgrade of Peter Nanyemba Road in Katutura to a dual carriageway
- Rehabilitate urban roads leading to the Port of Walvis Bay

Priority 2: Road condition assessments on the national road network
No such assessment has been conducted since 2019. N$247 million has been committed to assess the condition of the road to ensure evidence-based road maintenance interventions going forward.

Priority 3: ICT systems developments to continue with both RFA and NaTIS.
Funds have been availed for both the RFA and RA to implement the their respective ERP developments, while additional funding has been committed to the development of computer-based learner testing at NaTIS. These developments will ensure that the institutions remain future fit, deploying the latest technologies to drive operational efficiencies.

Priority 4: Administrative expenses.
The RFA, RA and NaTIS staff are the drivers of our business model and the associated client experiences. Therefore, 5.6% additional funding has been directed towards cost-of-living adjustments. Extended operating hours at certain border posts have necessitated increased headcount, increasing administrative costs by a further 3.9%.

The administrative expenses increase by 9.5%, which remains well below the 32% revenue growth figure. By consistently keeping administrative expense growth lower than the revenue growth figure, the ratio of administrative expenses to revenue has declined from 28% to 21% in the past 4 years and by 2028, this figure should be down to 19%.

After expenses and provisions for N$10 million transfer to the Reserve Fund, a small surplus totalling N$719,023 remained. Thus, expenditures remain within the revenue envelope while supporting economic growth and preserving additional funding during these volatile times.

Future outlook

The current levels of the road user charges remain insufficient to maintain the national road network, and this funding gap will continue to grow as the road network ages.

Therefore, there is an urgent need to increase revenues substantially. Various revenue sources are under consideration, and in accordance with our strategic plan, the shift towards distance-based road user charges is inevitable while optimising other road user charges.

- Increasing the vehicle registration fees substantially, provides N$200 million breathing space, and reduces the reliance on fuel levies and implementation risks associated with the fuel levy.
- Tolling can add up to N$750 million per annum to the RFA, but toll gates typically have high collection fees.
- Digitalisation of NaTIS operations can add N$212 million to the revenue pool. NaTIS has well-known capacity constraints, with less than 30% of the adult population holding a driver's license and a net increase of 2,000 drivers' licenses issued annually.

  Using technology to increase service capacity will match service capacity to service demand and create additional scope for more regular driver and vehicle retesting, thereby ensuring that drivers and vehicles are fit to remain on the road.
- Monetising the 2,000km^2 of road reserves by providing value added services, such as franchising rest stops to provide vastly improved and safer facilities along the national road network remains on our minds. Investigation of incorporating solar panel fences along the road reserve to generate new revenue streams from electricity sales.
- Cost optimisation on the major maintenance interventions through unit cost management will yield better value for money.

In the long run, our interventions are aimed at minimising overall transport costs by spreading the funding sources beyond road users. This will empower the RFA to restore the road network to its original design specifications and become the outright best road network in terms of both quality and connectivity per capita.

4

INTELLECTUAL CAPITAL

STAKEHOLDERS AT THE CORE OF RECOVERY

STRATEGIC OBJECTIVE:
Achieve and sustain a 90% overall stakeholder satisfaction rating by adopting a stakeholder value approach, by placing stakeholders at the heart of everything that we do by 2024.

Stakeholders are at the core of everything we do, and since inception, we have been working to become more stakeholder-centric throughout our organisation. Guided by our strategic orientation, which is aligned with the strategic business plan, we are increasing the stakeholder engagements and being more proactive in all situations. Now, more than ever, we are aware of stakeholders' role in value creation and our long-term sustainability, and we are playing an active role in nurturing and enriching those relationships.

Strategic stakeholders

Strategic Stakeholders	Material interests	Objectives of engagement
Roads Authority	Financial support, budget allocation, collaboration	- Successful projects implementation - Enforcement and accountability - Road maintenance projects and programmes
Regional and Local Authorities	Financial support, budgetary allocations	- Successful projects implementation and accountability
National Road Safety Council	Road safety projects and Information dissemination, financial suppot	- Safer roads
Road users	RUCs, safe and affordable use of quality roads	- Payment of road user charges - Compliance - To create awareness and disseminate information regarding RUCs
National, regional and international bodies, associations and federations **Member of: The African Road Maintenance Funds Association (ARMFA)**	Collaboration	- Exchange of best practices and support - Support of ARMFA secretariat
Namibia Chamber of Commerce and Industry (NCCI)	Collaboration	- Industry collaboration - Networking on the transport industry's contribution towards economic growth
International Road Federation (IRF)	Collaboration	- Capacity building and information sharing

Walvis Bay Corridor Group (WBCG)	Collaboration	- Logistics hub synergy
Commercial banks and funding agencies	Credibility, governance, prudence	- Access to loans - Grants and - Investments
Ministry of Finance and Public Enterprises	Shareholder representation	- Approval of RUCs increase - Support and Approval of ISBP - Presentation of Annual Report and Financial Statements
Ministry of Mines and Energy	Fuel levies	- Implementation of Fuel Levy
Ministry of Public Enterprises	Good corporate governance and compliance	- Support and approval of ISBP
Ministry of Works and Transport	Road infrastructure development	- Logistics hub synergy
Ministry of Safety and Security / NAMPOL / Traffic Law Enforcement	Financial support, collaboration	- Law enforcement - Collaboration
Employees	Job security, conducive working environment	- Productivity and high-performance culture
Trade Unions	Collaboration on labour related matters	- Bargaining unit interest - Recognition agreement commitments and - Harmonious union relationships
Media	Transparency, access to reliable information	- Factual reporting and liaison - Information sharing and awareness creation

EXTERNAL STAKEHOLDERS PROPELLING GROWTH

Business plan consultation

Hindsight of the need to embrace critical stakeholders in decision-making, our Business Plan stakeholder consultation meeting is part of our organisation's statutory requirements and forms part of the RFA's annual stakeholder engagement calendar.

This is primarily so because consulting key stakeholders creates room for positive engagement while various inputs are considered for the benefits of the RFA. In the consultations carried out in the reporting period, key highlights included requests to increase allocations to Local Authorities and accommodating roads infrastructure for non-motorized road users, such as pedestrian walkways and pedestrian bridges where applicable. Subsequent to these key inputs, it is imperative to note that the RFA considers such inputs, which is evidenced by the gradual increases in allocation to Local Authorities.

These considerations are also done in line with budgetary sustainability and impact level, making them impact-driven when implemented. Notably, the RFA has taken interest in increasing funding allocation to Regional Councils, Local Authorities, and Village Councils whose roads are affected by cargo volume increases due to road corridor developments and increased cargo volumes through Walvis Bay Port.

Indeed, consultations on the Business Plan do not end there.

They stretch various operation matters, hinging on the sustainability of the RFA. In essence, issues around the impact of electric cars on Road User Charges (RUCs) revenue made it to the platform with a consensus that there is an acute need to develop new revenue streams.

PE CEO Forum engagements

Engaging with other Public Enterprises (PEs) is essential and the RFA has subjected itself to the PE CEO Forum, a platform primed for positive collective engagement of all Public Enterprises. The PE CEO Forum and games were held jointly in Rosh Pinah and Oranjemund during the reporting period.

On the bright side, the RFA - during the inaugural Public Enterprises Awards 2022 ceremony - was awarded two accolades, namely: Best Performing non-commercial Public Enterprise and Best Corporate Social Responsibility Initiatives and Programs that Support Communities.

> We pridefully note that in the last three financial years, RFA's Corporate Social Investment stood at approximately N$18.6 million. This consists of CSI of N$5.5 million in 2019, CSI of N$8.4 million in 2020, and N$4.6 million in 2021.

During the games, the RFA's sport codes did well, with a total of 42 employees of the RFA having locked horns with their counterparts from various PEs. The RFA team proved their mettle in netball, soccer, volleyball, relay (men), relay (women) and tug–of–war. The RFA's women's relay team scooped bronze, while the RFA's soccer team, "RFA Eagles", gave a sensational display of stellar skills on the pitch, scoring a total of nine goals during the tournament, the highest goal tally scored during the tournament.

These successes not only demonstrate the employees' competitiveness and good fitness levels, but also create good rapport between RFA employees and employees from other PEs.

ARMFA

The RFA is affiliated to the Africa Road Maintenance Funds Association (ARMFA) at a continental and sub-regional level, which provides a key platform for sharing best practices, knowledge, and experiences on road maintenance funding and road infrastructure development. Our CEO, Mr. Ali Ipinge, has been at the helm of ARMFA, appointed to serve for two years as the President since 2021.

Road safety

As has been tradition for many years, the RFA joined other key road safety partners in launching and delivering the festive season road safety campaign 2022/2023. Launched under the theme "Do the right thing and save lives," the campaign sought to reduce road crash incidents and their resultant effects through stringent traffic law enforcement measures and enhanced emergency response services during the festive season and beyond. The RFA remains committed to road safety as a relevant enabler of safer roads that go a long way in the preservation of life.

Courtesy call by Hardap Regional Council

As one of RFA's funding recipients, the Hardap Regional Council paid a courtesy visit to the RFA to build and strengthen relations.

Discussions focused on the distribution of funds to the region and the utilisation of funds allocated within the financial period. Additionally, the visit sought to engage the RFA regarding regional development plans. These engagements are essential to create room for consensus between funding needs and the availability of funds.

Media engagement

In the reporting period, the RFA evaluated its mainstream and social media presence. We are pleased to report that the metrics are very positive, with room for growth as we advance. An analysis conducted at the end of the reporting period revealed a 113% increase in content volume month to month, with sentiments from our audiences relatively neutral.

> In the mainstream media, RFA took up the 11th spot among top communicating brands. On social media, we reached an audience of 102,000. The web pages account for 33% of all volume, followed by Facebook sporting a 27% share of voice.

Clients endorse RFA's service quality

Our clients' Perceptions of RFA remain positive and showcase our good governance architecture. In our most recent survey, it is encouraging to note that an overall positive client satisfaction index was observed, albeit a borderline 71% satisfaction.

From an external standpoint, CBC clients scored the RFA an excellent 81% satisfaction score. MDC clients observed a positive satisfaction score of 74% and a cautionary 61% was scored by FLR claimants, indicating room for improvement. These positive satisfaction scores mean that the RFA has been an organisation that desirably serves its external publics.

INTERNAL STAKEHOLDERS DRIVE EXCELLENCE

Engaging staff members as a key driver of growth

The RFA maintains that its employees are central to its success and is thus deliberate in its interactions with them and thus creates healthy and productive platforms that allow the organisation to deliver its mandate and track towards its vision.

Quarterly staff meetings are one of these platforms and they present a platform for direct information exchange with employees on the status and operations of the organisation. In the reporting period, this platform has been used to engage employees and afford them an opportunity to share valuable information with management and vice versa.

Together on special days

In the spirit of the RFA's mantra #SHINE, the RFA employees joined hands in celebrating important national days, inclusive of the 33rd Independence celebrations, Valentine's Day, Heroes Day and Workers Day. Uniquely, during the 33rd independence celebrations that were hosted nationally in the Omusati region, the RFA contributed N$100,000 towards hosting the event. RFA employees downed colourful multicultural attires in celebration of national diversity and, in particular, embracing workplace diversity.

This same spirit of togetherness was exhibited during our year-end function for the reporting period, where

RFA honoured its customer-focused employees by recognizing the customer service employees of the year, Cross Border Charge office of the year, best-performing division and employee of the year. The CEO's awards of excellence was also awarded during this time, which recognised excellence, which is a critical quality that RFA seeks to continually instil in employees through various mechanisms.

Cultural repositioning

Hindsight of the need to enhance positive corporate culture, the RFA is undergoing a cultural repositioning drive that seeks to strengthen RFA's values across the entire organisation. This cultural transformation journey aims to build awareness of the organization's core values, evaluate the cultural status quo and identify areas requiring alignment with corporate values. This will subsequently lead to the development of actionable plans to communicate and encourage adopting necessary change.

> "Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek."
> - Barack Obama

To propel this agenda, Change Ambassadors were appointed across all divisions, with the primary goal of serving as information conduits and influencers. The appointed Change Ambassadors have been trained in a comprehensive, workshop-style program on successfully implementing change initiatives and managing change using various models. The RFA is confident that this initiative will bear fruit that will reposition the organisation and amplify its practices, enhance excellent service delivery and deliver present and future organisational sustainability.

5

HUMAN CAPITAL

INCULCATING A HIGH PERFORMANCE CULTURE

STRATEGIC OBJECTIVE:
Inculcate a performance management culture with an institutional performance score of 4.0 by 2024

RFA's vision is to be the employer of choice for world-class individuals to unlock their full potential. As such, we remain focused on creating insights, opportunities and experiences that matter, inspire and motivate our employees to drive the performance of the business.

Essentially, we are a people business with a culture vital to long-term success. Our continued success depends on our ability to attract talent, encourage skills development and talent density, and enable our people to remain committed to our clients and business.

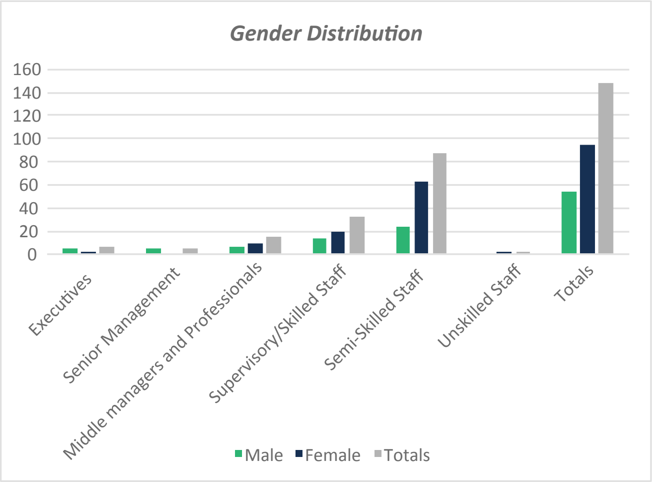
Our people expect to feel proud of where they work, enjoy their work, be appropriately rewarded for their commitment, and have the freedom to be themselves within a team context.

Staff Complement as of 31 March 2023

Division	Approved positions	Appointments	Resignations/ Termination	Internal Transfers/ Promotion	Total Filled	Total Vacant
Chief Executive Officer Office	3	0	0	0	2	1
Compliance, Legal and Company Secretary	4	0	0	0	3	1
Strategic Services	17	0	0	0	17	0
Programme, Management and Policy Advice	5	0	0	0	5	0
Information Communication Technology	8	0	0	0	7	1
Audit and Risk	6	0	0	0	6	0
Fund Management (Head Office)	31	0	0	1	30	1
Fund Management (Border Posts)	88	3	0	1	78	10
Total	**162**	**3**	**0**	**1**	**148**	**14**

Gender Distribution

Job Category	Male	Female	Total
Executives	5	2	7
Senior Management	5	0	5
Middle Management and Professionals	6	9	15
Supervisory/Skilled staff	14	19	33
Semi-Skilled Staff	24	63	87
Unskilled Staff	0	1	1
Total	**54**	**96**	**148**



RFA structure continues to be dominated by women, with 96 women out of the 148 filled positions, translating to 64.86% women domination. Staff turnover remains low, translating into 2% for the reporting period.

Growing staff complement

Over the years, the RFA has grown, which has also considerably impacted the organisation's human capital needs. In this regard, the Board approved ten (10) additional positions that brought approved posts on the establishment to 162, with 148 posts filled.

With the staff component growing to 162, the additional posts were approved in December 2022 and the recruitment process was underway at the time of reporting.

Change management initiative

Our unique culture is who we are. It is what makes us different. We articulate our culture through our guiding value to 'do the right thing' and our philosophy for success, 'freedom to create'. We assess the success of our people through their ability to deliver results and the quality of their relationships, both internally and externally. The RFA recognises that change is the only constant in today's fast-paced world. As an organisation, RFA embraces change and strives to stay ahead of the industry. As a result, the RFA launched a 90-day cultural change journey to embrace a positive organisational culture.

Holistically, this journey was further aimed at inculcating a high-performance culture, with an institutional performance score of 4.0, improving our corporate culture and employee satisfaction to 90% by 2024. Additionally, we sought to execute 70% of all individual development plans and achieve an 85% customer satisfaction rating. These strategic priorities impact our current work operations, technology, equipment, structure and processes.

Internship

Human capital deficit is a drawback in the development of our country. As a Public Enterprise, the RFA would like to ensure skills exposure to Namibian students and graduates. As a result, the RFA implemented an internship programme to assist students/graduates to acquire the necessary practical exposure. The programme is designed to:

- To enable students to complete their study programmes
- Obtain experience for future employability
- Fulfil professional body registration requirements

RFA considers itself bound to assist individuals and the country at large. Initially, RFA wanted to appoint ten interns. However, due to the higher application response, the RFA recruited 17 interns. The internship programme duration is 12 months.

Training and development

RFA is committed to capacity building and skills development of its Human Capital. In pursuit of the aforesaid, RFA conducted an organisation-wide skills audit to identify skills gaps.

RFA understand that people's growth and development are key to building a long-term sustainable business. Intellectual curiosity, ambition, personal and professional development are encouraged. Ultimately, we want our people to be the best version of themselves.
Employees are expected to drive their individual

growth within the parameters of our organisational objectives. The RFA implements a training and development programme informed by employee individual development plans and the outcome of the skills audit.

Competency Interventions

In order to capacitate our employees, the RFA invested at total N$703, 217 in various international and local short courses. These courses were vital for enhancing the knowledge, skills, and abilities of employees to perform their roles and responsibilities effectively. By investing in capacity development, the RFA improved its productivity, competitiveness, and innovation.

Moreover, these opportunities offered to our employees subsequently assisted RFA to adapt to changing market conditions in the face of rapidly evolving business environment which requires organizations to continuously up skill and reskill their workforce to remain relevant and competitive.

Bursaries and Study Loans

In its commitment to bridging Namibia's human capital shortage and strengthening its capacity, RFA assists its employees with study loans to improve their formal education. In the reporting period, eight employees studying towards different qualifications were awarded study loans with a total value of N$227, 090.

These qualifications are one PhD, one Master's Degree, four Bachelor's degrees and two management programmes. In addition, the RFA provided two bursaries to the tune of N$190, 094, one towards a PhD and another towards a Master's degree with anticipated completion dates in 2025 and 2023, respectively. A bursary is granted when the qualification is relevant to the employee's position.

Relationship with unions

RFA, as a responsible employer, has a Recognition Agreement with the Namibia Public Workers Union (NAPWU). The relationship between RFA and NAPWU has improved; during the reporting period, the parties signed two collective agreements.

Outlook

The Fund is committed to empowering and upskilling our employees through education and mentorship. Our formal learning initiatives remain vital in providing employees additional development and growth opportunities while addressing critical business pipeline requirements.

In preparation for a solid future, the RFA is implementing a change management programme to identify relevant culture for the organisation. The theme of embedding a high-performance culture continues, focusing on human capital development. A succession plan is being implemented for EXCO and middle management to ensure these positions are filled within the organisation.

6

MANUFACTURED CAPITAL

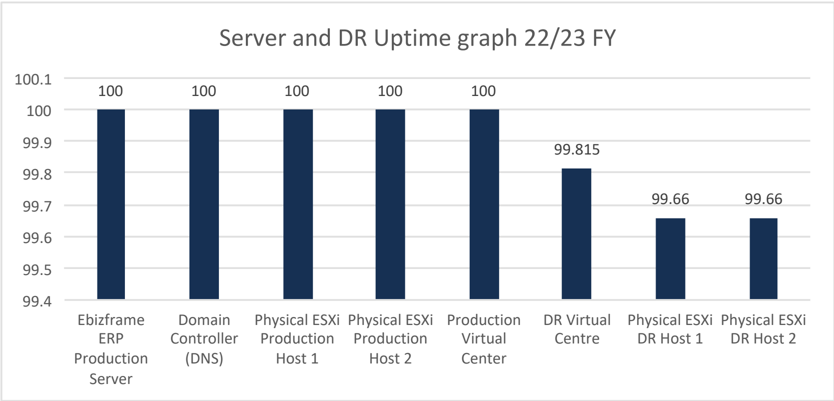
PROPELLING RECOVERY THROUGH TECHNOLOGY

Strategic objective:
To leverage the latest technology to essentially enable the efficient functionality of our business units and facilitate the attainment of the objectives for the ISBP 2019-2024 through innovation and automated system solutions.

The availability of best-in-class technology is integral to our objective of providing our clients with an ecosystem of products and services that address their financial needs.

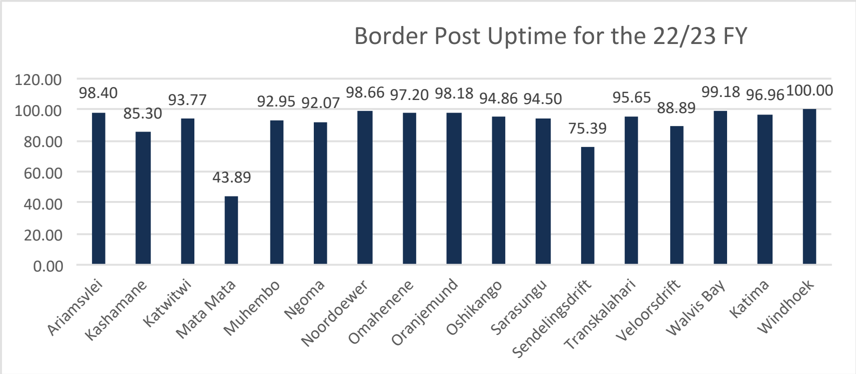
Server Infrastructure uptime

Below is a graphical representation of the average uptime of the RFA server environment at production and at the disaster recovery site. Overall, the network environment is stable with very minimal downtime, if any.



Border post uptime

The graph indicates that we experience occasional downtime at the RFA border post offices. This is mainly due to network outages caused by natural disasters like floods, power outages, damaged or stolen cables, or minor internal network problems from time to time. Overall, the network at the border post offices is stable. Mata-Mata border continues to have power supply issues due to reliance on solar power, hence the low uptime percentage on the graph.



Security

The ICT Division has implemented security hardware and software tools to protect and prevent cyber security threats and other intrusions from entering the RFA network.

The following tools are in place to protect the RFA network:

- Kaspersky endpoint security (server and desktop)
- Fortigate firewall
- IPS/IDS intrusion prevention
- Darktrace AI
- Qualys vulnerability assessment and patch management

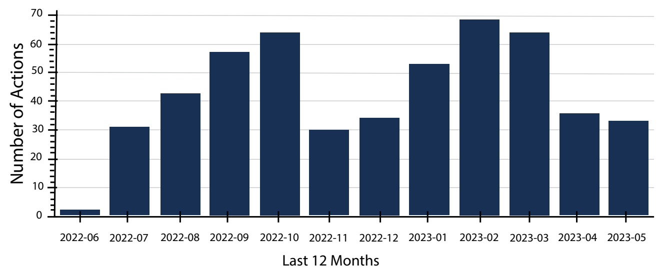
Darktrace detect and prevent

Apart from the firewall protection, Darktrace offers an additional layer of protection. Darktrace uses artificial intelligence to analyse network behaviour and activity and automatically block abnormal behaviour on the network.

In the last 365 days Dark trace identified a possible 559 anomalous traffic and blocked 445 connections that were malicious.

Darktrace RESPOND/Network Actions (LICENSED)

In the last 7 days, **0 actions** were created and a minimum of **O connections blocked**.
In the last 28 days, **53 actions** were created and a minimum of **36 connections blocked**.
In the last 365 days, **559 actions** were created and a minimum of **445 connections blocked**.



ICT governance compliance

The ICT Committee of the RFA Board, oversees the ICT division strategies. In addition to existing governing policies, the division also has an approved ICT Governance Charter that stipulates the roles of each ICT stakeholder and the ICT service catalogue as a guiding document for customer service requests for all stakeholders. In addition, the division also approved the Project Management Framework, and these will be the guiding documents for all project implementation.

Under the committee's direction, the division constantly strives to improve compliance, regulation, and best practice measures.

Capital Projects

The division currently has three projects running:

- Enterprise Resource Planning System (ERP). The following Oracle modules have gone live: Finance and Supply Chain Management
- Business Process Re-engineering (BPR) NaTIS
- Electronic Document Records Management System (EDRMS)

With the frame of its Master Plan is the:

- ICT Strategy Master Plan
- COBiT 2019 and ITIL Roadmap

Outlook

Looking ahead, the division seeks to implement a Mobile App and Payment Gateway to automate the ease of customer services. In line with the theme of this reporting period, we are conducting an ICT structure assessment and realignment to align the ICT organogram to the organisational strategy.

Furthermore, we are looking to replace the ICT server infrastructure (HO and DR) for business continuity. Lastly, in our outlook, we will look to deploy chatbots for improved automated services at the customer service centre.

7

SOCIAL AND RELATIONSHIP CAPITAL

PLANTING SEEDS OF SUSTENANCE IN OUR COMMUNITIES

As part of our CSR programme, we work with communities to create a positive impact in the societies in which we live and work. We support initiatives that have a lasting effect on our communities, and in the reporting period, we have amplified our resolve to support our communities at various levels. Our CSR pillars are community upliftment, road safety, and financial assistance towards registered welfare organisations, educational programmes, and sports-related activities.

Engagement towards a stronger Namibian community

Donation to combat the locust plague in the //Kharas region

The locust plague that ravaged the //Kharas region and the various parts of the country attracted intervention from RFA as it not only affected anticipated crop harvest and subsequently impacted the already strained economic outlook and affected road safety due to clouds of locusts on the road.

RFA availed assistance needed to finance the items requested by the office of the //Kharas Regional Governor in combating the locust to the tune of **N$125,457**. The locusts had damaged swathes of grazing areas in the region, caused impaired vision to drivers, and left greasy surfaces on the road, which subsequently caused road accidents on the main roads in the region. RFA is a road safety stakeholder which has always committed to ensuring safe road across the country. This intervention went a long way in alleviating the locust crisis, thereby ensuring that the roads in the region are safe for users.

Renovation of Katutura Hospital restrooms

In a show of community liaison and goodwill, the RFA extended a caring hand to the residents of Windhoek and the western suburbs of the capital city by responding positively to a request from the Motor Vehicle Accident (MVA) Fund to co-fund the renovations of the Katutura Hospital restrooms.

A commitment was made to this noble cause with a contribution of **N$300 000** to aid in the renovations of the restrooms on the 2nd and 3rd floor of wards A and B. The upgrades aim to improve the quality of medical infrastructure at the State Hospital.

This is critically important because road accident victims are cared for at various medical facilities nationwide, particularly at the Katutura State Hospital, the only general referral hospital in the country that requires support from Namibia's corporate sector to remain sustainable and provide optimal patient care.

Ondera resettlement farm integrated food systems project launch and fundraising luncheon

The Oshikoto Regional Council in collaboration with the World Food Programme (WFP) aims to assist the Government in its ambition to end hunger by 2030 through the newly established Ondera Integrated Food Systems Project.

To ensure that this project is further supported, the RFA sponsored the project with an amount of **N$50,000** and purchased eight tickets to the fundraising luncheon for **N$8,000**.

We are happy that this project made positive strides in alleviating hunger in Namibia as a critical national deliverable.

Developing and commissioning of sign language online app and training of the sign language interpreters

In the reporting period, the RFA contributed **N$100,000** to the Namibian National Association of the Deaf to develop an online sign language dictionary accessible to the public and train 40 sign language interpreters to improve the situation of the Namibian deaf community. The RFA prides itself in being part of this initiative that strives to make Namibia a better place for the deaf community, their immediate families, and the nation.

Law enforcement road safety introduction training

In our concerted annual efforts to support road safety initiatives, the RFA supported the Namibia Road Safety Forum (NRSF) during its preparations for the 2022 Festive Season Road Safety Campaign. NRSF has been actively involved with NAMPOL traffic to plan the festive season. The RFA committed sponsorship to NRSF to the tune of **N$90 000**, which was directed towards training law enforcement officers on road safety and their preventative role in a road crashes.

Three RFA staff members from the Inspectorate Division participated in the training whose main objectives were to enhance the understanding by senior law enforcement officers of the impact law enforcement has on road crashes in advance of the 2022 Festive Season; to discuss the operational order for the 2022 festive season and to officially launch the NAMPOL operational plan for the festive season which was on 18 November 2022.

The training took place from 16 to 18 November 2022 with key insights that equipped traffic law enforcement officers with required skills to reduce carnage on our national road network.

Assistance towards the 50th anniversary of the Kronlein Primary School in Keetmanshoop

Krönlein Primary School in Keetmanshoop celebrated its 50th anniversary, opening its doors in 1972. In a contribution aimed at the developmental needs of the school, the RFA committed sponsorship of **N$50,000**. As a community stalwart that has educated Namibians for half a century, we believe that this noble sponsorship will propel the school to continue its good work in a sustainable manner for many more generations to come.

Assistance for Northern floods victims

In response to clarion calls for assistance, the RFA extended its helping hand to victims of flood that disrupted livelihoods in the northern parts of the country. Heavy rains coupled with large surface flood water streaming in from neighboring Angola uprooted households and led to the closure of schools in the Ohangwena, Oshana, and Omusati regions.

The RFA committed **N$200,000** to each of the three regions with total sponsorship of **N$600,000** in response to this devastating national disaster. The funding went towards various items that were needed by flood victims including tents, mosquito nets, canned food, water purification tablets, water tanks, blankets, mattresses, life jackets, mosquito repellents, ablution facilities, and eventual repair of the flood-damaged roads.

High Economic Intelligence investment event

The diffusion of ideas in the bid to unlock our economy remains a critical enabler of growth particularly in the post-Covid period, were the economy experienced multiple changes. In this view, the RFA participated in a socio-economic dialogue dinner titled "Economic Demographics and Inflation," and contributed **N$20,000** toward hosting of the event.

Cycle Classic 2022

As has been the case for the previous eight years, the RFA was once again sponsored the country's flagship cycling sports competition, now called the Paratus Namibian Cycle Classic 2022. In this year's event, the RFA was a platinum sponsor, having sponsored an amount of **N$80,000** towards the annual competition that brings together cycling enthusiasts from around the country over two days of cycling.

As a sponsor, the RFA manned a water point along the cycling route on the B1 road. The event organised under the coordination of the Rotary Club Windhoek is a key event on the national sporting calendar, promoting healthy living and sportsmanship.

Nurturing youths in sport

The RFA supports nurturing sports skills among the youth, which was demonstrated through the Athletic Club Football Academy (ACFA) tournament sponsorship. The RFA recognised the intervention as a pursuit of strengthening sports development in Namibia and sponsored **N$30,000** towards the tournament's logistics and activities.

The Eros Girls School u/17 and u/19 netball teams excitedly beamed as they showed off their brand-new netball gear, proudly sponsored by the RFA to the tune of **N$17,770**.

Grooming the youth in sports activities will go a long way toward breeding the competitive champions the country needs. In this light, the RFA also proudly sponsored a young aspiring chess champion, Trevor Karipi, who represented the country at the World Youth Chess Championship, held from 5 to 17 September 2022 in Mamaia, Romania. Trevor received **N$40,000** for his participation in this brain-stimulating sport code. Karipi performed exceptionally well in the competition, and the RFA is immensely proud of his display of talent and insight.

Public Enterprises sports games

In preparation for the Public Enterprises sports games, the National Youth Service requested support to rehabilitate the soccer field lawn at the Rietfontein Training Centre.

The RFA contributed N$100,000. As a member of the Public Enterprises CEO's Forum, the RFA annually participates in the Annual General Meeting and subsequent sports games and regards it as a perfect platform to strengthen relations of mutual benefit with Public Enterprises.

Acquisition of an MVA Fund ambulance

The RFA once again committed its support towards road safety and donated N$500,000 to the Motor Vehicle Accident Fund Namibia (MVA Fund) towards procuring an ambulance and setting up an emergency response centre at Divundu. This was done to assist persons injured in motor vehicle crashes on the Rundu-Katima Mulilo route and surrounding areas.

> The acquisition of the ambulance will ensure that the injured receive prompt emergency medical assistance within the 'golden hour' (the first 60 minutes following a road crash) and reverse the adverse effects of accidents.

Independence celebrations

As responsible participant in national events, the RFA, through the Omusati Regional Governors' office, supported the country's 33rd Independence celebration with N$100,000 towards the pre-independence activities such as sports and live performances that led to the day's official program.

Luderitz Crayfish Festival

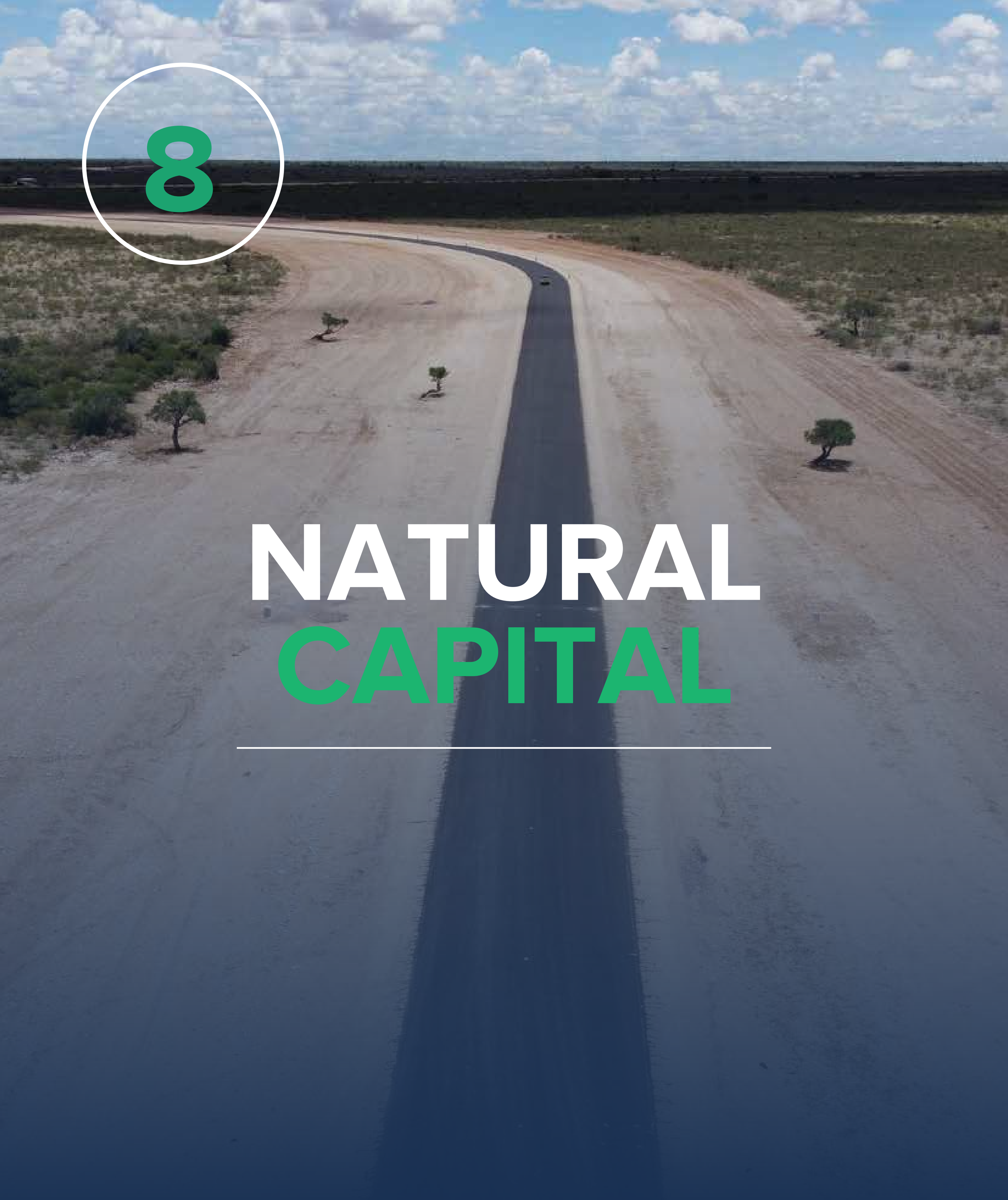
In support of the 16th annual Luderitz Crayfish Festival, the RFA availed N$10,000 in support of the fundraising initiatives towards hosting the event. Community engagement events of this nature not only bring the community together but also raise funds that are crucial for the economic development of the town, in this case Lüderitz.

ALAN fundraising dinner

The RFA availed N$9,000 in support of the fundraising dinner hosted by the Association for Local Authorities in Namibia for their land seminar and development fund.

Future outlook

Going ahead, we look to continue our focus on our funding priorities and ensure that we continue to play a key role in helping the communities we live in and work to thrive. We are hopeful that projected economic growth will bring positive fortunes which in turn will mean more funding toward CSI.



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NATURAL CAPITAL

ENSURING OUR ENVIRONMENT REMAINS VIABLE

As we care and seek to safeguard our environment for future users, we proactively assess and manage the environmental impact of our operations in line with our integrated transformation and sustainability objectives. In the reporting period, we have continued with our pursuit to ensure that our activities take cognisance of the environment and look at ways with which we can preserve it to the best of our abilities.

Innovation research

As part of our strategic intervention, we have committed to grow the research component and increase the budget allocation for research by N$4.9 million which has been budgeted in the reporting period.

> The RFA believes that research drives knowledge creation and will lead to assessing and adopting creative concepts in road infrastructure and improved road maintenance materials.

Research is at the heart of innovation and knowledge creation, thus entities that invest in knowledge reaps the benefit of staying ahead of the curve.

The modern road infrastructure demands to be fitted with smart road infrastructure devices that responds to vehicles fitted with artificial intelligence (AI) technological devices. Thus, while at the advent of smart technologies, the RFA seeks to create scope for integration of smart technologies in its activities which in turn will lead to enhanced processes that consume less energy.

Curbing carbon emissions

In support of environmental sustainability and curbing carbon emissions, the RFA has budgeted for the service of a technical consultant that will oversee the implementation of the solar panels on the Roads Authority Head Office building.

This is subsequent to the installation of solar panels on the RFA Head Office which has let to utilisation of clean energy in daily office operations and a significant reduction in the monthly electricity bill. The RFA further installed energy saving bulbs and smart sensors within the Head Office which switch off lights and air conditioners automatically when they are not in use, a move that has saved power consumption.

Future outlook

We care about the impact of our business activities on the environment and society and we have constantly looked at how we can integrate ESG principles in our overall business strategy. The impact of climate change on the world has swiftly resulted in ESG principles becoming top of mind for the business, as well as for the shareholder. Looking ahead, we look to have conversations, both internally and with external experts, regarding ways to improve our ESG focus, target setting and results.

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RFA
Road Fund Administration
Funding roads, steering growth.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view of achieving a safe and economically efficient road sector.
Directors	Dr. E. Haiyambo M.S. Tjijenda J. Mnyupe I. Angula Dr. P. Johannes
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditors	Grand Namibia Chartered Accountants and Auditors
Secretary	Anna Matebele

CONTENTS

Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act, (Act 18 of 1999) (hereinafter referred as the RFA Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Road Fund Administration-Consolidated (RFA) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the requirements of the RFA Act. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the RFA Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the RFA's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the RFA has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the RFA's annual financial statements. The annual financial statements have been examined by the RFA's external auditors and their report is presented on pages 90 to 91.

The annual financial statements set out on pages 92 to 143, which have been prepared on the going concern basis, were approved by the board of directors on 22 August 2023 and signed by:

Director

Director

22 August 2023

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

To the Shareholder of ROAD FUND ADMINISTRATION -CONSOLIDATED

Opinion

We have audited the annual financial statements of Road Fund Administration set out on pages 94 to 141, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Road Fund Administration as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Road Fund Administration Act (Act 18 of 1999).

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 Annual Financial Statements section of our report. We are independent of the Road Fund Administration in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable in performing audits of financial statements in Namibia.

We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Board's responsibility for financial reporting, Detailed Statement of Surplus or Deficit and Other Comprehensive Income, the Road Fund Administration Integrated Annual Report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 that we 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

Responsibilities of the directors for the Annual Financial Statements

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

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Road Fund Administration'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Road Fund Administration to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors 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.

Grand Namibia

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Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
21 September 2023

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the ROAD FUND ADMINISTRATION - CONSOLIDATED for the year ended 31 March 2023.

1. Review of financial results and activities

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

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

2. Directorate

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

Directors	Office	Designation	Nationality	Changes
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian	
M.S. Tjijenda	Director	Non-Executive	Namibian	
J. Mnyupe	Director	Non-Executive	Namibian	
I. Angula	Director	Non-Executive	Namibian	
O. Hiveluah	Director	Non-Executive	Namibian	Resigned 1 May 2022
Dr. P. Johannes	Director	Non-Executive	Namibian	Appointed 1 September 2022

3. Events after the reporting period

At this point the Director are not aware of any material adverse effect on the financial statement.

4. Going concern

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

The directors' view that the Fund will continue operating as a going concern into the foreseeable future it is predicated on the following reasons amongst others:

- The RFA's annual expenditure is limited to Road User Charges collected for that year, ensuring that the entity has no unbudgeted deficits in any year;
- A Reserve Fund has been set up to protect the liquidity and solvency of the Fund and is standing at N$ 326 million as at 31 March 2023 (2022:N$ 227 million);

Directors' Report

- The RFA's fixed-term borrowings repayments are well within the repayments periods and no repayment was missed or is projected to be missed according to available data and cash flow projections. The RFA fixed term borrowings are managed prudently and the loans are matched to the inflow and outflow of cash;
- The RFA has not reported any default on all its loans agreements;
- The Fund does not have any indication of unplanned sale of any non-current assets.

5. Secretary

The company secretary is Anna Matebele.

6. Auditors

Grand Namibia Chartered Accountants and Auditors.

7. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the Board of directors on 22 August 2023.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$ 3,178,544 (2022: N$ 4,716,928).

9. Subsidiaries

The following are wholly owned subsidiaries of the RFA;

- Road Fund Administration - Fund (''hereinafter referred to as the Fund'')
- Road Fund Administration - Administration (''hereinafter referred to as the Administration'')

Statement of Financial Position as at 31 March 2023

Figures in Namibia Dollar	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	3	131,226,150	129,080,696
Right-of-use assets	13	561,366	600,835
Investment property	4	297,560,000	296,460,000
Intangible assets	5	22,342,013	12,552,750
Investments	8	326,405,389	227,001,981
		778,094,918	**665,696,262**
Current Assets			
Trade and other receivables	6	185,121,257	160,418,720
Investments	8	323,420,725	983,871,702
Prepayments	7	27,132,694	53,267,965
Bank and cash	9	204,211,095	135,199,588
		739,885,771	**1,332,757,975**
		1,517,980,689	**1,998,454,237**
Total Assets			
Equity and Liabilities			
Equity			
Share capital		295,000,000	295,000,000
Reserves		326,405,389	227,001,981
Accumulated (deficit)/surplus		(485,082,497)	89,854,772
		136,322,892	**611,856,753**
Liabilities			
Non-Current Liabilities			
Interest bearing borrowings	10	802,941,701	731,989,724
Lease liabilities	13	628,836	650,290
		803,570,537	**732,640,014**
Current Liabilities			
Trade and other payables	11	436,012,655	523,595,052
Interest bearing borrowings	10	136,270,326	125,093,891
Lease liabilities	13	23,743	21,439
Provisions - leave pay	12	5,780,536	5,247,088
		578,087,260	**653,957,470**
Total Liabilities		**1,381,657,797**	**1,386,597,484**
Total Equity and Liabilities		**1,517,980,689**	**1,998,454,237**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Revenue	14	2,258,766,842	2,429,366,428
Other income	15	11,046,155	1,503,900
Impairment (loss)/gain on trade and other receivables and property, plant and equipment	18	3,925,552	(5,504,883)
Fair value gains		1,100,000	1,460,000
Administrative and operating expenses		(2,741,192,465)	(2,245,943,153)
Operating deficit	16	**(466,353,916)**	**180,882,292**
Investment income	17	58,434,351	47,981,175
Finance costs	19	(67,614,296)	(55,920,063)
Deficit for the year		**(475,533,861)**	**172,943,404**
Other comprehensive income		-	-
Total deficit for the year		**(475,533,861)**	**172,943,404**

Statement of Changes in Equity

Figures in Namibia Dollar	Capital contribution	Reserve fund	Accumulated surplus/(deficit)	Total equity
Balance at 1 April 2021	**295,000,000**	**151,777,966**	**(7,864,617)**	**438,913,349**
Deficit for the year	-	-	172,943,404	172,943,404
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**172,943,404**	**172,943,404**
Transfer between reserves	-	75,224,015	(75,224,015)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	**75,224,015**	**(75,224,015)**	-
Balance at 1 April 2022	**295,000,000**	**227,001,981**	**89,854,772**	**611,856,753**
Deficit for the year	-	-	(475,533,861)	(475,533,861)
Other comprehensive income	-	-	-	-
Total comprehensive Loss for the year	-	-	**(475,533,861)**	**(475,533,861)**
Transfer between reserves	-	99,403,408	(99,403,408)	-
Total contributions by and distributions to owners of the RFA recognised directly in equity	-	**99,403,408**	**(99,403,408)**	-
Balance at 31 March 2023	**295,000,000**	**326,405,389**	**(485,082,497)**	**136,322,892**
Note(s)	1.15	1.16		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from road users		2,391,786,096	2,721,455,754
Cash paid to suppliers and employees		(2,943,627,689)	(2,075,718,684)
Cash generated from operations	20	(551,841,593)	645,737,070
Investment income		58,434,351	47,981,175
Finance costs		(67,614,296)	(55,920,063)
Net cash from operating activities		**(561,021,538)**	**637,798,182**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3,178,544)	(4,716,928)
Sale of property, plant and equipment	3	6,166	-
Purchase of other intangible assets	5	(9,951,408)	(2,183,699)
Increase in investments		(99,403,408)	(75,224,015)
Net cash from investing activities		**(112,527,194)**	**(82,124,642)**
Cash flows from financing activities			
Repayment of interest bearing borrowings		(117,871,587)	(100,133,140)
Proceeds from interest bearing borrowings		199,999,999	150,000,000
Payment on lease liabilities		(19,150)	(27,761)
Net cash from financing activities		**82,109,262**	**49,839,099**
Total cash movement for the year		**(591,439,470)**	**605,512,639**
Cash at the beginning of the year		1,119,071,290	513,558,651
Total cash and cash equivalents	9	**527,631,820**	**1,119,071,290**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period except for new and/or revised interpretations implemented during the year. The nature and effect of these new interpretations is discussed in note 1.13 below under revenue.

1.2 Segmental reporting

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

1.3 Judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

Significant judgements

Roads Authority Building

During the year, the RA head office building was donated to the RFA and subsequently leased back to the RA. The determination of the appropriate accounting treatment for the contract was complex and required management to make significant judgements around whether the RFA had control over the building or not i.e. whether the RFA had the right to direct use of the identified asset and obtain substantially all of the economic benefits from the use of the identified asset.

Management have determined that the RFA has control over the RA building and have resultantly accounted for the RA building within the context of the below:

Given that there was no IFRS standard that specifically applied to the transaction, the RFA developed an accounting policy in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") and will apply the so developed policy consistently as required by IAS 8:13. IAS 8:10 states that if there is no IFRS standard that specifically applies to the transaction, event or condition under consideration, judgement is required by management in developing and applying an accounting policy that results in information that:

- is relevant to the economic decision-making needs of users;
- reflects the economic substance of transactions, other events and conditions, and not merely legal form;
- is neutral;
- is prudent and
- is complete in all material respects.

Accounting Policies

1.3 Judgements and sources of estimation uncertainty (continued)

In addition, IAS 8:11 further goes on to state that in practical terms, in forming a judgement about a suitable accounting policy, management should refer to, and consider the applicability of the following sources in descending order:

- requirements in IFRS Standards dealing with similar and related issues;
- the definitions, recognition criteria and measurements concepts for assets, liabilities, income and expenses in the Conceptual Framework.

Having considered the above IAS 8 requirements, management have recognised the donation from the RA for the building as an equity contribution at the fair value of the building (N$ 295,000,000) as at date of signing the lease agreement. The term capital contribution is not defined in IFRS but is generally accepted as meaning contribution by owners (i.e. a gift made to an entity by an owner which increases the entity's equity without any obligation for the entity to make repayment or to do anything in consideration for receiving it).

Thus a capital contribution should not be included in surplus or deficit for the period nor within other comprehensive income but should instead be presented in the statement of changes in equity (i.e. similar to the proceeds of a share issue).

Given the above context, management have thus recognised the donation from the RA as a capital contribution. When the asset that gave rise to the capital contribution is subsequently sold or derecognised, any related amount included in the capital contribution reserve is transferred to accumulated reserves. For further details on the accounting policy refer to note 1.16.

Impairment of assets - land and buildings and investment property

The impairment testing for land and buildings and investment property is performed by comparing the carrying amount of the land and buildings and investment property to their recoverable amount. The determination of the recoverable amount requires the application of significant judgements in arriving at the fair value of the land and buildings and investment property as unobservable market data is used in the process. The RFA engages qualified independent valuers to perform annual valuations at each reporting date. Further information on the valuation of the land and buildings and investment property is included in notes 3 and 4 to the annual financial statements.

The recoverable amount of the land and buildings and investment property is the greater of the fair value less cost of disposal and value in use. In assessing value in use, the estimated cashflows are discounted to their present value using a pretax discount rate that reflects the current market value assessments of the time value of money and the risks specific to the asset.

Other judgements

Impairment of financial assets

Trade and other receivables

The impairment provision for trade and other receivables is based on assumptions about risk of default and expected loss rates. The RFA uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the RFA's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the note 6 to the annual financial statements.

Accounting Policies

1.3 Judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management asseses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period.

The useful lives of assets are determined based on the RFA's replacement policies for the various assets. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

1.4 Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in surplus or deficit. Cost includes expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property calculated as the difference between net proceeds from disposal and the carrying amount of the item, is recognised in surplus or deficit. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to accumulated reserves.

When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

Fair value

Subsequent to initial measurement, an investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the RFA, and the cost of the item can be measured reliably.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Right of use assets	Straight line	Shorter of lease term or useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computer Equipment	Straight line	3 years

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

1.6 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Accounting Policies

1.7 Financial instruments

Initial recognition and measurement

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

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

Financial assets

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

Classification

On initial recognition, the RFA classifies financial assets as measured at amortised cost or fair value through surplus or deficit (FVTSD).

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

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

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

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

1.7 Financial instruments (continued)

The RFA recognises a loss allowance for expected credit losses (ECL) on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date. The RFA measures the loss allowance for trade and other receivables as detailed in impairment of financial assets below.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in surplus or deficit as impairment loss on trade receivables. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than twelve months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Other financial assets

Other financial assets such as investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line item. Fair value is determined in the manner described in note 28.

Offsetting of financial assets and financial liabilities

A right to set -off may be currently available or it may be contingent on a future event. Even if the right of set-off is not contingent on a future event, it may be legally enforeable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy, of one or all of the counterparts.

Impairment of financial assets

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event (see (ii) above);

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 6.

Accounting Policies

1.7 Financial instruments (continued)

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

Derecognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

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

Financial liabilities

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

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

Trade and other payables

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

Accounting Policies

1.7 Financial instruments (continued)

Other financial liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings are recognised over the term of the borrowings in accordance with the RFA's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

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

1.8 Income taxation

Current tax assets and liabilities

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

1.9 Leases

RFA as lessee

The RFA assesses whether a contract is or contains a lease, at inception of the contract. The RFA recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture, equipment and telephones). For these leases, the RFA recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the RFA uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

Accounting Policies

1.9 Leases (continued)

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The RFA remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The RFA did not make any such adjustments during the periods presented.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the RFA incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37: Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the RFA expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The RFA applies IAS 36: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' accounting policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in surplus or deficit.

Accounting Policies

1.10 Impairment of property, plant and equipment

The RFA assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the RFA estimates the recoverable amount of the asset. This impairment test is performed during the annual period and at the same time every period.

If there is an indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash- generating unit to which the asset belongs is determined. Details pertaining to the impairment of land and buildings have been discussed in note 1.3 above.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in surplus or deficit.

The RFA assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. An impairment loss (other than goodwill) is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Employee benefits

Short-term employee benefits

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

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

Defined benefit plans

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

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

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

Accounting Policies

1.11 Employee benefits (continued)

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

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

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

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

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

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in note 25.

Accounting Policies

1.13 Revenue

Revenue of the Fund comprises of Road User Charges (RUCs) levied in terms of Section 18(1) of the Road Fund Administration Act, (Act 18 of 1999). Revenue has been disaggregated using existing segments and management regularly reviews presentations. The entity recognizes revenue from RUCS's, which comprise mainly:

- Fuel levies,
- Vehicle license and registration fees,
- Cross border charges,
- Mass distance charges,
- Road carrier permits,
- and Abnormal load fees.

Revenue recognition

Revenue from RUCs is recognized when control of the goods, normally in the form of licenses and permits is transferred to the customer at an amount that reflects the consideration to which the RFA expects to be entitled in exchange for those services.

Revenue is recognized only when it is probable, on transaction date, that the entity will collect the transaction price.

In making their judgments, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the entity had transferred control of the goods to the customer or had completed a contractual performance obligation.

Management has assessed that performance obligations of the RFA is met for:

- Fuel levies when the fuel is sold to the customer by the fuel retailer
- License and registration fees when the license disk or registration certificate is issued to the customer
- Cross border charges when the permit is issued to the customer (foreign vehicle operator) upon entry into Namibia
- Mass distance charges upon verification of the assessment by the RFA
- Road Carrier permit fees upon the issue of the permit to the customer
- Abnormal load fees upon the issue of the permit to the customer.

Revenue from mass distance and cross border charges is further recognized when it becomes due, i.e. when the road user debtor is identified. Debtors (Mass distance local) are identified when assessments are performed.

Revenue is therefore recognized at a point in time, rather than over a period of time, as it does not take a considerable for the RFA to complete a performance obligation.

Revenue is only recognized when and/or as the entity satisfies the performance obligation in contract. The transaction price is the tariffs as approved by the Minister.

When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue.

Accounting Policies

1.13 Revenue (continued)

In recognizing revenue from all RUCS transactions, the following five steps are applied:

- Identify contract with customers
- Identify the performance obligation in contract
- Determine the transaction price
- Allocate transaction price to performance obligation in contract
- Only recognize revenue when or as the entity satisfies the performance obligation in contract

Critical judgments in recognizing revenue

Contracts with customers are implied. There are no written contracts with road users. Once a motorist has applied for the issueof a permit or license from the RFA it is assumed that the customer has entered into a contract with the RFA and is aware of the entity's performance obligation and the transaction price (tariff payable) as it is published. The customer is deemed to have accepted the terms therefore the entity has completed its performance obligations for that transaction. The road user is therefore liable for the amount payable.

In an arrangement where the RFA receives a consideration from a customer in an arrangement that does not meet the criteria of a contract as set out in IFRS 15. The consideration received shall be recognized as revenue only when the RFA has no remaining or outstanding obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable.

Revenue is measured based on the consideration specified in a contract with a customer. The entity recognizes revenue when it transfers control of a service to a customer. When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue. Transaction price is initially the transaction price regulated (fee per permit, or certificate) per vehicle type as approved by the Minister in a published gazette. Transaction price is adjusted to reflect the amount that the entity expects to be entitled in exchange for goods and services.evenue is measured based on the consideration specified in a contract with a customer. The entity recognizes revenue when it transfers control of a service to a customer.

When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue. Transaction price is initially the transaction price regulated (fee per permit, or certificate) per vehicle type as approved by the Minister in a published gazette. Transaction price is adjusted to reflect the amount that the entity expects to be entitled in exchange for goods and services.

Contract liability

Income received in advance (prepayments) is regarded as a contract liability. A contract liability is the obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue only when the entity performs its contractual obligation. Revenue received in advance is measured at the amount of consideration received from the customer. Contract liabilities are disclosed in the notes as trade and other payables.

Accounting Policies

1.13 Revenue (continued)

Contract assets

Income received in arrear (post payments) is regarded as a contract asset. A contract asset is the customers obligation for a consideration to the entity for which the entity has transferred goods or services (or an amount of consideration is due) from the customer. If an entity transfer goods or services before the customers pays the consideration, a contract asset is recognized when the payment is made or the payment is due (whichever is earlier). Contract assets are recognized as revenue only when the entity performs its contractual obligation. Revenue received in arrear is measured at the amount of consideration received from the customer. Contract assets are disclosed in the notes as trade and other receivables.

1.14 Investment income

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

1.15 Capital contribution

The capital contribution reserve was created on 30 March 2021 as a result of the donation of the RA building valued at N$295 million. The donation value was determined with reference to the fair value of the land and buildings as at 30 March 2021. Subsequent to initial recognition, the reserve will be carried at the same value until the corresponding asset that gave rise to the capital contribution has either been sold or retired from use. On the subsequent sale or retirement of an item of the investment property attributable to the capital contribution, the surplus in the capital contribution reserve will be transferred directly to accumulated reserves.

1.16 Reserve fund

Section 17 (1) (k) of the RFA establishing Act allows for the establishment of a reserve fund for the purposes of the objects contemplated in Sections 20 (4) (b) (ii) and 22 (1) (d) of the RFA Act. This reserve fund has been established to protect the liquidity of the RFA. The utlilisation of the reserve fund is governed by specific conditions as set out in the Reserve Fund policy as approved by the Minister of Finance on 20 February 2020.

1.17 Consolidation

These financial statements incorporate the financial statements of the RFA Fund and Administration. The Fund and Administration are wholly owned subsidiaries of the RFA. Inter -company balances and transactions, and any unrealised gains and losses arising from inter-group transactions, are eliminated in preparing these financial statements.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management
Categories of financial instruments
Categories of financial assets

2023

	Note(s)	Loans and receivables at amortised cost	Total	Fair value
Trade and other receivables	6	184,863,584	184,863,584	184,863,584
Bank and cash	9	204,211,095	204,211,095	204,211,095
Investments	8	649,826,114	649,826,114	649,826,114
		1,038,900,793	**1,038,900,793**	**1,038,900,793**

2022

	Note(s)	Loans and receivables at amortised cost	Total	Fair value
Trade and other receivables	6	160,264,648	160,264,648	160,264,648
Bank and cash	9	135,199,588	135,199,588	135,199,588
Investments	8	1,210,873,683	1,210,873,683	1,210,873,683
		1,506,337,919	**1,506,337,919**	**1,506,337,919**

Categories of financial liabilities

2023

	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	11	252,637,083	252,637,083	252,637,083
Leases	13	652,579	652,579	652,579
Interest bearing borrowings	10	939,212,028	939,212,028	939,212,027
		1,192,501,690	**1,192,501,690**	**1,192,501,689**

2022

	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	11	366,815,133	366,815,133	366,815,133
Leases	13	671,729	671,729	671,729
Interest bearing borrowings	10	840,050,473	840,050,473	840,050,473
		1,207,537,335	**1,207,537,335**	**1,207,537,335**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

Capital risk management

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

The objective of the RFA is to manage the RUCS in such a way as to secure and allocate sufficient funding for the payment of expenditures with a view to achieve a safe and economically efficient road sector.

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

Financial risk management

Overview

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

The fair values of all the RFA's financial assets (Bank and cash, investments and trade and other receivables) and liabilities (trade and other payables, interest bearing borrowings and bank overdraft) approximate their carrying value due to their short-term nature.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of investments, bank and cash and trade and other receivables. The RFA only deposits cash with major financial institutions with high quality credit standing and limits exposure to any one counterparty.

The RFA minimize credit risk on investments, which is the risk of loss of all or part of the investment due to the failure of the security issuer by diversifying the investment portfolio so that the impact of the potential losses from any one type of security or from any one individual issuer will be minimized, as well as conducting thorough due diligence of the financial institutions. The RFA places its investments with reputable financial institutions.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. The receivables arising from MDC are managed on the basis of restricting their ability to renew their licences at NaTIS. Trade and other receivables from Government and oil campanies are managed on a relationship basis.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

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

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	195,708,134	(10,844,550)	184,863,584	171,075,848	(10,811,200)	160,264,648
Investments		649,826,114	-	649,826,114	1,210,873,683	-	1,210,873,683
Bank and cash	9	204,211,095	-	204,211,095	135,199,588	-	135,199,588
		1,049,745,343	**(10,844,550)**	**1,038,900,793**	**1,517,149,119**	**(10,811,200)**	**1,506,337,919**

Liquidity risk

The Fund is exposed to liquidity risk, which is the risk that the Fund will encounter difficulties in meeting its obligations as they become due.

The Fund manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The RFA's risk to liquidity is a result of the funds available to cover future commitments. The RFA manages liquidity risk through an ongoing review of future commitments and credit facilities.

The maturity profile of contractual cash flows of non-derivative financial liabilities held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

As at 31 March 2023 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Trade and other payables	11	252,637,083	-	-	-	-	252,637,083
Interest bearing borrowings	10	213,520,782	406,673,230	576,207,748	83,788,187	(340,977,919)	939,212,028
Lease liabilities	13	652,579	-	-	-	-	652,579
		466,810,444	**406,673,230**	**576,207,748**	**83,788,187**	**(340,977,919)**	**1,192,501,690**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

Liquidity risk (continued)

As at 31 March 2022 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Trade and other payables	11	366,815,133	-	-	-	-	366,815,133
Interest bearing borrowings	10	165,421,934	337,682,030	518,490,372	43,971,531	(225,515,394)	840,050,473
Lease liabilities		671,729	-	-	-	-	671,729
		532,908,796	**337,682,030**	**518,490,372**	**43,971,531**	**(225,515,394)**	**1,207,537,335**

Foreign currency risk

The RFA is not exposed to any foreign currency risk. The loan from KfW is denominated in Rands which is pegged to the NAD on a 1:1 basis.

Interest rate risk

Fluctuations in interest rates impact on the value of cash and cash equivalents, investments, interest bearing borrowings and Government receivables, giving rise to interest rate risk.

The debt of the RFA is comprised of loans from KfW and Nedbank Namibia Limited, which bear interest at both fixed interest and market rates respectively. Interest rates on all borrowings compare favourably with those rates available in the market.

The Fund's policy with regards to financial assets, is to invest cash at variable rates of interest for a short period of time and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders. Emphasis is placed on the safety of the investment rather than the return.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

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

The RFA is not exposed to cash flow interest rate risk on its interest bearing borrowings because the interest rate is fixed. The interest rate on the bank overdraft is linked to prime and is thus subject to flactuations.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate of 1% which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

Increase or decrease in rate	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss:				
Bank and cash	2,042,110	(2,042,110)	1,351,995	(1,351,995)
Investments	6,498,261	(6,498,261)	12,108,736	(12,108,736)
Government receivables	196,309	(196,309)	2,742	(2,742)
Interest bearing borrowings	(9,392,120)	9,392,120	(8,528,348)	8,528,348
Leases	(6,525)	6,525	(6,717)	6,717
Total impact on surplus and deficit	**(661,965)**	**661,965**	**4,928,408**	**(4,928,408)**
Impact on equity:				
Bank and cash	2,042,110	(2,042,110)	1,351,995	(1,351,995)
Investments	6,498,261	(6,498,261)	12,108,736	(12,108,736)
Government receivables	196,309	(196,309)	2,742	(2,742)
Interest bearing borrowings	(9,392,120)	9,392,120	(8,528,348)	8,528,348
Leases	(6,525)	6,525	(6,717)	6,717
Total impact on equity	**(661,965)**	**661,965**	**4,928,408**	**(4,928,408)**

Price risk

The Fund is not exposed to price risk.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	6,222,487	-	6,222,487	6,222,487	-	6,222,487
Buildings	136,405,296	(18,709,342)	117,695,954	132,418,222	(16,160,479)	116,257,743
Furniture and fixtures	3,488,967	(2,142,647)	1,346,320	3,489,617	(1,848,709)	1,640,908
Motor vehicles	10,582,626	(7,625,996)	2,956,630	10,582,626	(6,362,789)	4,219,837
Office equipment	1,650,382	(1,423,437)	226,945	1,363,749	(1,315,229)	48,520
Computer equipment	9,571,696	(6,793,882)	2,777,814	6,768,340	(6,077,139)	691,201
Total	**167,921,454**	**(36,695,304)**	**131,226,150**	**160,845,041**	**(31,764,345)**	**129,080,696**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Reversal of impairment loss	Impairment loss	Depreciation	Total
Land	6,222,487	-	-	-	-	-	6,222,487
Buildings	116,257,743	78,331	-	4,561,760	(653,013)	(2,548,867)	117,695,954
Furniture and fixtures	1,640,908	9,284	(6,166)	-	-	(297,706)	1,346,320
Motor vehicles	4,219,837	-	-	-	-	(1,263,207)	2,956,630
Office equipment	48,520	287,573	-	-	-	(109,148)	226,945
Computer equipment	691,201	2,803,356	-	-	-	(716,743)	2,777,814
	129,080,696	**3,178,544**	**(6,166)**	**4,561,760**	**(653,013)**	**(4,935,671)**	**131,226,150**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	6,222,487	-	-	-	6,222,487
Buildings	113,118,765	2,135,640	3,931,471	(2,928,133)	116,257,743
Furniture and fixtures	1,650,209	291,175	-	(300,476)	1,640,908
Motor vehicles	3,864,737	1,691,171	-	(1,336,071)	4,219,837
Office equipment	331,467	-	-	(282,947)	48,520
IT equipment	840,314	598,942	-	(748,055)	691,201
	126,027,979	**4,716,928**	**3,931,471**	**(5,595,682)**	**129,080,696**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

Pledged as security

There were no assets pledged as security during the year under review (2022: none).

Land and buildings comprise of the following:

Description	Carrying amount 2023	Carrying amount 2022
Land Erf 5846,Erf 5845 and Erf 5844 Feld Street Windhoek (RFA Head Office)	6,222,487	6,222,487
Buildings - RFA Head office	57,381,932	43,710,331
Buildings - Regional CBC Offices	2,268,825	5,045,279
CBC Regional Staff Accommodation	53,605,276	67,502,133
	119,478,520	**122,480,230**

CBC Regional Staff Accommodation consist of the following:

Ngoma	3,077,755	3,150,138
Ariamsvlei	9,966,252	10,328,616
Klein Manasse	2,124,767	2,496,504
Noordoewer	10,020,172	12,835,219
Trans-Kalahari	6,368,564	6,510,545
Sendelingsdrift	918,314	945,773
Oranjemund	140,266	143,319
Oshikango	4,897,868	7,194,682
Kashamane	2,322,957	3,910,319
Katwitwi	2,185,550	3,744,742
Omahenene	2,319,926	4,317,366
Katima Mulilo	6,499,788	8,866,743
Mohembo	693,437	734,322
Mata-Mata	2,069,660	2,323,845
	53,605,276	**67,502,133**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

Valuation of land and buildings

The valuation of land and buildings is carried out annually for purposes of testing the impairment thereof through the determination of the recoverable amount as has been detailed in note 1.3 above.

This valuation of land and buildings was performed externally effective 31 March 2023 by independent valuer, Olsen Hamana of Seeds Property Solutions CC who is not connected to the RFA. The valuations were performed on the basis of:

- Replacement value where no ready market exists or market value as estimated by the sworn appraiser. This method involves computing the value of improvements by using a construction rate reflecting the current rate or cost of construction per square meter and deducting the accrued depreciation from the improvements and adding the estimated land value.
- Market value which is based on the sales price per square meter for similar properties in an open market transaction.

The RFA adopts the market value method for valuing its land and buildings. Details of properties registered in the RFA's name are disclosed above and are also available for inspection at the registered office of the RFA.

Measurement of fair value

(i) Fair value hierarchy

The fair value measurements for the land and buildings have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) Level 3 fair values

The reconciliation from the opening balances to the closing balances for level 3 fair values is as disclosed in the movement schedule above.

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels.

Sensitivity analysis for land and buildings categorised into Level 3 of the fair value hierarchy:

A slight increase or decrease in the significant unobservable inputs as listed in the valuation processes below would result in a change in the fair value.

Valuation processes

For the fair value measurements categorised within Level 3 of the fair value hierarchy, the RFA uses the services of an independent valuer to determine the market values which are used as reference for impairment testing purposes as discussed in note 1.3 above.

The significant unobservable inputs of level 3 items are as follows:

- Capitalisation rates applied of 8.5%
- Expenditure rate of 16%
- The estimated annual optimal rent

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

The estimated fair value would increase (decrease) if:

- the expected market rental growth was higher (lower).
- the capitalization rate was lower (higher).
- void periods were shorter (longer).
- the occupancy rate was higher (lower).
- rent-free periods were shorter (longer).

4. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	297,560,000	-	297,560,000	296,460,000	-	296,460,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Building - Roads Authority Head Office	296,460,000	1,100,000	297,560,000

Investment property comprises of the Roads Authority head office (Erf 8163 Windhoek).

The property is leased out to the Roads Authority at a rental of N$1.00 per year. No contingent rentals are charged. Direct operating expenses relating to the investment property are disclosed in note 16 to the annual financial statements. There are no restrictions on the realisability of the investment property or the remittance of income and proceeds of the disposal of investment property.

Measurement of fair value

(i) Fair value hierarchy

The fair value of the investment property was determined on 31 March 2023 by an independent qualified property valuer,Olsen Hamana of Seeds Property Solutions CC who has extensive experience in the Namibian property market. The fair value of the Fund's investment property is provided annually by this independent valuer. The fair value measurement for investment property of N$297 million (2022: N$295 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

4. Investment property (continued)

(ii) Level 3 fair value

The table above shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

Valuation technique and significant unobservable inputs

The valuation is performed on the basis of the:

- Replacement cost method which is based on depreciated replacement costs (excluding remedial work) of the improvements and the market value of the land.
- Market value which is based on the income capitalization method.

The independent valuer proposed a value that was determined to be within the range of the market value and the replacement cost method, and the RFA adopted the same. Details of the investment property registered in the RFA's name are disclosed above and are also available for inspection at the registered office of the RFA.

Valuation techniques and significant unobservable inputs used

The significant unobservable inputs of level 3 items are as follows:

- Capitalisation rate applied of 8.75%
- Expenditure rate of 16%
- The estimated annual optimal rent

The estimated fair value would increase (decrease) if:

- the expected market rental growth was higher (lower).
- the capitalization rate was lower (higher).
- void periods were shorter (longer).
- the occupancy rate was higher (lower).
- rent-free periods were shorter (longer).

Pledged as security

The investment property was pledged as security during the year to Nedbank Namibia Limited to the value of N$296,460,000 (2022:N$ 296,460,000) for the Low Volume Seal obligation of N$350,000,000.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

5. Intangible assets

	2023 Cost / Valuation	2023 Accumulated amortisation	2023 Carrying value	2022 Cost / Valuation	2022 Accumulated amortisation	2022 Carrying value
Computer software	9,661,964	(9,537,439)	124,525	9,661,964	(9,493,006)	168,958
Computer software (Work in progress)	22,335,200	(117,712)	22,217,488	12,383,792	-	12,383,792
Total	**31,997,164**	**(9,655,151)**	**22,342,013**	**22,045,756**	**(9,493,006)**	**12,552,750**

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	168,958	-	(44,433)	124,525
Computer software (Work in progress)	12,383,792	9,951,408	(117,712)	22,217,488
	12,552,750	9,951,408	(162,145)	22,342,013

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	120,520	106,109	(57,671)	168,958
Computer software (Work in progress)	10,306,202	2,077,590	-	12,383,792
	10,426,722	**2,183,699**	**(57,671)**	**12,552,750**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Trade and other receivables

Financial instruments:		
Road User Charges receivable	26,657,184	14,451,608
Loss allowance	(10,844,550)	(10,811,200)
Trade receivables at amortised cost	15,812,634	3,640,408
Accrued Income - Fund	140,823,963	143,275,937
Government loan receivable	19,630,990	274,003
Sundry debtors	24,269	24,269
MDC receivable	8,571,728	13,050,031
Non-financial instruments:		
Employee costs in advance	226,378	154,072
KfW funded project - TR1/3 section A - Tses - Gochas	31,295	-
Total trade and other receivables	**185,121,257**	**160,418,720**

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

Split between non-current and current portions		
Current assets	185,121,257	160,418,720

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	184,863,584	160,264,648
Non-financial instruments	257,673	154,072
	185,121,257	**160,418,720**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Trade and other receivables (continued)

Exposure to credit risk

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments (IFRS 9), and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The RFA measures the loss allowance for trade receivables by applying the simplified approach as allowed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. This lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the 2019 financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The impact of forward looking information is considered to be immaterial.

Expected credit loss rate:	2023 Estimated gross carrying amount at default	2023 Loss allowance (Lifetime expected credit loss)	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)
Trade receivables				
30 days: 10.45% (2022: 15.36%)	2,955,080	(308,860)	944,996	(145,133)
30 - 60 days: 25.65% (2022: 26.68%)	1,022,830	(262,381)	3,355,871	(895,413)
60 - 90 days: 31.94% (2022: 30.49%)	1,360,558	(434,513)	190,526	(58,093)
90 - 120 days: 38.71 % (2022: 37.74%)	934,508	(361,792)	397,758	(150,105)
120 days: 100% (2022: 100%)	9,476,755	(9,476,755)	9,562,456	(9,562,456)
Total	**15,749,731**	**(10,844,301)**	**14,451,607**	**(10,811,200)**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

Opening balance	**(10,811,200)**	**(1,090,920)**
Provision raised on new trade receivables	(10,844,301)	(10,811,200)
Provisions reversed on settled trade receivables	10,811,200	1,090,920
Closing balance	**(10,844,301)**	**(10,811,200)**

Government receivable

The following table provides information about the exposure to credit risk and ECLs for Government receivables as at 31 March 2023.

Government receivable		
Loss rate		0.1186%
Interest bearing receivable	-	274,253
Loss allowance	-	(250)
Net trade receivable balance	**-**	**274,003**

The impairment on the Government receivable has been measured on a 12 -month expected loss basis and reflects the short maturities of the exposures.The RFA considers it's Government receivable to have a low credit risk based on the payment history and forward looking information considered.

7. Prepayments

TR1/3		
KfW funded project - TR1/3 section A - Tses - Gochas	27,132,694	53,267,965

An amount of N$53 million is a prepayment to CHICO for the rehabilitation of the TR1/3 section A; 87,3 km road between Tses intersection and Gochas intersection of which N$ 26,135,271.

Prepayment is guaranteed under the contractual obligation between the contracting parties.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

8. Investments

At fair value through surplus or deficit - designated

Hangala Prescient Unit Trust Invested in a mixed money market portfolio.	126,889,284	-
Old Mutual Nedbank Namibia Money Market *Invested in a mixed portfolio.*	211,375	-
Old Mutual Nedbank Namibia Money Market Fund *Invested in a mixed money market portfolio.*	69,245,482	65,261,671
Bank Windhoek Investment-3001906927 *Invested in a fixed term account.*	-	57,515,572
Momentum Namibia Corporate Money Market Fund *Invested in a mixed money market portfolio.*	74,063,846	70,059,899
Bank Windhoek - Treasury Bank Cheaque Account *Invested in a fixed term account.*	-	34,164,839
SME Bank-09511431716-LD1623100402 *Invested in a fixed term account.*	-	61,093,901
SME Bank-09511431716-LD1628700439 *Invested in a fixed term account.*	-	60,655,600
RMB-71272546635 *Invested in a fixed term account.*	61,342,366	-
Bank Windhoek - 3001941956 *Invested in a fixed term account.*	29,935,441	-
MUMI Investment Managers Unit *Invested in a fixed term account.*	46,180,407	24,761,936
Standard Bank call account *Invested in a call term account.*	-	217,372
Hangala Capital Unit Trust *Invested in a fixed term account.*	46,573,841	24,834,390
Standard Bank Global Mark *Invested in a fixed term account.*	65,575,273	264,299,350
Bank Windhoek NDP-3001725697 *Invested in a fixed term account.*	-	102,089,485
Nampost -500051515 *Invested in a fixed term account.*	54,235,511	50,814,131
Nedbank 100CDFR212390003 *Invested in a fixed term account.*	-	283,723,723
Bank Windhoek - 3002061511 *Invested in a fixed term account.*	-	130,481,335
Standard bank Namibia Treasury *Invested in a fixed term account.*	-	102,649,981
Provision for doutful deposit - SME Bank *Impaired fixed term account.*	-	(121,749,502)
	649,826,114	**1,210,873,683**
Non-current assets Investments	326,405,389	227,001,981
Current assets Investments	323,420,725	983,871,702
	649,826,114	**1,210,873,683**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

8. Investments (continued)

Impairment on investments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The RFA considers that its investments balances have low credit risk based on the external credit ratings of the counterparties, with the exception of the investment in SME bank where it is not rated and Bank has filed for liquidation.

SME Bank was put on full liquidation during the year 2020 and the preliminary indicators then where that only depositors with less than N $ 25,000 are guaranteed their full amounts deposited. No additional information is available relating to the liquidity of the bank and hence management estimated recovery on the investment is nil. The SME Bank refunded the Fund an amount of N$ 6 million (2022: N$12 million).

The Fund has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

The investments of N$326 million with, Old Mutual Nedbank Namibia Money Market Fund, Momentum Namibia Corporate Money Market Fund, MUMI Investments Manager Unit and Bank Windhoek Limited relates to the reserve fund as disclosed in the statement of changes in equity.

Pledge as Security

The investment of N$60,000,000 was pledged as security during the year to Nedbank Namibia Limited to the value of N$60,000,000 (2022:none) for the Low Volume Seal loan obligation of N$350,000,000.

Credit quality of non-current investments

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

Debt securities at fair value through surplus or deficit		
Credit rating		
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	69,245,482	65,261,671
Momentum Namibia Corporate Money Market Fund (AA-National sale scale rating)	74,063,846	70,059,899
Bank Windhoek Limited (A1+Moody's credit rating)	-	91,680,412
First National Bank Namibia Limited (A+ Global credit rating)	136,915,654	-
MUMI Investment Manager Unit (Not rated)	46,180,407	-

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022
	326,405,389	**227,001,982**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15,303	62,595
Bank balances	204,195,792	135,136,993
Investments - current (as disclosed in note 8)	323,420,725	983,871,702
	527,631,820	**1,119,071,290**
Bank and cash	204,211,095	135,199,588
Investments - current	323,420,725	983,871,702
	527,631,820	**1,119,071,290**
Cash and cash equivalents held by the entity that are not available for use by the RFA.	7,856,535	20,899,898

Restricted cash

Included in the bank and cash is an amount of N$7.8 million (2022: N$20.9 million) received from the Government of the Republic of Namibia for specific projects. These funds are held in a designated bank deposit account to be used only for the purpose of the specific development of road projects.

The RFA has not yet received a directive from its shareholder, the Government of the Republic of Namibia on the manner to deploy these funds to a specific project.

Bank and cash includes an amount of N$4.76 million received from the Ministry of Works and Transport of the Republlic of Namibia. This funds are for the purpose of improving the Roads Authority NaTIS offices and are held in the Fund account.

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

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

9. Cash and cash equivalents (continued)

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

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

Credit rating		
Bank Windhoek Limited (A1+ Moody's credit rating)	156,824,725	232,570,820
Standard Bank Namibia Limited (BB+Fitch credit rating)	324,006,577	553,117,827
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	211,375	-
Nedbank Limited Namibia (BA 1 Moody's credit ratings)	-	283,723,722
Hangala Capital Unit Trust (not rated)	46,573,840	24,834,390
MUMI Investment Manager (not rated)	-	24,761,936
	527,616,517	**1,119,008,695**

The impairment on financial assets has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The RFA considers that its financial assets balances have low credit risk based on the external credit ratings of the counterparties, thus no impairment has been raised (2022:nil).

10. Interest bearing borrowings

At fair value through profit (loss)

Nedbank Namibia Limited	331,948,788	150,000,000

The loan bears interest at 0.25% below the prime charged by Nebank Namibia Limited as determined from time to time, the loan bears interest at 10.5% in the current financial year.The loan is repayable in 40 quaterly installments of N$14.3 million following the first utilisation date. This loan is secured over investment property to the value of N$296,000,000 and investments to the value of 60,000,000. The loan is drawn down in two tranches of which N$150,000,000 was recived in the current financial and N$200,000,000 will be received in the 2023 financial year. The loan is denominated in Namibia Dollars. The fair value of the loan is N$331,948,788 (2022:N$ 150,000,000).

KfW Loan II	391,123,400	443,095,951

The loan bears a fixed interest of 7.50% per annum and is repayable in 20 bi-annual payments of N$25.3 million starting 15 May 2021. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand (The Rand is pegged to the Namibia Dollar on a 1:1 basis). The fair value of the loan is N$391,123,400 (2022:N$443,095,951).

KfW Loan I	216,139,839	263,987,664

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

10. Interest bearing borrowings (continued)

The loan bears a fixed interest of 7.81% per annum and is repayable in 20 bi-annual payments of N$23.5 million starting 30 June 2018. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand which is pegged 1:1 to the Namibia dollar. The fair value of the loan is N$216,139,839 (2022:N$263,987,664).

	2023	2022
	939,212,027	**857,083,615**

The carrying amount of the interest bearing borrowings approximates its fair value.

	2023	2022
Split between non-current and current portions		
Non-current liabilities	802,941,701	731,989,724
Current liabilities	136,270,326	125,093,891
	939,212,027	**857,083,615**

11. Trade and other payables

	2023	2022
Financial instruments:		
Roads Authority project administration and other fund creditors	251,237,086	253,863,958
Accrual Local Authorities and Traffic Law Enforcement	1,400,000	45,395,540
Provision - Low volume seal	-	56,510,976
Provision - Etosha roads	-	11,044,661
Non-financial instruments:		
Amounts received in advance - CBC/MDC foreign and vehicle license fees	36,315,933	20,855,951
Roads Authority - Provisions	76,613,223	59,223,970
Fuel levy refunds	47,583,529	46,613,159
Government Road Project	12,626,400	20,899,898
Other payables	10,236,484	9,186,939
	436,012,655	**523,595,052**

Government road project relates to Government specific projects and funds held in a designated bank deposit account to be used only for the purpose of the specific development of road projects. These funds are kept in a separate bank account in the name of the Road Fund Administration. These accounts are projects recorded in the books of the Road Fund Administration with a corresponding liability as disclosed above which are undertaken and administered on behalf of the Government.

Financial instrument and non-financial instrument components of trade and other payables

	2023	2022
At amortised cost	252,637,083	366,815,135
Non-financial instruments	183,375,569	156,779,917
	436,012,652	**523,595,052**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

12. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Utilised during the year	Total
Leave pay provision	5,247,088	780,988	(247,540)	5,780,536

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Total
Leave pay provision	5,248,821	506,396	(508,129)	5,247,088

13. Leases (RFA as lessee)

The Administration leases several assets, including buildings, plant and IT equipment. The average lease term is from 2 to 18 years (2022: 2 to18).

Details pertaining to leasing arrangements, where the RFA is lessee are presented below

Right of use assets

Net carrying amount of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2023	2022
Buildings	561,366	600,835
Additions to right-of-use assets		
Buildings	561,366	600,835

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of- use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in surplus or deficit (note 16).

	2023	2022
Buildings	39,469	48,776

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

13. Leases (RFA as lessee) (continued)

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	86,787	86,579
One to two years	86,579	86,579
Two to five years	259,737	252,696
More than five years	798,440	892,059
	1,231,543	1,317,913
Less: future finance charges	(578,964)	(646,184)
Present value of minimum lease payments	**652,579**	**671,729**

Non-current liabilities	628,836	650,290
Current liabilities	23,743	21,439
	652,579	**671,729**

The company has entered into finance leases for certain property.

All leases have fixed repayments and with an effective interest rate of 10% (2022 : 10%).

The company's obligations under finance leases are secured over right of use assets with a net book value of N$ 561,366 (2022: N$ 600,835).

Monthly instalments for finance leases amount to N$ 7,215 (2022: N$ 7,215).

14. Revenue

Fuel levies	1,301,799,216	1,636,441,097
Fuel levy refunds	(261,503,353)	(339,522,705)
Other Road User Charges	1,218,470,979	1,132,448,036
	2,258,766,842	**2,429,366,428**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

14. Revenue (continued)

The amount included in revenue arising from exchange of goods or services included is as follows:

Vehicle license fees	839,465,128	793,364,410
Cross border charges	163,559,384	136,818,812
Mass distance charges-local	154,055,453	150,091,030
Mass distance charges-foreign	42,305,947	39,159,932
Abnormal permit fees	14,027,847	12,028,772
Road carrier permit fees	5,057,220	985,080
	1,218,470,979	**1,132,448,036**

15. Other income

Administration sundry income	10,265,470	1,184,018
NTA refund	60,885	319,882
Sundry income	716,670	-
Interest received	3,130	-
	11,046,155	**1,503,900**

16. Operating deficit

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

Auditor's remuneration - external		
Audit fees	942,233	2,081,561
Depreciation		
Depreciation of property, plant and equipment	4,935,671	5,595,682
Depreciation of right-of-use assets	39,469	48,776
Amortisation of intangible assets	162,145	57,671
Total depreciation and amortisation	**5,137,285**	**5,702,129**
Expenses by nature		
The total operating expenses are analysed by nature as follows:		
Depreciation and amortisation	5,137,285	5,702,129
Other expenses	65,109,733	47,317,545
Employee costs	106,389,580	96,019,204
Local Authorities	134,000,775	96,369,216
National road network expenditure - RA	2,165,592,94	2 1,798,221,058
Traffic Law Enforcement	26,206,524	23,750,201
National road network expenditure - RFA*	238,755,626	178,563,800
	2,741,192,465	**2,245,943,153**

*The expenditure comprises of the Etosha road project and the Low volume seal project.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

17. Investment income

Interest income		
Investments in financial assets:		
Bank and cash	3,404,135	1,705,369
Trade and other receivables	-	2,585
Investments	55,030,216	46,273,221
Total interest income	**58,434,351**	**47,981,175**

18. Impairment loss on trade and other receivables and property, plant and equipment

Heading		
Property, plant and equipment	(3,958,652)	(3,931,471)
Trade and other receivables	33,100	8,661,033
Accrued income - Fund	-	775,071
Government receivables	-	250
	(3,925,552)	**5,504,883**

19. Finance costs

Interest bearing borrowings	67,546,868	55,850,745
Interest paid - leases	67,428	69,318
Total finance costs	**67,614,296**	**55,920,063**

20. Cash (used in)/generated from operations

Surplus for the year	(475,533,861)	172,943,404
Adjustments for:		
Depreciation and amortisation	5,137,285	5,702,129
Investment income	(58,434,351)	(47,981,175)
Finance costs	67,614,296	55,920,063
Fair value gains	(1,100,000)	(1,460,000)
Movements in provisions	533,448	(1,733)
Movement in impairment - property, plant and equipment	(3,908,744)	(3,931,471)
Changes in working capital:		
Trade and other receivables	(24,702,537)	292,089,326
Prepayments	26,135,271	-
Trade and other payables	(87,582,400)	172,456,527
	(551,841,593)	**645,737,070**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

21. Government Road Projects

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

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

Balance at the beginning of the year	15,899,898	14,963,385
Receipts/(Payments) during the year	(8,077,007)	936,513
	7,822,891	**15,899,898**
The amount is represented by:		
Project accounts included in bank balances	7,822,891	15,899,898

22. Roads Authority - provisions

Heading		
Administration cost	69,489,146	52,099,893
Retention	7,124,077	7,124,077
	76,613,223	**59,223,970**

23. National Road Network Expenditure - RA

Roads Authority - NaTIS	9,593,526	145,056,709
Roads Authority - Construction and Rehabilitation	4,416,520	10,343,412
Roads Authority - Network Planning	24,226,115	21,781,965
Roads Authority - Maintenance	1,214,288,369	1,100,478,386
Roads Authority - Road Management	16,035,316	15,043,481
Roads Authority - Administration	535,432,023	407,103,578
Roads Authority - Road Transport Inspection	32,083,169	8,341,633
Roads Authority - Business Systems	43,202,155	53,168,761
Roads Authority - Overload	20,764,869	-
Roads Authority - KfW Funded Project - Tses - Gogas Road	265,550,880	36,903,133
	2,165,592,942	**1,798,221,058**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

24. Related parties

Relationships

RFA distributes monies collected to RA for road maintenance, administration and systems	Roads Authority
RFA gives monies to the Local Authorities for urban road maintenance in respective Local Authority Council	Local Authorities
RFA receives monies from the Government of the Republic of Namibia	Ministry of Works and Transport (Unutilised Project Funds)
RFA gives monies to the Traffic Law Enforcement Agencies for law enforcement in their respective jurisdiction	Traffic Law Enforcement Agencies
RFA received loans from KfW	Kreditanstalt für Wiederaufbau (KfW)
Directors	Key management

No further related party disclosures have been disclosed as the RFA has applied exemptions allowed for in IAS 24: Related Party Disclosures.

	2023	2022
Compensation to directors and other key management		
Directors Emoluments - Boards	739,161	723,754

25. Contingent liabilities

RA

The Fund is severally liable for the liabilities of it’s related party, the Roads Authority. The operational and adminstrative budget of the RA is based on the funding available from the RFA thus ensuring that the possible exposures are continuously managed.

Other

The RFA terminated the contract with NewPoint Electronic Solutions (Pty) Ltd due to contractual disputes. The service provider is claiming N$3 720 098 for premature termination of the contract.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

26. Commitments

The following committments were approved and authorised by the Board of Directors.

Not yet contracted		
One Stop Vehicle and Driving Testing centre in Windhoek (Natis Land)	87,000,000	82,800,000
Contracted		
Peter Nanyemba/Monte Christo dual carriage way (1st payment on 1 May 2025 and 2nd payment on 1 May 2026)	381,229,148	-

27. Fair value information Fair value hierarchy

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the RFA can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

The RFA's financial instruments all fall under level 3 as the fair value of financial instruments approximates their carrying amounts due to their short term nature.

The fair value of the property, plant and equipment and investments property fall under level 3 and are as disclosed in notes 3 and 4 respectively.

Transfers of assets and liabilities within levels of the fair value hierarchy

There were no transfers between assets and liabilities within levels of the fair value hierarchy.

28. New Standards and interpretations

28.1 Standards and interpretations effective and adopted in the current year

The standards and interpretations effective in the current year did not have a material impact on the operations of RFA.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

28.2 Standards and interpretations not yet effective

The RFA has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the RFA's accounting periods beginning on or after 1 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 1 Disclosure of Accounting Policies	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 1 Definition of Material	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 8- Disclosure of Accounting Policies	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes- Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Unlikely there will be a material impact

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note	2023	2022
Revenue			
Fuel levies		1,301,799,216	1,636,441,097
Fuel levy refund		(261,503,353)	(339,522,705)
Other road user charges		1,218,470,979	1,132,448,036
	14	**2,258,766,842**	**2,429,366,428**
Other operating income			
Other income		10,265,470	1,184,018
Other recoveries		60,885	319,882
Sundry income		716,670	-
Interest received		3,130	-
	15	**11,046,155**	**1,503,900**
Other operating gains (losses)			
Impairment loss on trade and other receivables and property, plant and equipment	18	3,925,552	(5,504,883)
Fair value gains		1,100,000	1,460,000
		5,025,552	**(4,044,883)**
Expenses (Refer to page 143)		(2,741,192,465)	(2,245,943,153)
Operating (deficit)/surplus	16	**(466,353,916)**	**180,882,292**
Investment income	17	58,434,351	47,981,175
Finance costs	19	(67,614,296)	(55,920,063)
(Deficit)/surplus		**(475,533,861)**	**172,943,404**

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

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Other operating expenses			
Advertising		(1,123,908)	(1,208,557)
Amortisation		(162,145)	(57,671)
Auditors remuneration	16	(942,233)	(2,081,561)
Bank charges		(10,809,281)	(10,209,331)
Cleaning		(542,358)	(567,461)
Commission paid		(6,428,284)	(58,447)
Computer expenses		(1,569,666)	(1,069,452)
Consulting and professional fees		(4,441,951)	(6,071,986)
Consumables		(1,281,097)	(684,795)
Corporate items		(1,846,381)	(1,475,547)
Depreciation		(4,975,140)	(5,644,458)
Development of RUCS		(1,724,308)	-
Donations		(1,908,772)	(866,505)
Employee costs		(106,389,580)	(96,019,204)
Entertainment		(1,604,434)	(782,293)
IT expenses		(5,958,428)	(5,076,455)
Insurance		(663,343)	(400,458)
Lease rentals on operating lease		(20,840)	-
Legal fees		(1,262,042)	(2,196,190)
Local Authorities		(134,000,775)	(96,369,216)
Minor asset expense		(36,909)	46,830
Motor vehicle expenses		(1,384,573)	(856,636)
Municipal expenses		(2,591,774)	(2,429,602)
National road network expenditure - RA		(2,165,592,942)	(1,798,221,058)
National road network expenditure - RFA		(238,755,626)	(178,563,800)
National road safety council		(1,918,530)	-
Postage		(216,328)	(212,101)
Printing and stationery		(938,921)	(864,554)
Promotions		(216,144)	(311,674)
Repairs and maintenance		(2,116,904)	(1,248,406)
Research and development costs		(172,500)	-
Security		(2,420,025)	(1,408,204)
Seminars and conferences		(298,807)	(262,448)
Lease rental on operating lease		(265,548)	(89,924)
Staff wellness		(747,353)	(312,595)
Subscriptions		(885,563)	(823,996)
Subsistence and travel		(6,463,430)	(3,294,286)
Telephone and fax		(1,849,487)	(1,692,218)
Traffic Law Enforcement agencies		(26,206,524)	(23,750,201)
Training		(459,611)	(808,693)
		(2,741,192,465)	**(2,245,943,153)**

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

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view of achieving a safe and economically efficient road sector
Directors	Dr. E. Haiyambo M.S. Tjijenda J. Mnyupe I. Angula Dr. P. Johannes
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditors	Grand Namibia Chartered Accountants and Auditors
Secretary	Anna Matebele

CONTENTS

Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act, (Act 18 of 1999) (hereinafter referred as the RFA Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Road Fund Administration-Fund (Fund) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the requirements of the RFA Act. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the RFA Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Fund's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the Fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 149 to 196, which have been prepared on the going concern basis, were approved by the board of directors on 22 August 2023 and signed by:

Director **Director**

22 August 2023

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

To the Shareholder of ROAD FUND ADMINISTRATION – FUND

Opinion

We have audited the annual financial statements of Road Fund Administration- Fund account set out on pages 151 to 194, which comprise the statement of financial position as at 31 March 2023, and the statement of surplus or deficit and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Road Fund Administration – Fund account as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Road Fund Administration Act (Act 18 of 1999).

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 Annual Financial Statements section of our report. We are independent of the Road Fund Administration-Fund Account in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable in performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Board's responsibility for financial reporting, Detailed Statement of Surplus or Deficit and Other Comprehensive Income, the Road Fund Administration Integrated Annual Report which we obtained prior to the date of this auditor's report. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 that we 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.

Responsibilities of the directors for the Annual Financial Statements

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

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Road Fund Administration'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Road Fund Administration to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors 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.

Grand Namibia

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Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
22 September 2023

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the ROAD FUND ADMINISTRATION - FUND for the year ended 31 March 2023.

1. Review of financial results and activities

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

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

2. Directorate

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

Directors	Office	Designation	Nationality	Changes
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian	
M.S. Tjijenda	Director	Non-Executive	Namibian	
J. Mnyupe	Director	Non-Executive	Namibian	
I. Angula	Director	Non-Executive	Namibian	
O. Hiveluah	Director	Non-Executive	Namibian	Resigned 1 May 2022
Dr. P. Johannes	Director	Non-Executive	Namibian	Appointed 1 September 2022

3. Events after the reporting period

At this point the Director are not aware of any material adverse effect on the financial statement.

4. Going concern

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

The directors' view that the Fund will continue operating as a going concern into the foreseeable future it is predicated on the following reasons amongst others:

- The RFA's annual expenditure is limited to Road User Charges collected for that year, ensuring that the entity has no unbudgeted deficits in any year;
- A Reserve Fund has been set up to protect the liquidity and solvency of the Fund and is standing at N$ 326 million as at 31 March 2023 (2022:N$ 227 million);
- The RFA's fixed-term borrowings repayments are well within the repayments periods and no repayment was missed or is projected to be missed according to available data and cash flow projections. The RFA fixed term borrowings are managed prudently and the loans are matched to the inflow and outflow of cash;
- The RFA has not reported any default on all its loans agreements;
- The Fund does not have any indication of unplanned sale of any non-current assets;

Directors' Report

5. Secretary

The company secretary is Anna Matebele.

6. Auditors

Grand Namibia Chartered Accountants and Auditors.

7. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the Board of directors on 22 August 2023.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$ 2,758,802 (2022: N$ 4,454,698).

Statement of Financial Position as at 31 March 2023

Figures in Namibia Dollar	Note(s)	2023	2022
Figures in Namibia Dollar	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	3	129,811,492	127,335,785
Investment property	4	297,560,000	296,460,000
Intangible assets	5	22,217,488	12,383,792
Investments	8	326,405,389	227,001,981
		775,994,369	**663,181,558**
Current Assets			
Trade and other receivables	6	184,870,610	160,240,379
Investments	8	323,420,725	983,871,702
Prepayments	7	27,132,694	53,267,965
Bank and cash	9	203,660,779	134,577,440
		739,084,808	**1,331,957,486**
Total Assets		**1,515,079,177**	**1,995,139,044**
Equity and Liabilities			
Equity			
Share capital		295,000,000	295,000,000
Reserves		326,405,389	227,001,981
Accumulated (deficit)/surplus		(511,686,675)	65,153,052
		109,718,714	**587,155,033**
Liabilities			
Non-Current Liabilities			
Interest bearing borrowings	10	802,941,701	731,989,724
Current Liabilities			
Trade and other payables	11	466,148,436	550,900,396
Interest bearing borrowings	10	136,270,326	125,093,891
		602,418,762	**675,994,287**
Total Liabilities		**1,405,360,463**	**1,407,984,011**
Total Equity and Liabilities		**1,515,079,177**	**1,995,139,044**

Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Revenue	12	2,258,766,841	2,429,366,428
Other income	13	10,265,470	766,999
Impairment (loss)/gain on trade and other receivables and property, plant and equipment	15	3,925,552	(5,504,883)
Fair value gains		1,100,000	1,460,000
Administrative and operating expenses		(2,742,381,665)	(2,247,398,203)w
Operating (deficit)/surplus	14	**(468,323,802)**	**178,690,341**
Investment income	16	58,434,351	47,981,175
Finance costs	17	(67,546,868)	(55,850,745)
(Deficit)/surplus for the year		**(477,436,319)**	**170,820,771**
Other comprehensive income		-	-
Total (defict)/surplus for the year		**(477,436,319)**	**170,820,771**

Statement of Changes in Equity

Figures in Namibia Dollar	Capital contribution	Reserve fund	Accumulated surplus/(deficit)	Total equity
Balance at 1 April 2021	**295,000,000**	**151,777,966**	**(30,443,704)**	**416,334,262**
Surplus for the year	-	-	170,820,771	170,820,771
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**170,820,771**	**170,820,771**
Transfer between reserves	-	75,224,015	(75,224,015)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	**75,224,015**	**(75,224,015)**	-
Balance at 1 April 2022	**295,000,000**	**227,001,981**	**65,153,052**	**587,155,033**
Deficit for the year	-	-	(477,436,319)	(477,436,319)
Other comprehensive income	-	-	-	-
Total comprehensive Deficit for the year	**-**	**-**	**(477,436,319)**	**(477,436,319)**
Transfer between reserves	-	99,403,408	(99,403,408)	-
Total contributions by and distributions to owners of the Fund recognised directly in equity	-	**99,403,408**	**(99,403,408)**	-
Balance at 31 March 2023	**295,000,000**	**326,405,389**	**(511,686,675)**	**109,718,714**
Note(s)	1.13	1.14		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from road users		2,236,844,908	2,721,364,876
Cash paid to suppliers and employees		(2,789,114,824)	(2,075,813,268)
Cash generated from operations	18	(552,269,916)	645,551,608
Interest income		58,434,351	47,981,175
Finance costs		(67,546,868)	(55,850,745)
Net cash from operating activities		**(561,382,433)**	**637,682,038**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2,758,802)	(4,454,698)
Purchase of other intangible assets	5	(9,951,408)	(2,077,590)
Decrease/(increase) in investments		(99,403,408)	(75,224,015)
Net cash from investing activities		**(112,113,618)**	**(81,756,303)**
Cash flows from financing activities			
Repayment of interest bearing borrowings		(117,871,587)	(100,133,140)
Proceeds from interest bearing borrowings		200,000,000	150,000,000
Net cash from financing activities		**82,128,413**	**49,866,860**
Total cash movement for the year		**(591,367,638)**	**605,792,595**
Cash at the beginning of the year		1,118,449,142	512,656,547
Total cash and cash equivalents	9	**527,081,504**	**1,118,449,142**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period except for new and/or revised interpretations implemented during the year. The nature and effect of these new interpretations is discussed in note 1.11 below under revenue.

1.2 Segmental reporting

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

1.3 Judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

Significant judgements

Roads Authority Building

During 2021, the RA head office building was donated to the RFA and subsequently leased back to the RA. The determination of the appropriate accounting treatment for the contract was complex and required management to make significant judgements around whether the RFA had control over the building or not i.e. whether the RFA had the right to direct use of the identified asset and obtain substantially all of the economic benefits from the use of the identified asset.

Management have determined that the Fund has control over the RA building and have resultantly accounted for the RA building within the context of the below:

Given that there was no IFRS standard that specifically applied to the transaction, the Fund developed an accounting policy in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") and will apply the so developed policy consistently as required by IAS 8:13. IAS 8:10 states that if there is no IFRS standard that specifically applies to the transaction, event or condition under consideration, judgement is required by management in developing and applying an accounting policy that results in information that:

- is relevant to the economic decision-making needs of users;
- reflects the economic substance of transactions, other events and conditions, and not merely legal form;
- is neutral;
- is prudent and
- is complete in all material respects.

Accounting Policies

1.3 Judgements and sources of estimation uncertainty (continued)

In addition, IAS 8:11 further goes on to state that in practical terms, in forming a judgement about a suitable accounting policy, management should refer to, and consider the applicability of the following sources in descending order:

- requirements in IFRS Standards dealing with similar and related issues;
- the definitions, recognition criteria and measurements concepts for assets, liabilities, income and expenses in the Conceptual Framework.

Having considered the above IAS 8 requirements, management have recognised the donation from the RA for the building as an equity contribution at the fair value of the building (N$ 295,000,000) as at date of signing the lease agreement. The term capital contribution is not defined in IFRS but is generally accepted as meaning contribution by owners (i.e. a gift made to an entity by an owner which increases the entity's equity without any obligation for the entity to make repayment or to do anything in consideration for receiving it).

Thus a capital contribution should not be included in surplus or deficit for the period nor within other comprehensive income but should instead be presented in the statement of changes in equity (i.e. similar to the proceeds of a share issue).

Given the above context, management have thus recognised the donation from the RA as a capital contribution. When the asset that gave rise to the capital contribution is subsequently sold or derecognised, any related amount included in the capital contribution reserve is transferred to accumulated reserves. For further details on the accounting policy refer note 1.14.

Impairment of assets - land and buildings and investment property

The impairment testing for land and buildings and investment property is performed by comparing the carrying amount of the land and buildings and investment property to their recoverable amount. The determination of the recoverable amount requires the application of significant judgements in arriving at the fair value of the land and buildings and investment property as unobservable market data is used in the process. The Fund engages qualified independent valuers to perform annual valuations at each reporting date. Further information on the valuation of the land and buildings and investment property is included in notes 3 and 4 to the annual financial statements.

The recoverable amount of the land and buildings and investment property is the greater of the fair value less cost of disposal and value in use. In assessing value in use, the estimated cashflows are discounted to their present value using a pretax discount rate that reflects the current market value assessments of the time value of money and the risks specific to the asset.

Other judgements

Impairment of financial assets

Trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the note 6 to the annual financial statements.

Accounting Policies

1.3 Judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management asseses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period.

The useful lives of assets are determined based on the Fund's replacement policies for the various assets. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

1.4 Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in surplus or deficit. Cost includes expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property calculated as the difference between net proceeds from disposal and the carrying amount of the item, is recognised in surplus or deficit. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to accumulated reserves.

When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

Fair value

Subsequent to initial measurement, an investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Fund, and the cost of the item can be measured reliably.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Land	Straight line	Indefinite

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

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

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

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

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

Accounting Policies

1.6 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Accounting Policies

1.7 Financial instruments

Initial recognition and measurement

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

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

Financial assets

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

Classification

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through surplus or deficit (FVTSD).

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

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

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

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

1.7 Financial instruments (continued)

The Fund recognises a loss allowance for expected credit losses (ECL) on trade and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date. The Fund measures the loss allowance for trade and other receivables as detailed in impairment of financial assets below.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in surplus or deficit as impairment loss on trade receivables. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than twelve months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Other financial assets

Other financial assets such as investments are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line item. Fair value is determined in the manner described in note 26.

Impairment of financial assets

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event (see (ii) above);

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

Measurement and recognition of expected credit losses

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

Accounting Policies

1.7 Financial instruments (continued)

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 6.

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

Derecognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

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

Financial liabilities

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

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

Accounting Policies

1.7 Financial instruments (continued)

Trade and other payables

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

Other financial liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings are recognised over the term of the borrowings in accordance with the Fund's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

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

1.8 Income taxation

Current tax assets and liabilities

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

1.9 Impairment of property, plant and equipment

The Fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset. This impairment test is performed during the annual period and at the same time every period.

If there is an indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash- generating unit to which the asset belongs is determined. Details pertaining to the impairment of land and buildings have been discussed in note 1.3 above.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Accounting Policies

1.9 Impairment of property, plant and equipment (continued)

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in surplus or deficit.

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. An impairment loss (other than goodwill) is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in note 19.

1.11 Revenue

Revenue of the Fund comprises of Road User Charges (RUCs) levied in terms of Section 18(1) of the Road Fund Administration Act, (Act 18 of 1999). Revenue has been disaggregated using existing segments and management regularly

reviews presentations. The entity recognizes revenue from RUCS's, which comprise mainly:

- Fuel levies,
- Vehicle license and registration fees,
- Cross border charges,
- Mass distance charges,
- Road carrier permits
- and Abnormal load fees.

Accounting Policies

1.11 Revenue (continued)

Revenue recognition

Revenue from RUCs is recognized when control of the goods, normally in the form of licenses and permits is transferred to the customer at an amount that reflects the consideration to which the RFA expects to be entitled in exchange for those services.

Revenue is recognized only when it is probable, on transaction date, that the entity will collect the transaction price.

In making their judgments, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the entity had transferred control of the goods to the customer or had completed a contractual performance obligation.

Management has assessed that performance obligations of the RFA is met for:

- Fuel levies when the fuel is sold to the customer by the fuel retailer
- License and registration fees when the license disk or registration certificate is issued to the customer
- Cross border charges when the permit is issued to the customer (foreign vehicle operator) upon entry into Namibia
- Mass distance charges upon verification of the assessment by the RFA
- Road Carrier permit fees upon the issue of the permit to the customer
- Abnormal load fees upon the issue of the permit to the customer

Revenue from mass distance and cross border charges is further recognized when it becomes due, i.e. when the road user debtor is identified. Debtors (Mass distance local) are identified when assessments are performed.

Revenue is therefore recognized at a point in time, rather than over a period of time, as it does not take a considerable for the RFA to complete a performance obligation.

Revenue is only recognized when and/or as the entity satisfies the performance obligation in contract. The transaction price is the tariffs as approved by the Minister.

When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue.

In recognizing revenue from all RUCS transactions, the following five steps are applied:

- Identify contract with customers
- Identify the performance obligation in contract
- Determine the transaction price
- Allocate transaction price to performance obligation in contract
- Only recognize revenue when or as the entity satisfies the performance obligation in contract

Accounting Policies

1.11 Revenue (continued)

Critical judgments in recognizing revenue

Contracts with customers are implied. There are no written contracts with road users. Once a motorist has applied for the issue of a permit or license from the RFA it is assumed that the customer has entered into a contract with the RFA and is aware of the entity's performance obligation and the transaction price (tariff payable) as it is published. The customer is deemed to have accepted the terms therefore the entity has completed its performance obligations for that transaction. The road user is therefore liable for the amount payable.

In an arrangement where the RFA receives a consideration from a customer in an arrangement that does not meet the criteria of a contract as set out in IFRS 15. The consideration received shall be recognized as revenue only when the RFA has no remaining or outstanding obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable

Revenue is measured based on the consideration specified in a contract with a customer. The entity recognizes revenue when it transfers control of a service to a customer.

When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue. Transaction price is initially the transaction price regulated (fee per permit, or certificate) per vehicle type as approved by the Minister in a published gazette. Transaction price is adjusted to reflect the amount that the entity expects to be entitled in exchange for goods and services. Revenue is measured based on the consideration specified in a contract with a customer. The entity recognizes revenue when it transfers control of a service to a customer.

When the entity satisfies the performance obligation, the entity recognizes the transaction price as revenue. Transaction price is initially the transaction price regulated (fee per permit, or certificate) per vehicle type as approved by the Minister in a published gazette. Transaction price is adjusted to reflect the amount that the entity expects to be entitled in exchange for goods and services.

Contract liability

Income received in advance (prepayments) is regarded as a contract liability. A contract liability is the obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue only when the entity performs its contractual obligation. Revenue received in advance is measured at the amount of consideration received from the customer. Contract liabilities are disclosed in the notes as trade and other payables.

Contract assets

Income received in arrear (post payments) is regarded as a contract asset. A contract asset is the customers obligation for a consideration to the entity for which the entity has transferred goods or services (or an amount of consideration is due) from the customer. If an entity transfer goods or services before the customers pays the consideration, a contract asset is recognized when the payment is made or the payment is due (whichever is earlier). Contract assets are recognized as revenue only when the entity performs its contractual obligation. Revenue received in arrear is measured at the amount of consideration received from the customer. Contract assets are disclosed in the notes as trade and other receivables.

Accounting Policies

1.12 Investment income

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

1.13 Capital contribution

The capital contribution reserve was created on 30 March 2021 as a result of the donation of the RA building valued at N$295 million. The donation value was determined with reference to the fair value of the land and buildings as at 30 March 2021. Subsequent to initial recognition, the reserve will be carried at the same value until the corresponding asset that gave rise to the capital contribution has either been sold or retired from use. On the subsequent sale or retirement of an item of the investment property attributable to the capital contribution, the surplus in the capital contribution reserve will be transferred directly to accumulated reserves.

1.14 Reserve fund

Section 17 (1) (k) of the RFA establishing Act allows for the establishment of a reserve fund for the purposes of the objects contemplated in Sections 20 (4) (b) (ii) and 22 (1) (d) of the RFA Act. This reserve fund has been established to protect the liquidity of the Fund. The utlilisation of the reserve fund is governed by specific conditions as set out in the Reserve Fund policy as approved by the Minister of Finance on 20 February 2020.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Loans and receivables at amortised cost	Total	Fair value
Trade and other receivables	6	184,839,315	184,839,315	184,839,315
Bank and cash	9	203,660,779	203,660,779	203,660,779
Investments	8	649,826,114	649,826,114	649,826,114
		1,038,326,208	1,038,326,208	1,038,326,208

2022

	Note(s)	Loans and receivables at amortised cost	Total	Fair value
Trade and other receivables	6	160,240,379	160,240,379	160,240,379
Bank and cash	9	134,577,440	134,577,440	134,577,440
Investments	8	1,210,873,683	1,210,873,683	1,210,873,683
		1,505,691,502	**1,505,691,502**	**1,505,691,502**

Categories of financial liabilities

2023

	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	11	293,009,347	293,009,347	293,009,347
Interest bearing borrowings	10	939,212,028	939,212,028	939,212,028
		1,232,221,375	**1,232,221,375**	**1,232,221,375**

2022

	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	11	403,307,419	403,307,419	403,307,419
Interest bearing borrowings	10	840,050,473	840,050,473	840,050,473
		1,243,357,892	**1,243,357,892**	**1,243,357,892**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

Capital risk management

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

The objective of the Fund is to manage the RUCS in such a way as to secure and allocate sufficient funding for the payment of expenditures with a view to achieve a safe and economically efficient road sector.

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

Financial risk management

Overview

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

The fair values of all the Fund's financial assets (Bank and cash, investments and trade and other receivables) and liabilities (trade and other payables, interest bearing borrowings and bank overdraft) approximate their carrying value due to their short-term nature.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of investments, bank and cash and trade and other receivables. The Fund only deposits cash with major financial institutions with high quality credit standing and limits exposure to any one counterparty.

The Fund minimize credit risk on investments, which is the risk of loss of all or part of the investment due to the failure of the security issuer by diversifying the investment portfolio so that the impact of the potential losses from any one type of security or from any one individual issuer will be minimized, as well as conducting thorough due diligence of the financial institutions. The Fund places its investments with reputable financial institutions.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. The receivables arising from MDC are managed on the basis of restricting their ability to renew their licences at NaTIS. Trade and other receivables from Government and oil campanies are managed on a relationship basis.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

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

	2023			2022		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	195,683,865	(10,844,550)	184,839,315	171,051,579	(10,811,200)	160,240,379
Investments	649,826,114	-	649,826,114	1,210,873,683	-	1,210,873,683
Bank and cash	203,660,779	-	203,660,779	134,577,440	-	134,577,440
	1,049,170,758	**(10,844,550)**	**1,038,326,208**	**1,516,502,702**	**(10,811,200)**	**1,505,691,502**

Liquidity risk

The Fund is exposed to liquidity risk, which is the risk that the Fund will encounter difficulties in meeting its obligations as they become due.

The Fund manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The Fund's risk to liquidity is a result of the funds available to cover future commitments. The Fund manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

As at 31 March 2023 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Trade and other payables	11	293,009,347	-	-	-	-	293,009,347
Other financial liabilities	10	213,520,782	406,673,230	576,207,748	83,788,187	(340,977,919)	939,212,028
		506,530,129	**406,673,230**	**576,207,748**	**83,788,187**	**(340,977,919)**	**1,232,221,375**

As at 31 March 2022 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Interest	Carrying amount
Trade and other payables	11	403,307,419	-	-	-	-	403,307,419
Other financial liabilities	10	165,421,934	337,682,030	518,490,372	43,971,531	(225,515,394)	840,050,473
		568,729,353	**337,682,030**	**518,490,372**	**43,971,531**	**(225,515,394)**	**1,243,357,892**

Foreign currency risk

The Fund is not exposed to any foreign currency risk. The loan from KfW is denominated in Rands which is pegged to the NAD on a 1:1 basis.

Interest rate risk

Fluctuations in interest rates impact on the value of cash and cash equivalents, investments, interest bearing borrowings and Government receivable, giving rise to interest rate risk.

The debt of the Fund is comprised of loans from KfW and Nedbank Namibia Limited, which bear interest at both fixed interest and market rates respectively. Interest rates on all borrowings compare favourably with those rates available in the market.

The Fund's policy with regards to financial assets, is to invest cash at variable rates of interest for a short period of time and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders. Emphasis is placed on the safety of the investment rather than the return.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

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

The Fund is not exposed to cash flow interest rate risk on its interest bearing borrowings because the interest rate is fixed. The interest rate on the bank overdraft is linked to prime and is thus subject to flactuations.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate of 1% which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss:				
Bank and cash	2,036,607	(2,036,607)	1,345,774	(1,345,774)
Investments	6,498,261	(6,498,261)	12,108,736	(12,108,736)
Government receivables	-	-	2,742	(2,742)
Interest bearing borrowings	(9,392,120)	9,392,120	(8,528,348)	8,528,348
Total impact on surplus and deficit	**(857,252)**	**857,252**	**4,928,904**	**(4,928,904)**
Impact on equity:				
Bank and cash	2,036,607	(2,036,607)	1,345,774	(1,345,774)
Investments	6,498,261	(6,498,261)	12,108,736	(12,108,736)
Government receivables	-	-	2,742	(2,742)
Interest bearing borrowings	(9,392,120)	9,392,120	(8,528,348)	8,528,348
Total impact on equity	**(857,252)**	**857,252**	**4,928,904**	**(4,928,904)**

Price risk

The Fund is not exposed to price risk.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	6,222,487	-	6,222,487	6,222,487	-	6,222,487
Buildings	136,405,296	(18,709,342)	117,695,954	132,418,222	(16,160,479)	116,257,743
Furniture and fixtures	287,023	(57,328)	229,695	287,023	(28,702)	258,321
Motor vehicles	6,991,021	(4,034,391)	2,956,630	6,991,021	(2,771,184)	4,219,837
Office equipment	1,109,855	(887,322)	222,533	829,456	(780,936)	48,520
Computer equipment	2,740,936	(256,743)	2,484,193	340,864	(11,987)	328,877
Total	**153,756,618**	**(23,945,126)**	**129,811,492**	**147,089,073**	**(19,753,288)**	**127,335,785**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Reversal of impairment loss	Impairment	Depreciation	Total
Land	6,222,487	-	-	-	-	6,222,487
Buildings	116,257,743	78,331	4,561,760	(653,013)	(2,548,867)	117,695,954
Furniture and fixtures	258,321	-	-	-	(28,626)	229,695
Motor vehicles	4,219,837	-	-	-	(1,263,207)	2,956,630
Office equipment	48,520	280,399	-	-	(106,386)	222,533
Computer equipment	328,877	2,400,072	-	-	(244,756)	2,484,193
	127,335,785	**2,758,802**	**4,561,760**	**(653,013)**	**(4,191,842)**	**129,811,492**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Reversal of impairment loss	Depreciation	Total
Land	6,222,487	-	-	-	6,222,487
Buildings	113,118,765	2,135,640	3,931,471	(2,928,133)	116,257,743
Furniture and fixtures	-	287,023	-	(28,702)	258,321
Motor vehicles	3,625,311	1,691,171	-	(1,096,645)	4,219,837
Office equipment	331,467	-	-	(282,947)	48,520
IT equipment	-	340,864	-	(11,987)	328,877
	123,298,030	**4,454,698**	**3,931,471**	**(4,348,414)**	**127,335,785**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

Pledged as security

There were no assets pledged as security during the year under review (2022: none).

Land and buildings comprise of the following:

Description	**Carrying amount 2023**	**Carrying amount 2022**
Land Erf 5846,Erf 5845 and Erf 5844 Feld Street Windhoek (RFA Head Office)	6,222,487	6,222,487
Buildings - RFA Head office	57,381,932	43,710,331
Buildings - Regional CBC Offices	2,268,825	5,045,279
CBC Regional Staff Accommodation	53,605,276	67,502,133
	119,478,520	**122,480,230**

CBC Regional Staff Accommodation consist of the following:

Ngoma	3,077,755	3,150,138
Ariamsvlei	9,966,252	10,328,616
Klein Manasse	2,124,767	2,496,504
Noordoewer	10,020,172	12,835,219
Trans-Kalahari	6,368,564	6,510,545
Sendelingsdrift	918,314	945,773
Oranjemund	140,266	143,319
Oshikango	4,897,868	7,194,682
Kashamane	2,322,957	3,910,319
Katwitwi	2,185,550	3,744,742
Omahenene	2,319,926	4,317,366
Katima Mulilo	6,499,788	8,866,743
Mohembo	693,437	734,322
Mata-Mata	2,069,660	2,323,845
	53,605,276	**67,502,133**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

Valuation of land and buildings

The valuation of land and buildings is carried out annually for purposes of testing the impairment thereof through the determination of the recoverable amount as has been detailed in note 1.3 above.

This valuation of land and buildings was performed externally effective 31 March 2023 by an independent valuer, Olsen Hamana of Seeds Property Solutions CC who is not connected to the Fund. The valuations were performed on the basis of:

- Replacement value where no ready market exists or market value as estimated by the sworn appraiser. This method involves computing the value of improvements by using a construction rate reflecting the current rate or cost of construction per square meter and deducting the accrued depreciation from the improvements and adding the estimated land value.
- Market value which is based on the sales price per square meter for similar properties in an open market transaction.

The Fund adopts the market value method for valuing its land and buildings. Details of properties registered in the Fund's name are disclosed above and are also available for inspection at the registered office of the Fund.

Measurement of fair value

(i) Fair value hierarchy

The fair value measurements for the land and buildings have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

(ii) Level 3 fair values

The reconciliation from the opening balances to the closing balances for level 3 fair values is as disclosed in the movement schedule above.

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels

Sensitivity analysis for land and buildings categorised into Level 3 of the fair value hierarchy:

A slight increase or decrease in the significant unobservable inputs as listed in the valuation processes below would result in a change in the fair value.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment (continued)

Valuation processes

For the fair value measurements categorised within Level 3 of the fair value hierarchy, the Fund uses the services of an independent valuer to determine the market values which are used as reference for impairment testing purposes as discussed in note 1.3 above.

The significant unobservable inputs of level 3 items are as follows:

- Capitalisation rates applied of 8.5%
- Expenditure rate of 16%
- The estimated annual optimal rent

The estimated fair value would increase (decrease) if:

- the expected market rental growth was higher (lower).
- the capitalization rate was lower (higher).
- void periods were shorter (longer).
- the occupancy rate was higher (lower).
- rent-free periods were shorter (longer).

4. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	297,560,000	-	297,560,000	296,460,000	-	296,460,000

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Building - Roads Authority Head Office	296,460,000	1,100,000	297,560,000

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

4. Investment property (continued)

Investment property comprises of the Roads Authority head office (Erf 8163 Windhoek).

The property is leased out to the Roads Authority at a rental of N$1.00 per year. No contingent rentals are charged. Direct operating expenses relating to the investment property are disclosed in note 15 to the annual financial statements. There are no restrictions on the realisability of the investment property or the remittance of income and proceeds of the disposal of investment property.

Measurement of fair value

(i) Fair value hierarchy

The fair value of the investment property was determined on 31 March 2023 by an independent qualified property valuer,Olsen Hamana of Seeds Property Solutions CC who has extensive experience in the Namibian property market. The fair value of the Fund's investment property is provided annually by this independent valuer. The fair value measurement for investment property of N$297 million (2022: N$296 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

(ii) Level 3 fair value

The table above shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

Valuation technique and significant unobservable inputs

The valuation is performed on the basis of the:

- Replacement cost method which is based on depreciated replacement costs (excluding remedial work) of the improvements and the market value of the land.
- Market value which is based on the income capitalization method.

The independent valuer proposed a value that was determined to be within the range of the market value and the replacement cost method, and the Fund adopted the same. Details of the investment property registered in the Fund's name are disclosed above and are also available for inspection at the registered office of the Fund.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

4. Investment property (continued)

Valuation techniques and significant unobservable inputs used

The significant unobservable inputs of level 3 items are as follows:

- Capitalisation rate applied of 8.75%
- Expenditure rate of 16%
- The estimated annual optimal rent

The estimated fair value would increase (decrease) if:

- the expected market rental growth was higher (lower).
- the capitalization rate was lower (higher).
- void periods were shorter (longer).
- the occupancy rate was higher (lower).
- rent-free periods were shorter (longer).

Pledged as security

The investment property was pledged as security to Nedbank Namibia Limited to the value of N$296,460,000 (2022:N$ 296,460,000) for the Low Volume Seal obligation of N$350,000,000.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software (Work in progress)	22,335,200	(117,712)	22,217,488	12,383,792	-	12,383,792

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software (Work in progress)	12,383,792	9,951,408	(117,712)	22,217,488

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Total
Computer software (Work in progress)	10,306,202	2,077,590	12,383,792

6. Trade and other receivables

	2023	2022
Financial instruments:		
Road User Charges receivable	26,657,184	14,451,608
Loss allowance	(10,844,550)	(10,811,200)
Trade receivables at amortised cost	15,812,634	3,640,408
Accrued Income - Fund	140,823,963	143,275,937
Government/RA receivable	19,630,990	274,003
MDC receivable	8,571,728	13,050,031
Non-financial instruments:		
Advanced payments	31,295	-
Total trade and other receivables	**184,870,610**	**160,240,379**

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

Split between non-current and current portions

	2023	2022
Current assets	184,870,610	160,240,379

Financial instrument and non-financial instrument components of trade and other receivables

	2023	2022
At amortised cost	184,839,315	160,240,379
Non-financial instruments	31,295	-
	184,870,610	**160,240,379**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Trade and other receivables (continued)

Exposure to credit risk

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments (IFRS 9), and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Fund measures the loss allowance for trade receivables by applying the simplified approach as allowed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. This lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the 2019 financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The impact of forward looking information is considered to be immaterial.

Expected credit loss rate:	2023 Estimated gross carrying amount at default	2023 Loss allowance (Lifetime expected credit loss)	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)
30 days: 10.45% (2022: 15.36%)	2,955,080	(308,860)	944,996	(145,133)
30 - 60 days: 25.65% (2022: 26.68%)	1,022,830	(262,381)	3,355,871	(895,413)
60 - 90 days: 31.94% (2022: 30.49%)	1,360,558	(434,513)	190,526	(58,093)
90 - 120 days: 38.71% (2022: 37.74%)	934,508	(361,792)	397,758	(150,106)
120 days: 100% (2022: 100%)	9,476,755	(9,476,755)	9,562,456	(9,562,456)
Total	15,749,731	(10,844,301)	14,451,607	(10,811,201)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

Opening balance	**(10,811,200)**	**(1,090,920)**
Provision raised on new trade receivables	(10,844,301)	(10,811,200)
Provisions reversed on settled trade receivables	10,811,200	1,090,920
Closing balance	**(10,844,301)**	**(10,811,200)**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Trade and other receivables (continued)

Government receivable

The following table provides information about the exposure to credit risk and ECLs for Government receivables as at 31 March 2023.

Government receivable		
Loss rate		0.1186%
Interest bearing receivable	-	274,253
Loss allowance	-	(250)
Net trade receivable balance	**-**	**274,003**

The impairment on the Government receivable has been measured on a 12 -month expected loss basis and reflects the short maturities of the exposures.The RFA considers it's Government receivable to have a low credit risk based on the payment history and forward looking information considered.

7. Prepayments

TR1/3		
KfW funded project - TR1/3 section A - Tses - Gochas	27,132,694	53,267,965

An amount of N$53 million was prepayment to CHICO for the rehabilitation of the TR1/3 section A; 87,3 km road between Tses intersection and Gochas intersection of which N$ 26,135,271 was set off against invoices issued.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

Prepayment is guaranteed under the contractual obligation between the contracting parties.

8. Investments

At fair value through profit or loss - designated		
Bank Windhoek - 3001291743 *Invested in a fixed term account.*	126,889,284	-
RMB - 78000540772 *Invested in a fixed term account.*	75,573,288	-
Old Mutual Nedbank Money Market *Invested in a mixed portfolio.*	211,375	-
Old Mutual Nedbank Namibia Money Market Fund *Invested in a mixed money market portfolio.*	69,245,482	65,261,671
Bank Windhoek Investment-3001906927 *Invested in a fixed term account.*	-	57,515,572
Momentum Namibia Corporate Money Market Fund *Invested in a mixed money market portfolio.*	74,063,846	70,059,899
Bank Windhoek - Treasury Bank Cheaque Account *Invested in a fixed term account.*	-	34,164,839
SME Bank-09511431716-LD1623100402 *Invested in a fixed term account.*	-	61,093,901
SME Bank-09511431716-LD1628700439 *Invested in a fixed term account.*	-	60,655,600
RMB-71275374869 *Invested in a fixed term account.*	61,342,366	-
Bank Windhoek - NDP3001134084 *Invested in a fixed term account.*	29,935,441	-
Nedbank - 100CDFR212390003 *Invested in a fixed term account.*	-	283,723,723
Standard Bank call account *Invested in a call term account.*	-	217,372
Standard Bank Global Mark *Invested in a fixed term account.*	65,575,273	264,299,350
Hangala Capital Unit Trust *Invested in a fixed term account.*	46,573,841	24,834,390
Bank Windhoek NDP-3001725697 *Invested in a fixed term account.*	-	102,089,485
Nampost - 500051515 *Invested in a fixed term account.*	54,235,511	50,814,131
MUMI Investment Managers Unit *Invested in a fixed term account.*	46,180,407	24,761,936
Bank Windhoek - 3002061511 *Invested in a fixed term account.*	-	130,481,335
Standard Bank Namibia Treasury *Invested in a fixed term account.*	-	102,649,981
Provision for doubtful deposit - SME Bank *Impaired fixed term account.*	-	(121,749,502)
	649,826,114	**1,210,873,683**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

8. Investments (continued)

Non-current assets		
Investments	326,405,389	227,001,981
Current assets		
Investments	323,420,725	983,871,702
	649,826,114	**1,210,873,683**

Impairment on investments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its investments balances have low credit risk based on the external credit ratings of the counterparties, with the exception of the investment in SME bank where it is not rated and Bank has filed for liquidation.

SME Bank was put on full liquidation during the year 2020 and the preliminary indicators then where that only depositors with less than N $ 25,000 are guaranteed their full amounts deposited. No additional information is available relating to the liquidity of the bank and hence management estimated recovery on the investment is nil. The SME Bank refunded the Fund an amount of N$ 6 million (2022: N$12 million).

The Fund has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

The investments of N$326 million with, Old Mutual Nedbank Namibia Money Market Fund, Momentum Namibia Corporate Money Market Fund, MUMI Investment Manager Unit and RMB Namibia relates to the reserve fund as disclosed in the statement of changes in equity.

Pledge as Security

The investment of N$60,000,000 was pledged as security to Nedbank Namibia Limited to the value of N$60,000,000 (2022:N$ 60 000,000) for the Low Volume Seal loan obligation of N$350,000,000.

Credit quality of non-current investments

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

Debt securities at fair value through profit or loss		
Credit rating		
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	69,245,482	65,261,671
Momentum Namibia Corporate Money Market Fund (AA-National sale scale rating)	74,063,846	70,059,899
Bank Windhoek Limited (A1+Moody's credit rating)	-	91,680,412
First National Bank Namibia Limited (A+ Global credit rating)	136,915,654	-
MUMI Investment Manager Unit (Not rated)	46,180,407	-
	326,405,389	**227,001,982**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

9. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	11,182	58,538
Bank balances	203,649,597	134,518,902
Investments - current (as disclosed in note 8)	323,420,725	983,871,702
	527,081,504	**1,118,449,142**
Bank and cash	527,081,504	1,118,449,142
	527,081,504	**1,118,449,142**
Cash and cash equivalents held by the entity that are not available for use by the Fund.	7,856,535	20,899,898

Restricted cash

Included in the bank and cash is an amount of N$7,8 million (2022: N$20.9 million) received from the Government of the Republic of Namibia for specific projects. These funds are held in a designated bank deposit account to be used only for the purpose of the specific development of road projects.

The Fund has not yet received a directive from its shareholder, the Government of the Republic of Namibia on the manner to deploy these funds to a specific project.

Bank and cash includes an amount of N$4,76 million received from the Ministry of Works and Transport of the Republlic of Namibia. This funds are for the purpose of improving the Roads Authority NaTIS offices and are held in the Fund account.

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

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

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

Credit rating		
Bank Windhoek Limited (A1+ Moody's credit rating)	156,824,725	232,570,820
Standard Bank Namibia Limited (BB+Fitch credit rating)	323,460,380	552,499,736
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	211,375	-
Nedbank Limited Namibia (BA 1 Moody's credit rating)	-	283,723,722
Hangala Capital Unit Trust (not rated)	46,573,840	24,834,390
MUMI Investment Manager (not rated)	-	24,761,936
	527,070,320	**1,118,390,604**

The impairment on financial assets has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its financial assets balances have low credit risk based on the external credit ratings of the counterparties, thus no impairment has been raised (2022:nil).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

10. Interest bearing borrowings

At fair value through profit (loss)		
Nedbank Namibia Limited	331,948,788	150,000,000

The loan bears interest at 0.25% below the prime charged by Nebank Namibia Limited as determined from time to time, the loan bears interest at 10.5% in the current financial year.The loan is repayable in 40 quaterly installments of N$14.3 million following the first utilisation date. This loan is secured over investment property to the value of N$296,000,000 and investments to the value of 60,000,000. The loan was drawn down in two tranches of which N$150,000,000 was received in the previous financial year and N$200,000,000 was received during the current financial year. The loan is denominated in Namibia Dollars. The fair value of the loan is N$331,948,788 (2022:150,000,000).

KfW Loan II	391,123,400	443,095,951

The loan bears a fixed interest of 7.50% per annum and is repayable in 20 bi -annual payments of N $25.3 million starting 15 May 2021. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand (The Rand is pegged to the Namibia Dollar on a 1:1 basis). The fair value of the loan is N$391,123,400 (2022:N$443,095,951).

KfW Loan I	216,139,839	263,987,664

The loan bears a fixed interest of 7.81% per annum and is repayable in 20 bi -annual payments of N $23.5 million starting 30 June 2018. The loan is guaranteed by the Government of the Republic of Namibia. The loan is denominated in Rand which is pegged 1:1 to the Namibia dollar. The fair value of the loan is N$216,139,839 (2022:N$263,987,664).

	939,212,027	**857,083,615**

The carrying amount of the interest bearing borrowings approximates its fair value.

Split between non-current and current portions

Non-current liabilities	802,941,701	731,989,724
Current liabilities	136,270,326	125,093,891
	939,212,027	**857,083,615**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

11. Trade and other payables

Financial instruments:		
Roads Authority project administration and other fund creditors	248,399,308	252,856,241
Road Fund Administration-Administration payable	43,210,043	37,500,000
Provision - Low volume seal	-	56,510,976
Accrual Local Authorities and Traffic Law Enforcement	1,400,000	45,395,540
Provision - Etosha Roads	-	11,044,661
Non-financial instruments:		
Amounts received in advance - CBC/MDC Local and Foreign	36,315,933	20,855,951
Roads Authority - Provisions	76,613,223	59,223,970
Government Road Project	12,626,400	20,899,898
Fuel levy refund	47,583,529	46,613,159
	466,148,436	**550,900,396**

Government road project relates to Government specific projects and funds held in a designated bank deposit account to be used only for the purpose of the specific development of road projects. These funds are kept in a separate bank account in the name of the Road Fund Administration. These accounts are projects recorded in the books of the Road Fund Administration with a corresponding liability as disclosed above which are undertaken and administered on behalf of the Government.

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	293,009,347	403,307,419
Non-financial instruments	173,139,088	147,592,980
	466,148,435	**550,900,399**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

12. Revenue

Fuel levies	1,301,799,216	1,636,441,097
Fuel levy refunds	(261,503,353)	(339,522,705)
Other Road User Charges	1,218,470,978	1,132,448,036
	2,258,766,841	**2,429,366,428**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

The amount included in revenue arising from exchange of goods or services included is as follows:

Vehicle license fees	839,465,127	793,364,410
Cross border charges	163,559,384	136,818,812
Mass distance charges-local	154,055,453	150,091,030
Mass distance charges-foreign	42,305,947	39,159,932
Abnormal permit fees	14,027,847	12,028,772
Road carrier permit fees	5,057,220	985,080
	1,218,470,978	**1,132,448,036**

13. Other income

Administration sundry income	10,265,470	766,999

14. Operating surplus

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

Auditor's remuneration - external		
Audit fees	942,233	2,081,561
Depreciation		
Depreciation of property, plant and equipment	4,191,842	4,348,414
Amortisation of intangible assets	117,712	-
Total depreciation and amortisation	**4,309,554**	**4,348,414**

Expenses by nature

The total operating expenses are analysed by nature as follows:

Depreciation	4,309,554	4,348,414
Other expenses	36,404,015	27,159,168
Transfer to Administration	137,112,229	118,986,346
Local Authorities	134,000,775	96,369,216
National road network expenditure - RA	2,165,592,942	1,798,221,058
Traffic Law Enforcement	26,206,524	23,750,201
National road network expenditure - RFA*	238,755,626	178,563,800
	2,742,381,665	**2,247,398,203**

*The expenditure comprises of the Etosha road project and the Low volume seal project.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

15. Impairment loss on trade and other receivables and property, plant and equipment

Heading		
Property, plant and equipment	(3,958,652)	(3,931,471)
Trade and other receivables	33,100	8,661,033
Accrued income - Fund	-	775,071
Government receivables	-	250
	(3,925,552)	**5,504,883**

16. Investment income

Interest income		
Investments in financial assets:		
Bank and cash	3,404,135	1,705,369
Trade and other receivables	-	2,585
Investments	55,030,216	46,273,221
Total interest income	**58,434,351**	**47,981,175**

17. Finance costs

Interest bearing borrowings	67,546,868	55,850,745

18. Cash (used in)/generated from operations

Surplus for the year	(477,436,319)	170,820,771
Adjustments for:		
Depreciation	4,309,554	4,348,414
Investment income	(58,434,351)	(47,981,175)
Finance costs	67,546,868	55,850,745
Fair value gains	(1,100,000)	(1,460,000)
Movement in impairment - property, plant and equipment	(3,908,744)	(3,931,471)
Changes in working capital:		
Trade and other receivables	(24,630,231)	291,998,448
Prepayments	26,135,271	-
Trade and other payables	(84,751,964)	175,905,876
	(552,269,916)	**645,551,608**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

19. Contingent liabilities

RA

The Fund is severally liable for the liabilities of it's related party, the Roads Authority. The operational and adminstrative budget of the RA is based on the funding available from the RFA thus ensuring that the possible exposure are continuously managed.

Other

The RFA terminated the contract with NewPoint Electronic Solutions (Pty) Ltd due to contractual disputes. The service provider is claiming N$3 720 098 for premature termination of the contract.

20. Related parties

Relationships

RFA distributes monies collected to RA for road maintenance, administration and systems	Roads Authority
RFA gives monies to the Local Authorities for urban road maintenance in respective Local Authority Council	Local Authorities
RFA receives monies from the Government of the Republic of Namibia	Ministry of Works and Transport (Unutilised Project Funds)
RFA gives monies to the Traffic Law Enforcement Agencies for law enforcement in their respective jurisdiction	Traffic Law Enforcement Agencies
RFA received loans from KfW	Kreditanstalt für Wiederaufbau (KfW)
Directors	Key management
Key management	Executive committee members
RFA is a Public Enterprise	Ministry of Finance

No further related party disclosures have been disclosed as the Administration has applied exemptions allowed for in IAS 24:

Related Party Disclosures.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

21. Government Road Projects

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

The balance at the end of the year is made up as follows:		
Balance at the beginning of the year	15,899,898	1,496,385
Movement during the year	(8,077,007)	14,403,513
	7,822,891	**15,899,898**
The amount is represented by:		
Project accounts included in bank balances	7,822,891	15,899,898

22. National Road Network Expenditure - RA

Roads Authority - NaTIS	9,593,526	145,056,709
Roads Authority - Construction and Rehabilitation	4,416,520	10,343,412
Roads Authority - Network Planning	24,226,115	21,781,965
Roads Authority - Maintenance	1,214,288,369	1,100,478,386
Roads Authority - Road Management	16,035,316	15,043,481
Roads Authority - Administration	535,432,023	407,103,578
Roads Authority - Road Transport Inspection	32,083,169	8,341,633
Roads Authority - Business Systems	43,202,155	53,168,761
Roads Authority - Overloads	20,764,869	-
Roads Authority - KfW Funded Project - Tses - Gogas Road	265,550,880	36,903,133
	2,165,592,942	1,798,221,058

23. Commitments

The following commitments were approved and authorized by the board of directors.

Not yet contracted		
One Stop Vehicle and Driving Testing centre in Windhoek (Natis Land)	87,000,000	82,800,000
Contracted		
Peter Nanyemba/Monte Christo dual carriage way (1st payment on 1 May 2025 and 2nd payment on 1 May 2026)	381,229,148	-

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

24. New Standards and Interpretations

24.1 Standards and interpretations effective and adopted in the current year

The standards and interpretations effective in the current year did not have a material impact on the operations of Fund

24.2 Standards and interpretations not yet effective

The Fund has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 1 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 1 Disclosure of Accounting Policies	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 1 Definition of Material	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 8- Disclosure of Accounting Policies	1 January 2023	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes- Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

25. Fair value information

Fair value hierarchy

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Fund can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

The Fund's financial instruments all fall under level 3 as the fair value of financial instruments approximates their carrying amounts due to their short term nature.

The fair value of the property, plant and equipment and investments property fall under level 3 and are as disclosed in notes 3 and 4 respectively.

Transfers of assets and liabilities within levels of the fair value hierarchy

There were no transfers between assets and liabilities within levels of the fair value hierarchy.

26. Roads Authority - provisions

Heading		
Administration cost	69,489,146	52,099,893
Retention	7,124,077	7,124,077
	76,613,223	**59,223,970**

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Revenue			
Fuel levies		1,301,799,216	1,636,441,097
Fuel levy refund		(261,503,353)	(339,522,705)
Other road user charges		1,218,470,978	1,132,448,036
	12	2,258,766,841	2,429,366,428
Other operating income			
Other income	13	10,265,470	766,999
Other operating gains (losses)			
Impairment loss on trade and other receivables and property, plant and equipment	15	3,925,552	(5,504,883)
Fair value gains		1,100,000	1,460,000
		5,025,552	**(4,044,883)**
Expenses (Refer to page 196)		**(2,742,381,665)**	**(2,247,398,203)**
Operating (deficit)/surplus	14	(468,323,802)	178,690,341
Investment income	16	58,434,351	47,981,175
Finance costs	17	(67,546,868)	(55,850,745)
(Deficit)/surplus for the year		**(477,436,319)**	**170,820,771**

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

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Other operating expenses			
Advertising		(966,668)	(956,114)
Amortisation	14	(117,712)	-
Auditors remuneration		(942,233)	(2,081,561)
Bank charges		(10,759,593)	(10,161,161)
Cleaning		-	(21,850)
Commission paid		(6,428,284)	(58,447)
Consulting and professional fees		(3,414,765)	(5,468,930)
Corporate items		(914,359)	(604,106)
Depreciation		(4,191,842)	(4,348,414)
Development of RUCS		(1,328,099)	-
Donations		(1,908,772)	(275,670)
Entertainment		(451,556)	(218,592)
IT expenses		(3,853,528)	(3,420,657)
Lease rentals on operating lease		(20,840)	-
Legal fees		(1,262,042)	(2,196,190)
Local Authorities		(134,000,775)	(96,369,216)
Minor asset expense		-	(3,836)
Motor vehicle expenses		-	(2,500)
Municipal expenses		-	(793,524)
National road network expenditure - RA		(2,165,592,942)	(1,798,221,058)
National road network expenditure - RFA		(238,755,626)	(178,563,800)
National road safety council		(1,856,000)	-
Printing and stationery		(559,671)	-
Repairs and maintenance		(1,084,822)	(211,292)
Research and development costs		(172,500)	-
Seminars and conferences		(90,565)	(109,578)
Subscriptions		(164,251)	(438,982)
Subsistence and travel		(217,907)	(136,178)
Traffic Law Enforcement agencies		(26,206,524)	(23,750,201)
Training		(7,560)	-
Transfer to Administration Account		(137,112,229)	(118,986,346)
		(2,742,381,665)	**(2,247,398,203)**

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

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	To manage the Road User Charging System (RUCS) in such a manner that it secures and allocates sufficient funding for the management of the national road network and certain related expenses with a view of achieving a safe and economically efficient road sector
Directors	Dr. E. Haiyambo M.S. Tjijenda J. Mnyupe I. Angula Dr. P. Johannes
Registered office	21 Feld Street Windhoek Namibia
Business address	21 Feld Street Windhoek Namibia
Postal address	Private Bag 13372 Windhoek Namibia
Bankers	Standard Bank Namibia
Auditors	Grand Namibia Chartered Accountants and Auditors
Secretary	Anna Matebele

CONTENTS

Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration (RFA) Act (Act 18 of 1999) (RFA Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Road Fund Administration-Administration (Administration) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Administration's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the Administration has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Administration's annual financial statements. The annual financial statements have been examined by the Administration's external auditors and their report is presented on pages 200 to 201.

The annual financial statements set out on pages 202 to 233, which have been prepared on the going concern basis, were approved by the directors on 18 August 2023 and were signed on their behalf by:

Director

18 August 2023

Director

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

To the Shareholder of ROAD FUND ADMINISTRATION – ADMINISTRATION

Opinion

We have audited the annual financial statements of Road Fund Administration- Administration account set out on pages 204 to 231, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Road Fund Administration – Administration account as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Road Fund Administration Act (Act 18 of 1999).

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 Annual Financial Statements section of our report. We are independent of the Road Fund Administration-Administration Account in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable in performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Board's responsibility for financial reporting, Detailed Statement of Surplus or Deficit and Other Comprehensive Income, the Road Fund Administration Integrated Annual Report which we obtained prior to the date of this auditor's report. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 that we 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

Responsibilities of the directors for the Annual Financial Statements

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

Independent Auditor's Report

Grand Namibia
Chartered Accountants & Auditors

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Road Fund Administration'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Road Fund Administration to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors 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.

Grand Namibia

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Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
22 September 2023

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the Administration for the year ended 31 March 2023.

1. Review of financial results and activities

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

The operating results and state of affairs of the Administration are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Directorate

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

Directors	Office	Designation	Nationality	Changes
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian	
M.S. Tjijenda	Director	Non-Executive	Namibian	
J. Mnyupe	Director	Non-Executive	Namibian	
I. Angula	Director	Non-Executive	Namibian	
O. Hiveluah	Director	Non-Executive	Namibian	Resigned 1 May 2022
Dr. P. Johannes	Director	Non-Executive	Namibian	Appointed 1 September 2022

3. Events after the reporting period

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

4. Going concern

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

The directors view that the Administration will continue operating as a going concern into the foreseeable future is predicated on the following reasons amongst others:

- The RFA's annual expenditure is limited to Road User Charges collected for that year, ensuring that the entity has no deficits in any year;
- The RFA has not reported any default on all its loans agreements;
- The RFA does not have any indication of unplanned sale of any non-current assets.

Directors' Report

5. Auditors

Grand Namibia Chartered Accountants and Auditors.

6. Secretary

The company secretary is Anna Matebele.

7. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the Board of directors on 22 August 2023.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$419,742 (2022: N$ 262,230).

Statement of Financial Position as at 31 March 2023

Figures in Namibia Dollar	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	3	1,414,658	1,744,911
Right-of-use assets	14	561,366	600,835
Intangible assets	4	124,525	168,958
		2,100,549	**2,514,704**
Current Assets			
Trade and other receivables	5	43,460,690	37,678,341
Cash and cash equivalents	6	550,316	622,148
		44,011,006	**38,300,489**
Total Assets		**46,111,555**	**40,815,193**
Equity and Liabilities		26,604,178	24,701,721
Equity			
Retained income			
Liabilities			
Non-Current Liabilities			
Lease liabilities	14	628,836	650,290
Current Liabilities			
Trade and other payables	8	13,074,262	10,194,655
Lease liabilities	14	23,743	21,439
Provisions	7	5,780,536	5,247,088
Total Liabilities		**18,878,541**	**15,463,182**
Total Equity and Liabilities		**19,507,377**	**16,113,472**
		46,111,555	**40,815,193**

Statement of Surplus or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Revenue	9	137,112,229	118,986,346
Other operating income	15	780,685	736,901
Other operating expenses		(135,923,029)	(117,531,296)
Operating surplus	10	**1,969,885**	**2,191,951**
Finance costs	16	(67,428)	(69,318)
Surplus for the year		**1,902,457**	**2,122,633**

Statement of Changes in Equity

Figures in Namibia Dollar	Note(s)	2023	2022
Balance at 1 April 2021		22,579,088	22,579,088
Surplus for the year		2,122,633	2,122,633
Balance at 1 April 2022		24,701,721	24,701,721
Surplus for the year		1,902,457	1,902,457
Balance at 31 March 2023		26,604,178	26,604,178

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from customers		131,312,200	114,577,224
Cash paid to suppliers and employees		(130,883,878)	(114,391,762)
Cash generated from operations	11	428,322	185,462
Finance costs		(67,428)	(69,318)
Net cash from operating activities		**360,894**	**116,144**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(419,742)	(262,230)
Sale of property, plant and equipment	3	6,166	-
Purchase of other intangible assets	4	-	(106,109)
Net cash from investing activities		**(413,576)**	**(368,339)**
Cash flows from financing activities			
Payment on lease liabilities		(19,150)	(27,761)
Total cash movement for the year		**(71,832)**	**(279,956)**
Cash at the beginning of the year		622,148	902,104
Total cash at end of the year	6	**550,316**	**622,148**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period except for new and revised interpretations implemented during the year. See note 13 for further details.

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Significant judgement

Trade and other receivables - impairment

The impairment provision for trade and other receivables are based on assumptions about the risk of default and expected loss rates. The Administration uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Administration's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to note 5 to the annual financial statements.

Other judgements

Impairment testing

The Administration reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Judgement is required in estimating the recoverable amount.

Useful lives of property, plant and equipment

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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

Provisions

Provisions are inherently determined based on assumptions and estimates using the best information available at the reporting date.

1.3 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Administration, and the cost of the item can be measured reliably.

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Right of use assets	Straight line	Shorter of lease term or useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computer Equipment	Straight line	3 years

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

1.5 Financial instruments

Recognition and initial measurement

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

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

Financial assets

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

Classification

On initial recognition, the Administration classifies financial assets as measured at amortised cost or fair value through surplus and deficit (FVTSD).

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

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

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in surplus or deficit as an impairment loss on trade receivables. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term liquid investments with original maturities of less than twelve months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Offsetting of financial assets and financial liabilities

A right to set -off may be currently available or it may be contingent on a future event. Even if the right of set-off is not contingent on a future event, it may be legally enforeable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy, of one or all of the counterparts.

Impairment of financial assets

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

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

(i) Significant increase in credit risk

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

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

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

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

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

Accounting Policies

1.5 Financial instruments (continued)

(iii) Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

Accounting Policies

1.5 Financial instruments (continued)

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

Financial liabilities

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

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

Trade and other payables

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

Other financial liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings are recognised over the term of the borrowings in accordance with the Administration's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

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

1.6 Tax

Income taxation

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

Accounting Policies

1.7 Leases

Administration as lessee

The Administration assesses whether a contract is or contains a lease, at inception of the contract. The Administration recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short -term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture, equipment and telephones). For these leases, the Administration recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Administration uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Administration remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Administration did not make any such adjustments during the periods presented.

Accounting Policies

1.7 Leases (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Administration incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37: Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Administration expects to exercise a purchase option, the related right -of -use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Administration applies IAS 36: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' accounting policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in surplus or deficit.

1.8 Impairment of assets

The Administration assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

If any such indication exists, the Administration estimates the recoverable amount of the asset.

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

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

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

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

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

Accounting Policies

1.7 Leases (continued)

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

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

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

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

Accounting Policies

1.11 Revenue from contracts with customers

The Fund recognises revenue from the following major sources:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognises revenue when it transfers control of a product or service to a customer.

1.12 Investment income

Interest income

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

1.13 Capital contribution

Revenue comprise of fair value of grants received and receivable from the Fund Account of the Road Fund Administration.

Revenue is recognised at nominal value on accrual basis.

The Administration recognises revenues from non-exchange transactions when the event occurs and the resulting asset's recognition criteria are met.

An inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

(a) it is probable that the future economic benefits associated with the asset will flow to the entity; and

(b) the fair value of the asset can be measured reliably.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	5	42,524,269	42,524,269	42,524,269
Cash and cash equivalents	6	550,316	550,316	550,316
		43,074,585	**43,074,585**	**43,074,585**

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	5	37,524,269	37,524,269	37,524,269
Cash and cash equivalents	6	622,148	622,148	622,148
		38,146,417	**38,146,417**	**38,146,417**

Financial risk management

Overview

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

The fair values of all the Administration's financial assets (cash and cash equivalents and trade and other receivables) and liabilities (trade and other payables and lease liabilities) approximate their carrying value due to the short-term nature.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of cash deposits, bank and cash and trade and other receivables. The Administration only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade and other receivables arise from grants received and receivable from the Fund Account of the Road Administration. It is managed based on the approved budget and fund transfers between the two entities.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2023 Gross carrying amount	2023 Credit loss allowance	2023 Amortised cost / fair value	2022 Gross carrying amount	2022 Credit loss allowance	2022 Amortised cost / fair value
Trade and other receivables	5	42,524,269	-	42,524,269	37,524,269	-	37,524,269
Cash and cash equivalents	6	550,316	-	550,316	622,148	-	622,148
		43,074,585	**-**	**43,074,585**	**38,146,417**	**-**	**38,146,417**

Liquidity risk

The Administration is exposed to liquidity risk, which is the risk that the Administration will encounter difficulties in meeting its obligations as they become due. The Administration manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows (i.e through an ongoing review of future commitments). The financing requirements are met through funding from the Fund.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2023

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Lease liabilities		63,045	86,579	259,737	798,440	(578,964)	628,836
Current liabilities							
Trade and other payables	8	2,837,778	-	-	-	-	2,837,778
Lease liabilities		23,743	-	-	-	-	23,743
		2,924,566	**86,579**	**259,737**	**798,440**	**(578,964)**	**3,490,357**

2022

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Interest	Carrying amount
Non-current liabilities							
Lease liabilities		86,579	86,579	252,696	892,053	(646,184)	650,290
Current liabilities							
Trade and other payables	8	1,007,714	-	-	-	-	1,007,714
Lease liabilities		21,439	-	-	-	-	21,439
		1,115,732	**86,579**	**252,696**	**892,053**	**(646,184)**	**1,679,443**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

2. Financial instruments and risk management (continued)

Interest rate risk

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

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

The Administration's interest rate risk results mainly from its exposure to interest on short term fund invested and lease liabilities as demostrated below. Any realistic fluctuation in interest rates would not have a material impact on the Administration's surplus and equity.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss:				
Bank and cash	6,378	(6,378)	6,221	(6,221)
Lease liabilities	(6,525)	6,525	(6,717)	6,717
Total impact on surplus or deficit	**(147)**	**147**	**(496)**	**496**
Impact on equity:				
Bank and cash	6,378	(6,378)	6,221	(6,221)
Lease liabilities	(6,525)	6,525	(6,717)	6,717
Total impact on equity	**(147)**	**147**	**(496)**	**496**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

3. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fittings	3,201,944	(2,085,319)	1,116,625	3,202,594	(1,820,007)	1,382,587
Motor vehicles	3,591,605	(3,591,605)	-	3,591,605	(3,591,605)	-
Office equipment	540,527	(536,115)	4,412	534,293	(534,293)	-
Computer equipment	6,830,760	(6,537,139)	293,621	6,427,476	(6,065,152)	362,324
Total	**14,164,836**	**(12,750,178)**	**1,414,658**	**13,755,968**	**(12,011,057)**	**1,744,911**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fittings	1,382,587	9,284	(6,166)	(269,080)	1,116,625
Office equipment	-	7,174	-	(2,762)	4,412
Computer equipment	362,324	403,284	-	(471,987)	293,621
	1,744,911	**419,742**	**(6,166)**	**(743,829)**	**1,414,658**

	Opening balance	Additions	Depreciation	Total
Furniture and fittings	1,650,209	4,152	(271,774)	1,382,587
Motor vehicles	239,426	-	(239,426)	-
Computer equipment	840,314	258,078	(736,068)	362,324
	2,729,949	**262,230**	**(1,247,268)**	**1,744,911**

Pledges and security

There were no assets pledged for security during the year under review (2022: none)

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

4. Intangible assets

	2023 Cost / Valuation	2023 Accumulated amortisation	2023 Carrying value	2022 Cost / Valuation	2022 Accumulated amortisation	2022 Carrying value
Computer software	9,661,964	(9,537,439)	124,525	9,661,964	(9,493,006)	168,958

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	168,958	(44,433)	124,525

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	120,520	106,109	(57,671)	168,958

5. Trade and other receivables

	2023	2022
Road Fund Administration - Fund receivable	43,210,043	37,500,000
Sundry debtors	24,269	24,269
Non-financial instruments:		
Employee costs in advance	226,378	154,072
Total trade and other receivables	**43,460,690**	**37,678,341**

Split between non-current and current portions

	2023	2022
Current assets	43,460,690	37,678,341

Financial instrument and non-financial instrument components of trade and other receivables

	2023	2022
At amortised cost	43,234,312	37,524,269
Non-financial instruments	226,378	154,072
	43,460,690	**37,678,341**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

5. Trade and other receivables (continued) Exposure to credit risk

Trade and other receivables inherently expose the Administration to credit risk, being the risk that the Administration will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade and other receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade and other receivables which have been written off are not subject to enforcement activities.

The Administration measures the loss allowance for trade and other receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade and other receivables is determined as the lifetime expected credit losses on trade and other receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period to those of the previous period.

The Administration considers that its other receivables from the Fund account have low credit risk based on the payment history and forward looking information.

The loss allowance provision is determined as follows:

	2023 Estimated gross carrying amount at default	2023 Loss allowance (Lifetime expected credit loss)	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Trade and other receivables				
Not past due: 0% (2022: 0%)	43,210,043	-	37,500,000	-
Sundry Debtors				
Not past due: 0% (2022: 0%)	24,269	-	24,269	-
Employees cost in Adavnce				
Not past due: 0% (2022: 0%)	226,378	-	154,072	-
Total	**43,460,690**	-	**37,678,341**	-

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to their short term nature.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	4,121	4,057
Bank balances	546,195	618,091
	550,316	**622,148**

Certain bank accounts with credit balances which were settled in the subsequent financial period were set-off against bank accounts with debit balances.

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

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

Credit rating		
Standard Bank Namibia (BB+Fitch credit ratings)	546,195	618,091

7. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Utilised during the year	Total
Leave pay provision	5,247,088	780,988	(247,540)	5,780,536

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Total
Leave pay provision	5,248,821	506,396	(508,129)	5,247,088

8. Trade and other payables

Financial instruments:		
Trade payables	2,837,778	1,007,716
Other payables	10,236,484	9,186,939
	13,074,262	**10,194,655**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	2,837,776	1,007,716
Non-financial instruments	10,236,484	9,186,939
	13,074,262	**10,194,655**

Fair value of trade and other payables
The fair value of trade and other payables approximates their carrying amounts due to their short term nature.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

9. Capital Contribution

Transfer from Fund	137,112,229	118,986,346

10. Operating profit (loss)

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

Depreciation and amortisation		
Depreciation of property, plant and equipment	743,829	1,247,268
Depreciation of right-of-use assets	39,469	48,776
Amortisation of intangible assets	44,433	57,671
Total depreciation and amortisation	**827,731**	**1,353,715**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	106,389,580	96,019,204
Lease expenses	265,548	89,924
Depreciation and amortisation	827,731	1,353,715
Other expenses	28,440,170	20,068,453
	135,923,029	**117,531,296**

11. Cash generated from operations

Surplus for the year	1,902,457	2,122,633
Adjustments for:		
Depreciation and amortisation	827,731	1,353,715
Finance costs	67,428	69,318
Movements in provisions	533,448	(1,733)
Changes in working capital:		
Trade and other receivables	(5,782,349)	(4,409,122)
Trade and other payables	2,879,607	1,050,651
	428,322	**185,462**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

12. Related parties

Relationship	Related Party
RFA Administration undertakes the management of the RFA Fund	Road Fund Administration - Fund
Key management	Directors and executive management

No further related party disclosures have been disclosed as the Administration has applied exemptions allowed for in IAS 24:

Related Party Disclosures.

Compensation to directors and other key management	2023	2022
Directors Emoluments - Board	739,161	723,754

13. New Standards and Interpretations

13.1 Standards and Interpretations early adopted

The standards and interpretation effective in the current year did not have a material impact on the operations of the Administration

13.2 Standards and interpretations not yet effective

The Administration has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Administration's accounting periods beginning on or after 1 April 2023 or later periods:

	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2099	Unlikely there will be a material impact
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	1 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022

14. Leases (Administration as lessee)

The Administration leases several assets, including buildings, plant and IT equipment. The average lease term is from 2 to 18 years (2022: 2 to 18 years).

Details pertaining to leasing arrangements, where the Administration is lessee are presented below:

Right of use assets

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Buildings	561,366	600,835

Additions to right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in surplus or deficit (note 10), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	39,469	48,776

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	86,787	86,579
One to two years	86,579	86,579
Two to five years	259,737	252,696
More than five years	798,440	892,059
Less finance charges component	1,231,543	1,317,913
Present value of minimum lease payments	(578,964)	(646,184)
	652,579	**671,729**
Non-current liabilities	628,836	650,290
Current liabilities	23,743	21,439
	652,579	**671,729**

The organisation has entered into finance leases for certain property.

All leases have fixed repayments and with an effective interest rate of 10% (2022 : 10%).

The organisation's obligations under finance leases are secured over right of use assets with a net book value of N$ 561,366 (2022: N$ 600,835).

Monthly instalments for finance leases amount to N$ 7,215 (2022: N$ 7,215).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2023	2022
15. Other operating income		
NTA refund	60,885	319,882
Sundry income	716,670	417,019
Interest received	3,130	-
	780,685	**736,901**
16. Finance costs		
Interest paid - leases	**67,428**	**69,318**

17. Fair value information Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Administration can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Transfers of assets and liabilities within levels of the fair value hierarchy

There were no transfers between assets and liabilities within levels of the fair value hierarchy.

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Transfer from Fund and other income			
Capital contribution		137,112,229	118,986,346
Other operating income			
Other recoveries		60,885	319,882
Sundry income		716,670	417,019
Interest received		3,130	-
	15	**780,685**	**736,901**
Expenses (Refer to page 233)		(135,923,029)	(117,531,296)
Operating surplus	10	1,969,885	2,191,951
Finance costs	16	(67,428)	(69,318)
Surplus for the year		**1,902,457**	**2,122,633**

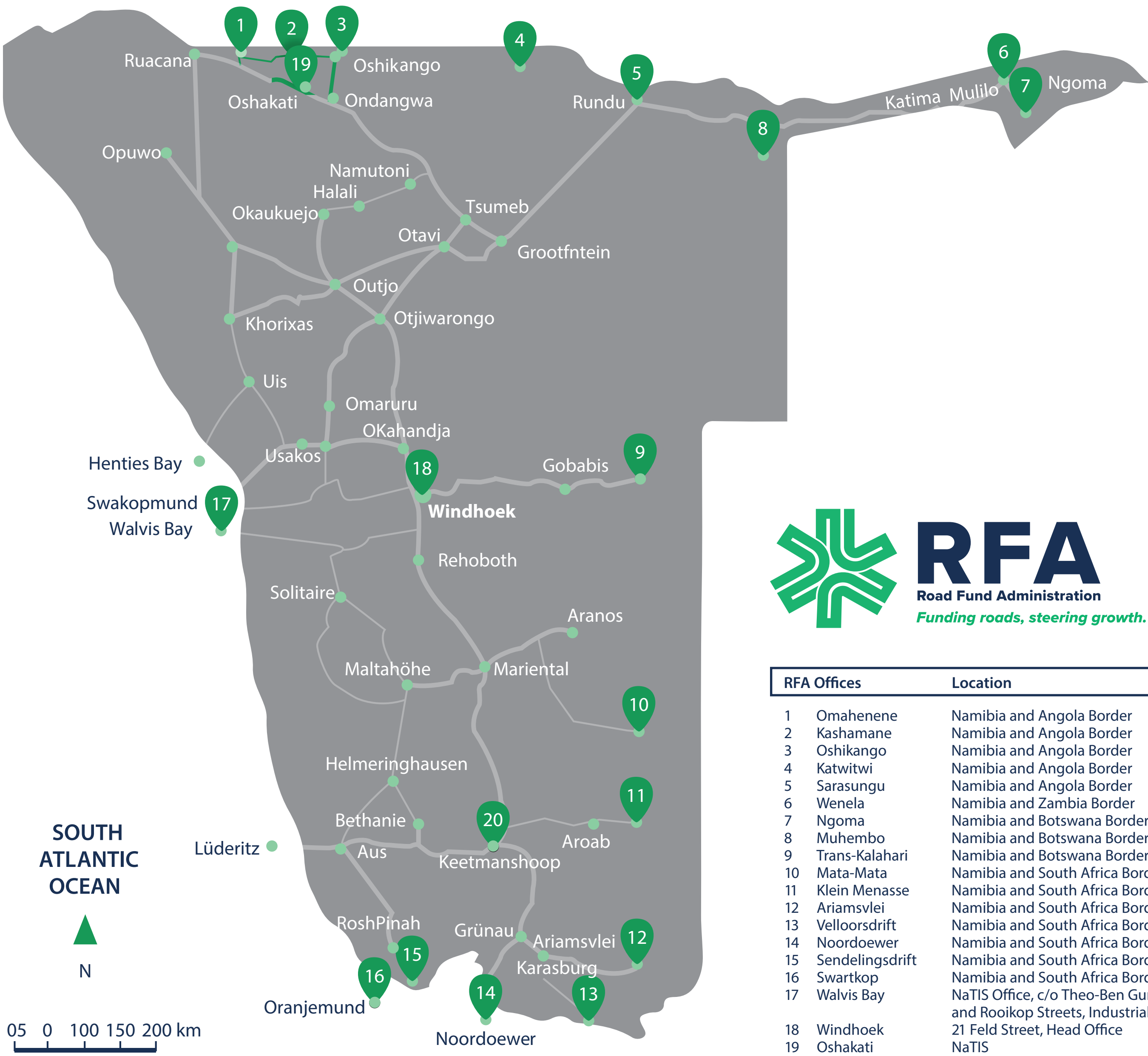
Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2023	2022
Other operating expenses			
Advertising		(157,240)	(252,443)
Amortisation		(44,433)	(57,671)
Bank charges		(49,688)	(48,170)
Cleaning		(542,358)	(545,611)
Computer expenses		(1,569,666)	(1,069,452)
Consulting and professional fees		(1,027,186)	(603,056)
Consumables		(1,281,097)	(684,795)
Depreciation		(783,298)	(1,296,044)
Donations		(396,209)	(590,835)
Employee costs		(106,389,580)	(96,019,204)
Entertainment		(1,152,878)	(563,701)
IT expenses		(2,104,900)	(1,655,798)
Insurance		(663,343)	(400,458)
Lease rentals on operating lease		(265,548)	(89,924)
Minor assets expenses		(36,909)	50,666
Motor vehicle expenses		(1,384,573)	(854,136)
Municipal expenses		(2,591,774)	(1,636,078)
Postage		(216,328)	(212,101)
Printing and stationery		(379,250)	(864,554)
Promotions		(216,144)	(311,674)
Repairs and maintenance		(1,032,082)	(1,037,114)
Security		(2,420,025)	(1,408,204)
Seminars and conferences		(208,242)	(152,870)
Staff welfare		(747,353)	(312,595)
Study grants		(62,530)	-
Subscriptions		(721,312)	(385,014)
Telephone and fax		(1,849,487)	(1,692,218)
Training		(452,051)	(808,693)
Training levy		(932,022)	(871,441)
Travel - local		(6,245,523)	(3,158,108)
		(135,923,029)	**(117,531,296)**

ABBREVIATIONS

AAs:	Approved Authorities
AIRCC:	Audit, Investment, Risk and Compliance Committee
ARMFA:	African Road Maintenance Fund Association
Bl-km:	Blade kilometre
CBCs:	Cross Border Charges
CEO:	Chief Executive Officer
CPBN:	Central Procurement Board of Namibia
ERM:	Enterprise Risk Management
ERP:	Enterprise Resource Planning
EXCO:	Executive Committee
FY:	Financial Year
GDP:	Gross Domestic Product
ICT:	Information, Communication and Technology
ISBP:	Integrated Strategic Business Plan
KfW:	Kreditanstalt für Wiederaufbau
LAs:	Local Authorities
MDCs:	Mass Distance Charges
NRSC:	National Road Safety Council
PMPA:	Programme Management, Policy and Advice
RA:	Roads Authority
RCs:	Regional Councils
RFA:	Road Fund Administration
RF:	Road Fund
RUCs:	Road User Charges
RUCS:	Road User Charging System
TLE:	Traffic Law Enforcement
VAT:	Value Added Tax

OUR NATIONAL **FOOTPRINT**



RFA
Road Fund Administration
Funding roads, steering growth.

RFA Offices		Location
1	Omahenene	Namibia and Angola Border
2	Kashamane	Namibia and Angola Border
3	Oshikango	Namibia and Angola Border
4	Katwitwi	Namibia and Angola Border
5	Sarasungu	Namibia and Angola Border
6	Wenela	Namibia and Zambia Border
7	Ngoma	Namibia and Botswana Border
8	Muhembo	Namibia and Botswana Border
9	Trans-Kalahari	Namibia and Botswana Border
10	Mata-Mata	Namibia and South Africa Border
11	Klein Menasse	Namibia and South Africa Border
12	Ariamsvlei	Namibia and South Africa Border
13	Velloorsdrift	Namibia and South Africa Border
14	Noordoewer	Namibia and South Africa Border
15	Sendelingsdrift	Namibia and South Africa Border
16	Swartkop	Namibia and South Africa Border
17	Walvis Bay	NaTIS Office, c/o Theo-Ben Gurirab and Rooikop Streets, Industrial Area
18	Windhoek	21 Feld Street, Head Office
19	Oshakati	NaTIS
20	Keetmanshoop	Roads Authority Building, Mittel Street

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