RFA

Road Fund Administration

Funding roads, steering growth.

INTEGRATED

ANNUAL REPORT

SHIFTING TOWARDS COLLECTIVE SUSTAINABLE GROWTH

ABOUT THE THEME

"SHIFTING TOWARDS COLLECTIVE SUSTAINABLE GROWTH"

The RFA observed a shift towards delivery of both, sustainable growth within our organisation as well as funding sustainable road infrastructure geared towards national development, in the reporting period. This Integrated Annual Report (IAR) thus highlights the innovations implored by the RFA in funding road infrastructure that connects various economic sectors in the post-Covid recovery era. Central to the activities of this reporting period was a shift towards a new way of thinking, new ways of delivering on our mandate and new ways in which RFA engaged with its stakeholders. This agenda was particularly driven by our human capital, which was central to ensuring that RFA met its annual objectives.

OUR LOGO

Roads carry an emotional resonance. They stir up feelings of freedom, adventure and excitement. They 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.

RFA
Road Fund Administration
Funding roads, steering growth.

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 THE INTEGRATED ANNUAL REPORT

SCOPE

This IAR covers RFA's performance for the Financial Year ended 31 March 2022 (FY2022). 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 aims at providing 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 2023 (FY2023) and beyond.

REPORTING GUIDELINES

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

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 the date of publication of this report or to reflect the occurrence of unanticipated events.

APPROVAL AND ASSURANCE

The Board acknowledges its responsibility to ensure the integrity of this 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 where audited by Grand Namibia and approved by the Board on 18 August 2022.

Dr Emma Haiyambo
Board Chairperson

Ali Ipinge
Chief Executive Officer

ABOUT THE RFA

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 with the purpose 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, contributing to national development goals.

MISSION

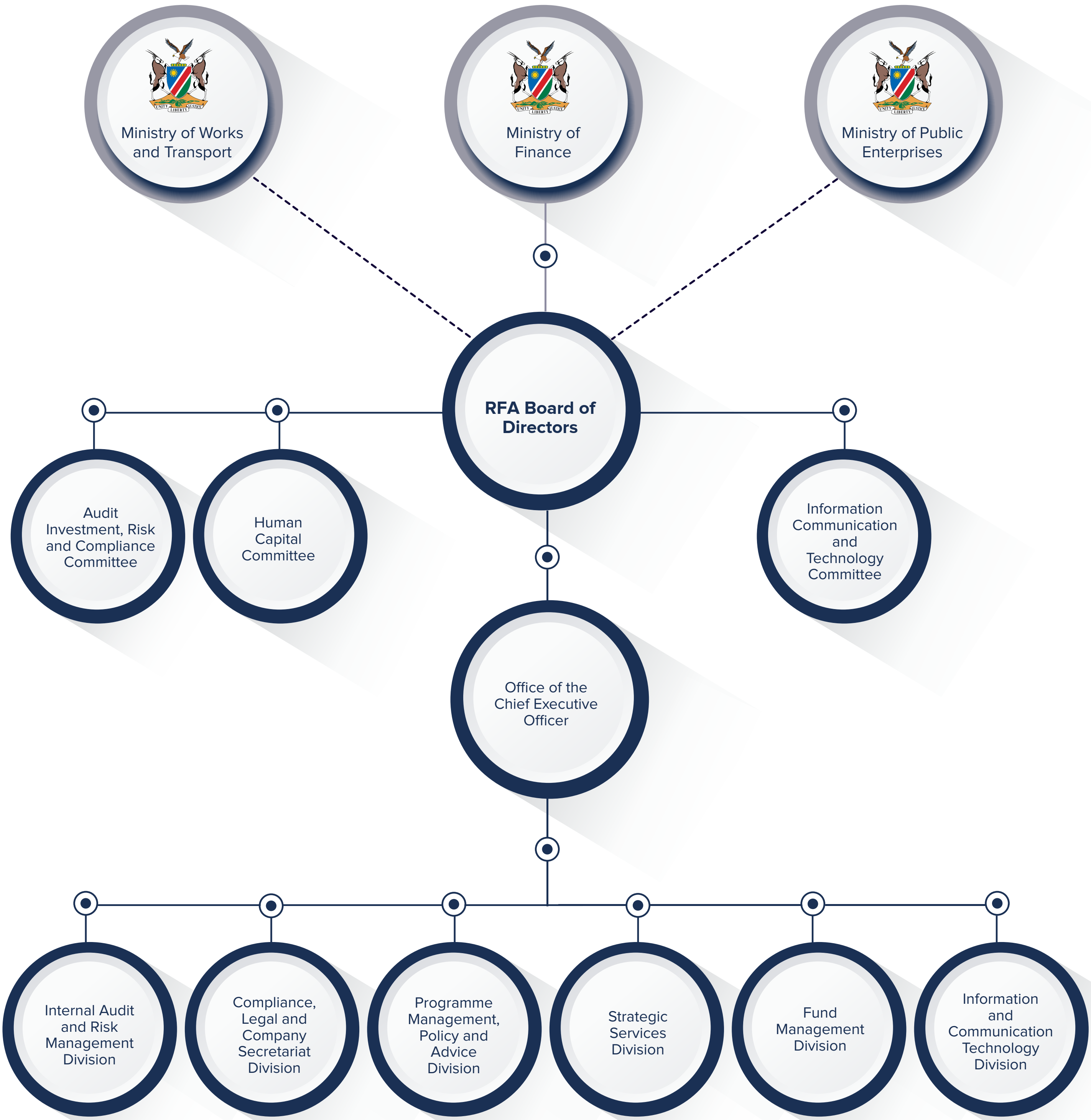
To manage Namibia's Road User Charging System to provide optimum funding for an equitable, safe and economically efficient road sector, for the benefit of road users.

CORE VALUES

#SHINE

S	**SERVICE EXCELLENCE** We embrace the highest possible performance standards to delight our stakeholders
H	**HONOUR** We account for our decision and actions as stewards of RFA
I	**INTEGRITY** We inspire trust through honesty, transparency and ethical dealings
N	**INNOVATION** We pursue creative ways to deliver on our mandate
E	**EMPOWERMENT** We embrace diversity, equity and life-long learning. Therefore, we empower ourselves and the stakeholders that we serve

CORPORATE STRUCTURE



OUR BUSINESS MODEL

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

RUCs are accrued in the RF and this income is allocated primarily to projects and programmes dedicated to the preservation and development of the national road network and major urban arterial roads.

Contributions are also made towards the maintenance of urban roads, traffic information systems, traffic law enforcement, adjudication and safety, as well as road research.

REVENUE

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

The collection of CBCs and MDCs is directly managed by the RFA through its 20 offices countrywide. The Vehicle Registration, License Fees and Abnormal Load Fees are collected by NaTIS (Roads Authority), as a collection agent. Fuel Levies are collected by various 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. In order to accomplish this, the RFA requires budgets from the RA and other AAs for projects and programmes to be funded from the RF. Budgets are assessed for compliance with the provisions of the RFA Act and for compliance with the generally accepted technical, transportation, economic and financial practices.

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

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

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

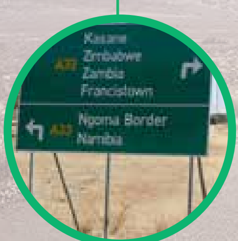
Abnormal load fees are based on the user-pay principle and relate to the compensation paid by abnormal vehicles for damage and / or obstruction caused to the road infrastructure. An abnormal load is defined as an indivisible (for practical purposes) object that, due to its dimensions and / or mass, cannot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

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.

EXTENDED BUSINESS MODEL CANVAS 2021-2026

RFA
Road Fund Administration
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- **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
- Ministry of Works and Transport
- Ministry of Urban and Rural Development

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

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

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

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

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

Key Metrics

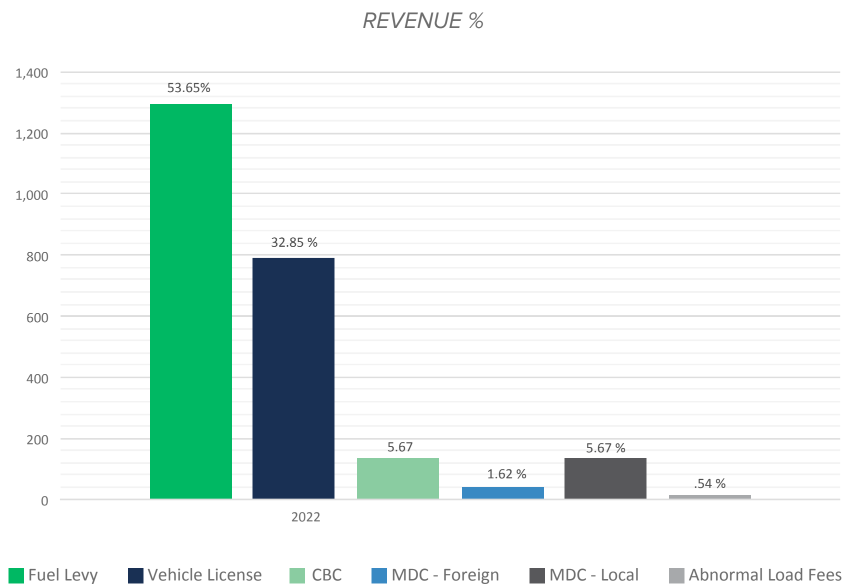
Vehicle population	380,000
Average Traveling Distance	140,000km
Gravel Road Thickness	17mm
Roughness Index (1-7)	3.2

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

REVENUE STREAMS



Total	**2.4 Billion**
Fuel Levy	1.3 Billion
Vehicle License	793 Million
CBC	137 Million
MDC - Foreign	39 Million
MDC - Local	150 Million
Abnormal Load Fees	12 Million
Road Carrier Permits	1 Million

OUR VALUE CREATION 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 customer

- 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

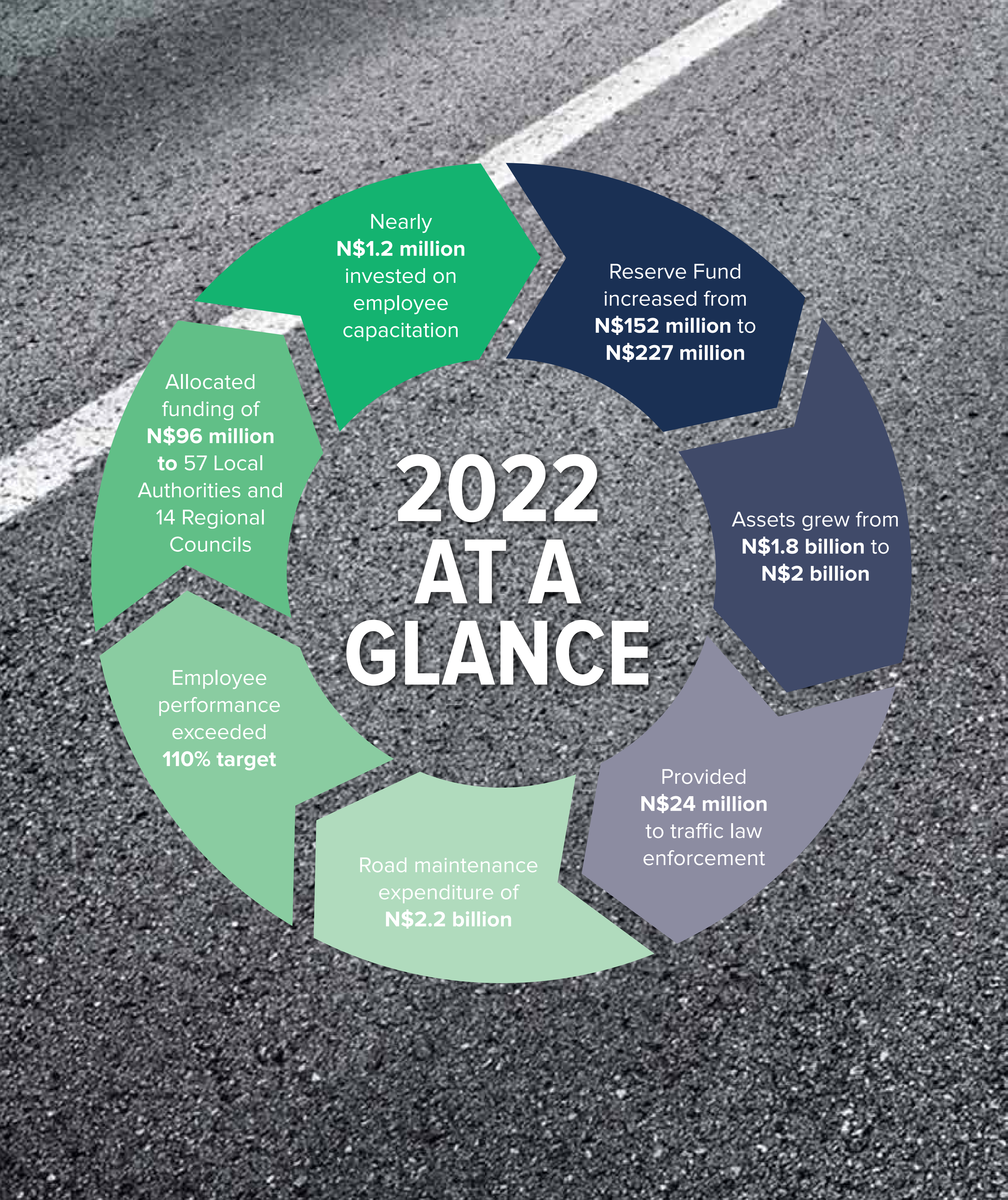
Learning & Growth

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

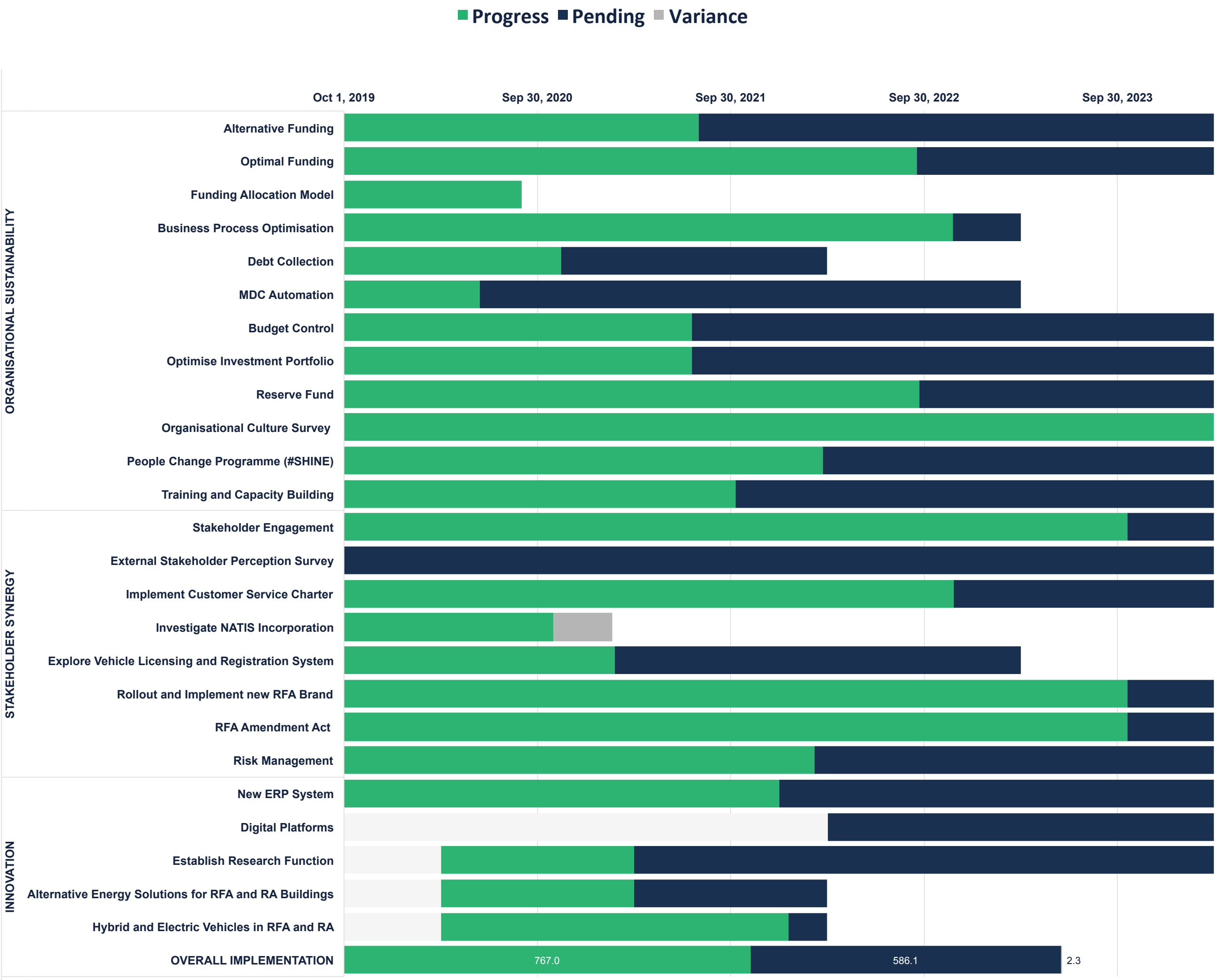
CAPITALS	OUTCOMES
Financial Capital	• Total Revenue of N$2.4 billion • Total Assets of N$2 billion • Road maintenance expenditure of N$2.2 billion • Strong balance sheet, liquidity and solvency ratios • N$96 million spent on Local Authorities and Regional Councils • N$24 million allocated to traffic law enforcement • Six consecutive years of unqualified audit reports
Intellectual Capital	• Positive relationships with key stakeholders • Regional road funds benchmark with RFA • Occupy the ARMFA presidency • Internal goodwill (performance score of 3.8/5) • Recognition agreements with Trade Unions (NAPWU)
Human Capital	• 142 employees • Employee performance exceeds 110% target • 63% female employees • Employee turnover low at 1% • Nearly N$1.2 million invested on employee capacitation
Manufactured Capital	• 100% ICT infrastructure availability • RFA users only 4.6% “Phish-prone” • 90% COBIT 2019 compliance • The Digitalisation Framework 2020 is being implemented
Social And Relationship Capital	• RFA signed procedure agreements with all approved Local Authorities and Traffic Law Enforcement • Secured funding from local and international financial institutions • Invested in various social investment initiatives (sport, education, Covid-19 etc) as well as the flagship festive roads safety campaign
Natural Capital	• Installed solar panels at the Head Office • Acquired a Hybrid electric vehicle


2022 AT A GLANCE
Nearly N$1.2 million invested on employee capacitation
Reserve Fund increased from N$152 million to N$227 million
Assets grew from N$1.8 billion to N$2 billion
Provided N$24 million to traffic law enforcement
Road maintenance expenditure of N$2.2 billion
Employee performance exceeded 110% target
Allocated funding of N$96 million to 57 Local Authorities and 14 Regional Councils

2019- 2024 ISBP
– MEDIUM TO LONG TERM MEASURES AND TARGETS

Multi-Year Strategy Execution

RFA ISBP IMPLEMENTATION PLAN



“Despite the lingering effects of the pandemic and uncertainty in the growth outlook, there is optimism that the domestic economy will experience a much-improved performance growth of 3.2% in 2022.”

BOARD CHAIRPERSON'S REPORT

DR. EMMA HAIYAMBO

BOARD CHAIRPERSON'S REPORT

On behalf of the Board, it is my privilege to share an update from a much-improved position compared to just one year ago.

In the same context, the operating environment is – in no uncertain terms – complex and challenging. It is rapidly evolving, not only technologically, but there are also numerous regulatory, legal, socio-political and environmental shifts like the war in Ukraine and its imposing implications which have had a huge impact on our operations.

Despite the lingering effects of the Covid-19 pandemic and uncertainty in the growth outlook, there is optimism that the domestic economy will experience a much-improved growth performance of 3.2% in 2022, driven by increased mining activities and base effect recoveries in primary and tertiary industries which by extension, bodes well for the RFA as these sectors are huge consumers of fuel and will thus bolster the recovery in national fuel demand. Increased investments in ICT, logistics and energy generation are also expected to improve the productive capacity in the economy going forward, leading to more positive growth prospects. While the latest geopolitical tension in Ukraine adds to the uncertainty in the growth outlook, we are cautiously optimistic that we will see improved performance in growth.

Our goal for the year was sustainability, which meant getting several fundamentals right. This also meant continuing prudent cost management, improving the quality of earnings and increasing margins to better manage the national road network. Our results reflect the outcome of these efforts and we have built a strong platform for the coming financial year.

Dr. Emma Haiyambo

Central to our strategic thrust in the year, sealing of high trafficked gravel roads, where appropriate, to a low volume seal roads was prioritised to improve the drive quality, preserve scarce road construction materials and reduce routine maintenance costs. This endeavour which will be carried through in this coming year provides a basis with which we can better maintain and revamp our national road network.

We are however cognisant of the fact that as the road network ages, the maintenance needs will only increase. For this reason, 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, whilst optimising other road user charges.

Our success is thus underpinned by transformation which is driven by both our internal and external stakeholders. This has been reflected in a number of interventions that RFA undertook during the reporting period.

Among these, RFA deployed nearly N$1.2 million on employee capacitation to enable a skilled, agile and focussed workforce for the future. Further, we have upheld our process of strategy introspection and consultation which we have continuously had through our business plan consultations to mitigate inflation risks to the business. This year was no different as we sourced valuable input from our stakeholders to enhance our sustainability.

With this path, we are confident that RFA will still maintain its strategic posture to be the best quality and best cost-effective road fund on the continent. Research shows that Namibia remains in the elite strategic group with high quality roads and high road connectivity alongside the USA, Saudi Arabia, Canada and Spain.

As a Board, we acknowledge that RFA has a responsibility beyond its shareholders. We recognise that we have a role to play in ensuring effective custodianship of the environment, being a responsible social participant and ensuring good governance. We also acknowledge that the transition to a low carbon world requires significant change, and while that change presents major opportunities for many, it presents risks and anxieties for others particularly the road sector, which stands to suffer considerably due to reduction of fuel consumption. However, we have a role in supporting host communities to thrive through and beyond this change. Together with our stakeholders, we aim to be part of creating environmentally and socially sustainable jobs and a progressive roads sector in support of a 'Just Transition'.

In conclusion, I would like to thank all our stakeholders for their continued support as we endeavour to realise a challenging corporate transformation amid unprecedented times. I wish to express my gratitude to my fellow Board members for their commitment and wise counsel over the past year and my appreciation to the executive team and employees for stabilising the RFA against the backdrop of the on-going pandemic and geo-political tensions.

Dr. Emma Haiyambo
Board Chairperson

CORPORATE GOVERNANCE

Strategic Objective:
By 2024, RFA should have promulgated secondary legislation and be reputable for unquestionable governance practices.

GOVERNANCE FRAMEWORK

The Board is responsible to support, provide policy guidance to management and to ensure that the organisation operate in a manner that promotes the long term success of the RFA. It is collectively responsible to provide leadership, promote and safeguard 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.No.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 on 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, collectively and individually, 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, all directors have full and timely access to the information required to discharge their responsibilities effectively.

The Board has access to the advice and services of the Company Secretary, other members of the RFA's management and employees.

APPOINTMENT OF DIRECTORS

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

CHANGES TO THE BOARD OF DIRECTORS

There were no changes to the Board in the period under review.

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 meeting. Disclosure of interest is a standing item on the agenda for each board and committee meeting and where there is a conflict of interest declared, a board member is excused from an agenda item.

DIRECTORS' FEES

Directors are remunerated according to the Public Enterprise Directive on Board remuneration, as shown in the table below:

PERIOD: 01 APRIL 2021 TO 31 MARCH 2022	
Mr. J.Y. Mnyupe	131 430.36
Mr. O. Hiveluah	155 448.87
Dr. E. Haiyambo	154 886.70
Ms. M. Tjijenda	139 414.40
Mr. I. Angula	142 573.89
TOTAL BOD REMUNERATION 2021-2022	**723 754.22**

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 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:

01 APRIL 2021 TO 31 MARCH 2022

NAME OF DIRECTOR	BOARD	BOARD MEETINGS ATTENDED	HR COMMITTEE	HR COMMITTEE MEETINGS ATTENDED	ICT COMMITTEE	ICT MEETINGS ATTENDED	AIRCC COMMITTEE	AIRCC MEETINGS ATTENDED
Dr. Emma Haiyambo	Chairperson	6/6	Member	3/3	-	-	-	-
Ms. Melanie Tjijenda	Member	6/6	-	-	Chairperson	4/4	Alternate Member	1/6
Mr. Isdor Angula	Member	6/6	Chairperson	3/3	-	-	-	-
Mr. James Mnyupe	Member	2/6	-	-	-	-	Chairperson	6/6
Mr. Oshoveli Hiveluah	Member	4/6	-	-	Member	4/4	Member	6/6

KEY BOARD ACTIVITIES FOR 2022

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

- RFA Annual Audited Financial Statements for the Road Fund, Administration, Fund and Consolidated Accounts, for the FY 2020/2021
- The RFA Business Plan for the period FY 2022-2027
- The Government Financial Statements for the FY 2020/2021
- RFA Administration Budget for the FY 2022/2023
- Approved The RFA Integrated Annual Report FY 2020/2021

The Board approved various RFA policies during the period under review, as listed below:

- ICT Governance Charter
- ICT Equipment Replacement Policy
- Housing Policy
- Internship Policy
- S & T Policy
- HR Committee Terms of Reference
- Compliance Policy and Procedure Manual
- Research and Innovation Policy
- Information Security Policy
- Whistle Blower Policy
- Fleet Management Policy

"The Board is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business."

BOARD OF DIRECTORS

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. 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: Development Bank of Namibia (DBN).

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: Founding Chair of NaSIA, Vice Chair of the PPP Ministerial Committee and member of the Presidential High-Level Panel on the Namibian Economy.

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.

Ms. Melanie Tjijenda
Board Member

Appointed: 01 October 2020

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

Qualifications: Masters 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. Oshoveli Hiveluah
Board Member

Appointed: 01 October 2020

Current Employment: Civil Engineer: Consulting Engineer (Tulipamwe Investments)

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

CHIEF EXECUTIVE OFFICER'S REPORT

MR. ALI IPINGE

CHIEF EXECUTIVE OFFICER'S REPORT

It is with gratitude that I can report that, amid the challenging circumstances, we remained steadfast and achieved solid results showing the resilience of our strategy and the dedication and expertise of our team.

We continue to deliver significant operational improvements, through our organisation and operating models, raising efficiency and productivity – through the deployment of transformative thinking and collectivism.

As we shifted from a global pandemic, the war in Ukraine has brought about new challenges and disrupted our recovery process, yet we have met the socio-economic challenges by focusing on our strategic objectives to generate sustainable growth for our stakeholders.

Mr. Ali Ipinge

FINANCIAL ROBUSTNESS

Amid emerging challenges, our revenue has grown by 11% due to operational effectiveness while our assets have also grown from N$1.8 billion to N$2 billion over the last financial year which strengthened our position going into the next financial year. Our solvency and liquidity positions remained stable compared to previous financial years and these have been complemented by an increase in our reserve fund from N$152 million recorded in 2021 to N$227 million in this financial year. On the other hand, we collected revenue of N$2.42 billion and subsequently invested N$2.2 billion in the management and maintenance of our roads. We have also deployed funding of approximately N$96 million to 57 Local Authorities and 14 Regional Councils while N$24 million has been afforded to Traffic Law Enforcement (TLE). Notably, our funding is empowering TLE agencies to deploy technology into their operations, driving efficiencies in their respective traffic law enforcement activities and thereby contributing towards a safe road sector.

OPERATIONS

On the operational side, we continued to focus on ensuring that our contribution towards national development remains dominant in the market. As our story of successfully innovating in the roads sector gains momentum, together with the RA, we launched the Low Volume Seal Strategy to upgrade highly trafficked gravel roads to Low Volume Seal standards which has resulted in cost saving of about 25% in comparison to standard Bitumen roads. To aid this, we have gone into the market to raise N$350 million to fund this strategy thereby creating greater economic value for Namibia at large.

Apart from this, 2022 has been a year in which we have had to leverage on the strength of team-work as our reporting theme; "Shifting towards collective sustainable growth" alludes. We have continued to build capacity of our employees and to provide for future skills needs that will enable sustainability of business operations. As a member of ARMFA, we continue to avail ourselves to other Road Funds to share and exchange expertise.

As a result, we hosted other Funds that have used RFA to benchmark on our various operational mechanisms that are regarded as some of the best practices in the region and beyond.

SUSTAINABILITY

There is no denying that there is rampant innovation in the automobile sector where we have seen the birth of fuel efficient vehicles, hybrid electric vehicles among other innovations that are positive in view of reducing the global carbon footprint. However, this leads to reduced fuel consumption and by extension, fuel levies which constitute the greatest portion of our revenue. As a result, we have been exploring alternative revenue streams to sustain the roads sector. One of the alternatives is Tolling thus, we have conducted a feasibility study that has provided invaluable insights into the possibility of Tolling. We however need to have stakeholder consultations and these have been approved by Cabinet.

To affirm our stance towards sustainability, we brought ESG matters to the forefront of our corporate strategy through enhanced consideration of sustainability issues hindsight of the need to save our planet for future generations. To this end, we installed solar panels at our Head Office, acquired a hybrid electric vehicle and we continuously consider alternative road construction methods.

LOOKING FORWARD

Our outlook for 2022 is underpinned by the optimistic outlook for growth but given the latest geopolitical developments and the potential impact it might have on the Namibian economy, we acknowledge the need for caution and greater planning. Among other issues, we have taken note of the 4th Industrial Revolution (4IR) and appreciate its enabling and constraining qualities that have a bearing on our operations. With this in mind, our Digitalisation Plan will be amended to accommodate the national goals in catapulting digitalisation for the betterment of road users in Namibia.

In the long run, we note that our holistic interventions are aimed at improving the road quality for all road users, lower vehicle operating costs and create a safe and competitively priced road network that supports government's logistics hub ideals.

APPRECIATION

Let me conclude by thanking the Board for its oversight, the management and all our employees for their adaptability and resilience and their unremitting efforts in helping drive our business forward. I would also like to appreciate our shareholder for continued confidence in RFA and our road users for their continious support. Be assured that RFA will continue to seek efficiencies across the business which should translate to even better returns for all our stakeholders.

Ali Ipinge
Chief Executive Officer

"We note that our holistic interventions are aimed at improving the road quality for all road users, lower road user operating costs and create a safe and competitively priced road network."

EXECUTIVE MANAGEMENT COMMITTEE

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

MS. RONDALIA GORASES: ACTING PRINCIPAL OFFICER: AUDIT AND RISK

Mr. 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.

Ms. 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.

Mr. Elvis Kambatuku
Chief Financial Officer

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 and risk and fund management.

Ms. 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.

Mr. 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.

Mr. Dennis Shindume
Executive: Information and Communication Technology (ICT)

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.

Ms. Rondalia Gorases
Acting Principal Officer: Audit and Risk

Qualifications: B. Accounting (UNAM), Postgraduate Certificate Internal Audit, (Institute of Internal Auditors South Africa - IIASA) National Diploma (Cost/Management Accounting, Polytechnic of Namibia, completed Articles for CA (Chartered Accountant)

Value Addition: Internal auditing and risk management.

INTERNAL AUDIT AND RISK MANAGEMENT

MANAGING EMERGING RISKS EFFECTIVELY

RFA's risk culture is set by the 'tone at the top' i.e. from Board level and down through to executive management and other management levels. This is achieved through effective and consistent communication around risks and ethics.

Risk Management is recognised as an integral part of responsible management and RFA adopted an approved Enterprise-Based Risk Management methodology and philosophy that ensure adequate and effective Risk Management.

The features of the Risk Management process are outlined in the Enterprise-Based Risk Management Framework. All divisions/sections, operations, and processes are subject to the Risk Management Strategy.

The RFA focuses on proactively identifying, managing, mitigating and monitoring key risks on an on-going basis. RFA's level of risk exposure is measured against formalised risk appetite statements and further aligned to the RFA's strategic objectives. As a well-managed Public Enterprise, RFA recognises its responsibility to manage public funds in a responsible manner.

The Risk Management entails risks that may affect RFA's:

- Safety and well-being of the employees and the public,
- Financial stability,
- Ability to achieve its mission of providing services to the public, or
- Ability to maintain an excellent road infrastructure.

The realisation of our strategic plan depends on us being able to take 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, as well as make informed decisions under conditions of uncertainty. While conducting the day-to-day business operations, we are exposed to a variety of risks. These risks include operational and other risks that are material and require comprehensive controls and on-going oversight.

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

Risk taking is an essential part of the RFA's business and the RFA explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates. The core risk competencies are integrated in all management functions, business areas and a risk-type level across RFA to support business by providing the checks and balances to ensure sustainability, performance achievement of desired objective, and avoidance of adverse outcomes and reputational damage.

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

- Compliance to 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 top priority throughout the reporting period.
- Monitors the implementation and application of the Risk Appetite Statement and Tolerance Framework.
- Risk Management follows up quarterly with each Division on the progress and status of their divisional Policies and Procedures.

Major risks identified for the reporting period

RFA effectively addressed its unique sets of risks during the period under review. The table below shows the top ten major risks for 2022 and how they were mitigated.

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	HOW RISKS ARE BEING ADDRESSED
1	**Inadequacy and unavailability of ICT infrastructure (server, network, firewalls)**	1. Inability of the ICT infrastructure to support the business needs and requirements. This may impact operational efficiency of RFA and the achievement of the objectives. 2. RFA's inability to recover from major business incident /disaster and to minimise business disruptions.	1. Implemented an approved Enterprise-Wide Strategic Road Map including an ERP system to support the strategy. These are some of the actions taken under the Enterprise-Wide strategic road map to mitigate the risk: (a) Implementation of a new BPR (Business Process Re-engineering). (b) ICT Digitalisation Master Plan . 2. Network assessment and penetration testing on the RFA network was conducted and gaps were identified. 3. Review and alignment of the ICT systems to business processes. 4. System failover test was successfully conducted.
2	**Lack of the ERP system support**	1. Lack of the ICT Business Systems (e.g. Ebizframe) to support RFA business needs and requirements. This may affect the operational efficiency of the RFA and may impact achievement of objectives. 2. Inadequate, instable and out-dated ICT network and hardware infrastructure to support the business needs and requirements.	1. Annual Maintenance Contract (AMC) between RFA and Eastern Software Systems (ESS) India. 2. Implementation of the new ERP System Project: (Project budget of N$14 million). The Project is in progress, and now in Phase B: Finance & Strategic Services Divisions. The Finance and SCM modules are due to go live in September 2022. Still in line with the project plan, and not experiencing major issues with the project, apart from issues stipulated in the Project Risk Register. 3. The e-Natis enhancement project is underway: Module development is to be finalised by August 2022.

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	HOW RISKS ARE BEING ADDRESSED
3	**Implementation of the New ERP System failure**	1. Inability of the new system to meet the RFA business needs and requirements within the stipulated time. 2. Failure of IT projects if proper project management is not followed. (Inadequate project management could jeopardise successful implementation). 3. If data migration is not properly done, RFA could migrate with incomplete/wrong data. 4. Over reliance on external service provider for Ebizframe may affect the operational efficiency of the system.	1. Project Charter and project governance documents were approved by the Board for implementation. 2. RFA will appoint an independent project manager to assist with the implementation. 3. Risks are identified and captured, tracked and monitored in the project progress. 4. There is a performance-based contract with the implementation partner.
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. Inefficient use of USB's and other hardware's; Cell phones connected to RFA system which may heighten the risk of cyber-attack. 3. Inefficient use of online platforms such as Microsoft Office 365, SharePoint, One - Drive. Exchange platforms may heighten the risk of a cyber-attacks. 4. Unauthorized (internal) users trying to break into systems and networks. 5. Service interruption due to denial-of-service (DoS) attacks.	1. Network Assessment and Penetration Testing on the RFA network was conducted and gaps identified. The project is on-going. 2. We are in the process of implementing the recommendations as per the COBIT 2019 assessment. (90% COBIT 2019 compliance). 3. Craft and implementation of Cyber Security Strategy or Information Security Strategy. 4. Review and alignment of the ICT systems to business processes: The project is underway and scheduled for completion in May 2022. 5. Approved an enterprise - wide strategic road map including Cyber Security.
5	**Delay of MDC automation implementation**	1. Delay in the MDC automation implementation which may impact the implementation of the New ERP system.	1. PMPA guiding on the commencement of the project. 2. Project manager has been appointed to ensure project is delivered on time and within budget. 3. Phased approach also allows for operational components at the end of each phase. 4. Global Navigation Satellite System service providers have been identified, with operational systems in the market and capabilities to deliver the customized solution through a cloud (instantaneous delivery of the solution).

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	HOW RISKS ARE BEING ADDRESSED
6	**Ineffective collection of revenue**	1. Ineffective monthly reconciliations. 2. Incorrect financial data being provided and processed. 3. Ineffective safeguarding of funds and inaccurate collection of revenue reporting. 4. Lack of integrity of systems and financial information. 5. Incorrect calculation of administration fees retained by RFA. 6. Incomplete collection of revenue from all RFA's revenue collection streams (License Fees, MDC, CBC, Abnormal Load Fees etc.)	1. Enhance revenue collection streams - MDC (Local) system automation. 2. RFA debt collection strategy is approved and implemented. 3. On-going controls are enforced to ascertain that financial information is posted correctly and consistent bank reconciliations are performed. 4. RFA approved policies and procedures for revenue streams are strictly followed. 5. Revenue completeness - RFA is retracing the steps on the transactions through segregation of duties to ensure accuracy and completeness of revenue. 6. RFA funds are effectively safeguarded.
7	**RFA excluded from the strategic planning of Road Networks**	1. Lack of participating in Strategic Planning on all Road Network(s). 2. Lack of stakeholder understanding of policies and legislation frameworks within the road sector.	1. Procedures agreements were signed with LAs, RCs and TLEs in September and October 2021. To date 75/78 agreements have been signed and 3 are pending. Notably the City of Windhoek still awaits Council approval. The 7th Procedures Agreement between the RA & RFA is finalised and signed in February 2022. 2. Continue to manage relationships with the RA, LA and TLE agencies, through regular meetings and open engagements. 3. Actively track and continuously monitor unit costs of blading, regravelling and reseal programmes, and further ensure that the Procedures Agreements are adhered to.
8	**Insufficient of research collaboration**	1. Insufficient funding for research. 2. Non-conducive organization culture for research. 3. Duplication of projects/ delay in conducting of research. 4. Inability of local skills to conduct the research.	1. A Research Policy was approved by the Board on 15 December 2021 in which collaborative research is specified and so also research deeds/undertakings are specified. (Research will be launched in the next 2022/2023 F/Y). 2. Collaborating and contracting for research project(s) are in the Framework. 3. An in-house research committee will be constituted to drive the research and innovation within the RFA.

RISK RANKING	RISK TITLE/RISK CONTEXT	RISK DESCRIPTION (Event, Causes, Impacts)	HOW RISKS ARE BEING ADDRESSED
9	**Fuel levy dependency reducing RFA revenue**	1. Fuel levy dependency 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.	1. Feasibility study conducted by PMPA on the tolling of roads is complete. Now looking at implementing the recommendations starting with support for the Tolling Policy. Resistance from road users is probable, hence there is a need to have a proper information campaign and marketing strategy. A Cabinet submission in support of tolling has been drafted, through the Minister of Finance. 2. Efforts are underway to increase NATIS's operational capacity. (This will increase revenues generated by non-RUCs (Road User Charges). 3. Exploring distance-based road user charges as opposed to the current consumption-based road user charges, of which tolling is but one such distance-based road user charge. 4. RUC's review has started to reassess the level of the RUCs in achieving optimal funding mandate. 5. Implementation of Research Policy to build the necessary research capability to explore new revenue possibilities and reduce operational costs.
10	**No succession planning and retention in place**	1. No continuous upskilling and capacity building for key staff members. 2. No succession planning and retention in place.	1. Retention Policy was approved in December 2020. 2. The Succession Planning Policy is in development phase. The Policy was put on hold pending implementation of the skills audit phases. 3. Skills audit was conducted, and the results will be used and incorporated into the Succession Planning Policy.

Emerging Risks: RFA takes proactive measures to mitigate the emerging risks.

	Risks	Measures
1.	Covid-19: RFA has not been spared by the pandemic as it caused various disruptions towards effective delivery of its mandate. This led to some border posts closed.	1. While key focus will be on delivering improved strategies that respond to contemporary realities, management continued to observe the national Covid-19 safety protocols at the workplace, as guiding protocols to preserve both business operations and the lives of our people. 2. RFA implemented robust workplace safety measures such as fumigating offices in the event where cases have been reported to mitigate the impact of the pandemic. 3. By ensuring an effective service delivery to stakeholders and ensuring business continuity, RFA implemented measures such as working from home, change in the shifts and virtual meetings. Staff of closed border posts were tasked to focus on MDC operations to sustain revenue inflow while some were temporarily redeployed to other operating duty stations with high volumes. All these mitigation measures were implemented to ensure business continuity and to sustain business operations, in line with the disaster recovery and business continuity strategy. A wellness survey was conducted which will inform the future strategic interventions including the development of a wellness programme.
2.	The emergence of Electrical Vehicles: Reduction in fuel consumption because of emergence of electric vehicles and fuel-efficient vehicles. This may result in reduction of revenue for the RFA.	1. Feasibility study conducted by PMPA on the tolling of roads is complete. Now looking at implementing the recommendations. 2. Efforts are underway to increase NATIS's operational capacity, with aim to increase revenue generated by non-RUCs (Road User Charges). 3. Implementation of Research Policy to build the necessary research capability to explore new revenue possibilities and reduce operational costs.
3.	Decreased fuel levy: Reduction of fuel levy by government because of fuel price increases can adversely impact RFA revenue streams.	As per measures under point 2 above.
4.	ICT & Cyber Risks: Cyber-attacks represent a growing threat that, if realised, 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 ICT Digitalisation Master Plan and approval of ICT Governance Charter. 2. Ongoing online awareness training for staff members on cyber security. The RFA users are currently only 4.6% "Phish-prone" (an improvement from 19.4%) and well below the industry average.

Internal Audit

Internal Audit is mandated to examine and evaluate the adequacy and effectiveness of the organisation's governance, risk management and internal controls. It assists the RFA in accomplishing its strategic objectives and enables management to provide assurance to the Board on effectiveness of the RFA's governance, risk management and internal controls processes.

The RFA adopted a three-year rolling internal audit plan. Ten (10) risk-based audits were completed during the reporting period.

Below are the risk-based audit activities that were completed:

Corporate Services
Corporate Communication
Inspectorate audit
Fixed Assets
Property Administration
Fleet Management
Fuel levy refund and License fees claims/refund
Corporate Governance and Compliance
Local Authority Transfers
Road Authority Accounts

In order to assist RFA in continuous enhancement of the internal control environment, internal audit carried out follow-up audits. Continuous assessments (cyclical reviews) of areas deemed of high operational risks were performed. This involves audits on core revenue streams of RFA and other financial audits.

Fifty-one (51) audit issues were logged in the Internal Audit issue tracker for this year. From these issues, 65% have been successful resolved. Proactive resolutions are required to ensure an effective and adequate internal control environment that supports the mandate and strategy of the RFA.

Future outlook

In the coming financial year, RFA will focus on the approval of the Risk Appetite and Risk Tolerance Frameworks. In essence, there will also be alignment of the Enterprise Risk Management Framework (ERM) and policy with the Risk Appetite and Risk Tolerance Framework. Further to this, RFA will continue with a holistic approach of audit, risk and fraud awareness, enhancement of risk reporting across the RFA, and report on emerging risks proactively. Awareness sessions on the Whistle Blower Policy will be performed and refresher training on the tip-off anonymous hotline will be conducted as well.

FINANCIAL CAPITAL

RESILIENCE IN A POST COVID ENVIRONMENT

Strategic Objective:

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

RFA delivered a strong and sustained financial performance that exhibited enhanced operational effectiveness, supported by green shoots of a rebounding economic environment owing to positive changes in the Covid-19 environment. In executing its revenue collection mechanisms and budget allocations, RFA efficiently responded to the ever-changing economic environment, further ensuring that the road sector remains a key enabler for economic growth, development and prosperity.

OUR 2022 FINANCIAL PERFORMANCE

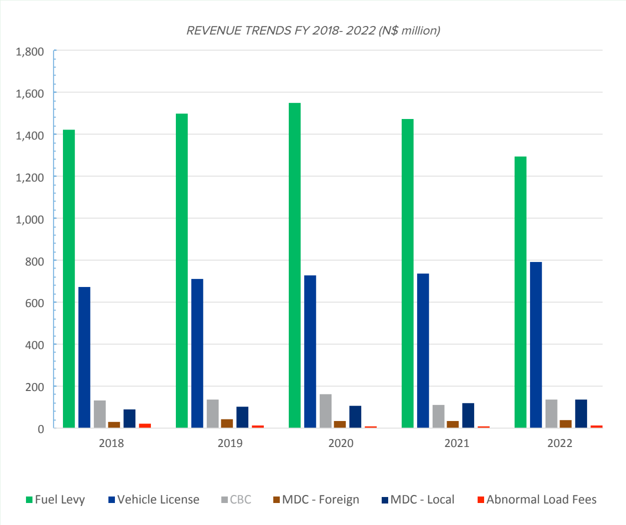
The RFA delivered an outstanding performance in the reporting period in which revenue increased by 11% due to prudent implementation of compliance and enforcement within the Fund. The organisation managed to strengthen its solvency and liquidity position which has remained stable compared to previous financial years. Cementing its robust performance for the reporting period, the organisation managed to increase the Reserve Fund up to N$227 million which significantly strengthens the Fund and creates a positive platform for a sustainable RFA going forward.

This significantly improved and strengthened our balance sheet which is a key element in our growth aspirations and future development. We are cognisant of the fact that a strengthened balance sheet creates scope for greater organisational stability and process improvements while mitigating the risks of unexpected revenue shortfalls in the future. Our assets have grown from N$1.8 billion to N$2 billion over the last financial year which has further solidified our financial stability.

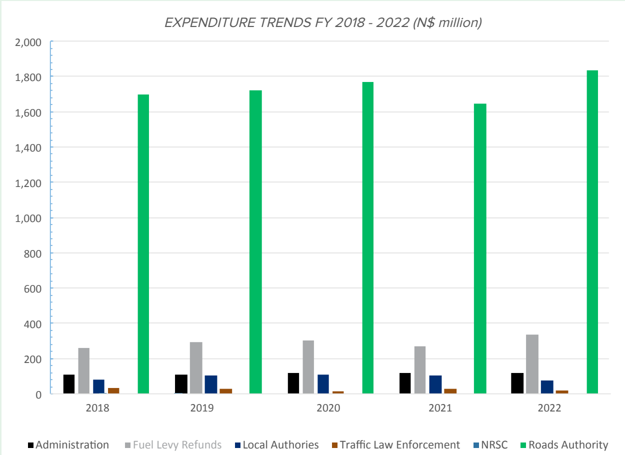
Importantly, RFA raised N$350 million from NedBank Namibia to fund the Low Volume Seal Road strategy. This showcases our commitment to fund road projects thereby improving the lives of our people and contributing significantly to the economic value chain that requires roads as the infrastructure that connects various economic sectors.

Revenue and Expenditure Trends

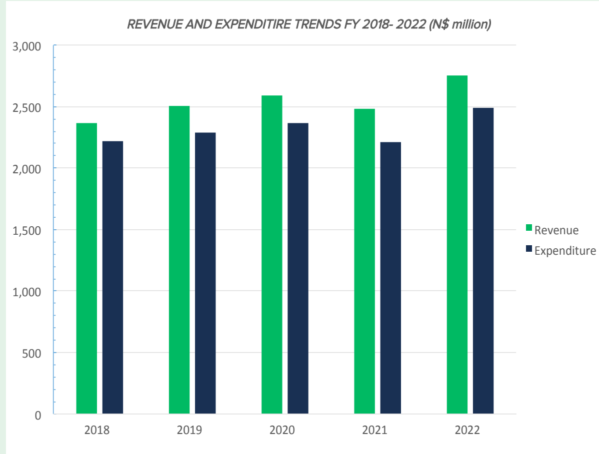
Revenue Trends



Expenditure Trends



Revenue and Expenditure Trends



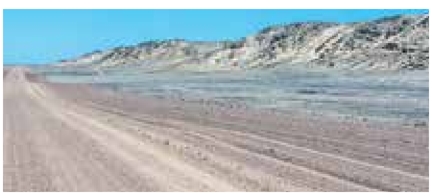
The increase in revenue during the reporting period was due to the 5.3% increase in road user charges gazetted by the Minister of Finance on 01 June 2021, and effective from 1 July 2021. The RFA collected revenue of N$2.42 billion with expenditure towards management and maintenance of roads coming at N$2.2 billion.

ROAD MAINTENANCE EXPENDITURE

Given the backdrop of a protracted Covid-19 pandemic, it is imperative to note that the period under review did not record significant growth in the road network apart from the upgraded bitumen surfaced sections from road capital projects and rural access roads.

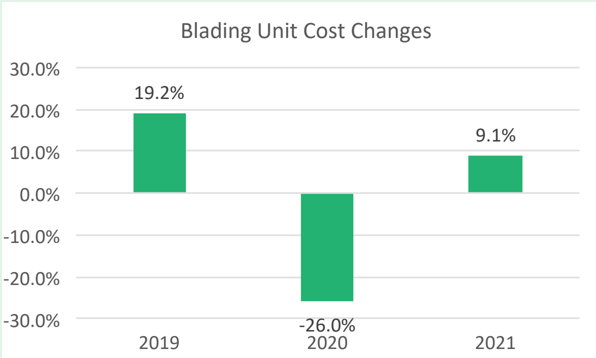
Road maintenance expenditure distribution (as at 31 March 2022)

Activity	Production	Total Cost (incl. VAT) (N$)
Blading	2.65 million bl-km	425,438,045
Gravelling/Re-compaction	174 km	164,758,398
Routine Bitumen Road Maintenance	8,511km over entire network	155,729,224
Resealing	60 km	192,630,543
Road Signs	517 signs erected across entire network	4,587,757



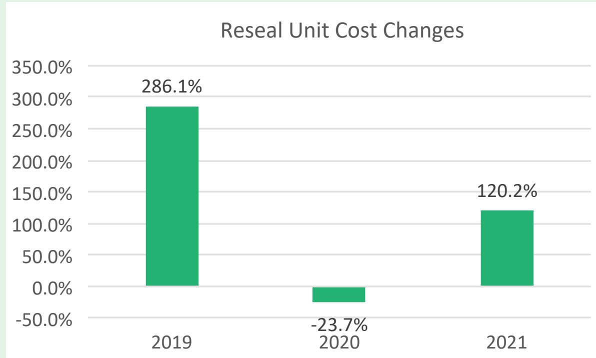
Blading

On average, gravel roads were bladed 65 times in the year, which translates to blading every six days. Consequently, the annual blade kilometres increased by 45% during the financial year under review. This generated economies of scale, thereby reducing the unit costs of blading by 26%. Therefore, the road user paid N$161 per blade kilometre, which is significantly better than the N$217 per blade kilometre paid last year.



Reseal

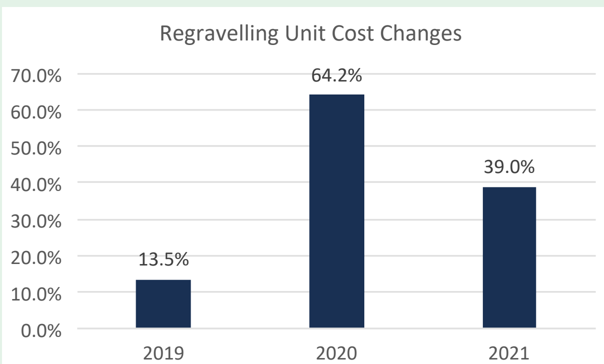
Reseal unit costs increased by 120% during the year under review and as such, reseal unit costs remain high, rising from N$495,000/km in 2018 to a staggering N$3.2 million/km during the year under review. This unit cost is approaching the unit cost for low volume seal, which requires a lot more engineering works. Thus, this is an area of concern. As the paved road network increases in age, 830 km of roads need resealing which is the focus going forward.



Re-gravelling

Re-gravelling costs remain high, escalating by 39% on a per kilometre basis during the reporting period. With only 174 km re-gravelled, it is to be noted that RFA is not generating the economies of scale to drive down the unit costs to the levels reached in 2018, when re-gravelling unit costs averaged N$365,000/km.

The table below shows the escalation of re-gravelling cost post 2018

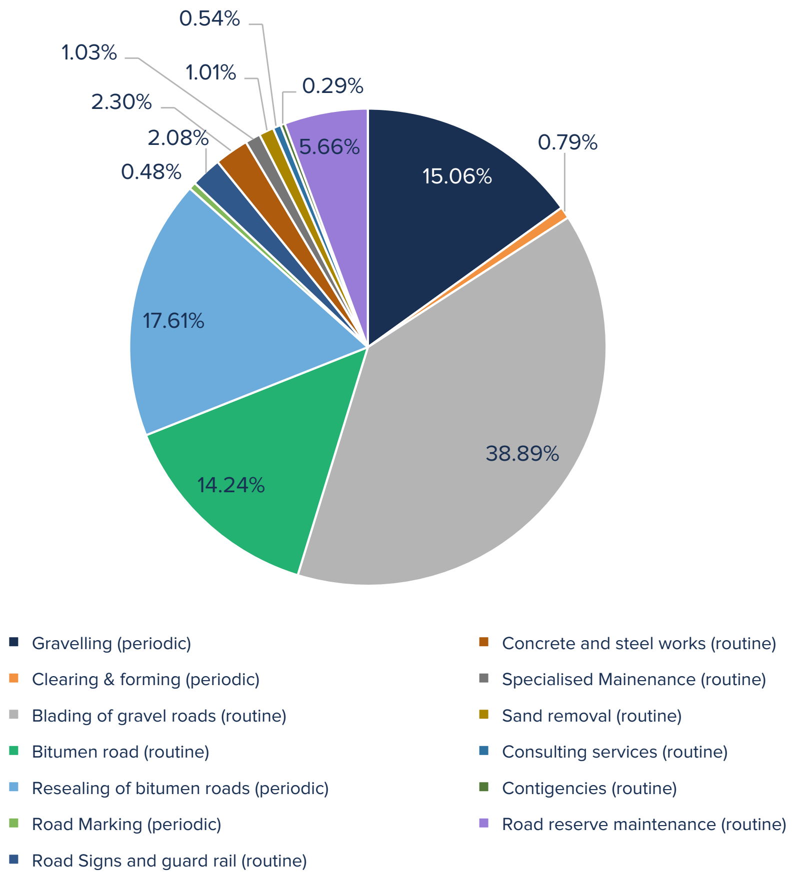


Road signs

Road signs are placed alongside the road to inform and warn road users. Over the years, the road signs have faded to the point where many are not legible in broad daylight, let alone at night. Therefore, replacing these signs before they lose their information and warning capabilities is imperative. During the year, 517 road signs were replaced at a total cost of N$4,587,757 yielding a unit cost of N$8,874 per road sign.

Overall, the unit costs analysis reveals unsatisfactory value for money on the major road works, characterised by hyper inflationary costs escalations which results in unit costs running higher than usual. Unit price costing has been included into RFA's procedure's agreement with the Roads Authority, to cast management's attention to unit costs. Considering the aforesaid, management can benchmark these costs escalations against Stats SA producer price index for road engineering works in order to become more cost diligent and deliver better value for money.

Expenditure distribution: Total N$1.09 billion



ADDING VALUE TO THE NATIONAL ROAD NETWORK

Strategic Objective:

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

RFA continues to stand firm on its enabling mandate while continuing to innovate amid the constraints induced by the changing global economic terrain. To date, RFA has done exceptionally well in serving the national road network of approximately 49,000 km, valued at N$120 billion. Since inception, the RFA has invested more than N$30 billion in road infrastructure and contributed to Namibia's number one ranking in Africa and 23 in the world in terms of quality of road infrastructure. Indeed, the endeavor to maintain this standard remains and the Administration continues to re-invent its processes to create value for road users. At the centre, is innovation, growth, agility and sustainability as the organisation define itself in the volatile economic setting. Our business model not only ensures sustainable road infrastructure funding but ensures that the national road network is adequately maintained.

This is done hindsight of the need to strengthen synergies with key logistics stakeholders such as Namport, Walvis Bay Corridor Group, Transnamib and transport operators.

Road User Charges (RUCs)

To strengthen funding of roads for the benefit of all road users, RUCs were increased by 5.3% for the 2021/2022 financial year. The increase was approved by the Minister of Finance and subsequently gazetted as required by law effective 1 July 2021. The increase was instrumental in increasing revenue that subsequently led to better maintenance, preservation and rehabilitation of the national road infrastructure.

National road network

Road Surface Type	Growth of the National Road Network by Surface Type							Growth
	1990	2000	2005	2010	2015	2020	2021	1990-2020
Bitumen roads	4,572	5,477	5,477	6,664	7,568	8,260	8,260	80.7%
Earth roads	11,467	12,245	12,245	11,460	13,022	13,360	13,360	16.5%
Gravel roads	25,550	24,296	24,296	25,710	25,604	25,889	25,889	1.3%
Salt road	226	220	220	288	304	189	189	-16.4%
Proclaimed road	0	745	745	1,524	1,829	1,202	1,202	61.3%
Total (km)	**41,815**	**42,983**	**42,983**	**45,646**	**48,327**	**48,900**	**48,900**	**14.07%**
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 12 was used for FY2019/20. Same network is applicable FY2020/21.								16.94

The country's national road network, of trunk, main and district roads, is conserved at a total distance of 47,698 km of which 8,260 km are bitumen surfaced (paved), 39,249 km are gravel (unpaved), and 189 km are unpaved salt roads.

Maintenance of the national road network

To ensure that the road network is maintained, Roads Authority (RA) continued with its reseal strategy to ensure that the surfaced road network which carries the economy is maintained through various mechanisms. This reseal intervention continues to be done as a holding action, as the rehabilitation of the network continues to fall behind.

On the other hand, blading maintenance of the vast un-surfaced road network remains the major defence mechanism to protect this asset against excessive deterioration. These works were executed through the existing contractual arrangements. The RA was unsuccessful at commencing new contracts due to procurement delays by the Central Procurement Board of Namibia (CPBN). This matter remains high on the agenda of the Authority. Supplementing efforts and through the Memorandum of Agreement (MOA), the RCC was appointed to operate 31 Grader Units (GU).

In essence, the RA through CPBN managed to award GRU contracts for Windhoek in the past financial year. Awarding of the GRU contracts for Otjiwarongo and Keetmanshoop clusters were delayed due to re-evaluation and are currently awaiting Notice of Award. The GRU in Oshakati has been awarded to the RCC under the auspices of the MOA but the Rundu/Katima Mulilo area which falls under the newly formed Rundu region is still under evaluation at the CPBN.

The under achievement was again due to delays in obtaining approval from the CPBN. Although some of the allocated funds were diverted to the reseal programme, some re-gravelling works were still achieved through two current GRU contracts (Keetmanshoop & Otjiwarongo), specialized maintenance contract (Otjiwarongo) as well as the salt road maintenance contract (Otjiwarongo).

FUNDING INFRASTRUCTURE DEVELOPMENT

Low volume seal road programme

As our story of successfully innovating in the roads sector gains momentum, a commendable reality in the reporting was the launch of the Low Volume Sealed Road Strategy (LVSRS) in April 2021.

This LVSRS presents a viable solution to the preservation of gravel roads by upgrading the roads to an appropriate surface standard, at a cost 25% lower than a standard bitumen road, resulting in cost saving and improved condition and service level.

The RFA secured debt financing of N$350 million to support this strategy, of which N$150 million has been made available for the reporting period while the remainder is for the next financial period.

The following road sections are being executed under the LVSR programme by the Roads Authority:

Road Number	Road Projects	Total Length (km)	Contract Value (N$)	Expenditure at 31 March 2022	Progress to Mar 2022 (%)
MR113 & MR114	Through Gam Settlement	7	25,079,929	19,525,650	77.9
DR3546, DR3547 & DR3575	Impalila Island Access Roads in the Zambezi Region	25	25,924,230	25,818,159	99.6
DR3425, DR3402 & DR3448	Gravel roads in and around Rundu Town	11	34,249,678	20,711,800	60.5
DR3671	Okatana to Onamutayi in Oshana Region	15	32,779,710	21,014,440	64.1
DR3633	Tsandi to Onguluwombashe	22	8,476,058	2,719,736	32.1
DR3815, DR1004, DR3816, DR3824:	Aminius in the Omaheke Region	22	80,723,102	3,102,588	3.8
DR1635	Du Plessis Farm – Epukiro in the Omaheke Region	8	25,880,600	7,586,947	29.3
DR3406 to DR3444	Nkurenkuru to Nepara Clinic in the Kavango West Region	25	12,764,553	1,351,532	10.6
MR74	Grootfontein – Rooidag Gate in Otjozondjupa	74	14,991,298	1,890,016	12.6
DR3616	Tsandi-Onesi-Epalela in the Omusati Region	8	12,397,308	1,753,180	14.1
	TOTAL		**273,266,469.33**	**105,474,052**	

Notably, a total of 438 skilled and unskilled labour are employed on the above on-going LVS projects of which 95.4% are Namibians. Some of the challenges experienced in the execution of the projects, amongst others include the accessibility to the sites for the delivery of construction material due to the remoteness and poor gravel road conditions. Above average rainfall was received over most parts of the country in the past rainy season, disrupting the progress of the works. Furthermore, sourcing of borrowed material from owners of the land remained contentious; and the high prices of bituminous products and steel required the variations in contract prices. Despite these challenges, the project progressed positively and looks to continue adding value for the road network.

Etosha national park roads

The Ministry of Environment, Forestry and Tourism (MEFT) was faced with a daunting task of maintaining its gravel roads in the Etosha National Park, with roads in excess of 2,000 km. Considering this, N$50 million was deployed to re-gravel 140 km roads in Etosha National Park in the 2022 financial year. At a unit cost of N$357,000/km, this project yields exceptional value for money relative to the unit cost on other re-gravelling projects which averaged N$947,000/km. Phased rehabilitation works were done on sections of park roads leading to Olifantsrus Camp Site and Dolomite Resort, linking them to rest of the park's network. Budgeted funds were fully utilised to improve the riding quality, enhance tourism experience, increase safety and restore the roads to their original gravel road design standard.

To date the following expenditure has been incurred:

2022	RFA	MEFT
Phase 4:		
Section 4A	160	130
Section 4B	200	150
Total cost: Phase 1	**360**	**280**
Phase 5 - To commence in FY2022/23	500	
Total project cost	**860**	

Tourism contributes immensely to the country's GDP and with the activation of the MEFT's Tourism Sector Recovery Plan 2022-2024; the RFA's financial support will go a long way to ensure the benefits of road travel within the parks and indeed accrue to the tourist as a specific class of road user.

B1 Tses/Gochas (junction) rehabilitation

This project has been plagued with several public protests against the composition of the workforce and the origins of the sub-contractors. Despite the delays, the contractor has managed to bring additional equipment on site, and with the assistance of the local subcontractors, has made up for the lost time and by the end of the financial year, the project was only six weeks behind schedule.

As at 31 March, the project employed 424 people, of which 42.2% were from the Hardap Region while 26.9% were from the //Kharas Region. In line with youth development, 49.5% of the workforce on this project is under the age of 35. Wages average N$3,740 per month, which is reflective of the high incidence of unskilled labour on this project. Sadly, this remains a male dominated industry and, on this project, 14.4% of the workforce is female, in the form of unskilled labour.

Clearly more needs to be done to improve employment prospects within the road construction industry and to this end, we can report that a young female engineer, who hails from the Hardap Region is assigned to this project. Of the N$530 million budgeted for this project, N$56.3 million has been assigned to local SME contractors, who have successfully executed 15% of the scope of works, which includes extending culverts, grubbing and rehabilitating the fencing along the road.

This project injects a significant amount of money into the Hardap and Kharas Regions; upgrades the fencing in this communal area, employs locals from the regions and increases consumer spending, all while upgrading the national road. This has attracted new residents to the Asab Village and reinvigorated the business opportunities in and around the town. Hence, the need for a clinic, police station and school has emerged. The contractor, as part of their corporate social responsibility, has made provision to do the civil works.

B1 Road at Intersection to Gibeon

Karibib/Omaruru rehabilitation

The RFA provided funding for the light rehabilitation of Phase 4 of the Karibib-Omaruru Road, comprising of 35.9 km road section, for N$29.96 million or N$835,000/km. This road was constructed in 1977 and was due for rehabilitation in 2007, but due to limited resources, only one section was rehabilitated in 2009. Therefore, rehabilitation works were long overdue to restore the driving quality of the road. The rehabilitation works improved the drive quality of the dilapidated road, resulting in improved transport efficiency, reduced road user costs, shortened travelling time and reduced routine road maintenance costs on this critical link on the Trans Zambezi Corridor, providing road link for Namibia's landlinked neighbours to the east and north east.

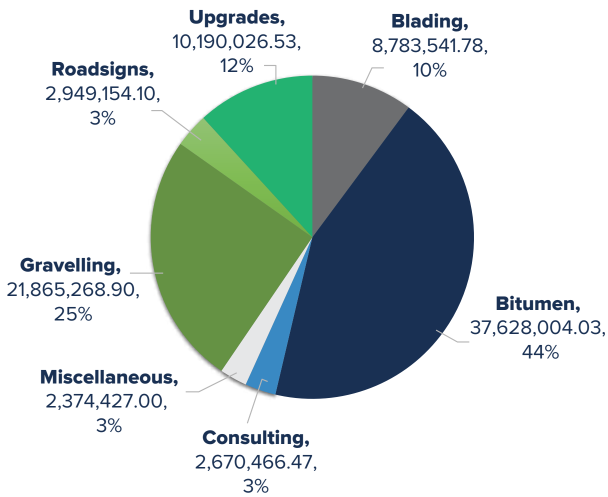
Karibib/Omaruru rehabilitation

The scope of works included light rehabilitation, pre-treatment, reseal, road markings and a steel pedestrian bridge across the Omaruru river. Given the traffic volumes on this road, the improved driving surface reduced vehicle operating costs on this road by N$86.9 million thereby yielding a net benefit to society of N$56.9 million and a payback period of 191 days. This is yet one of many examples of how investments into the maintenance of road infrastructure contribute to the economic development of Namibia.

MAINTENANCE OF URBAN AND SETTLEMENT ROADS

The RFA allocated N$111 million for the 2022 financial year to 57 Local Authorities and 14 Regional Councils, of which N$96 million was spent translating to 86% expenditure execution rate, matching the 2021 expenditure rate. In the absence of the regional consultants, approved authorities were not able to utilise 14% of the budgeted resources within the RFA financial year, with the reasons ranging from timing differences between the RFA's financial year and the financial years of Local Authorities to the slow procurement process under the Public Procurement Act. Notably, the larger approved authorities struggled the most to utilise the road maintenance funding.

Categories of Maintenance Expenditure



Overall, pothole patching on paved roads attracted 44% of the urban road maintenance expenditure, followed by re-gravelling (25%). This was upgrades to higher geometric standard roads and regular blading of gravel roads. Thus, 47% of the expenditure went directly into the gravel roads, inclusive of upgrades, which should yield lower maintenance liabilities in years to come. The addition of upgrades to the RFA's funding mandate will improve roads within the local authorities, whilst reducing future maintenance liabilities. Upgrades to interlocks is less technical and is proving to be the preferred upgrade as construction materials are readily available within the local authority, support local businesses and utilise local contractors. Therefore, the RFA encouraged upgrades to interlocked roads.

One such example was the upgrade of JD Strydom Avenue to interlocks in Aroab, which provides access to Aroab Village Council from the southern direction and is mostly used by farmers to drop and collect school children and workers.

The road was regularly washed away and required to be re-gravelled and rebuilt every year, which is not sustainable and extremely wasteful use of resources. Two hundred meters of the road was upgraded to interlocks and the rest was curbed in anticipation for eventual interlocking. Twenty-three locals were employed and upskilled to lay and maintain interlocked roads, whilst dust pollution has been drastically reduced.

The benefits of interlock roads are that interlocks can provide least cost maintenance in the future if properly done, future maintenance can be done by locals since they were involved in the initial execution of the project and knowledge transfer is retained in the given locality. Initial indications suggest that interlock roads have an economic life of 10 years before the interlocks are replaced. Thus, the business case to upgrade to interlocked roads is becoming increasing compelling from RFA's point of view.

Installation of interlocks in Aroab

Completed interlock road

Otjiwarongo rehabilitation project

In the previous year, the RFA reported on the commencement of the rehabilitation and realignment of sections of Rikumbi Kandanga and Henk Willems (±230 metres) streets in Otjiwarongo. The condition of these two key roads in the town fell into a state of disrepair manifested with numerous potholes, rendering routine bitumen maintenance unsustainable. The streets carry a sizable amount of heavy traffic and provide an alternative route for local traffic between Orwetoveni Township and Otjiwarongo CBD. The entire project was estimated to cost N$ 7.6 million to maintain and rehabilitate approximately 3.75 km of Henk Willems and Rikumbi Kandanga.

Phase 1 of the project, which was initially programmed for 6 months, was eventually completed in October 2021 over 9 months.

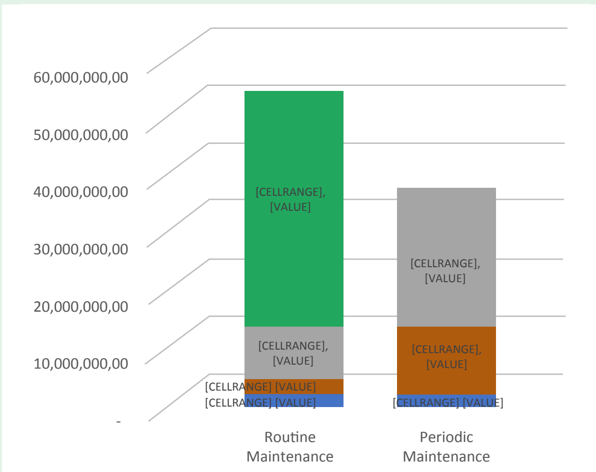
Phase 1 – Completed	N$ (incl. VAT)	% of Cost
RFA Contribution	3,709,811	93.2
Otjiwarongo Municipality	271,865	6.8
Total cost: Phase 1	**3,981,6776**	**100**
Phase 2 - To commence in FY2022/23	3,075,000	-
Total project cost	**7,056,676**	**-**

Having spanned over two financial years, Phase 1 of the rehabilitation resulted in improved riding quality, reduced vehicle operating cost, increased time saving (low diversion of traffic on other streets sections therefore reducing congestion), and lower maintenance cost in the short to medium term.

Going forward, the RFA will implore Local Authorities, as part of the conditions of funding, to develop Master Plans for the maintenance of roads and stormwater and the implementation of functional Pavement Management System. These plans will result in the proper planning of new infrastructure (i.e. developing of new extensions) and the sound management and maintenance of existing road and related infrastructure.

Periodic and routine maintenance

The balance between periodic and routine maintenance is critical to maintain the existing roads to their original design specifications. We are pleased to note that the majority of our funding towards local authorities is directed towards routine maintenance such as pothole patching and blading, with funding still available to engage more substantive maintenance actions. Provisions are being made to replace the old weather worn road signs within our municipal areas, which have faded to the point where they are no longer legible, let alone meet the required reflectivity standards for night-time driving.



TRAFFIC LAW ENFORCEMENT

In fulfilling our road safety mandate, RFA provided funding to the tune of N$30 million to traffic law enforcement and adjudication across the country towards NAMPOL, Henties Bay, Keetmanshoop, Swakopmund, Walvis Bay, Windhoek and Katima Mulilo traffic divisions. From the funding allocated, N$24 million was spent, which translates to an 76% expenditure execution rate, which is lower than the execution rate from the previous financial year. Planning remains problematic, as 78% of the total TLE expenditure was executed in the final quarter and earlier execution can improve road safety, and thereby save lives.

The RFA funded law enforcement vehicles, speed cameras, breathalysers, roadblock equipment, computer equipment, communication equipment, surveillance equipment, training and calibration services. RFA funded the procurement of 37 traffic law enforcement vehicles, motorbikes and quad bikes to the amount of N$21.2 million.

All the vehicles have specific traffic law enforcement functions to ensure that road users comply with the rules of the roads. In addition, focus was placed on locally assembled vehicles, to which extent; the RFA funded the procurement of 7 locally assembled Peugeot vehicles for traffic law enforcement purposes, as per the Minister of Finance directive.

The unit costs of these vehicles are typically higher than market prices, due to branding, sirens and lights that were included in the total purchase price. However, the RFA remains focused on the unit costs of these purchases to ensure that there is value for money on every purchase from road user charges. RFA funding was also directed towards verification and calibration services to ensure that the equipment is reliable, accurate and most importantly admissible in court.

In essence, RFA procured;

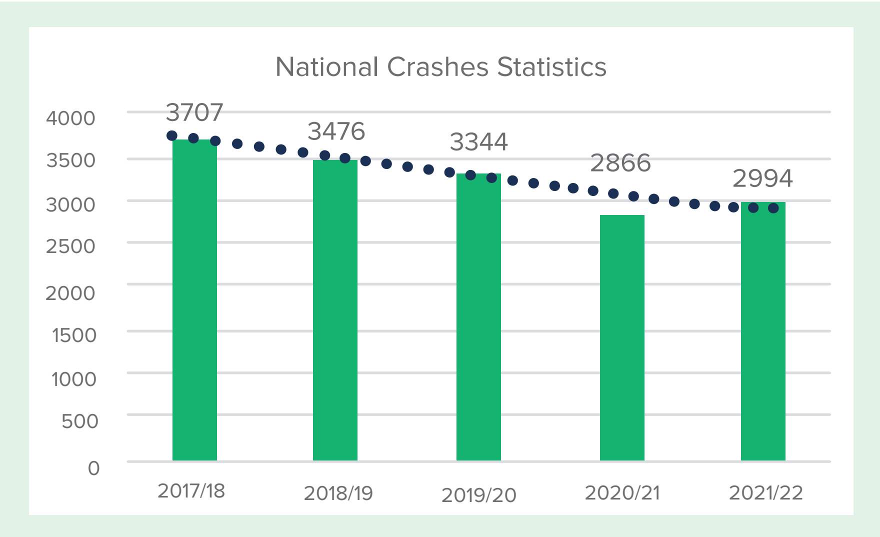
- 7 x VW Polo GTI
- 9 X Toyota Corolla
- 3X Toyota Hilux LDV
- 1 X Toyota Hilux Double Cab
- 7 x Peugeot
- 2 X Quad bikes
- 6 x Off road motorcycles
- 2 x Iveco booze vans

This was supplemented with state-of-the-art speed cameras, body worn cameras, intoxilysers, automatic number plate readers (ANPR) and driver's license scanners. The RFA funding is empowering TLE agencies to deploy technology into their operations, driving efficiencies and operational effectiveness of their respective traffic law enforcement activities and thereby contributing towards a safe road sector. For example, ANPR cameras read vehicle number plates and are able to extract all warrants of arrest pending on the vehicle.

Coupled with the driver's license scanner, a traffic officer is able to speedily verify if a warrant of arrest is on the driver behind the wheel. As more of this type of technology is deployed in a coordinated manner, law enforcement can move towards speed over distance, which calculates speed between two towns and is more effective than random speed cameras, whose locations are quickly shared on social media sites. The Roads Authority is piloting this technology between Windhoek and Rehoboth and initial results reveal the habitual speedsters, duplicate number plates and unregistered public transport operators.

The investments into road safety continue to show positive results, as the overall crash statistics continue to trend downwards by roughly 4% per annum. Increased visibility of traffic law enforcement officers with the right equipment to manage speed, alcohol and drugs screening and driver behaviour is driving the downward trend. However, 2,994 crashes are way too many and the RFA will continue to fund further traffic law enforcement on the public roads. We have noted an absence of municipal traffic law enforcement agencies north of Otjiwarongo all the way to Oshakati to supplement the Namibian Police's traffic law enforcement efforts. The RFA will therefore engage the respective approved authorities in order to avail funds to strategically establish more municipal traffic law enforcement agencies.

Furthermore, an investment in trailer equipment and booze busses to administer alcohol and drug testing provides increased flexibility and mobility to setup random roadblocks and the capacity to detain and arrest more intoxicated drivers than before.

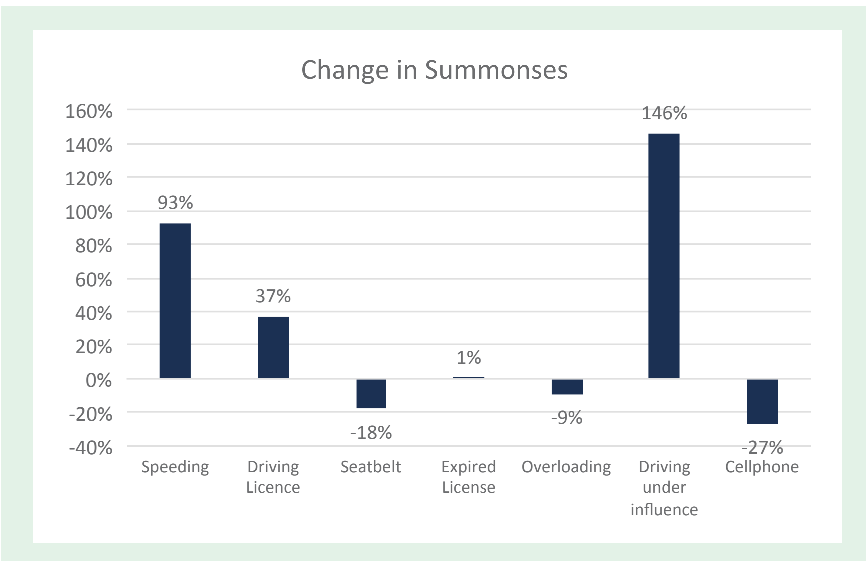


Festive season road safety campaign 25 November 2021 – 17 January 2022 and 25 November 2020 17 January 2021

	2021/22	2020/21	Difference
Accidents	480	545	-12%
Injuries	952	1074	-11%
Fatalities	116	101	+15%

During the period under consideration, the resources from the Traffic Law Agencies were utilised to the maximum capacity to provide visibility and peace of mind to law abiding road users.

The RFA made an additional contribution of N$150,000 towards the December Road Safety campaign over and above the annual funding. The accident report shows that the number of accidents during the festive season continues to decline, resulting in 11% less injuries. However, the severity of the accidents did increase, resulting in 15% increase in fatalities. This is a result of the high incidence of speeding and driving under the influence. Funding from the RFA has funded the procurement of two booze busses, two speed cameras and 65 intoxilysers to catch and apprehend reckless drivers that continue to put the lives of law-abiding road users at risk.



ENHANCING REVENUE COLLECTION

Introduction of tolling in Namibia

Worldwide road authorities and road agencies are under financial strain to maintain aging road networks with rapidly shrinking resources, resulting in regular maintenance funding gaps and a systematic deterioration of the road infrastructure. This deterioration leads to an increase in economic, social and environmental costs to the road users.

As vehicle fuel efficiency improves, coupled with the proliferation of new electric vehicles, social trends such as carpooling, Uber and Taxify; fuel demand will eventually phase out completely (van Rensburg & Krygsman, 2018). Modern vehicles are travelling longer distances, using less fuel and causing more wear and tear on the national road network (Petrus, 2020).

Over the past 15 years, fuel consumption per registered vehicle has declined by 1.9% pa. This has eroded fuel levy revenue as vehicles become more fuel efficient, coupled with the proliferation of electric vehicles and resulting in ever increasing funding deficits.

Eventually fuel demand will phase out and thus make the current funding model obsolete. The current road user charging system does not generate sufficient revenue to fund the objectives of the RFA Act of a safe and efficient road sector, resulting in a N$3.6 billion funding gap against the highway development and management target from April 2020 to March 2025, which equates to 30.3% of the allocated budget.

The RFA invested in a study into the feasibility of Tolling in Namibia, following up on the previous such study done in 2009. Seventy-three road sections were identified to include in the feasibility analysis, which cover 18.2% of the national road network and account for 81% of the annual vehicle kilometres travelled.

These sections were tested for financial feasibly, using the discounted cash flow model and based on the existing and future traffic volumes and the future revenues against the cost to upgrade and maintain these sections. The annualised costs were divided by the vehicles counts to provide the base toll rate and base fees compared to regional toll fees to determine competitiveness.

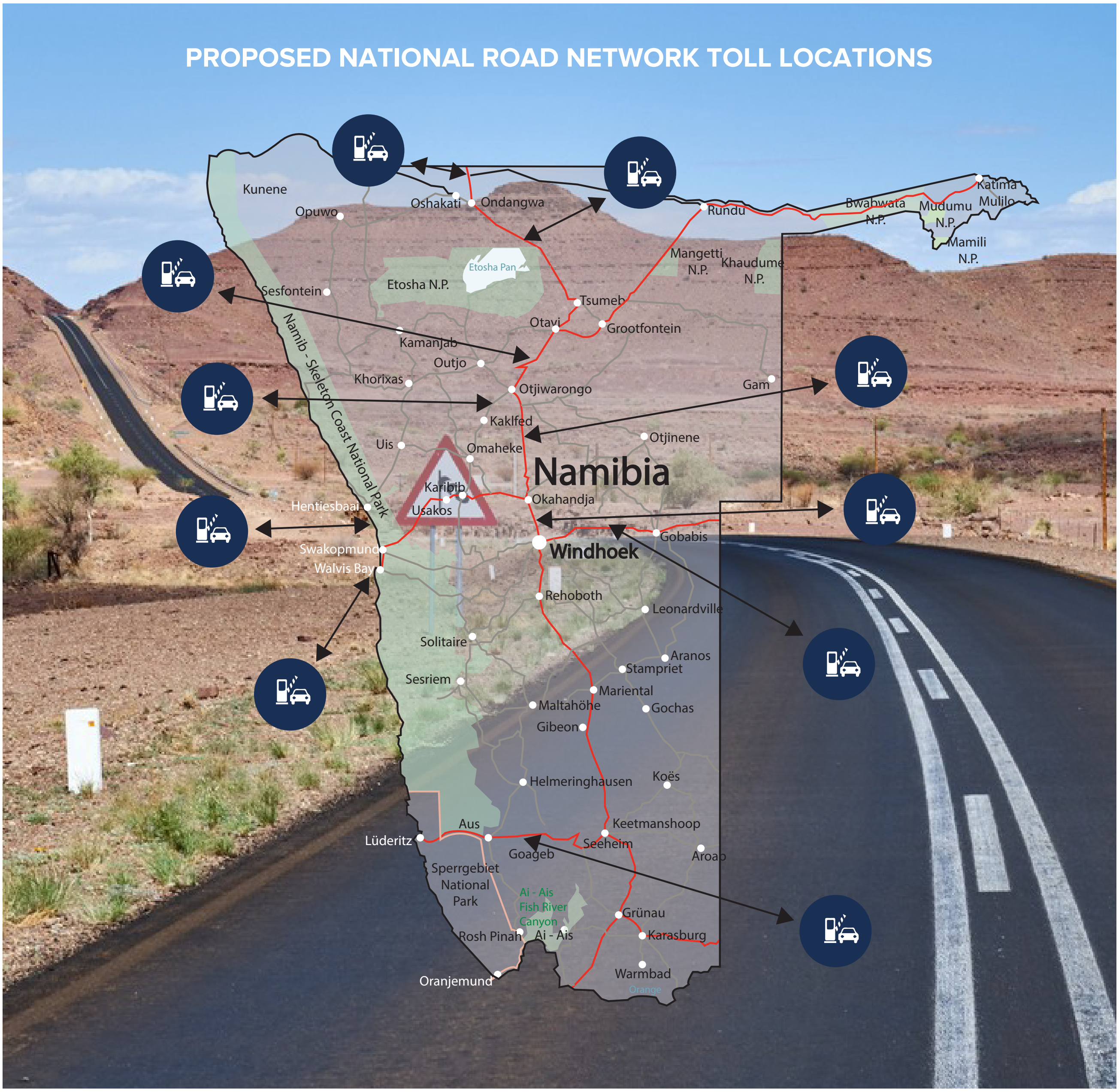
Essentially the average toll would then range from N$19.26 (rounded off to N$20.00) for passenger vehicles and N$83.08 (rounded off to N$83.00) for trucks across all sections. The actual toll fee paid will be determined primarily by the traffic volumes, length of the road and cost of capital. Sensitivity analysis indicates that the financial feasibility of tolling is more dependent on growing traffic volumes, as opposed to increasing the toll. Traffic volumes are driven by vehicle ownership and travelling demand, which in turn are a function of economic growth. By rehabilitating roads to be tolled, the RFA drives economic growth, which in turn drives up employment, vehicle ownership and travelling demand, which in turn supports the tolling strategy. This virtuous circle creates a conducing environment for more toll roads, rehabilitation, employment and travelling demand.

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. Overall tolling would add N$1.7 billion to the Namibian economy, thus resulting in a social profit of roughly N$1 billion, once the toll revenues have been deducted.

The RFA expects 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 can assure the public that distance-based road user charges are the way of the future.



MOVING US FORWARD: **WHY TOLL ROADS?**

WELL ESTABLISHED

Toll roads have existed for over 2,700 years. Tolls were paid by travelers using the Susa-Babylon highway in Persia under the rule of Ashurbanipal, 7th century BC. In the US, toll roads and bridges have existed since colonial times, while the Pennsylvania Turnpike, the nation's first "superhighway", opened in 1940.

SAFE AND WELL MAINTAINED

Toll roads are better maintained and safer than non-toll roads because of a steady revenue stream. Better maintenance means fewer closures or delays for weather, accidents or construction. You're paying for reliability and safety. Many toll roads have convenient rest areas with food, fuel and a place to stretch your legs.

TRUE USER FEE

A toll is a true user fee. You only pay a toll when you use a toll road. If you don't use it, you don't pay.

ELECTRONIC

It's more convenient than ever because most toll roads, bridges and tunnels collect tolls electronically. There's no delay while you look for cash to pay the toll. With an electronic transponder or license plate reader, you zip through without having to slow down or stop.

FAST

Congestion charging is a type of tolling in which the price of the toll goes up when traffic increases and goes down when traffic decreases. A congestion charge helps manage or reduce rush hour gridlock.

INCUBATORS

Toll roads are incubators of new technologies that make highways smarter and faster for everyone. Toll roads are pioneers in the operation of connected, automated, shared and electric vehicles, truck platooning and many other "smart road" technologies.

Business Plan (2021/22-2025/26)

RFA started the Business Plan process earlier, to mitigate inflation risks to the business. The Namibian economy is projected to grow by 1.4% in 2021 before accelerating to 3.2% in 2022, mostly due to low base effects that makes it relatively easy for the economy to grow from these very low base rates.

In addition, the recovery will be aided by increased growth from the agriculture (3.7%), diamond mining (18.5%), manufacturing (2.8%) and trade (2.8%) sectors. This bodes well for the RFA as these sectors are huge consumers of fuel and will thus bolster the recovery in national fuel demand. Coupled with the 5.3% RUCs increase implemented in 2021, 5.8% more funding is projected for the financial year starting 2023.

The RFA has under the prevailing funding constraints prioritised the allocation of funds within the Business Plan and forced increased funding efficiency towards mission critical maintenance that maximises impact and minimises overall transport costs to the road users. Blading targets were increased to 2.2 million blade-kilometres (bl-km) per annum, with the aim of reducing the frequency and cost of blading to N$167.90 per bl-km. This was made possible by reclaiming and modifying gravel material driven off the roads instead of re-gravelling, use of effective additives to reduce gravel loss and introduction of towed graders and tyre dragging to maintain riding quality on the very low trafficked roads. Given that 56% of the gravel road network is in unacceptable condition, re-gravelling needs to be accelerated to 2,700 km per annum in order to restore the gravel road network to its original design specification at a benchmark rate N$415,000/km. Consequently, the Business Plan apportioned N$768 million towards maintenance of the 25,889 km gravel road network.

Sealing of high trafficked gravel roads, where appropriate, to a low volume seal road was prioritised to improve the drive quality, preserve scarce road construction materials, reduce routine maintenance costs and are approximately 25% of the cost of standard bitumen roads. With 30% of the bitumen surfacing older than 15 years, resealing has been prioritised, to ensure that the surfaced road network, which is the mainstay of the Namibian economy, is adequately maintained. In response to the climate change challenges, N$35 million has been allocated towards flood related damage to the national and urban road networks in order to provide sufficient operational space to craft better client resilient strategies.

The key issues and recommendations that were received from the stakeholders are highlighted below:

Key issues

- The ownership of borrow pits to extract material for road maintenance in local authority has become a thorny issue. RFA should appeal to the RA to clear up the ownership.
- Local borrow pits contain poor quality gravel and perhaps the RA can open up other borrow pits for their use.
- The compliance to the processes under the Public Procurement Act remains a challenge.
- Treasury to critically look into the road maintenance funding gap, which is growing wider.
- Talking to Government on scaling down on expansion, new development and construction.
- Sustainable mobility goes beyond the road infrastructure and non-motorised transport needs to be incorporated to look at transport more holistically.
- Funding of public transport in the urban areas.
- Aspect of visible training for traffic law enforcement officials.
- The introduction of the Procedures Agreement for traffic law enforcement is a move in the right direction.
- Budget allocations need to be spent as much as possible and funds not utilised go into the reserve fund.
- Financial years need to comply with the PEGA Act.
- RFA funding cannot assist everybody. Whilst advocating for increased funding, Local Authorities should in a similar fashion provide a portion of their rates & taxes towards road maintenance.

Recommendations

- The scarcity and limited road construction material in certain areas needs to be investigated by the RFA.
- Increase the NaTIS footprint so that services are available in all the towns in the country, reducing travel distances.
- There was a request to review the rolling-over of budgets allocated, because of a mismatch between the RFA's financial year and that of Local Authorities.
- Consider appropriate RUCs increases other than huge increase on the fuel levy.
- Feedback on the implementation of maintenance work on urban roads.
- Include road safety audits in the implementation of road projects.
- Approved Authorities should define and prioritise their own non-motorised transport initiatives and as such can be funded within their approved allocations.
- The stakeholders consultation documents and additional information, need to be presented in a more user-friendly manner and by removing the numerous abbreviations.

Revenue estimates were based on the economic forecasts provided by Cirrus Capital as the local market leader in economic research in Namibia, which informed fuel consumption projections for fuel consumption, cross border traffic volumes and vehicles subject to licensing. Consequently, RUCs revenues increase by 2.35% annually over the business plan period from N$2.27 billion in FY2022 to N$2.5 billion in FY2026. The revenue is supplemented with debt financing from the KfW Loan and the uptake of a loan against the RA Building to initiate the low volume seal strategy.

Future outlook

The current levels of the road user charges are insufficient to maintain the extent and quality of the national road network. As the road network ages, the maintenance needs will only increase. For these reasons, 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, whilst optimising other road user charges.

- Increasing the vehicle registration fees substantially, provides N$200 million breathing space, but at the same time distorts the fixed income component of our funding model and present arbitrage opportunities for cross border carriers to register their vehicles in jurisdiction with lower vehicle registration fees.
- Tolling can add up to N$700 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 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 increase 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 2,000 km^2 of road reserves by providing value added services to the Namibian economy remains a consideration.
- Cost optimisation on the major maintenance interventions through unit costs management will yield better value for money.

In the long run, our interventions are aimed at improving the road quality for all road users, lower road user operating costs and create a safe and competitively priced road network that supports government's logistics hub concept.

For these reasons the RFA still maintains its strategic posture to be the best quality and best costs road network on the continent and research shows that Namibia remains in the elite strategic group with high quality roads and high road connectivity alongside the USA, Saudi Arabia, Canada and Spain, and the RFA would like to remain in such illustrious company.

"We value the importance of positive engagement and collaboration with all stakeholders within the roads sector."


RFA


RFA
PROCEDURES AGREEMENT
RFA
PROCEDURES AGREEMENT

VALUE CREATION FOR PRIME STAKEHOLDERS

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.

The RFA considers stakeholder engagement with relevant stakeholders vital to ensure transparent communication, strengthening of relationships through better understanding and achievement of acceptable outcomes. This will lead to a positive experience when stakeholders interact with RFA.

We are aware that responsible and sustainable value creation depends on successful engagement with all stakeholders internal, external and continental. Using our values as the basis of all exchanges, we aim to engage proactively with those who impact the organisation. This informs our strategy development and evaluation, our risk management as well as our material issues and corporate image.

We value the importance of positive engagement and collaboration with all stakeholders within the roads sector in order to support the development of the industry throughout the country.

As roads play a pivotal role in socio economic development, it is imperative that all players within the sector fully appreciate their impacts.

Our approach to stakeholder engagement is aimed at building and maintaining sound, transparent relationships that help us achieve more and do better. The goal of engagement initiatives is to understand stakeholder needs, expectations, respond accordingly and to promote the RFA brand.

Healthy stakeholder relationships help us to better communicate how our business decisions, activities and performance are likely to affect or be of significant interest to our stakeholders, and provide the opportunity to co-create effective and lasting solutions to business and other challenges.

OUR 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	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

CREATING VALUABLE PLATFORMS TO ENHANCE STAKEHOLDER RELATIONSHIPS

Smart engagements with regional stakeholders

RFA holds the African Road Maintenance Funds Association (ARMFA) presidency through its Chief Executive Officer, Mr Ali Ipinge, who was appointed to serve a two-year period in 2021.

In the reporting period, RFA hosted the Executive Committee of the ARMFA member countries that convened in Swakopmund, Namibia. The ARMFA five-year Strategic Plan was crafted to ensure sustainability of ARMFA.

The meeting deliberated on how the available resources can be deployed to maintain the road infrastructure, for Africa. The deliberations were on the basis that economic development and social transformation cannot be fostered efficiently in the absence of well-developed and well-maintained roads. It is especially true for developing economies and Africa in particular. An economy with high potential growth, needs to be unlocked through a concerted investment compact in skills, technology and infrastructure development.

Additional deliberations were centered around issues of investing enough resources to develop key road corridors, or maintaining feeder roads at optimum levels, how Road Fund Agencies can manage various disruptors, including pandemics such as Covid-19, and lastly the emergence of new energy and fuel-efficient vehicles.

Preparations for the 18th ARMFA AGM, hosted in Dakar, Senegal under the theme, *"Road Funding for the Preservation of Africa's Road Assets,"* were concluded.

Apart from this engagement, RFA continues to be a learning hub to its regional counterparts in road infrastructure funding and hosted a seven-member delegation from the Road Fund, government departments and planning agencies from Mozambique. The delegates were inducted on the Road Fund and Roads Authority operations, road infrastructure funding and maintenance systems. The benchmark study entailed a stop-over at Natis for a look at its operation, the B1 dual carriageway intersection at Okahandja, a glance at Nampol's new fleet, the tolling strategy of the RFA and a drive along the new Ovitoto low volume seal road.

The Tanzania Road Fund also visited to learn from RFA on its implementation of the MDC, looking at processes and procedures which have been regarded as one of the best in the region.

"The delegates were inducted on the Road Fund and Roads Authority operations, road infrastructure funding and maintenance systems."

ARMFA with its head office in Nairobi, Kenya, is a 34-member, non-political and non-profit continental body established in Libreville in 2003 as a platform and network for sharing experience, knowledge and information on the best practices of financing road maintenance in Africa; supporting the promotion and strengthening of ties between African Roads Funds; and ensuring the sustainability and advocacy with governments and road sector institutions towards adequate financing of road maintenance.

Nurturing external stakeholder relationships

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

During the period under review, RFA continued engaging its external stakeholders in its business endeavours, and convened a Business Plan workshop for the stakeholders in the road fraternity, regional and local authorities on its proposed 2022-2027 Business Plan to gauge stakeholder input on the road ahead. Substantial responses were received at this meeting and duly incorporated into the 2022-2027 rolling Business Plan.

The RFA signed procedure agreements with approved Local Authorities, Regional Councils and Traffic Law Enforcement which were a renewal of a three-year agreement initially signed in September 2018. The agreements were signed with 57 Local Authorities, 14 Regional Councils and Traffic Law Enforcement (including NAMPOL and several Local Authorities with established traffic departments).

A total of N$111 million was allocated to Local Authorities, Regional Councils and Traffic Law Enforcement for the management and maintenance of urban roads and streets, settlements roads and traffic law enforcement, during the reporting period.

In its continued role of supporting traffic law enforcement, RFA handed over a brand-new fleet of 25 vehicles and traffic management equipment to the Namibian Police Traffic Law Enforcement Unit, valued at N$15 million on 11 October 2021.

The acquisition of the fleet and traffic equipment forms part of the RFA's commitment to supporting law enforcement in its endeavour to curb road accidents and unlawful conduct on the national road network. This investment increases the Nampol traffic law enforcement fleet by 16% and ensures that there is a traffic vehicle for every 46 km of paved national road. It further builds their capacity through the acquisition and deployment of traffic enforcement equipment, vehicles and traffic management systems.

This program will continue for the next three years under the new procedure agreement. In total, the RFA funded N$24 million to traffic law enforcement and adjudication across the country.

Further, strengthening its presence and engagement, RFA also conducted its Annual General Meeting with the Minister of Finance, Hon Iipumbu Shiimi, which deliberated on RFA's funding of labour based low volume seal road projects in Northern Namibia together with German development bank, KfW. This engagement in which the business plan was presented to the Minister also approved the Annual Financial Statements for the reporting period.

Subsequently, a joint RFA and Roads Authority board meeting was held which was pivotal in relationship building and creating a conducive environment with which the two organisations can better work together.

The RFA also engaged in the Public Enterprises CEO Forum which deliberated on how public enterprises can collaborate with government in the fight against Covid-19 and how much they can contribute to the fight at a time when oxygen was in short supply in public health care facilities and the need for collective funding arose.

Hindsight of the need to collaborate with local financial institutions to serve the greater Namibian road stakeholders, RFA secured an N$350 million loan deal from Nedbank Namibia for the funding of the Low Volume Seal Road Strategy (LVSRS), designed to upgrade high-traffic gravel roads to a low volume bitumen seal. The LVSRS is an alternative maintenance strategy to optimise available funding by conducting more road maintenance work with limited financial resources.

Lastly, RFA joined its road safety partners and road accident survivors to observe Africa Road Safety Day at the Zoo Park, in Windhoek. The day was observed in remembrance of lives lost through road accidents, and those affected by the resultant effects of the pandemic on wheels. The road safety partners called for more vigilance on the roads, at all times, in order to preserve lives and ensure all road users enjoy safe travels on our national road network.

Nurturing internal stakeholder relationships

To provide platforms with which RFA nurtured its internal stakeholders to the betterment of the organisation, a number of activities were initiated which brought employees together.

Firstly, RFA employees welcomed spring with a mini event on the Spring Day. Fun and laughter were the order of the day as team RFA rocked up adorned in florals and bright colours to bring cheer to the new season. In commemoration of Cancer Day, RFA employees at its Head Office observed "Pink Friday" in solidarity with the victims and survivors of breast cancer by wearing pink.

The event also marked an opportunity to spread awareness of the disease. A commemoration of Valentine's Day followed, where the atmosphere at the RFA was filled with love and affection as employees joined the rest of the world in celebrating the day of love. It was indeed a rosy affair of joy and laughter as colleagues exchanged Valentine's Day treats.

Further, emergency fire drills were conducted at the RFA Head Office. RFA's safety programme is designed to encourage employees to commit to workplace safety and to follow all safety procedures, adhere to the set safety standards and promote safe practices throughout each workday. The fire drill ensures that all employees in the building know and understand the evacuation plan, in the event of a real emergency. Additionally, a fire drill presents the perfect opportunity to tighten up rules and amend risk assessment to ensure a seamless evacuation in the event of a real fire outbreak.

The organisation hosted a fun-filled team building and award event at Droombos, in Windhoek, under the theme "RFA Coachella music fest 2022". Joy and excitement were written on each and everyone's face and it was indeed fulfilling. The event started with team-building activities as icebreakers, which included tower and bridge building, djembe drumming and music making, all of which engaged and entertained staff.

The event concluded with an awards ceremony in recognition of the hard work, excellence displayed throughout 2020 and 2021 as well as announcement of the RFA Brand Champions.

Lastly, RFA joined in the festivities to celebrate Namibia's 32 years of Independence, peace and stability at its head office. The traditional couture captured the essence of the day as RFA employees embraced the rich cultural diversity of Namibia.

Lastly, it is also imperative to state that through regional clusters (Northern, southern and central clusters which are regularly visited), RFA managed to implement a new policy awareness campaign which was imperative to alert employees on reviewed and new policies within the organisation.

Future outlook

Going forward, RFA is actively redesigning its stakeholder engagement approach in order to improve engagement on different levels, as well as stimulate greater awareness of the roads sector. This effort has been assigned as high priority in the division of Strategic Services and in our strategic framework.

During the next financial year, key focus will be directed to developing appropriate change-management frameworks within the organisation in order to manage change effectively. Being a business exhibiting a high degree of diversity, it is advisable to ensure that change is managed well to promote enhanced relationships with stakeholders.

“We realise that in the ever-changing world that we live in, our people and corporate culture must evolve to meet the dynamic needs of our business.”

HUMAN CAPITAL

PROPELLING AN ENHANCED WORKFORCE CULTURE

STRATEGIC OBJECTIVE:

Inculcate a performance management culture with an institutional performance score of 4.0 by 2024.

RFA continually invest in its human capital, which is a critical asset to the business. The value of our assets is underpinned by, and dependent on, the services delivered by our employees. We realise that in the ever-changing world that we live in, our people and corporate culture must evolve to meet the dynamic needs of our business.

RFA upholds a high performance culture which is supported by the organisation's Performance Management Policy. In this regard, all employees sign a performance agreement, for the financial year, which is continuously monitored and reviewed bi-annually, with the final performance review done at the end of the financial year.

In a bid to propel an enhanced workforce culture, RFA has implemented this Performance Management System (PMS) for the past six years. In 2022, RFA delivered a strong employee performance score of 3.8/5 which translates to achieving a higher performance exceeding the target by 110%.

Demographics and diversity

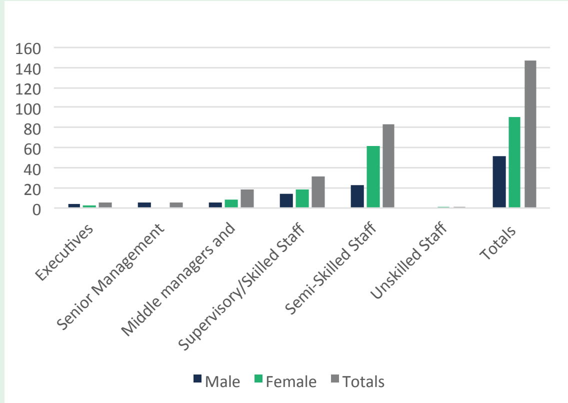
With a strong drive towards effective delivery of its mandate, RFA's organisational structure has 152 approved positions of which 142 have been successfully filled. In terms of gender representation, RFA staff complement continues to have a high presence of women which is currently at 63.38% of the staff complement. RFA continues to be preferred employer as its staff turnover remains low at 1% for the reporting period. The vacancies of prior years' resignations were not filled because of border post closure due to Covid-19 and the consideration of doing more with less.

Staff Complement as at 31 March 2022

Division	Approved positions	Appointments	Resignations/ Termination	Internal Transfers	Total Filled	Total Vacant
Chief Executive Officer Office	2	0	0	0	2	0
Compliance, Legal and Company Secretary	4	0	0	0	4	0
Strategic Services	17	1	0	0	16	1
Programme, Management and Policy Advice	5	0	0	0	5	0
Information Communication Technology	7	0	0	0	7	0
Audit and Risk	6	0	0	1	5	1
Fund Management (Head Office)	31	0	2	0	29	2
Fund Management (Border Posts)	80	0	1	5	74	6
Total	**152**	**1**	**3**	**6**	**142**	**10**

Gender Distribution

Job Category	Male	Female	Total
Executives	4	2	6
Senior Management	4	0	4
Middle Management and Professionals	7	8	15
Supervisory/Skilled staff	14	18	32
Semi-Skilled Staff	23	61	84
Unskilled Staff	0	1	1
Total	**52**	**90**	**142**



High performance culture

In the pursuit to improve performance, RFA continues to build capacity of its employees to provide for future skills needs that will enable sustainability of business operations. In essence, RFA embarked upon an institution wide skill audit that informed the Individual Development Plan (IDP) for all staff members and by extension informs the succession, retention, learning and development plan. RFA aims to attract the best people in the industry, putting them into the right roles to suit their talents that serve our business needs.

The RFA is empowering its employees by continuously engaging them through professional and personal development opportunities. The employees are given the support they need to succeed and to enhance efficiency. The RFA's learning and development engagements provide employees an opportunity to obtain formal qualifications through bursaries and study loans as well as short courses in fields relevant to employment functions and individual careers aspirations.

The table below reflects the accumulated figures:

Study Loans

Number of Beneficiaries	Study Course	Duration	Year of study	Institution	Value of course N$
One employee	Bachelor of Law	3 Years	Final year	University of South Africa	10,488
One employee	Bachelor of Commerce in Information Technology Management	2 Years	First Year	MANCOSA	23,800
One employee	Doctor of Business Administration	2 Years	2nd Year	Namibia Business School (NBS)	52,245
Two employees	Post Graduate Diploma in Accounting	1 Year	First Year	Regent Business School	80,000
One employee	Master's in Business Administration - Finance	2 years	2nd Year	International University of Management	15,260
One employee	Management Development Programme	6 Months	-	University of Stellenbosch	22,000
One employee	Master's of Science in Development Finance	2 years	1st Year	University of Namibia	66,950
One employee	Doctor of Business Administration	2 Years	Final year	UNAM - Namibia Business School	52,245
9 EMPLOYEES	**TOTAL**				**322 988**

Employee Bursaries

(Bursaries cumulative reported previous cycle)

Number of Beneficiaries	Study Course	Duration	Year of study	Institution	Value of course N$	Estimated completion date
One employee Postgraduate	MPHIL in Development Finance Programme	2 Years	2nd Year	University of Stellenbosch Business School	96,762	Completed, Feb 2022.
One employee Postgraduate	Masters of Business Administration	18 Months	1st Year	The Australian Institute of Business	70,000	2023
One Staff member Undergraduate	Certificate in Business Services: Office Administration	1 year	1st Year	International Training College - Lingua	17 610.00	2022
3 Employees	**TOTAL**				**184 372**	

Competency Interventions

Division	Course Name	Duration	Facilitator	Local/ International	Investment N$	No of employees
Office of the CEO	33rd African Corporate Governance Conference	4 Days	Advantage Training	International	49,990	2
Fund Management	IFRS 9 & 15 Masterclass	5 Days	Manpower Development Centre	Local	23,850.00	3
	Records Management in the Public Service	5 Days	R.A.J Training Institute	Local	20,815.00	2
	Management Development Programme 6 months University of Stellenbosch Business School International				32,500.00	1
	Namibia Procurement Conference	2 Days	IRC Consultancy	Local	37,800.00	9
Strategic Services	Records Management in the Public Service	5 Days	R.A.J Training Institute	Local	10,407.50	1
	Namibia Procurement Conference	2 Days	IRC Consultancy	Local	37,800.00	9
	Mental Health, Mindfulness and Self Care	2 weeks	GetSmarter	International	1,500	1
	HR Analytics	2 Days	HR Analytics Institute	International	11,996	2
ICT	Management Development Programme	6 months	Centre for Enterprise Development	Local	36,000.00	1
	Namibia Procurement Conference	2 Days	IRC Consultancy	Local	12,600.00	3
	Executive Development Programme	6 months	University of Stellenbosch Business School	International	86,870.00	1
	FortGate Infrastructure & Security	2 weeks	Centre for Enterprise Development	Local	13,800	1
PMPA	Namibia Procurement Conference	2 Days	IRC Consultancy	Local	16,800.00	4
All Divisions	Coaching Intervention for Middle managers and EXCO	10 Sessions each	Joint Prosperity	International	272,250	6
All Divisions	Refresher training on Performance Management, Approved Policies & Affirmative Action	One day per group (6 groups)	Inhouse	Inhouse	None	119
					669,179	**173**

Sustaining business operation in a Covid-19 challenged environment

In delivering effective service to stakeholder and ensuring business continuity, RFA implemented a myriad of changes that both responded to the demands of the Covid-19 strewn environment and also took care of the health of our employees.

In view of operating hours, RFA implemented measures such as working from home, virtual meetings and change in the shifts. The intervention was to mitigate the risk of people in the same operation unit being exposed to Covid-19 at the same time thus keeping a lean staff at office. The national protocol on Covid-19 resulted in the closure of most Cross Border Post Offices (CBC Offices) while others had reduced to limited operations.

CBC Offices that were totally closed included Senderlingsdrift, Klein Manase, Omahenene, Kashamane, Katwitwi, Sarasungu, Verloorsdrift and Mata-Mata with a few that recently opened being Oranjemund, Oshikango and Sarasungu. Staff of closed border posts were tasked to focus on MDC operations in order to sustain revenue inflow while some were temporarily redeployed to other operating duty stations with high volumes.

> The RFA implemented workplace safety measures such as fumigating offices in the event where cases have been reported to mitigate the impact of the pandemic, amidst psychological effects, fear of the unknown and stigmatisation.

We also made provision for preventative measures such as procurement of safety Perspex shield at front desk counters, hand sanitizer devices for deployment at RFA offices entry points and distribution of facemask to employees.

We are disheartened that in the reporting period, 43 employees contracted Covid-19, of which 42 recovered and one employee lost his life. To mitigate the grave implications of Covid-19, vulnerable employees with underlying health conditions continued to work from home. Infected staff members were supported with necessary leave benefits. Furthermore, sufficient tools of trade were provided, with increased internet Wi-Fi. RFA continued information sharing to all employees to mitigate panic. To further cushion employees, RFA provides medical aid benefits which allow employees to access improved medical services. These mitigation measures were implemented to ensure business continuity and to sustain business operations, in line with the disaster recovery and business continuity strategy. The RFA recognises the wellbeing of its employees pertaining to physical and psychosocial wellbeing. Therefore a wellness survey was conducted which will inform future strategic interventions including the development of a wellness programme.

Future outlook

RFA's Employee Value Proposition (EVP) plans for the future are to implement a people change management programme, implement a competency-based training programme, implement training for futuristic skills and succession planning for EXCO and management. It will also entail job grading, market relevance, policy prudence and strategic alignment while at the same time seek to deliver both a promotion and internship policy.

The proposition of inculcating a high-performance culture continues to be embedded in the RFA's focus on human capital with key impetus on positive corporate culture in the coming years.

It is well acknowledgeable that COVID-19 is a continuous health risk and socio-economic concern which has implications on our business operations and sustainability. Equally, we acknowledge that it has bearing on RFA's most vital resource, the employees, and thus revising strategies for business sustainability will be important to ensure business continuity. While key focus will be on delivering improved strategies that respond to contemporary realities, management continues to observe the national Covid-19 safety protocols at the workplace, as guiding protocols to preserve both business operations and the lives of our people.

MANUFACTURED CAPITAL

INNOVATION LED SUSTAINABILITY

Strategic objective:

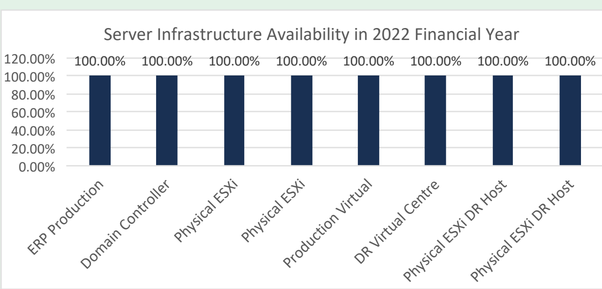
To leverage the latest technology to essentially enable the efficient functionality of our business units and facilitate the attainment of the objectives for the ISBP 2019-2024 through innovation and automated system solutions.

Over the years, RFA has leveraged its sustainability on innovative thinking, enabling technologies, and collaborative partnerships that respond to the changing environment and provide platforms for growth toward the demands of the fourth Industrial Revolution (4IR).

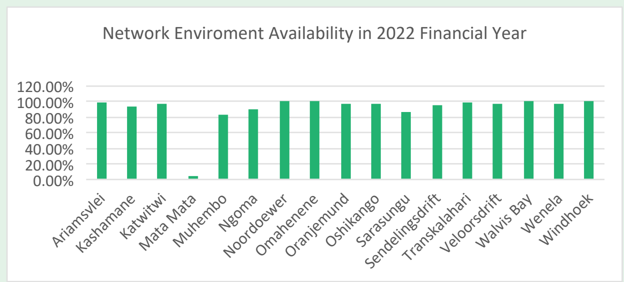
In this pursuit, it is delightful that our infrastructure performance, as has been for the previous years, has been 100% availability on average throughout the reporting period which is well above the industry standard or norm.

Status of ICT network and infrastructure

Below is a tabular representation of the performance of the RFA network and server infrastructure. Overall, the environment is stable with very minimal downtime, if any. The physical hardware that hosts the virtual environment is also in good condition and monitored daily.



The network availability graph below indicates that we experienced minimal downtimes at the RFA border post offices. This is mainly due to network outages as a result of heavy rainfalls and floods that damage the connection lines in that area. Overall, the network at the border post offices is stable. Mata-Mata border has been closed hence the very low uptime percentage on the graph.

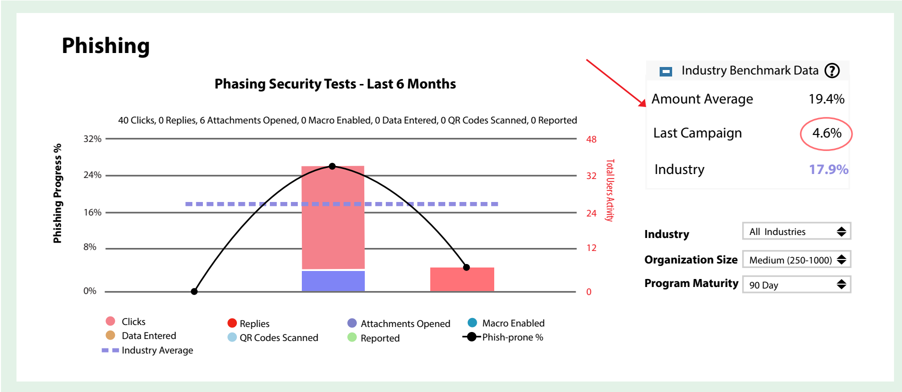


Reinforcing ICT security

During the 2022 financial year, RFA aimed to enforce the approved Information Security Policy. One of the initiatives was to quickly **identify the Business Risk** related to cybersecurity. Therefore, we combined all the information into an ICT Security Framework – with an "easy to reference" **ICT Security Dashboard**. The Status Dashboard provides detailed information about the current threats and the recommended actions to mitigate the respective risks in the organisation.

In addition, RFA also conducted online awareness training for staff after successfully running a phishing simulation. The RFA users are currently only **4.6% "Phish-prone**" (an improvement from 19.4%) and well below the industry average.

Below is the graphic illustration:



ICT governance compliance

The RFA's technology and infrastructure is managed as per the approved policies and comply with Control Objectives for Information Technology (COBIT) 2019 framework. In addition to aligning ICT strategy, the framework's objectives are also to assist the RFA in meeting regulatory compliance and better managing its risk. In the reporting period, RFA's ICT division has managed to achieve a 90% COBIT 2019 compliance.

ICT digitalisation master plan

The RFA Information and Communication Technology digitalisation plan is our coordinated effort to integrate people, processes, technology, information, and governance in a way that fully supports the needs of RFA, our stakeholders, and our customers while addressing our ever-evolving mission challenges. It provides direction and guidance on advancing ICT capabilities and resources to improve the division's operational efficiency, mission effectiveness, and front-line operations.

The Stryber Digitalisation Framework 2020 is the most aligned framework to the RFA ISBP. It touches upon the two different objects of digitising on-going business and future business using the two pillars of transformation focused on People and Technology. The plan is currently in year two, and all the identified projects are on track.

ICT capital projects in progress

Enterprise Resource Programme (ERP) and Business Process Re-engineering (BPR) projects are significant capital projects underway. These projects are both at an advanced stage with an expectation of completion in the 2022-23 financial year. The BPR has identified more areas of automation in RFA operations and an opportunity to implement robotic processes to improve the operations of RFA.

Future outlook

RFA acknowledges the 4th Industrial Revolution (4IR) which is a continuation of the third industrial revolution, and was based on the use of electronics and information technology to automate production. We are cognisant that 4IR is gaining rampant uptake which is characterised by a fusion of technologies that are blurring the lines between the physical, digital, and biological spheres. Namibia has launched its 4IR strategy and RFA Digitalisation Plan will be amended to accommodate the national goals in catapulting digitalisation for the betterment of road users in Namibia.

“With health as a key funding imperative in the reporting period, it was essential to fund the promotion of national development goals.”

SOCIAL AND RELATIONSHIP CAPITAL

HOLDING HANDS WITH OUR COMMUNITIES TO THRIVE

Essential to RFA's approach to funding roads is the advancement of sustainability in all its facets including environmental stewardship and social investment. The Covid-19 pandemic further emphasised the importance of embedding these considerations into our business at the base level. Despite the challenging environment, RFA is increasingly taking significant and tangible steps to shape our business around these values.

> In essence, making impact in the communities we operate in through our Corporate Social Investments (CSI) has always been central to the delivery of our mandate.

In this regard and despite the constrained environment recovering from the adverse effects of the pandemic, RFA resumed its role as a responsible corporate citizen, playing a stellar role in uplifting the lives of people within various socio-economic sectors. Touching the lives of our employees, road users, suppliers, regional partners, and the wider community remains a standing pillar within which we continuously seek opportunities and resources that can allow us to play an even greater role in uplifting our surrounding communities.

Cementing our social contract

In the wake of the escalating Covid-19 infections and their resultant effects in the country, RFA joined corporate Namibia in meeting government's efforts in the fight against Covid-19 through a financial sponsorship totalling N$ 300 000. This financial aid was critical in the procurement of essential Covid-19 treatment items such as oxygen by the Ministry of Health and Social Services. The aid thus enhanced government's chances of saving lives at a time when many were succumbing to the vicious variants of the pandemic.

With health as a key funding imperative in the reporting period, it was essential to fund the promotion of national development goals. In this regard, the organisation sponsored N$250 000 to the Namibia Investment Promotion and Development Board (NIPDB) to assist the Board in its participation of the Dubai Expo where it promoted Namibia to global investors.

As RFA seeks to be the global leader in sustainable road infrastructure funding and management, this contribution falls in line with our endeavour to contributing to unlocking the developmental initiatives of Namibia's logistic quest, to be the ideal logistic gateway to the Southern Africa economic trade block, via the ports of Walvis Bay and Lüderitz.

Keen to make our mark in community development, we also availed N$ 1.6 million for the installation of three traffic lights in the northwest suburbs of Windhoek. The traffic lights which have been installed and are functioning are crucial to regulate the flow of traffic on busy intersections thereby bettering the lives of habitants of these suburbs. The lights were installed at Ojomuise-Eveline/Claudius Kandovazu intersection, Otjomuise-Beijing/Shoveller intersections and lastly, Otjomuise-Bonn/Kransswael intersection. We recognise the importance of such road infrastructure in providing a layer of safety for both drivers and pedestrians.

This contribution fell in line with our N$150 000 support towards the Festive Season Road Safety Campaign 2021/22. RFA has been part of annual initiatives to preserve lives on the roads during the festive season, periods that have experienced rampant carnage on our roads. We believe that this investment is reaping fruits as the Motor Vehicle Accident Fund (MVA) has recorded positive statistics over the past few years. In the period under review, MVA recorded a decrease in road crashes from 716 crashes to 613 crashes and a decrease in fatalities from 109 to 102 fatalities. This encouraging outlook will allow us to further prioritise such investments that preserve the lives of our main stakeholders, road users.

In continuing our investments, we also invested in sport as one of key priority areas.

This droves us to dedicate a total of N$120 000 in sports sponsorships. This includes, RFA's sponsorship of N$50 000 to the Annual Cycle Classic, an exciting event on the national sports calendar which RFA has sponsored over the years. To promote fitness and healthy lifestyles, RFA is a regular participant of this event with our cycling passionate staff taking part. Apart from this, we joined other corporates in supporting our athletic sensations, Christine Mboma and Beatrice Masilingi who have recently been making victorious waves on both national and international levels, through a monetary sponsorship of N$70 000 towards their participation in the Under 20 World Athletics Championships in Nairobi, Kenya. The Namibian athletes have performed extremely well in recent competitions, including the Olympics, and the RFA could not have been prouder to offer its support to the athletes to fulfil their ambitions at the respective championships.

Future outlook

It has always been our ambition to continue to find ways in which we can play a bigger role in our communities by implementing impact driven corporate social investment initiatives. In the financial year ahead, we aspire to be more impactful and involve ourselves in investments that change the lives of those we are entrusted to serve.

> **RFA strives to uphold the principles of sustainability, corporate governance and social responsibility as crucial elements of our commitment to all stakeholders.**

NATURAL CAPITAL

SAFEGUADING OUR ENVIRONMENT FOR FUTURE USERS

As a responsible corporate citizen, RFA strives to uphold the principles of sustainability, corporate governance and social responsibility as crucial elements of our commitment to all stakeholders. Today we know sustainability isn't merely about ticking boxes as modestly as possible. To borrow a phrase from impact investing, "we believe we will do well by doing good". RFA is a significant user of environmental resources and is committed to the maintenance of important and critical environmental capital stock. We are aware of this responsibility, principled on continuous improvement and focused on mitigating any negative impact caused by our operations.

In the reporting period, this is how we have looked towards being environmentally conscious

Head office installs solar panels

Using solar energy reduces greenhouse emission and office buildings are responsible for creating a large percentage of the country's total carbon emissions. When businesses use solar energy, there is a reduction in the consumption of fuels that contribute to greenhouse gas emissions and pollution. Thus, RFA installed solar panels on the roof top of its Head Office in Windhoek. The renewable energy source is not only a cost saving measure but also reduces carbon footprint. This is particularly critical at this stage where caring for the environment to preserve it for future users is a critical element of our sustainability foresight.

Hybrid electric vehicle added to RFA fleet

With the anticipation that the future of fuel combustion cars is uncertain and will decline by the year 2030, RFA acquired a Hybrid electric vehicle which was added to the fleet. This reality was also acerbated by the fact that the trend of hybrid and electronic cars is gradually emerging on the local scene.

The RFA has recognised through its strategic orientation as identified in the ISBP 2019 – 2024 that it is essential to acquire this vehicle and understand the realities around it. RFA derives its revenue from the RUCs with 60% of its revenue as per 2019 Financial Year (FY) derived from fuel levy. The inclusion and usage of the electric vehicle in the RFA fleet will provide practical experience on how the electric cars will impact the organisation's business philosophy while also contributing to the reduction of fuel consumption by the RFA fleet. The vehicle will be a fit for purpose tool of trade, and it is identified as part of the strategic deliverables under the innovation them of the ISBP 2019-2024.

As the challenges of the global pandemic, heightened social and civil awareness, and the rising urgency for greener buildings continue to endure, relevant ESG practices will support the delivery of long-term value for RFA's business, employees, road users and supporting communities.

Future outlook

In the aftermath of the global Covid-19 pandemic and in the fight for a more just society, RFA will continue to prioritise stakeholders' needs and well-being through the advancement of sustainable practices and initiatives. Further, RFA will continue to convert its properties to greener building by installing solar panels.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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 O. Hiveluah M.S. Tjijenda J. Mnyupe I. Angula
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 Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Anna Matebele

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Road Fund Administration Act, (Act 18 of 1999) (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 2023 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 **93** to **94**.

The annual financial statements set out on pages **95** to **141**, which have been prepared on the going concern basis, were approved by the board of directors on 18 August 2022 and signed by:

Director

Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ROAD FUND ADMINISTRATION -CONSOLIDATED

Opinion

We have audited the annual financial statements of Road Fund Administration-Consolidated set out on pages **97** to **139**, which comprise the statement of financial position as at 31 March 2022, 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, 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- Consolidated as at 31 March 2022, 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 Financial Statement 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 detailed statement of surplus and deficit and other comprehensive income, which we obtained prior to the date of this auditor's report and the integrated annual report which is expected to be made available to us after that date. 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 (Continued)

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

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
31 August 2022

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 2022.

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
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian
O. Hiveluah	Director	Non-Executive	Namibian
M.S. Tjijenda	Director	Non-Executive	Namibian
J. Mnyupe	Director	Non-Executive	Namibian
I. Angula	Director	Non-Executive	Namibian

3. Events after the reporting period

The Government of Namibia, through cabinet, in its intervention to mitigate the negative economic and financial impact resulting from high fuel prices have temporary approved a temporary reduction of fuel levy accrued to the fund by 50% from 148 to 74 cents per litre, effective 04 May until 03 August 2022.

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

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$227 million as at 31 March 2022 (2021:N$ 152 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

Directors' Report (Continued)

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;
- Negative operating cashflow forecasted for 2022/2023 as indicated in the revised business plan will be covered by the reserve fund, no other negative cashflow for the remaining four years.

5. Secretary

The company secretary is Anna Matebele.

6. Auditors

Grand Namibia.

7. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the Board of directors on 18 August 2022.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$4,716,928 (2021: N$5,001,916).

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 2022

Figures in Namibia Dollar	Note(s)	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	3	129,080,696	126,027,979
Right-of-use assets	13	600,835	649,611
Investment property	4	296,460,000	295,000,000
Intangible assets	5	12,552,750	10,426,722
Investments	8	227,001,981	151,777,967
		665,696,262	**583,882,279**
Current Assets			
Trade and other receivables	6	160,418,720	452,508,046
Investments	8	983,871,702	627,390,899
Prepayments	7	53,267,965	53,267,965
Bank and cash	9	135,199,588	102,830,132
		1,332,757,975	**1,235,997,042**
Total Assets		**1,998,454,237**	**1,819,879,321**
Equity and Liabilities			
Equity			
Share capital		295,000,000	295,000,000
Reserves		227,001,981	151,777,966
Retained income		89,854,772	(7,864,617)
		611,856,753	**438,913,349**
Liabilities			
Non-Current Liabilities			
Interest bearing borrowings	10	731,989,724	690,047,181
Lease liabilities	13	650,290	680,598
		732,640,014	**690,727,779**
Current Liabilities			
Trade and other payables	11	523,595,052	351,138,526
Interest bearing borrowings	10	125,093,891	117,169,574
Lease liabilities	13	21,439	18,892
Provisions - leave pay	12	5,247,088	5,248,821
Bank overdraft	9	-	216,662,380
		653,957,470	**690,238,193**
Total Liabilities		**1,386,597,484**	**1,380,965,972**
Total Equity and Liabilities		**1,998,454,237**	**1,819,879,321**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2022	2021
Revenue	14	2,429,366,428	2,214,118,460
Other income	15	1,503,900	3,592,160
Impairment (loss)/gain on trade and other receivables and property, plant and equipment	18	(5,504,883)	(51,646,505)
Fair value gains		1,460,000	-
Administrative and operating expenses		(2,245,943,153)	(2,059,432,441)
Operating surplus	16	**180,882,292**	**106,631,674**
Investment income	17	47,981,175	43,834,355
Finance costs	19	(55,920,063)	(62,277,727)
Surplus for the year		**172,943,404**	**88,188,302**
Other comprehensive income		-	-
Total surplus for the year		**172,943,404**	**88,188,302**

Statement of Changes in Equity

Figures in Namibia Dollar	Capital contribution	Reserve fund	Accumulated surplus/(deficit)	Total equity
Balance at 1 April 2020	-	-	**55,725,047**	**55,725,047**
Surplus for the year	-	-	88,188,302	88,188,302
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**88,188,302**	**88,188,302**
Transfer between reserves	-	151,777,966	(151,777,966)	-
Government contribution - Roads Authority (RA) building	295,000,000	-	-	295,000,000
Total contributions by and distributions to owners of company recognised directly in equity	**295,000,000**	**151,777,966**	**(151,777,966)**	**295,000,000**
Balance at 1 April 2021	**295,000,000**	**151,777,966**	**(7,864,617)**	**438,913,349**
Surplus 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 the RFA recognised directly in equity	**-**	**75,224,015**	**(75,224,015)**	**-**
Balance at 31 March 2022	**295,000,000**	**227,001,981**	**89,854,772**	**611,856,753**
Note(s)	1.16	1.17		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2022	2021
Cash flows from operating activities			
Cash receipts from road users		2,721,455,754	2,085,024,713
Cash paid to suppliers and employees		(2,075,718,684)	(2,065,959,267)
Cash generated from operations	20	645,737,070	19,065,446
Investment income		47,981,175	43,834,355
Finance costs		(55,920,063)	(62,277,727)
Net cash from operating activities		**637,798,182**	**622,074**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,716,928)	(5,001,916)
Purchase of other intangible assets	5	(2,183,699)	(512,000)
Increase in investments		(75,224,015)	(151,777,968)
Net cash from investing activities		**(82,124,642)**	**(157,291,884)**
Cash flows from financing activities			
Repayment of interest bearing borrowings		(100,133,140)	(47,998,973)
Proceeds from interest bearing borrowings		150,000,000	-
Payment on lease liabilities		(27,761)	(111,020)
Net cash from financing activities		**49,839,099**	**(48,109,993)**
Total cash movement for the year		**605,512,639**	**(204,779,803)**
Cash at the beginning of the year		513,558,651	718,338,454
Total cash and cash equivalents	9	**1,119,071,290**	**513,558,651**

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 Namibia Dollars.

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 1.3 below under the Roads Authority (RA) building.

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.

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).

Accounting Policies

1.3 Judgements and sources of estimation uncertainty (continued)

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 1.16.

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.

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.

Revenue

For judgements relating to recognition of revenue as a non-exchange transaction, refer to note 1.14.

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.

Accounting Policies

1.4 Investment property (continued)

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.

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

Accounting Policies

1.5 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.

1.6 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.

Accounting Policies

1.6 Intangible assets (continued)

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

1.7 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.

The RFA recognises a loss allowance for expected credit losses (ECL) on trade and other receivables, excluding prepayments.

Accounting Policies

1.7 Financial instruments (continued)

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.

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.

(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.

Accounting Policies

1.7 Financial instruments (continued)

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.

(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.

Accounting Policies

1.7 Financial instruments (continued)

(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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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.

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.

Accounting Policies

1.9 Leases (continued)

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 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.

Accounting Policies

1.9 Leases (continued)

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.

1.10 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.

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.

Accounting Policies

1.11 Employee benefits (continued)

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.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

A Government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in surplus or deficit (separately).

Accounting Policies

1.13 Government grants (continued)

Repayment of a grant related to income is applied first against any unamortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a government grant.

1.14 Revenue

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

Revenue from license and registration fees and fuel levies are considered as revenue from non-exchange transactions since the RFA receives funds (value) from entities/individuals without directly giving approximately equal value in exchange.

The RFA recognises RUCS revenues from non-exchange transactions when the event occurs and the resulting asset's recognition criteria are met (i.e. on a cash basis).

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.

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

1.15 Investment income

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

1.16 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.

1.17 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.

1.18 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	2022	2021

2. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

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**

2021

	Note(s)	Loans and receivables at amortized cost	Total	Fair value
Trade and other receivables	6	452,238,827	452,238,827	452,238,827
Bank and cash	9	102,830,132	102,830,132	102,830,132
Investments	8	779,168,866	779,168,866	779,168,866
		1,334,237,825	**1,334,237,825**	**1,334,237,825**

Categories of financial liabilities

2022

	Note(s)	Financial liabilities at amortized 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**

2021

	Note(s)	Financial liabilities at amortized cost	Total	Fair value
Trade and other payables	11	216,764,702	216,764,702	216,764,702
Finance lease obligations	13	699,490	699,490	699,490
Interest bearing borrowings	10	807,216,755	807,216,755	807,216,755
Bank overdraft	9	216,662,380	216,662,380	216,662,380
		1,241,343,327	**1,241,343,327**	**1,241,343,327**

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).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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.

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

		2022			2021		
		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	171,075,848	(10,811,200)	160,264,648	454,388,996	(2,150,169)	452,238,827
Investments		1,210,873,683	-	1,210,873,683	779,168,866	-	779,168,866
Bank and cash	9	135,199,588	-	135,199,588	102,830,132	-	102,830,132
		1,517,149,119	**(10,811,200)**	**1,506,337,919**	**1,336,387,994**	**(2,150,169)**	**1,334,237,825**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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 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	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	13	671,729	-	-	-	-	671,729
		532,908,796	**337,682,030**	**518,490,372**	**43,971,531**	**(225,515,394)**	**1,207,537,335**

As at 31 March 2021 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Trade and other payables	11	216,764,702	-	-	-	-	216,764,702
Interest bearing borrowings	10	155,970,356	289,504,023	524,992,101	81,764,948	(245,014,673)	807,216,755
Lease liabilities		699,490	-	-	-	-	699,490
Bank overdraft	9	221,162,380	-	-	-	(4,500,000)	216,662,380
		594,596,928	**289,504,023**	**524,992,101**	**81,764,948**	**(249,514,673)**	**1,241,343,327**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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.

Increase or decrease in rate	2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Impact on surplus or deficit				
Bank and cash	1,351,995	(1,351,995)	1,028,301	(1,028,301)
Investments	12,108,736	(12,108,736)	7,791,688	(7,791,688)
Government receivable	2,742	(2,742)	2,510,884	(2,510,884)
Interest bearing borrowings	(8,528,348)	8,528,348	(8,072,167)	8,072,167
Bank overdraft	-	-	(2,166,623)	2,166,623
Leases	(6,717)	6,717	(6,994)	6,994
Total impact on surplus and deficit	**4,928,408**	**(4,928,408)**	**1,085,089**	**(1,085,089)**
Impact on equity:				
Bank and cash	1,351,995	(1,351,995)	1,028,301	(1,028,301)
Investments	12,108,736	(12,108,736)	7,791,688	(7,791,688)
Government receivable	2,742	(2,742)	2,510,884	(2,510,884)
Interest bearing borrowings	(8,528,348)	8,528,348	(8,072,167)	8,072,167
Bank overdraft	-	-	(2,166,623)	2,166,623
Leases	(6,717)	6,717	(6,994)	6,994
Total impact on equity	**4,928,408**	**(4,928,408)**	**1,085,089**	**(1,085,089)**

Price risk

The Fund is not exposed to price risk.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

3. Property, plant and equipment

	2022			2021		
	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	132,418,222	(16,160,479)	116,257,743	126,351,111	(13,232,346)	113,118,765
Furniture and fixtures	3,489,617	(1,848,709)	1,640,908	3,198,442	(1,548,233)	1,650,209
Motor vehicles	10,582,626	(6,362,789)	4,219,837	8,891,455	(5,026,718)	3,864,737
Office equipment	1,363,749	(1,315,229)	48,520	1,363,748	(1,032,281)	331,467
Computer equipment	6,768,340	(6,077,139)	691,201	6,169,398	(5,329,084)	840,314
Total	**160,845,041**	**(31,764,345)**	**129,080,696**	**152,196,641**	**(26,168,662)**	**126,027,979**

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	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
Computer equipment	840,314	598,942	-	(748,055)	691,201
	126,027,979	**4,716,928**	**3,931,471**	**(5,595,682)**	**129,080,696**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Impairment loss	Depreciation	Total
Land	6,222,487	-	-	-	6,222,487
Buildings	132,190,736	2,919,253	(19,214,857)	(2,776,367)	113,118,765
Furniture and fixtures	1,893,275	30,320	-	(273,386)	1,650,209
Motor vehicles	3,935,786	1,510,814	-	(1,581,863)	3,864,737
Office equipment	646,311	-	-	(314,844)	331,467
IT equipment	993,690	541,529	-	(694,905)	840,314
Capital - Work in progress	34,271,820	-	(34,271,820)	-	-
	180,154,105	**5,001,916**	**(53,486,677)**	**(5,641,365)**	**126,027,979**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

Pledged as security

There were no assets pledged as security during the year under review (2021: none).

Land and buildings comprise of the following:

Description	**Carrying amount 2022**	**Carrying amount 2021**
Land Erf 5846,Erf 5845 and Erf 5844 Feld Street Windhoek (RFA Head Office)	6,222,487	6,222,487
Buildings - RFA Head office	43,710,331	39,875,559
Buildings - Regional CBC Offices	5,045,279	4,558,533
CBC Regional Staff Accommodation	67,502,133	68,684,673
	122,480,230	**119,341,252**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

3. Property, plant and equipment (continued)

CBC Regional Staff Accommodation consist of the following:

Ngoma	3,150,138	3,219,613
Ariamsvlei	10,328,616	10,552,378
Klein Manasse	2,496,504	2,551,533
Noordoewer	12,835,219	13,113,842
Trans-Kalahari	6,510,545	6,650,080
Sendelingsdrift	945,773	966,712
Oranjemund	143,319	146,379
Oshikango	7,194,682	7,351,124
Kashamane	3,910,319	3,924,117
Katwitwi	3,744,742	3,824,843
Omahenene	4,317,366	4,382,263
Katima Mulilo	8,866,743	8,874,003
Mohembo	734,322	751,088
Mata-Mata	2,323,845	2,376,698
	67,502,133	**68,684,673**

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 2022 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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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

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

	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	296,460,000	-	296,460,000	295,000,000	-	295,000,000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Building - Roads Authority Head Office	295,000,000	1,460,000	296,460,000

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 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 2022 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$296 million (2021: N$295 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 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 (2021:none) for the Low Volume Seal obligation of N$350,000,000 which only N$150,000,000 was received in the current financial year.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	9,661,964	(9,493,006)	168,958	9,555,855	(9,435,335)	120,520
Computer software (Work in progress)	12,383,792	-	12,383,792	10,306,202	-	10,306,202
Total	**22,045,756**	**(9,493,006)**	**12,552,750**	**19,862,057**	**(9,435,335)**	**10,426,722**

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**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	571,349	24,532	(475,361)	120,520
Computer software (Work in progress)	9,818,734	487,468	-	10,306,202
	10,390,083	**512,000**	**(475,361)**	**10,426,722**

6. Trade and other receivables

Financial instruments:

	2022	2021
Road User Charges receivable	14,451,608	5,669,995
Loss allowance	(10,811,200)	(1,090,920)
Trade receivables at amortised cost	3,640,408	4,579,075
Accrued Income - Fund	143,275,937	137,791,810
Government loan receivable	274,003	250,812,920
Government loan receivable- non interest bearing	-	51,308,473
Sundry debtors	24,269	-
MDC receivable	13,050,031	7,746,549

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

6. Trade and other receivables (continued)

Non-financial instruments:		
Employee costs in advance	154,072	269,219
Total trade and other receivables	**160,418,720**	**452,508,046**

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

Split between non-current and current portions

Current assets	160,418,720	452,508,046

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

At amortised cost	160,264,648	452,238,827
Non-financial instruments	154,072	269,219
	160,418,720	**452,508,046**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

6. Trade and other receivables (continued)

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

Expected credit loss rate:	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Trade receivables				
30 days: 15.36% (2021: 19.07%)	944,996	(145,133)	5,563,725	(1,061,003)
30-60 days: 26.68% (2021: 24.09%)	3,355,871	(895,413)	-	-
60-90 days: 30.49% (2021: 28.15%)	190,526	(58,093)	106,270	(29,917)
90-120 days: 37.74 % (2021: 32.45%)	397,758	(150,105)	-	-
120 days: 100% (2021: 100%)	9,562,456	(9,562,456)	-	-
Total	**14,451,607**	**(10,811,200)**	**5,669,995**	**(1,090,920)**

Reconciliation of loss allowances

The following table shows the movement in the loss allowances (lifetime expected credit losses) for receiveables

	2022	2021
Opening balance	(1,090,920)	(7,570,960)
Provision raised on new trade receivables	(10,811,200)	(1,090,920)
Provisions reversed on settled trade receivables	1,090,920	7,570,960
Closing balance	**(10,811,200)**	**(1,090,920)**

Government receivable

The following table provides information about the exposure to credit risk and ECLs for Government receivables as at 31 March 2021.

	2022	2021
Government receivable		
Loss rate	0.1186%	0.091%
Interest bearing receivable	274,253	251,088,484
Non - interest bearing receivable	-	51,308,473
Loss allowance	(250)	(275,564)
Net trade receivable balance	**274,003**	**302,121,393**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

7. Prepayments

TR1/3		
KfW funded project - TR1/3 section A - Tses - Gochas	53,267,965	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.

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

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

8. Investments

At fair value through surplus or deficit - designated

Old Mutual Nedbank Namibia Money Market Fund Invested in a mixed money market portfolio.	65,261,671	46,141,266
Bank Windhoek Investment-3001906927 Invested in a fixed term account.	57,515,572	55,071,274
Momentum Namibia Corporate Money Market Fund Invested in a mixed money market portfolio.	70,059,899	50,565,427
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	61,093,901
SME Bank-09511431716-LD1628700439 Invested in a fixed term account.	60,655,600	60,655,600
RMB-71272546635 Invested in a fixed term account.	-	270,784,497
Bank Windhoek - 3001941956 Invested in a fixed term account.	-	151,778,287
MUMI Investment Managers Unit Invested in a fixed term account.	24,761,936	-
Standard Bank call account Invested in a call term account.	217,372	106,172,187
Hangala Capital Unit Trust Invested in a fixed term account.	24,834,390	-
Standard Bank Global Mark Invested in a fixed term account.	264,299,350	-
Bank Windhoek NDP-3001725697 Invested in a fixed term account.	102,089,485	98,655,929
Nampost -500051515 Invested in a fixed term account.	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)	(121,749,502)
	1,210,873,683	**779,168,866**
Non-current assets		
Investments	**227,001,981**	**151,777,967**
Current assets		
Investments	**983,871,702**	**627,390,899**
	1,210,873,683	**779,168,866**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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. However in December 2020, the SME Bank refunded the RFA an amount of N$12,441,330.

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$227million with, Old Mutual Nedbank Namibia Money Market Fund, Momentum Namibia Corporate Money Market Fund 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 (2021:none) for the Low Volume Seal loan obligation of N$350,000,000, which only N$150,000,000 was received in the current financial year.

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

	2022	2021
Credit rating		
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	65,261,671	46,141,266
Momentum Namibia Corporate Money Market Fund (AA-National sale scale rating)	70,059,899	50,565,427
Bank Windhoek Limited (A1+Moody's credit rating)	91,680,412	55,071,274
	227,001,982	**151,777,967**

9. Cash and cash equivalents

	2022	2021
Cash and cash equivalents consist of:		
Cash on hand	62,595	81,729
Bank balances	135,136,993	102,748,403
Investments - current (as disclosed in note 8)	983,871,702	627,390,899
Bank overdraft	-	(216,662,380)
	1,119,071,290	**513,558,651**
Bank and cash	135,199,588	102,830,132
Investments - current	983,871,702	627,390,899
Bank overdraft	-	(216,662,380)
	1,119,071,290	**513,558,651**
Cash and cash equivalents held by the entity that are not available for use by the RFA.	20,899,898	14,963,385

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

9. Cash and cash equivalents (Continued)

Restricted cash

Included in the bank and cash is an amount of N$15.8 million (2021: N$ 14.9 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$5 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)	232,570,820	250,434,216
Standard Bank Namibia Limited (BB+Fitch credit rating)	553,117,827	208,920,590
First National Bank Namibia Limited (A+ Global credit rating)	-	270,784,497
Nedbank Limited Namibia (BA 1 Moody's credit rating)	283,723,722	-
Hangala Capital Unit Trust (not rated)	24,834,390	-
MUMI Investment Manager (not rated)	24,761,936	-
	1,119,008,695	**730,139,303**

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 (2021:nil).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

10. Interest bearing borrowings

At fair value through profit (loss)		
Nedbank Namibia Limited	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 7.25% in the current financial year. The loan is repayable in 40 quaterly installments of N$4,2 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$150,000,000 (2021:Nill).		
KfW Loan II	443,095,951	495,225,076
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$443,095,951 (2021:N$495,225,076).		
KfW Loan I	263,987,664	311,991,679
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$263,987,664 (2021:N$311,991,679).		
	857,083,615	**807,216,755**

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

Split between non-current and current portions		
Non-current liabilities	731,989,724	690,047,181
Current liabilities	125,093,891	117,169,574
	857,083,615	**807,216,755**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

11. Trade and other payables

Financial instruments:		
Roads Authority project administration and other fund creditors	253,863,958	139,413,553
KfW labour based projects	-	6,596,755
Accrual Local Authorities and Traffic Law Enforcement	45,395,540	57,901,525
Provision - Low volume seal	56,510,976	-
Provision - Etosha roads	11,044,661	12,852,873
Non-financial instruments:		
Amounts received in advance - CBC/MDC foreign and vehicle license fees	20,855,951	17,543,135
Roads Authority - Provisions	59,223,970	55,351,549
Fuel levy refunds	46,613,159	37,888,071
Government Road Project	20,899,898	14,963,385
Other payables	9,186,939	8,627,680
	523,595,052	**351,138,526**

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	366,815,135	216,764,702
Non-financial instruments	156,779,917	134,373,823
	523,595,050	**351,138,525**

Fair w of trade and other payables

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

12. Provisions

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

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Leave pay provision	4,512,463	736,358	5,248,821

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

13. Leases (RFA as lessee)

The Fund leases several assets, including buildings, plant and IT equipment. The average lease term is from 2 to 18 years (2021: 2 to 18 years).

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:

Buildings	600,835	649,611

Additions to right-of-use assets

Buildings	-	810,510

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).

Buildings	48,776	160,899

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	86,579	99,532
One to two years	86,579	89,032
Two to five years	252,696	259,737
More than five years	892,059	971,597
	1,317,913	1,419,898
Less: future finance charges	(646,184)	(720,408)
Present value of minimum lease payments	**671,729**	**699,490**
Non-current liabilities	650,290	680,598
Current liabilities	21,439	18,892
	671,729	**699,490**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

13. Leases (RFA as lessee) (continued)

The company has entered into finance leases for certain property.

All leases have fixed repayments and with an effective interest rate of 10% (2021 : 10%).

The company’s obligations under finance leases are secured over right of use assets with a net book value of N$600,835 (2021: N$649,611).

Monthly instalments for finance leases amount to N$7,215 (2021: N$10,299).

14. Revenue

Fuel levies	1,636,441,097	1,474,831,730
Fuel levy refunds	(339,522,705)	(270,524,062)
Other Road User Charges	1,132,448,036	1,009,810,792
	2,429,366,428	**2,214,118,460**

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

Vehicle license fees	793,364,410	737,720,695
Cross border charges	136,818,812	110,151,823
Mass distance charges-local	150,091,030	117,095,079
Mass distance charges-foreign	39,159,932	33,694,224
Abnormal permit fees	12,028,772	10,246,431
Road carrier permit fees	985,080	902,540
	1,132,448,036	**1,009,810,792**

15. Other income

Administration sundry income	1,184,018	3,458,873
NTA refund	319,882	133,287
	1,503,900	**3,592,160**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

16. Operating surplus

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

Auditor's remuneration - external		
Audit fees	2,081,561	1,705,342
Depreciation		
Depreciation of property, plant and equipment	5,595,682	5,641,365
Depreciation of right-of-use assets	48,776	160,899
Amortisation of intangible assets	57,671	475,361
Total depreciation and amortisation	**5,702,129**	**6,277,625**

Expenses by nature

The total operating expenses are analysed by nature as follows:

Depreciation and amortisation	5,702,129	6,277,625
Other expenses	47,317,545	47,441,229
Employee costs	96,019,204	92,502,060
Local Authorities	96,369,216	104,670,495
National road network expenditure - RA	1,798,221,058	1,647,048,290
Traffic Law Enforcement	23,750,201	27,664,374
Technical Assistance	-	4,576,775
National road network expenditure - RFA*	178,563,800	141,692,923
SME Bank Recoveries	-	(12,441,330)
	2,245,943,153	**2,059,432,441**

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

17. Investment income

Interest income		
Investments in financial assets:		
Bank and cash	1,705,369	1,335,319
Trade and other receivables	2,585	10,332
Investments	46,273,221	42,488,704
Total interest income	**47,981,175**	**43,834,355**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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

Heading		
Property, plant and equipment	(3,931,471)	53,486,677
Trade and other receivables	8,661,033	(2,899,421)
Accrued income - Fund	775,071	783,685
Government receivables	250	275,564
	5,504,883	**51,646,505**

19. Finance costs

Interest bearing borrowings	55,850,745	62,204,649
Interest paid - leases	69,318	73,078
Total finance costs	**55,920,063**	**62,277,727**

20. Cash generated from operations

Surplus for the year	172,943,404	88,188,302
Adjustments for:		
Depreciation and amortisation	5,702,129	6,277,625
Investment income	(47,981,175)	(43,834,355)
Finance costs	55,920,063	62,277,727
Fair value gains	(1,460,000)	-
Movements in provisions	(1,733)	736,358
Movements in impairment-property, plant and equipment	(3,931,471)	53,486,677
Changes in working capital:		
Trade and other receivables	292,089,326	(129,093,747)
Prepayments	-	(53,267,965)
Trade and other payables	172,456,527	34,294,824
	645,737,070	**19,065,446**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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.

The balance at the end of the year is made up as follows:		
Balance at the beginning of the year	14,963,385	42,117,740
Receipts/(Payments) during the year	936,513	(27,154,355)
	15,899,898	**14,963,385**
The amount is represented by:		
Project accounts included in bank balances	15,899,898	14,963,385

22. Roads Authority - provisions

Heading		
Administration cost	52,099,893	48,141,950
Retention	7,124,077	7,209,599
	59,223,970	**55,351,549**

23. National Road Network Expenditure - RA

Roads Authority - NaTIS	145,056,709	169,511,899
Roads Authority - Construction and Rehabilitation	10,343,412	5,460,600
Roads Authority - Network Planning	21,781,965	36,677,647
Roads Authority - Maintenance	1,100,478,386	987,612,376
Roads Authority - Road Management	15,043,481	16,919,080
Roads Authority - Administration	407,103,578	398,416,220
Roads Authority - Road Transport Inspection	8,341,633	11,677,973
Roads Authority - Business Systems	53,168,761	20,772,495
Roads Authority - KfW Funded Project - Tses - Gogas Road	36,903,133	-
	1,798,221,058	**1,647,048,290**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 for specific road projects)
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 RFA has applied exemptions allowed for in IAS 24: Related Party Disclosures.

	2022	2021
Compensation to directors and other key management		
Directors Emoluments - Boards	723,754	1,059,441

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	2022	2021

26. 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)	82,800,000	72,000,000

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	2022	2021

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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 1 Presentation of Financial Statements	1 January 2023	Unlikely there will be a material impact
• IAS 8 Accounting Policies, Changes in Accounting, Estimates and Errors	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(s)	2022	2021 Restated
Revenue			
Fuel levies		1,636,441,097	1,474,831,730
Fuel levy refund		(339,522,705)	(270,524,062)
Other road user charges		1,132,448,036	1,009,810,792
	14	**2,429,366,428**	**2,214,118,460**
Other operating income			
Other income		1,184,018	3,458,873
Other recoveries		319,882	133,287
	15	**1,503,900**	**3,592,160**
Other operating gains (losses)			
Impairment loss on trade and other receivables and property, plant and equipment	18	(5,504,883)	(51,646,505)
Fair value gains		1,460,000	-
		(4,044,883)	**(51,646,505)**
Expenses (Refer to page 141)		**(2,245,943,153)**	**(2,059,432,441)**
Operating surplus	16	**180,882,292**	**106,631,674**
Investment income	17	47,981,175	43,834,355
Finance costs	19	(55,920,063)	(62,277,727)
Surplus for the year		**172,943,404**	**88,188,302**

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		2022	2021 Restated
Other operating expenses			
Advertising		(1,208,557)	(856,934)
Amortisation		(57,671)	(475,361)
Auditors remuneration	16	(2,081,561)	(1,705,342)
Bank charges		(10,209,331)	(6,939,240)
Cleaning		(567,461)	(654,450)
Commission paid		(58,447)	-
Computer expenses		(1,069,452)	(958,989)
Consulting and professional fees		(6,071,986)	(7,441,002)
Consumables		(684,795)	(862,859)
Corporate items		(1,475,547)	(4,190,453)
Depreciation		(5,644,458)	(5,802,264)
Donations		(866,505)	(580,312)
Employee costs		(96,019,204)	(92,502,060)
Entertainment		(782,293)	(609,027)
Fines and penalties		-	(79,520)
Hire		-	(4,957)
IT expenses		(5,076,455)	(4,667,400)
Insurance		(400,458)	(406,607)
Legal fees		(2,196,190)	(1,980,324)
Local Authorities		(96,369,216)	(104,670,495)
Minor asset expense		46,830	(264,132)
Motor vehicle expenses		(856,636)	(455,705)
Municipal expenses		(2,429,602)	(1,976,310)
National road network expenditure - RA		(1,798,221,058)	(1,647,048,290)
National road network expenditure - RFA		(178,563,800)	(141,692,923)
National road safety council		-	(331,965)
Postage		(212,101)	(249,006)
Printing and stationery		(864,554)	(1,160,175)
Promotions		(311,674)	(635,676)
Protective clothing		-	(601,105)
Repairs and maintenance		(1,248,406)	(819,597)
SME Bank recoveries		-	12,441,330
Security		(1,408,204)	(2,676,033)
Seminars and conferences		(262,448)	(104,732)
Lease rental on operating lease		(89,924)	(76,021)
Staff wellness		(312,595)	(1,635,705)
Subscriptions		(823,996)	(639,460)
Subsistence and travel		(3,294,286)	(1,405,925)
Technical Assistance AA		-	(4,576,775)
Telephone and fax		(1,692,218)	(1,800,156)
Traffic Law Enforcement agencies		(23,750,201)	(27,664,374)
Training		(808,693)	(672,110)
		(2,245,943,153)	**(2,059,432,441)**

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 O. Hiveluah M.S. Tjijenda J. Mnyupe I. Angula
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 Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Anna Matebele

Contents

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

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 2023 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 **145** to **146**.

The annual financial statements set out on pages **147** to **190**, which have been prepared on the going concern basis, were approved by the board of directors on 18 August 2022 and signed by:

Director | **Director**

18 August 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ROAD FUND ADMINISTRATION – FUND

Opinion

We have audited the annual financial statements of Road Fund Administration-Fund set out on pages **149** to 1**88**, which comprise the statement of financial position as at 31 March 2022, 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, 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 as at 31 March 2022, 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 Statement 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 detailed statement of surplus and deficit and other comprehensive income and the integrated annual report which is expected to be made available to us after that date. 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 (Continued)

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

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
31 August 2022

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 2022.

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
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian
O. Hiveluah	Director	Non-Executive	Namibian
M.S. Tjijenda	Director	Non-Executive	Namibian
J. Mnyupe	Director	Non-Executive	Namibian
I. Angula	Director	Non-Executive	Namibian

3. Events after the reporting period

The Government of Namibia, through cabinet, in its intervention to mitigate the negative economic and financial impact resulting from high fuel prices have temporary approved a temporary reduction of fuel levy accrued to the fund by 50% from 148 to 74 cents per litre, effective 04 May until 03 August 2022.

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

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$ 227 million as at 31 March 2022 (2021:N$ 152 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

Directors' Report (Continued)

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;
- Negative operating cashflow forecasted for 2022/2023 as indicated in the revised business plan will be covered by the reserve fund, no other negative cashflow for the remaining four years.

5. Secretary

The company secretary is Anna Matebele.

6. Auditors

Grand Namibia.

7. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the Board of directors on 18 August 2022.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$ 4,454,698 (2021: N$ 4,430,067).

Statement of Financial Position as at 31 March 2022

Figures in Namibia Dollar	Note(s)	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	3	127,335,785	123,298,030
Investment property	4	296,460,000	295,000,000
Intangible assets	5	12,383,792	10,306,202
Investments	8	227,001,981	151,777,967
		663,181,558	**580,382,199**
Current Assets			
Trade and other receivables	6	160,240,379	452,238,827
Investments	8	983,871,702	627,390,899
Prepayments	7	53,267,965	53,267,965
Bank and cash	9	134,577,440	101,928,028
		1,331,957,486	**1,234,825,719**
Total Assets		**1,995,139,044**	**1,815,207,918**
Equity and Liabilities			
Equity			
Share capital		295,000,000	295,000,000
Reserves		227,001,981	151,777,966
Retained income		65,153,052	(30,443,704)
		587,155,033	**416,334,262**
Liabilities			
Non-Current Liabilities			
Interest bearing borrowings	10	731,989,724	690,047,181
Current Liabilities			
Trade and other payables	11	550,900,396	374,994,521
Interest bearing borrowings	10	125,093,891	117,169,574
Bank overdraft	9	-	216,662,380
		675,994,287	**708,826,475**
Total Liabilities		**1,407,984,011**	**1,398,873,656**
Total Equity and Liabilities		**1,995,139,044**	**1,815,207,918**

Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2022	2021
Revenue	12	2,429,366,428	2,214,118,460
Other income	13	766,999	3,160,053
Impairment (loss)/gain on trade and other receivables and property, plant and equipment	15	(5,504,883)	(51,646,505)
Fair value gains		1,460,000	-
Administrative and operating expenses		(2,247,398,203)	(2,060,431,999)
Operating surplus	14	**178,690,341**	**105,200,009**
Investment income	16	47,981,175	43,834,355
Finance costs	17	(55,850,745)	(62,204,649)
Surplus for the year		**170,820,771**	**86,829,715**
Other comprehensive income		-	-
Total surplus for the year		**170,820,771**	**86,829,715**

Statement of Changes in Equity

Figures in Namibia Dollar	Capital contribution	Reserve fund	Accumulated surplus/(deficit)	Total equity
Balance at 1 April 2020	**-**	**-**	**34,504,547**	**34,504,547**
Surplus for the year	-	-	86,829,715	86,829,715
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**86,829,715**	**86,829,715**
Transfer between reserves	-	151,777,966	(151,777,966)	-
Government contribution - Roads Authority (RA) building	295,000,000	-	-	295,000,000
Total contributions by and distributions to owners of company recognised directly in equity	**295,000,000**	**151,777,966**	**(151,777,966)**	**295,000,000**
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 the Fund recognised directly in equity	**-**	**75,224,015**	**(75,224,015)**	**-**
Balance at 31 March 2022	**295,000,000**	**227,001,981**	**65,153,052**	**587,155,033**
Note(s)	1.16	1.17		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2022	2021
Cash flows from operating activities			
Cash receipts from road users		2,721,364,876	2,034,713,009
Cash paid to suppliers and employees		(2,075,813,268)	(2,016,533,571)
Cash generated from operations	18	645,551,608	18,179,438
Interest income		47,981,175	43,834,355
Finance costs		(55,850,745)	(62,204,649)
Net cash from operating activities		**637,682,038**	**(190,856)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,454,698)	(4,430,067)
Purchase of other intangible assets	5	(2,077,590)	(487,468)
Increase in investments		(75,224,015)	(151,777,968)
Net cash from investing activities		**(81,756,303)**	**(156,695,503)**
Cash flows from financing activities			
Repayment of interest bearing borrowings		(100,133,140)	(47,998,973)
Proceeds from interest bearing borrowings		150,000,000	-
Net cash from financing activities		**49,866,860**	**(47,998,973)**
Total cash movement for the year		**605,792,595**	**(204,885,332)**
Cash at the beginning of the year		512,656,547	717,541,879
Total cash and cash equivalents		**1,118,449,142**	**512,656,547**

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 Namibia Dollars.

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 1.3 below under the Roads Authority (RA) building.

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 1.16.

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 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.

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.

Revenue

For judgement relating to recognition of revenue as a non-exchange transactions, refer to note 1.14.

Accounting Policies

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.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

Accounting Policies

1.6 Intangible assets (continued)

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

1.7 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.

(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.

Accounting Policies

1.7 Financial instruments (continued)

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.

(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.

Accounting Policies

1.7 Financial instruments (continued)

(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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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.

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 Leases

Fund as lessee

The Fund assesses whether a contract is or contains a lease, at inception of the contract. The Fund 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 Fund 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.

Accounting Policies

1.9 Leases (continued)

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 Fund 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 consolidated 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 Fund 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 cases 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 Fund 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 Fund 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. 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 Fund 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 consolidated statement of financial position.

Accounting Policies

1.9 Leases (continued)

The Fund applies IAS 36 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’ 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 profit or loss.

1.10 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.

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.

1.11 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.

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.

Accounting Policies

1.11 Employee benefits (continued)

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 Fund 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 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.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

A Government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Accounting Policies

1.13 Government grants (continued)

Grants related to income are presented as a credit in surplus or deficit (separately).

Repayment of a grant related to income is applied first against any unamortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a government grant.

1.14 Revenue

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

Revenue from license and registration fees and fuel levies are considered as revenue from non-exchange transactions since the Fund receives funds (value) from entities/individuals without directly giving approximately equal value in exchange.

The Fund recognises RUCS revenues from non-exchange transactions when the event occurs and the resulting asset's recognition criteria are met (i.e. on a cash basis).

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.

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

1.15 Investment income

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

1.16 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.

1.17 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	2022	2021

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

2022

	Note(s)	Loans and receivables at amortized 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**

2021

	Note(s)	Loans and receivables at amortized cost	Total	Fair value
Trade and other receivables	6	452,238,827	452,238,827	452,238,827
Bank and cash	9	101,928,028	101,928,028	101,928,028
Investments	8	779,168,866	779,168,866	779,168,866
		1,333,335,721	**1,333,335,721**	**1,333,335,721**

Categories of financial liabilities

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**

2021

	Note(s)	Financial liabilities at amortised cost	Total	Fair value
Trade and other payables	11	249,248,381	249,248,381	249,248,381
Interest bearing borrowings	10	807,216,755	807,216,755	807,216,755
Bank overdraft	9	216,662,380	216,662,380	216,662,380
		1,273,127,516	**1,273,127,516**	**1,273,127,516**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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.

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

	2022			2021		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	171,051,579	(10,811,200)	160,240,379	454,388,996	(2,150,169)	452,238,827
Investments	1,210,873,683	-	1,210,873,683	779,168,866	-	779,168,866
Bank and cash	134,577,440	-	134,577,440	101,928,028	-	101,928,028
	1,516,502,702	**(10,811,200)**	**1,505,691,502**	**1,335,485,890**	**(2,150,169)**	**1,333,335,721**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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.

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 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	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**

As at 31 March 2021 - N$

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Interest	Carrying amount
Trade and other payables	11	249,248,382	-	-	-	-	249,248,382
Interest bearing borrowings	10	155,970,356	289,504,023	524,992,101	81,764,948	(245,014,673)	807,216,755
Bank overdraft	9	221,162,380	-	-	-	(4,500,000)	216,662,380
		626,381,118	**289,504,023**	**524,992,101**	**81,764,948**	**(249,514,673)**	**1,273,127,517**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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.

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	2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Impact on profit or loss:				
Bank and cash	1,345,774	(1,345,774)	1,019,280	(1,019,280)
Investments	12,108,736	(12,108,736)	7,791,688	(7,791,688)
Government receivables	2,742	(2,742)	2,510,884	(2,510,884)
Interest bearing borrowings	(8,528,348)	8,528,348	(8,072,167)	8,072,167
Bank overdraft	-	-	(2,166,623)	2,166,623
Total impact on surplus and deficit	**4,928,904**	**(4,928,904)**	**1,083,062**	**(1,083,062)**
Impact on equity:				
Bank and cash	1,345,774	(1,345,774)	1,019,280	(1,019,280)
Investments	12,108,736	(12,108,736)	7,791,688	(7,791,688)
Government receivables	2,742	(2,742)	2,510,884	(2,510,884)
Interest bearing borrowings	(8,528,348)	8,528,348	(8,072,167)	8,072,167
Bank overdraft	-	-	(2,166,623)	2,166,623
Total impact on equity	**4,928,904**	**(4,928,904)**	**1,083,062**	**(1,083,062)**

Price risk

The Fund is not exposed to price risk.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

3. Property, plant and equipment

	2022			2021		
	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	132,418,222	(16,160,479)	116,257,743	126,351,111	(13,232,346)	113,118,765
Furniture and fixtures	287,023	(28,702)	258,321	-	-	-
Motor vehicles	6,991,021	(2,771,184)	4,219,837	5,299,850	(1,674,539)	3,625,311
Office equipment	829,456	(780,936)	48,520	829,455	(497,988)	331,467
Computer equipment	340,864	(11,987)	328,877	-	-	-
Total	**147,089,073**	**(19,753,288)**	**127,335,785**	**138,702,903**	**(15,404,873)**	**123,298,030**

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
Computer equipment	-	340,864	-	(11,987)	328,877
	123,298,030	**4,454,698**	**3,931,471**	**(4,348,414)**	**127,335,785**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Impairment loss	Depreciation	Total
Land	6,222,487	-	-	-	6,222,487
Buildings	132,190,736	2,919,253	(19,214,857)	(2,776,367)	113,118,765
Motor vehicles	3,124,106	1,510,814	-	(1,009,609)	3,625,311
Office equipment	607,677	-	-	(276,210)	331,467
Capital - Work in progress	34,271,820	-	(34,271,820)	-	-
	176,416,826	**4,430,067**	**(53,486,677)**	**(4,062,186)**	**123,298,030**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

3. Property, plant and equipment (continued)

Pledged as security

There were no assets pledged as security during the year under review (2021: none).

Land and buildings comprise of the following:

Description	Carrying amount 2022	Carrying amount 2021
Land Erf 5846,Erf 5845 and Erf 5844 Feld Street Windhoek (RFA Head Office)	6,222,487	6,222,487
Buildings - RFA Head office	43,710,331	39,875,559
Buildings - Regional CBC Offices	5,045,279	4,558,533
CBC Regional Staff Accommodation	67,502,133	68,684,673
	122,480,230	**119,341,252**

CBC Regional Staff Accommodation consist of the following:

Ngoma	3,150,138	3,219,613
Ariamsvlei	10,328,616	10,552,378
Klein Manasse	2,496,504	2,551,533
Noordoewer	12,835,219	13,113,842
Trans-Kalahari	6,510,545	6,650,080
Sendelingsdrift	945,773	966,712
Oranjemund	143,319	146,379
Oshikango	7,194,682	7,351,124
Kashamane	3,910,319	3,924,117
Katwitwi	3,744,742	3,824,843
Omahenene	4,317,366	4,382,263
Katima Mulilo	8,866,743	8,874,003
Mohembo	734,322	751,088
Mata-Mata	2,323,845	2,376,698
	67,502,133	**68,684,673**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 2022 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.

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).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	296,460,000	-	296,460,000	295,000,000	-	295,000,000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Building - Roads Authority Head Office	295,000,000	1,460,000	296,460,000

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 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 2022 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$296 million (2021: N$295 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.

Valuation techniques and significant unobservable inputs used

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

4. Investment property (continued)

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 (2021:none) for the Low Volume Seal obligation of N$350,000,000 which only N$150,000,000 was received in the current financial year.

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software (Work in progress)	12,383,792	-	12,383,792	10,306,202	-	10,306,202

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Total
Computer software (Work in progress)	10,306,202	2,077,590	12,383,792

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Total
Computer software (Work in progress)	9,818,734	487,468	10,306,202

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

6. Trade and other receivables

Financial instruments:		
Road User Charges receivable	14,451,608	5,669,995
Loss allowance	(10,811,200)	(1,090,920)
Trade receivables at amortised cost	3,640,408	4,579,075
Accrued Income - Fund	143,275,937	137,791,810
Government loan receivable	274,003	250,812,920
Government loan receivable- non interest bearing	-	51,308,473
MDC receivable	13,050,031	7,746,549
Total trade and other receivables	**160,240,379**	**452,238,827**

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

Split between non-current and current portions

Current assets	160,240,379	452,238,827

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

At amortised cost	160,240,379	452,238,827

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

6. Trade and other receivables (continued)

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:	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
30 days: 15.36% (2021: 19.07%)	944,996	(145,133)	5,563,725	(1,061,003)
30-60 days: 26.68% (2021: 24.09%)	3,355,871	(895,413)	-	-
60-90 days: 30.49% (2021: 28.15%)	190,526	(58,093)	106,270	(29,917)
90-120 days: 37.74 % (2021: 32.45%)	397,758	(150,106)	-	-
120 days: 100% (2021: 100%)	9,562,456	(9,562,456)	-	-
Total	**14,451,607**	**(10,811,201)**	**5,669,995**	**(1,090,920)**

Reconciliation of loss allowances

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

Opening balance	**(1,090,920)**	**(7,570,960)**
Provision raised on new trade receivables	(10,811,200)	(1,090,920)
Provisions reversed on settled trade receivables	1,090,920	7,570,960
Closing balance	**(10,811,200)**	**(1,090,920)**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 2022.

Government receivable		
Loss rate	0.1186%	0.091%
Interest bearing receivable	274,253	251,088,484
Non - interest bearing receivable	-	51,308,473
Loss allowance	(250)	(275,564)
Net trade receivable balance	**274,003**	**302,121,393**

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	53,267,965	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.

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

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

8. Investments

At fair value through profit or loss - designated	65,261,671	46,141,266
Old Mutual Nedbank Namibia Money Market Fund		
Invested in a mixed money market portfolio.	57,515,572	55,071,274
Bank Windhoek Investment-3001906927		
Invested in a fixed term account.	70,059,899	50,565,427
Momentum Namibia Corporate Money Market Fund		
Invested in a mixed money market portfolio.	34,164,839	-
Bank Windhoek - Treasury Bank Cheaque Account		
Invested in a fixed term account.	61,093,901	61,093,901
SME Bank-09511431716-LD1623100402		
Invested in a fixed term account.	60,655,600	60,655,600
SME Bank-09511431716-LD1628700439		
Invested in a fixed term account.	-	270,784,497
RMB-71272546635		
Invested in a fixed term account.	-	151,778,287
Bank Windhoek - 3001941956		
Invested in a fixed term account.	283,723,723	-
Nedbank - 100CDFR212390003		
Invested in a fixed term account.	217,372	106,172,187
Standard Bank call account		
Invested in a call term account.	264,299,350	-
Standard Bank Global Mark		
Invested in a fixed term account.	24,834,390	-
Hangala Capital Unit Trust		
Invested in a fixed term account.	102,089,485	98,655,929
Bank Windhoek NDP-3001725697		
Invested in a fixed term account.	50,814,131	-
Nampost - 500051515		
Invested in a fixed term account.	24,761,936	-
MUMI Investment Managers Unit		
Invested in a fixed term account.	130,481,335	-
Bank Windhoek - 3002061511		
Invested in a fixed term account.	102,649,981	-
Standard Bank Namibia Treasury		
Invested in a fixed term account.	(121,749,502)	(121,749,502)
Provision for doubtful deposit - SME Bank		
Impaired fixed term account.	**1,210,873,683**	**779,168,866**
Non-current assets	227,001,981	151,777,967
Investments		
Current assets	983,871,702	627,390,899
Investments		
	1,210,873,683	**779,168,866**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 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. However in December 2020, the SME Bank refunded the Fund an amount of N$12,441,330.

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$227 million with, Old Mutual Nedbank Namibia Money Market Fund, Momentum Namibia Corporate Money Market Fund 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 (2021:none) for the Low Volume Seal loan obligation of N$350,000,000, which only N$150,000,000 was received in the current financial year.

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

	2022	2021
Credit rating		
Old Mutual Nedbank Namibia Money Market Fund (A+ & A-1 Bloomberg default risk)	65,261,671	46,141,266
Momentum Namibia Corporate Money Market Fund (AA-National sale scale rating)	70,059,899	50,565,427
Bank Windhoek Limited (A1+Moody's credit rating)	91,680,412	55,071,274
	227,001,982	**151,777,967**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	58,538	76,703
Bank balances	134,518,902	101,851,325
Investments - current (as disclosed in note 8)	983,871,702	627,390,899
Bank overdraft	-	(216,662,380)
	1,118,449,142	**512,656,547**
Bank and cash	1,118,449,142	729,318,927
Bank overdraft	-	(216,662,380)
	1,118,449,142	**512,656,547**
Cash and cash equivalents held by the entity that are not available for use by the Fund.	20,899,898	14,963,385

Restricted cash

Included in the bank and cash is an amount of N$15,8 million (2021: N$14.9 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$5 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

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

9. Cash and cash equivalents (continued)

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)	232,570,820	250,434,216
Standard Bank Namibia Limited (BB+Fitch credit rating)	552,499,736	208,023,512
First National Bank Namibia Limited (A+ Global credit rating)	-	270,784,497
Nedbank Limited Namibia (BA 1 Moody's credit rating)	283,723,722	-
Hangala Capital Unit Trust (not rated)	24,834,390	-
MUMI Investment Manager (not rated)	24,761,936	-
	1,118,390,604	**729,242,225**

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 (2021:nil).

10. Interest bearing borrowings

At fair value through profit (loss)		
Nedbank Namibia Limited	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 7.25% in the current financial year.The loan is repayable in 40 quaterly installments of N$4,2 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$150,000,000 (2021:Nill).

KfW Loan II	443,095,951	495,225,076

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

10. Interest bearing borrowings (continued)

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$443,095,951 (2021:N$495,225,076).

KfW Loan I	263,987,664	311,991,679

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$263,987,664 (2021:N$311,991,679).

	857,083,615	**807,216,755**

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

Split between non-current and current portions

Non-current liabilities	731,989,724	690,047,181
Current liabilities	125,093,891	117,169,574
	857,083,615	**807,216,755**

11. Trade and other payables

Financial instruments:		
Roads Authority project administration and other fund creditors	252,856,241	138,897,228
Road Fund Administration-Administration payable	37,500,000	33,000,000
KFW labour based projects	-	6,596,755
Accrual Local Authorities and Traffic Law Enforcement	45,395,540	57,901,525
Provision - Etosha Roads	11,044,661	12,852,873
Provision - Low volume seal	56,510,976	-
Non-financial instruments:		
Amounts received in advance - CBC/MDC Local and Foreign	20,855,951	17,543,135
Roads Authority - Provisions	59,223,970	55,351,549
Fuel levy refund	46,613,159	37,888,071
Government Road Project	20,899,898	14,963,385
	550,900,396	**374,994,521**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

11. Trade and other payables (continued)

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	403,307,419	249,248,381
Non-financial instruments	147,592,980	125,746,142
	550,900,396	**374,994,523**

Fair value of trade and other payables

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

12. Revenue

Fuel levies	1,636,441,097	1,474,831,730
Fuel levy refunds	(339,522,705)	(270,524,062)
Other Road User Charges	1,132,448,036	1,009,810,792
	2,429,366,428	**2,214,118,460**

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

Vehicle license fees	793,364,410	737,720,695
Cross border charges	136,818,812	110,151,823
Mass distance charges-local	150,091,030	117,095,079
Mass distance charges-foreign	39,159,932	33,694,224
Abnormal permit fees	12,028,772	10,246,431
Road carrier permit fees	985,080	902,540
	1,132,448,036	**1,009,810,792**

13. Other income

Administration sundry income	766,999	3,160,053

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

14. Operating surplus

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

Auditor's remuneration - external

Audit fees	2,081,561	1,705,342

Depreciation

Depreciation of property, plant and equipment	4,348,414	4,062,186

Expenses by nature

The total operating expenses are analysed by nature as follows:

Depreciation	4,348,414	4,062,186
Other expenses	27,159,168	26,074,482
Transfer to Administration	118,986,346	117,083,804
Local Authorities	96,369,216	104,670,495
National road network expenditure - RA	1,798,221,058	1,647,048,290
Traffic Law Enforcement	23,750,201	27,664,374
Technical Assistance	-	4,576,775
National road network expenditure - RFA*	178,563,800	141,692,923
SME Bank Recoveries	-	(12,441,330)
	2,247,398,203	**2,060,431,999**

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

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

Heading

Property, plant and equipment	(3,931,471)	53,486,677
Trade and other receivables	8,661,033	(2,899,421)
Accrued income - Fund	775,071	783,685
Government receivables	250	275,564
	5,504,883	**51,646,505**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

16. Investment income

Interest income		
Investments in financial assets:		
Bank and cash	1,705,369	1,335,319
Trade and other receivables	2,585	10,332
Investments	46,273,221	42,488,704
Total interest income	**47,981,175**	**43,834,355**

17. Finance costs

Interest bearing borrowings	55,850,745	62,204,649

18. Cash generated from operations

Surplus for the year	170,820,771	86,829,715
Adjustments for:		
Depreciation	4,348,414	4,062,186
Investment income	(47,981,175)	(43,834,355)
Finance costs	55,850,745	62,204,649
Fair value gains	(1,460,000)	-
Movements in impairment -property, plant and equipment	(3,931,471)	53,486,677
Changes in working capital:		
Trade and other receivables	291,998,448	(129,297,539)
Prepayments	-	(53,267,965)
Trade and other payables	175,905,876	37,996,070
	645,551,608	**18,179,438**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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 for specific road projects	Ministry of Works and Transport (Unutilised Project Funds)
RFA gives monies to the Traffic Law Enforcement Agencies for law enforcement in their respective jurisdiction	Traffic Law Enforcement Agencies
RFA received loans from KfW	Kreditanstalt für Wiederaufbau (KfW)
Directors	Key management
Key management	Executiv 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.

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.

	2022	2021
The balance at the end of the year is made up as follows:		
Balance at the beginning of the year	1,496,385	42,117,740
Movement during the year	14,403,513	(27,154,355)
	15,899,898	**14,963,385**
The amount is represented by:		
Project accounts included in bank balances	15,899,898	14,963,385

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

22. National Road Network Expenditure - RA

Roads Authority - NaTIS	145,056,709	169,511,899
Roads Authority - Construction and Rehabilitation	10,343,412	5,460,600
Roads Authority - Network Planning	21,781,965	36,677,647
Roads Authority - Maintenance	1,100,478,386	987,612,376
Roads Authority - Road Management	15,043,481	16,919,080
Roads Authority - Administration	407,103,578	398,416,220
Roads Authority - Road Transport Inspection	8,341,633	11,677,973
Roads Authority - Business Systems	53,168,761	20,772,495
Roads Authority - KfW Funded Project - Tses - Gogas Road	36,903,133	-
	1,798,221,058	**1,647,048,290**

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)	82,800,000	72,000,000

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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 1 Presentation of Financial Statements	1 January 2023	Unlikely there will be a material impact
• IAS 8 Accounting Policies, Changes in Accounting, Estimates and Errors	1 January 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

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	2022	2021
Administration cost	52,099,893	48,141,950
Retention	7,124,077	7,209,599
	59,223,970	**55,351,549**

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Notes (s)	2022	2021
Revenue			
Fuel levies		1,636,441,097	1,474,831,730
Fuel levy refund		(339,522,705)	(270,524,062)
Other road user charges		1,132,448,036	1,009,810,792
	12	**2,429,366,428**	**2,214,118,460**
Other operating income			
Other income	13	766,999	3,160,053
Other operating gains (losses)			
Impairment loss on trade and other receivables and property, plant and equipment	15	(5,504,883)	(51,646,505)
Fair value gains		1,460,000	-
		(4,044,883)	**(51,646,505)**
Expenses (Refer to page 190)		**(2,247,398,203)**	**(2,060,431,999)**
Operating surplus	14	**178,690,341**	**105,200,009**
Investment income	16	47,981,175	43,834,355
Finance costs	17	(55,850,745)	(62,204,649)
Surplus for the year		**170,820,771**	**86,829,715**

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	Notes (s)	2022	2021 Restated
Other operating expenses			
Advertising		956,114)	(321,473)
Auditors remuneration	14	(2,081,561)	(1,705,342)
Bank charges		(10,161,161)	(6,892,148)
Cleaning		(21,850)	(126,852)
Commission paid		(58,447)	-
Consulting and professional fees		(5,468,930)	(6,198,760)
Corporate items		(604,106)	(3,401,460)
Depreciation		(4,348,414)	(4,062,186)
Donations		(275,670)	(318,087)
Entertainment		(218,592)	-
IT expenses		(3,420,657)	(2,720,500)
Legal fees		(2,196,190)	(1,980,324)
Local Authorities		(96,369,216)	(104,670,495)
Minor asset expense		(3,836)	-
Motor vehicle expenses		(2,500)	(2,192)
Municipal expenses		(793,524)	(844,709)
National road network expenditure - RA		(1,798,221,058)	(1,647,048,290)
National road network expenditure - RFA		(178,563,800)	(141,692,923)
National road safety council		-	(154,100)
Postage		-	(52,340)
Protective clothing		-	(601,105)
Repairs and maintenance		(211,292)	(46,795)
SME Bank recoveries			12,441,330
Seminars and conferences		(109,578)	(31,380)
Staff wellness		-	(672,065)
Subscriptions		(438,982)	(4,850)
Subsistence and travel		(136,178)	-
Technical Assistance AA		-	(4,576,775)
Traffic Law Enforcement agencies		(23,750,201)	(27,664,374)
Transfer to Administration Account		(118,986,346)	(117,083,804)
		(2,247,398,203)	**(2,060,431,999)**

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 O. Hiveluah M.S. Tjijenda J. Mnyupe I. Angula
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 Registered Accountants and Auditors Chartered Accountants (Namibia)
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 2023 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 **194** to **195**.

The annual financial statements set out on pages **196** to **226**, which have been prepared on the going concern basis, were approved by the directors on 18 August 2022 and were signed on their behalf by:

Director	Director

18 August 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ROAD FUND ADMINISTRATION – ADMINISTRATION

Opinion

We have audited the annual financial statements of Road Fund Administration-Administration set out on pages 198 to 225, which comprise the statement of financial position as at 31 March 2022, 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, 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 as at 31 March 2022, 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 Financial Statement 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 detailed statement of surplus and deficit and other comprehensive income and the integrated annual report which is expected to be made available to us after that date. 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.

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

Independent Auditor's Report (Continued)

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

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RN Beukes - Partner
Windhoek
31 August 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the Administration for the year ended 31 March 2022.

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
Dr. E. Haiyambo	Chairperson	Non-Executive	Namibian
O. Hiveluah	Director	Non-Executive	Namibian
M.S. Tjijenda	Director	Non-Executive	Namibian
J. Mnyupe	Director	Non-Executive	Namibian
I. Angula	Director	Non-Executive	Namibian

3. Events after the reporting period

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

4. Going concern

The directors believe that the company 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 company 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 company. 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 company.

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; and
- Negative operating cashflow forecasted for 2022/2023 as indicated in the revised business plan will be covered by the reserve fund, no other negative cashflow for the remaining four years.

Directors' Report (Continued)

5. Auditors

Grand Namibia.

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 18 August 2022.

8. Capital expenditure

The expenditure on property, plant and equipment during the year amounted to N$ 262,230 (2021: N$ 571,849).

Statement of Financial Position as at 31 March 2022

Figures in Namibia Dollar	Note(s)	2022	2021 Restated *	2020 Restated *
Assets				
Non-Current Assets				
Property, plant and equipment	3	1,744,911	2,729,949	3,737,279
Right-of-use assets	14	600,835	649,611	-
Intangible assets	4	168,958	120,520	571,349
		2,514,704	**3,500,080**	**4,308,628**
Current Assets				
Trade and other receivables	5	37,678,341	33,269,219	29,473,010
Cash and cash equivalents	6	622,148	902,104	796,575
		38,300,489	**34,171,323**	**30,269,585**
Total Assets		**40,815,193**	**37,671,403**	**34,578,213**
Equity and Liabilities				
Equity				
Retained income		24,701,721	22,579,088	21,220,501
Liabilities				
Non-Current Liabilities				
Lease liabilities	14	650,290	680,598	-
Current Liabilities				
Trade and other payables	8	10,194,655	9,144,004	8,845,249
Lease liabilities	14	21,439	18,892	-
Provisions	7	5,247,088	5,248,821	4,512,463
		15,463,182	**14,411,717**	**13,357,712**
Total Liabilities		**16,113,472**	**15,092,315**	**13,357,712**
Total Equity and Liabilities		**40,815,193**	**37,671,403**	**34,578,213**

* See Note 18

Statement of Surplus or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2022	2021 Restated *
Revenue	9	118,986,346	117,083,804
Other operating income	15	736,901	432,107
Other operating expenses		(117,531,296)	(116,084,246)
Operating surplus	10	**2,191,951**	**1,431,665**
Finance costs	16	(69,318)	(73,078)
Surplus for the year		**2,122,633**	**1,358,587**

* See Note 18

Statement of Changes in Equity

Figures in Namibia Dollar	Retained income	Total equity
Restated* Balance at 1 April 2020	21,220,501	21,220,501
Surplus for the year	1,358,587	1,358,587
Balance at 1 April 2021	22,579,088	22,579,088
Surplus for the year	2,122,633	2,122,633
Balance at 31 March 2022	24,701,721	24,701,721

* See Note 18

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2022	2021 Restated *
Cash flows from operating activities			
Cash receipts from customers		114,577,224	113,287,595
Cash paid to suppliers and employees		(114,391,762)	(112,401,587)
Cash generated from operations	11	185,462	886,008
Interest income		-	-
Finance costs		(69,318)	(73,078)
Net cash from operating activities		**116,144**	**812,930**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(262,230)	(571,849)
Purchase of other intangible assets	4	(106,109)	(24,532)
Net cash from investing activities		**(368,339)**	**(596,381)**
Cash flows from financing activities			
Payment on lease liabilities		(27,761)	(111,020)
Net cash from financing activities		**(27,761)**	**(111,020)**
Total cash movement for the year		**(279,956)**	**105,529**
Cash at the beginning of the year		902,104	796,575
Total cash at end of the year	6	**622,148**	**902,104**

* See Note 18

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 Namibia Dollars.

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.

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.

Accounting Policies

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 fittings	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.

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

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

Item	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.

Accounting Policies

1.5 Financial instruments (continued)

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).

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.

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.

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

Accounting Policies

- 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.

(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.

Accounting Policies

1.5 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 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.

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.

Accounting Policies

1.5 Financial instruments (continued)

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.

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.

Accounting Policies

1.7 Leases (continued)

- 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.

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

1.8 Impairment of assets (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.

1.11 Investment income

Interest income

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

1.12 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	2022	2021

2. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

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**

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	5	33,000,000	33,000,000	33,000,000
Cash and cash equivalents	6	902,104	902,104	902,104
		33,902,104	**33,902,104**	**33,902,104**

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	2022	2021

2. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	5	37,524,269	-	37,524,269	33,000,000	-	33,000,000
Cash and cash equivalents	6	622,148	-	622,148	902,104	-	902,104
		38,146,417	**-**	**38,146,417**	**33,902,104**	**-**	**33,902,104**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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**

2021

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Interest	Carrying amount
Non-current liabilities							
Lease liabilities		99,532	89,032	259,737	971,597	(720,408)	680,598
Current liabilities							
Trade and other payables	8	516,322	-	-	-	-	516,322
Lease liabilities		18,892	-	-	-	-	18,892
		634,746	**89,032**	**259,737**	**971,597**	**(720,408)**	**1,215,812**

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.

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

2. Financial instruments and risk management (continued)

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	2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Impact on surplus or loss:				
Bank and cash	6,221	(6,221)	9,021	(9,021)
Lease liabilities	(6,717)	6,008	(6,994)	6,994
Total impact on surplus or deficit	**(496)**	**(213)**	**2,027**	**(2,027)**
Impact on equity:				
Bank and cash	6,221	(6,221)	9,021	(9,021)
Lease liabilities	(6,717)	6,008	(6,994)	6,994
Total impact on equity	**(496)**	**(213)**	**2,027**	**(2,027)**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

3. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fittings	3,202,594	(1,820,007)	1,382,587	3,198,442	(1,548,233)	1,650,209
Motor vehicles	3,591,605	(3,591,605)	-	3,591,605	(3,352,179)	239,426
Office equipment	534,293	(534,293)	-	534,293	(534,293)	-
Computer equipment	6,427,476	(6,065,152)	362,324	6,169,398	(5,329,084)	840,314
Total	**13,755,968**	**(12,011,057)**	**1,744,911**	**13,493,738**	**(10,763,789)**	**2,729,949**

Reconciliation of property, plant and equipment - 2022

	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**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Furniture and fittings	1,893,275	30,320	(273,386)	1,650,209
Motor vehicles	811,680	-	(572,254)	239,426
Office equipment	38,634	-	(38,634)	-
Computer equipment	993,690	541,529	(694,905)	840,314
	3,737,279	**571,849**	**(1,579,179)**	**2,729,949**

Pledges and security

There were no assets pledged for security during the year under review (2021: none)

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

4. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	9,661,964	(9,493,006)	168,958	9,555,855	(9,435,335)	120,520

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	120,520	106,109	(57,671)	168,958

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	571,349	24,532	(475,361)	120,520

5. Trade and other receivables

	2022	2021
Road Fund Administration - Fund receivable	37,500,000	33,000,000
Sundry debtors	24,269	-
Non-financial instruments:		
Employee costs in advance	154,072	269,219
Total trade and other receivables	**37,678,341**	**33,269,219**

Split between non-current and current portions

Current assets	37,678,341	33,269,219

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

At amortised cost	37,524,269	33,000,000
Non-financial instruments	154,072	269,219
	37,678,341	**33,269,219**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

5. Trade and other receivables (continued)

Exposure to credit risk

Trade and other receivables inherently expose the Fund to credit risk, being the risk that the Fund 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 Fund 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:

Expected credit loss rate:	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Trade and other receivables				
Not past due: 0% (2021: 0%)	37,500,000	-	33,000,000	-
Sundry Debtors				
Not past due: 0% (2021: 0%)	24,269	-	-	-
Employees cost in Adavnce				
Not past due: 0% (2021: 0%)	154,072	-	269,219	-
Total	**37,678,341**	**-**	**33,269,219**	-

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	2022	2021

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,057	5,026
Bank balances	618,091	897,078
	622,148	**902,104**

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)	618,091	897,078

7. Provisions

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

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Leave pay provision	4,512,463	736,358	5,248,821

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

8. Trade and other payables

Financial instruments:

Trade payables	1,007,716	516,324
Other payables	9,186,939	8,627,680
	10,194,655	**9,144,004**

Other payables related to PAYE and salary related payments.

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

At amortised cost	1,007,714	516,322
Non-financial instruments	9,186,939	8,627,680
	10,194,653	**9,144,002**

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.

9. Capital Contribution

Transfer from Fund	118,986,346	117,083,804

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	1,247,268	1,579,179
Depreciation of right-of-use assets	48,776	160,899
Amortisation of intangible assets	57,671	475,361
Total depreciation and amortisation	**1,353,715**	**2,215,439**

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

10. Operating profit (loss) (continued)

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	96,019,204	92,502,061
Lease expenses	89,924	76,021
Depreciation and amortisation	1,353,715	2,215,439
Other expenses	20,068,453	21,290,725
	117,531,296	**116,084,246**

11. Cash generated from operations

Surplus for the year	2,122,633	1,358,587
Adjustments for:		
Depreciation and amortisation	1,353,715	2,215,439
Finance costs	69,318	73,078
Movements in provisions	(1,733)	736,358
Changes in working capital:		
Trade and other receivables	(4,409,122)	(3,796,209)
Trade and other payables	1,050,651	298,755
	185,462	**886,008**

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		
Directors Emoluments - Board	723,754	1,059,441

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

13. New Standards and Interpretations

13.1 Adoption of new and reused standards

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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IAS 1 Presentation of Financial Instruments	1 January 2023	Unlikely there will be a material impact
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023	Unlikely there will be a material impact
• IAS 16 Property, Plant and Equipment	1 January 2023	Unlikely there will be a material impact
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2023	Unlikely there will be a material impact

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 (2021: 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:

	2022	2021
Buildings	600,835	649,611

Additions to right-of-use assets

	2022	2021
Buildings	-	810,510

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

14. Leases (Administration as lessee) (continued)

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 10), as well as depreciation which has been capitalised to the cost of other assets.

	2022	2021
Buildings	48,776	160,899

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2022	2021
Within one year	86,579	99,532
One to two years	86,579	89,032
Two to five years	252,696	259,737
More than five years	892,059	971,597
Less finance charges component	1,317,913	1,419,898
Present value of minimum lease payments	(646,184)	(720,408)
	671,729	**699,490**
Non-current liabilities	650,290	680,598
Current liabilities	21,439	18,892
	671,729	**699,490**

The company has entered into finance leases for certain property.

All leases have fixed repayments and with an effective interest rate of 10% (2021 : 10%).

The company's obligations under finance leases are secured over right of use assets with a net book value of N$600,835 (2021: N$649,611).

Monthly instalments for finance leases amount to N$7,215 (2021: N$10,299).

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2022	2021

15. Other operating income

NTA refund	319,882	133,287
Sundry income	417,019	298,820
	736,901	432,107

16. Finance costs

Interest paid - leases	69,318	73,078

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.

18. Prior period errors

The Road Fund Administration revised its method for measuring its severance pay liability at each reporting date to comply with the provisions of the Namibian Labour Act and IAS 19.

After consideration of historical information on severance pay resulted in the liability being revise due to the unlikely of it been realized by the RFA due to:

Section 35 (1) of the Namibian Labour Act (act 11 of 2007) requires employers to pay a severance pay to an employee who has completed a 12 months of continuous services if the employee :

a. is unfairly dismissed and reasonably refuses to accept reinstatement;

b. dies while employed;

c. resigns or retires on reaching the age of 65 years while RFA retirement age is 60 years.

The error was adjusted retrospectively as required by IAS 8. The impact of the correction is set out below:

Statement of Financial Position

Decrease in provisions - severance pay liability	-	(8,244,053)
Increase in accumulated surplus	-	8,244,053

Statement of surplus or deficit and other comprehensive income

Decrease in other operating expenses	-	1,063,948
Increase in surplus for the year	-	(1,063,948)

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2022	2021 Restated *
Transfer from Fund and other income			
Capital contribution		118,986,346	117,083,804
Other operating income			
Other recoveries		319,882	133,287
Sundry income		417,019	298,820
	15	**736,901**	**432,107**
Expenses (Refer to page 226)		**(117,531,296)**	**(116,084,246)**
Operating surplus	10	**2,191,951**	**1,431,665**
Finance costs	16	(69,318)	(73,078)
Surplus for the year		**2,122,633**	**1,358,587**

* See Note 18

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)	2022	2021 Restated *
Other operating expenses			
Advertising		(252,443)	(535,461)
Amortisation		(57,671)	(475,361)
Bank charges		(48,170)	(47,091)
Cleaning		(545,611)	(527,598)
Computer expenses		(1,069,452)	(958,989)
Consulting and professional fees		(603,056)	(1,242,242)
Consumables		(684,795)	(862,859)
Depreciation		(1,296,044)	(1,740,078)
Donations		(590,835)	(262,225)
Employee costs		(96,019,204)	(92,502,061)
Entertainment		(563,701)	(609,027)
Fines and penalties		-	(79,520)
Hire		-	(4,957)
IT expenses		(1,655,798)	(1,946,900)
Insurance		(400,458)	(406,607)
Lease rentals on operating lease		(89,924)	(76,021)
Minor assets expenses		50,666	(264,132)
Motor vehicle expenses		(854,136)	(453,513)
Municipal expenses		(1,636,078)	(1,131,601)
Postage		(212,101)	(196,666)
Printing and stationery		(864,554)	(1,160,175)
Promotions		(311,674)	(635,676)
Repairs and maintenance		(1,037,114)	(772,802)
Security		(1,408,204)	(2,676,033)
Seminars and conferences		(152,870)	(73,352)
Staff welfare		(312,595)	(963,640)
Study grants		-	(177,865)
Subscriptions		(385,014)	(634,610)
Telephone and fax		(1,692,218)	(1,800,156)
Training		(808,693)	(672,110)
Training levy		(871,441)	(788,993)
Travel - local		(3,158,108)	(1,405,925)
		(117,531,296)	**(116,084,246)**

* See Note 18

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

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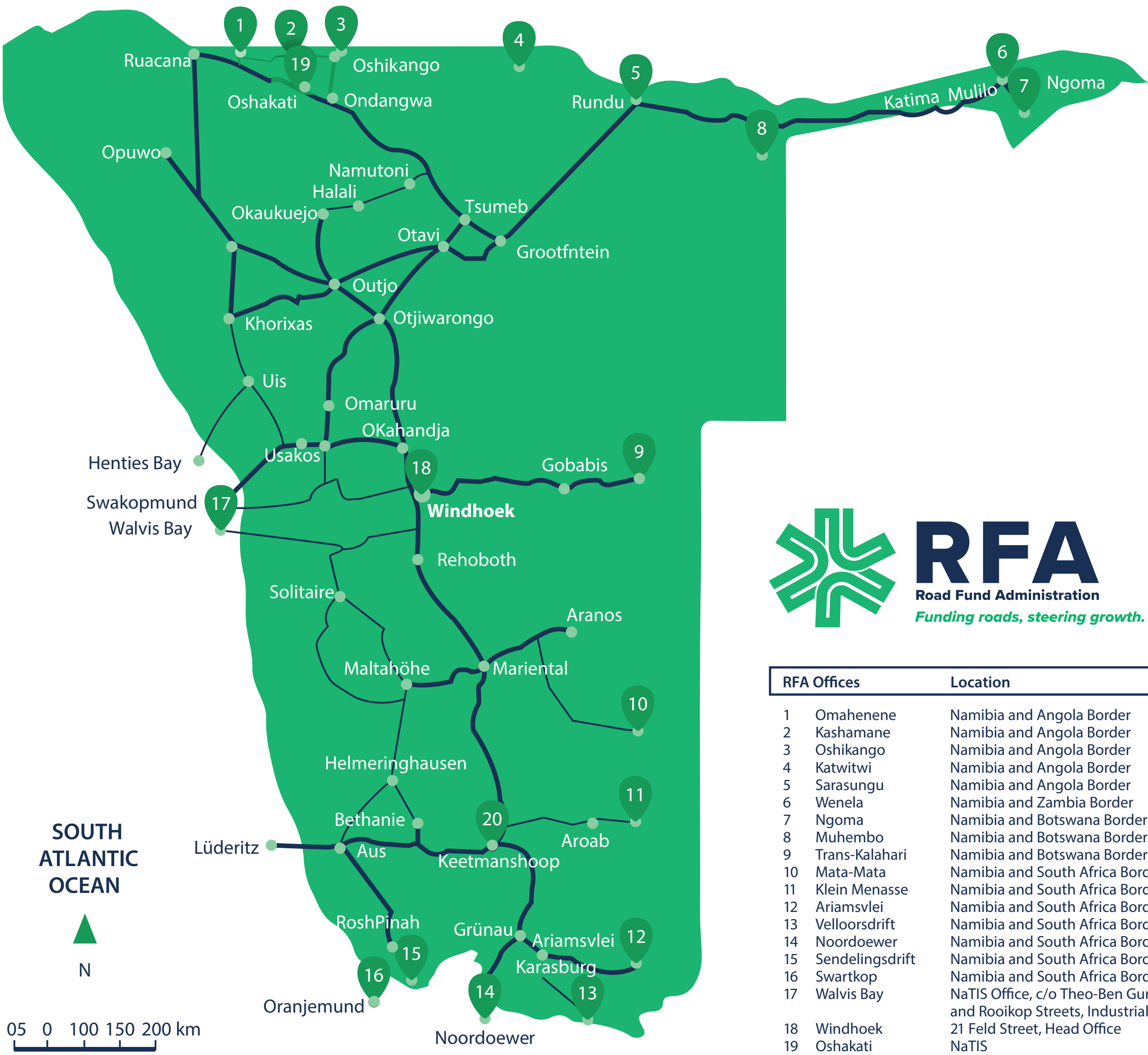

RFA
Road Fund Administration
Funding roads, steering growth.

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

RFA

Road Fund Administration

Funding roads, steering growth.

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