NAMPORT

2006 | annual report

namibian ports authority

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PERFORMING IN A COMPETITIVE OPERATING ENVIRONMENT

Namport posted another year of strong results in a complex operating environment, demonstrating our commitment to managing the business in such a way as to deliver sustainable long term growth. Consistently achieving quality results in this complex, and increasingly competitive port environment, requires commitment to the three E's of our industry - Expansion, Equipment and Efficiency.

We've done this by adhering to tight disciplines and focusing on building stronger customer relationships through initiatives to better align our services with our customers' needs, while reducing costs.

In our operations, customer retention is our key deliverable, satisfaction continues to improve and we've strengthened the depth of our customer relationships.

Namport's strategic direction has remained clear, as we've focused our business processes to achieve sustainable, quality growth. Our priority has been transhipment and cross border trade growth. Now that we've generated scale, we continue to look for ways to increase value and service for our customers and to operate our business more efficiently. To maintain growth at the level necessary to remain competitive, we recognise that regional expansion is required to generate incremental revenue streams and to further diversify our customer base. Our strategy remains unchanged. We will continue to optimise our businesses in our economic hinterland and will maintain high levels of customer service. We will also continue our search for additional opportunities to expand our footprint in SADC. International trade brings the world to our door step and with it, a wealth of opportunities. As we look to the future, we can expect continued and substantial growth in international trade. We are meeting the challenge of growth by increasing our terminal capacity, by expanding our road and rail infrastructure and by growing our labour force. We will continue to be the economic engine for our region by taking care of our customers, by building a foundation for growth and by being a good neighbour to our surrounding communities.

Achieving this progress would not have been possible without the dedication and talent of the more than 640 people who work for Namport. To all of our people, I say a big thank you.

During the year, we continued to focus on strengthening our internal culture by aligning our people around a consistent purpose and a common set of values – reliability, honesty & integrity, accountability, flexibility, transparency & trust, and quality & professionalism. A strong culture is vital for providing a framework for decision-making which will ensure a consistent, quality customer experience.

Flexibility, valuing differences and creating the right work environment are equally important aspects of workplace sustainability at Namport, to ensure we can attract, hire and retain the right talent.

To meet these challenges, we've focused on embedding programmes designed to develop our people's skills and knowledge, provide a flexible and safe work environment, reward strong performance and develop fulfilling career paths. To ensure our people can benefit directly from the value they are helping to create, Namport introduced a new Performance Management System this year.

The management team has played an important role in leading our people, strengthening our collective capabilities and consistently applying our values, policies and processes, to help improve our people's engagement and performance. I'd like to thank them for their efforts.

Finally, I wish to thank all our clients who have repeatedly shown their full trust in our Ports. We are all facing the challenges which lie ahead with full confidence and have every intention of living up to the ambitions which this company fosters.

Adv S V Masiza
Chairman

2006 manifested an exceptional growth trend in containerisation and the quest for berthing larger vessels.

Ports are under pressure to invest in equipment, expansion and efficiency to keep up with the momentum. In addition, future developments in targeted hinterland economies are compelling us to serve the need for bulk and break bulk cargoes. As a port on the south western coast of Africa, our options on the mode of packaging and transportation are limited, and discrimination will not be acceptable to targeted shippers. So we will have to be flexible, innovative and understanding. This will increase the cost of investing ahead of the demand and deprive us of the luxury of focusing on moving cargoes and products that suit our core competencies. These, however, are positive and exciting challenges - it is incumbent on us to strive to live up to the expectations.

I am in high spirits as i present these financial results for our group of companies. As reported in the previous financial year, we have become a group of companies through our majority shareholding in Elgin Brown & Hamer Namibia (Pty) Ltd, which operates the floating dock ship repair facility in the port of Walvis Bay. Our interest in this business emanated from our belief that ship repair, maintenance and all that accompanies it holds great promise for the port of Walvis Bay, the harbour town and the national economy.

Despite the budgeted loss from this subsidiary, our financial performance was the most outstanding ever achieved in the history of our existence. We have set ourselves a high level of performance to maintain - another positive challenge! The growth was mainly due to container business, driven by the containerisation phenomenon, as our overall increase in cargo handled and vessel visits was only 5% and 2% respectively.

The team continues to commit itself to the set strategy and we are revising our business plans continuously to become pro-active whilst avoiding rigidity. Teamwork and our staff well-being thus remain extremely important and central to our activity and thinking. We will do everything possible to satisfy and service their needs in maintaining healthy bodies and work relationships. This is manifested by the full implementation of our culture change and the successful launch of the Namport Cares program. These interventions have started paying good dividends in that during the period under review we managed not to lose a single team member due to HIV/AIDS opportunistic diseases.

During the period under review we spent more than four million Namibian Dollars in training and development of our staff. As a vital link in maritime transport, our dedication to the training of Namibians in marine engineering and navigation continues unhindered. In addition, our commitment to social responsibility is reflected in our continued drive to afford high school graduates an opportunity to further their studies at universities and technicons as well as enrolment in apprenticeship programmes. It is also gratifying to report that Namport has embarked on the CATS' syllabus with more than ten youngsters from high school working at our facilities and attending Polytechnic of Namibia classes during weekends.

With the towns and cities all over the world eagerly eyeing prime seafront land, Walvis Bay is not an exception. We have therefore responded positively to the community's request to avail more than 21 413 square metres of land to the Walvis Bay Marina Development Concept.

We have amended both our purchasing and stevedoring policies to ensure effective and meaningful inclusion of black empowerment (BEE) and small and medium enterprises (SME) concepts in procuring goods and services.

Looking into the future our aim is to transform from traditional public ports to service oriented facilities that boost the economic activities of our country and the region.

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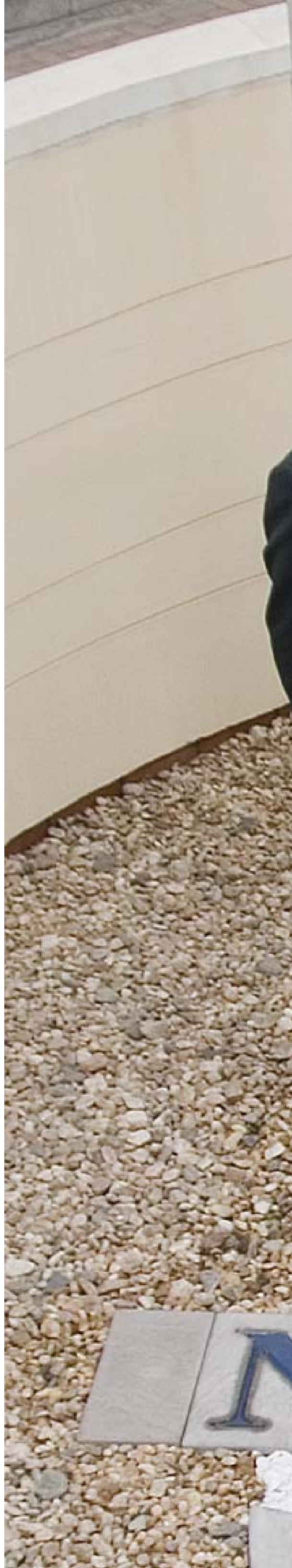
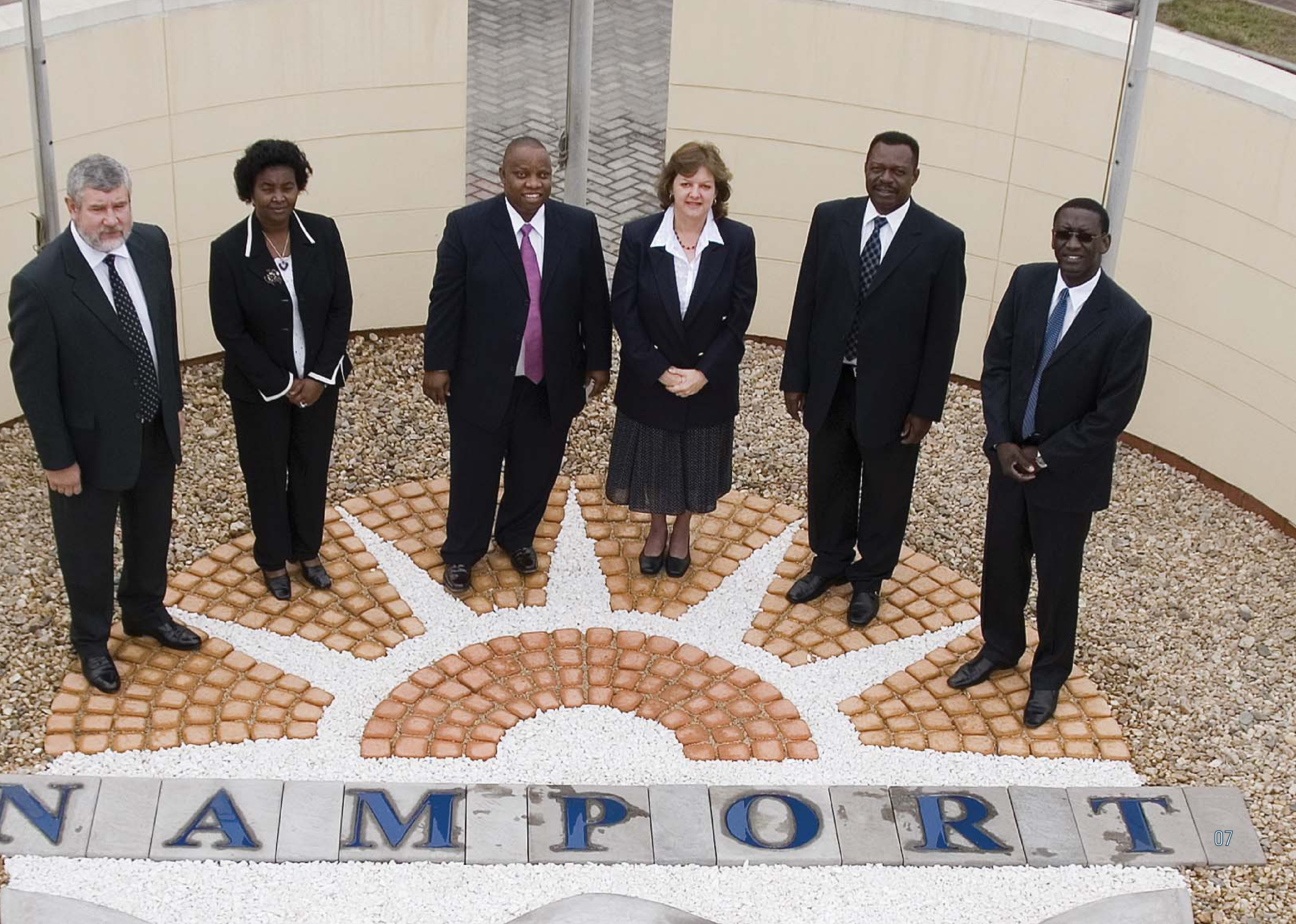
S Kankondi
Managing Director

managing directors statement

f.l.t.r.: **A. F. Neethling** (Managing Director: Ongopolo Mining & Processing (Pty) Ltd) / **A. Hange** (Director: Ministry of Finance) / **Adv. S. V. Masiza** (Chairman) / **C. van Heerden** (Company Secretary) / **P. Amutenya** (Director of Operations: Ministry of Fisheries & Marine Resources) / **S. Kankondi** (Managing Director: Namibian Ports Authority)



board of directors


NAMPORT

BACK ROW f.l.t.r.: **J. Mouton** (Manager: Marketing and Strategic Business Development) / **K. van der Merwe** (General Manager: Finance) / **T. Raw** (Port Engineer) / **A. Kathindi** (General Manger: Operations) / **T. Amakali** (Manager: Human Resources) / **R. Visagie** (Manager: SHREQ) / **S. Kankondi** (Managing Director) /

FRONT: **C. van Heerden** (Company Secretary)

management (exco)

BACK ROW f.l.t.r.: **J. Mouton** (Manager: Marketing and Strategic Business Development) / **K. van der Merwe** (General Manager: Finance) / **T. Raw** (Port Engineer) / **A. Kathindi** (General Manger: Operations) / **M. Polster** (Senior Manager: Cargo) / **R. Visagie** (Manager: SHREQ) / **G. du Plessis** (Information Technology Specialist) /

MIDDLE ROW f.l.t.r.: **F.Shimuafeni** (Manager: Syncrolift) / **W. Feris** (Manager: Business Intelligence) / **I. !Hanabeb** (Manager: Finance) / **C. van Heerden** (Company Secretary) / **T. Amakali** (Manager: Human Resources) / **A. van Rhyn** (Manager: Technical Services) / **W. Mutwa** (Port Manager: Port of Lüderitz) /

FRONT: **S. Kankondi** (Managing Director)

management (manco)

Good governance, a strong economy and a competent pool of company volunteers can help companies and the community to prosper.

For all of us at Namport, Corporate Social Investment (CSI) is an important business priority and integral to the achievement of our overall business strategy. We focus on partnerships with local communities that can contribute meaningfully to their continued viability and upliftment. We do this by supporting communities and individuals, with a focus on projects relating to skills development and education, community reconstruction projects and disability.

Our commitment to development is therefore integrated into a cohesive Corporate Social Investment (CSI) model that focuses on three main areas: education, social development and health. It also calls for input from our own people, because we've always believed that CSI is not only about handing out money. We are committed to being a responsible corporate citizen by using our assets and core competencies to benefit the general community in which we operate, and secondly, we encourage our employees to volunteer their time and skills through a structured and managed CSI process. This provides mutually beneficial results - employees are given the opportunity to uphold and demonstrate the company values, as well as gain personal development and enrichment; while the community gains upliftment and advancement through Namport's investments and support. We believe that this secures our position in our communities and ultimately supports sustained success for Namport.

We make sure that what we do in our communities is relevant and, more importantly, makes a real difference where it's needed most. It is about sharing our time and knowledge. Our aim is to team up with the communities which we are part of, adding value through sharing our managerial, financial and strategic skills with them in order to help them achieve measurable progress, realise their vision of excellence and achieve positive, significant change.

Our Corporate Social Investment strategy focuses on four main areas that are of critical importance to our country, profession and business:

Education / Namibia will have difficulty in fulfilling its plans for economic growth and the alleviation of poverty if the trained human resource capacity and skills remain inadequate. For this reason, education is a focus of our CSI programme.

Social Development / We support worthy initiatives.

Health / We work with community-based AIDS organisations to provide assistance to those suffering from HIV/AIDS.

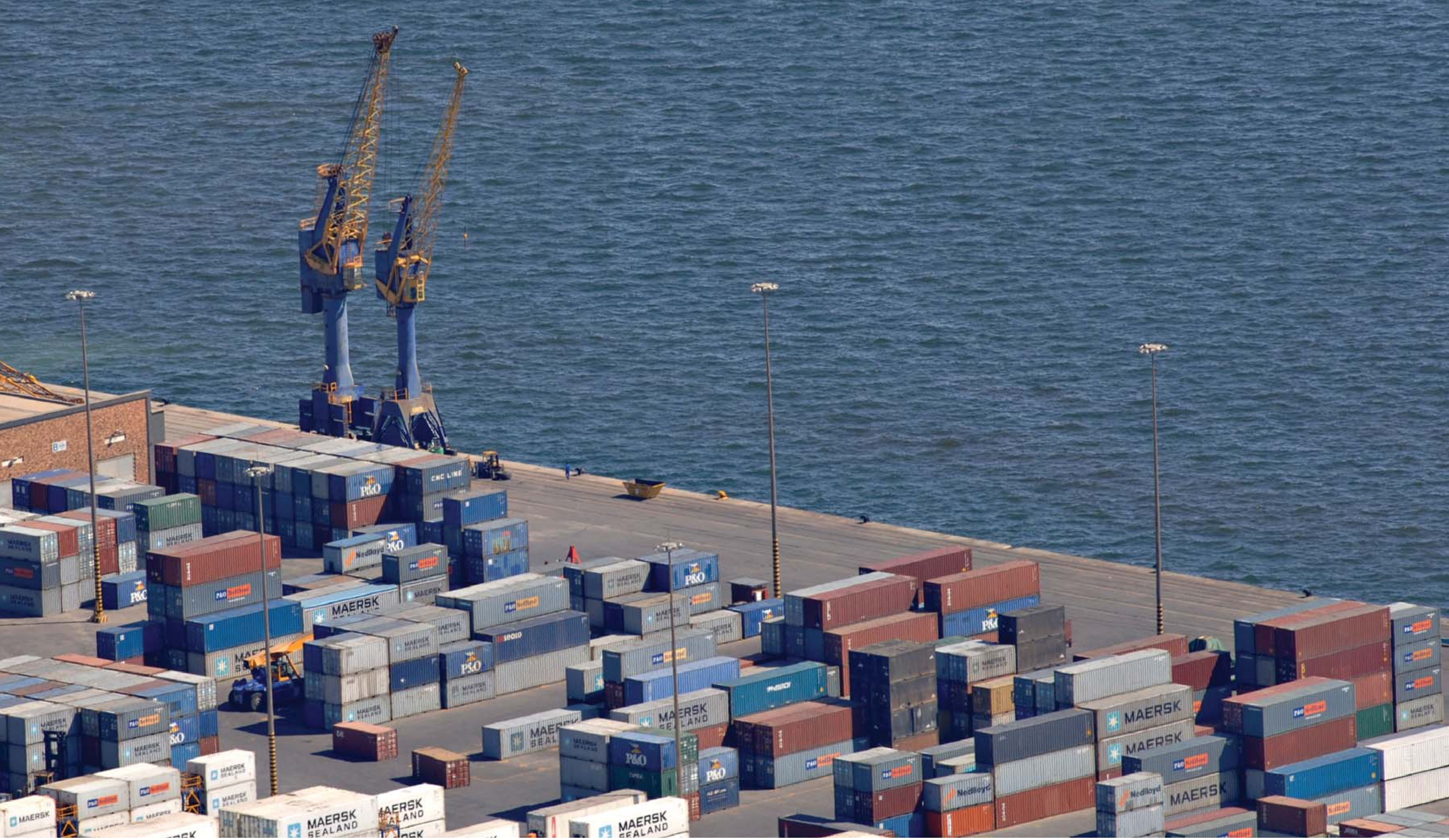
Namport Social Investment Fund

The Namport Social Investment Fund has been established to become a partner, together with the Namport's stakeholders, and other relevant parties with a proven track record in the development and upliftment of vulnerable and disadvantaged communities in Namibia in funding projects which are aimed at poverty alleviation, job creation / income generation, education and entrepreneurial skills development, and health care in accordance with guidelines developed by Namport from time to time and signed on behalf of Namport by the Trustees.

A further objective of the Fund is to position Namport as a responsible corporate citizen who is committed to making a meaningful contribution to the development and upliftment of the people of Namibia in line with international trends relating to corporate social engagement as well as in line with international corporate governance practices;

A Board of Trustees administers and manages the Fund which resorts with the Company Secretariat portfolio.

The Fund has been fully operational as from early 2007.


CNC LINE
P&O
MAERSK
MAERSK SEALAND
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HUMAN RESOURCES

In line with Namport core strategy of investing and developing human capital, which is made possible by having a competent team that provides services to employees and internal customers beyond expectations. This is a challenge that the Human Resources Department strives to achieve through the following activities which make the core functions of the department:

HR Strategy, Policy and Planning

- Contribute to corporate HR strategy and planning processes to meet the Namport objectives.
- Develop 'best-fit' policies and procedures; implement, monitor and review at least annually.

Recruitment and Selection

- Provide a comprehensive advice and administration service, from advertising to appointment, for all full-time and fractional appointments across the organization.
- Make appointment offers and complete employment documentation.
- Monitor temporary contracts and initiate action review procedures.
- Facilitate induction programmes.
- Implement changes to current contracts, and process terminations.

Pay and Benefits

- Manage pay and grading structures.
- Facilitate remuneration transactions.
- Administer employee benefits.

Training and Development

- Identify training and development needs and source provision.
- Administer central training arrangements.

HR Information and Records

- Determine and maintain HR records.
- Provide ad hoc information internally.

Employee Relations

- Contribute to individual and collective consultations and negotiations.
- Apply collective agreements.
- Advise managers and staff on employment matters.
- Advice in disciplinary, grievance and disputes procedures.

Special Projects

- Undertake specific, time limited projects in support of organizational development and change.

The following are the deliverables of the various sections in Human Resources for the period under review:

Organizational Development & Compensation

The period under review was very challenging. Various initiatives were introduced from an operation as well as a strategic perspective.

Namport's Policies have been reviewed to make them more responsive to needs and are aligned to company strategy.When approved by the Board of Directors they should improve the ability of Namport to be an "Employer of Choice".

Namport has also embarked on a change of Culture with the introduction of INVOCOM which also interlinks with the implementation of a Performance Management System. Even though it remains a challenge, Namport will strive to change the perceptions of all employees to a performing culture through valuing existing employess , attracting, developing and retaining competent human capital.

During the period under review, Namport submitted it's AA Report which was successfully certificated by the Employment Equity Commissioner.

The workforce profile for the period under review looks as follows:

Workforce Profile for the Period Ending 31 July 2006		
Expatriates:	8	1.8
White Female	8	1.8
White Male	49	10.8
Black Male	335	74.1
Black Female	48	11
People with Disabilities	4	0.9
Total	452	100

Employee Benefits:

Namport is aware of the employee needs for proper housing especially at entry level positions. In order to address the problem, Namport has agreed on an increased Home Loan Qualifying Amount and an Increased Housing Subsidy for low level positions. Efforts have also been made to eradicate the housing problem, specifically for employees in Lüderitz.

Namport has also managed to negotiate for increased Funeral Insurance for employees.

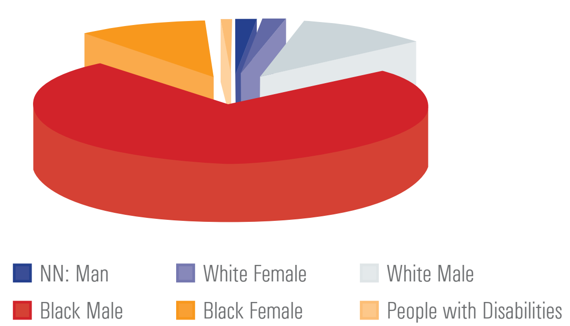
Training and Development

Our commitment to continuous training and development of human capital is unwavering and remains of primary importance to the prosperity of Namport 's capacity building. During the year under review the focus has been on training and development in the following fields.

Management Development Programme; Environmental and Pollution Training; Reach Stakers/Mobile Crane Operators; Peromnes Job Evaluation; Advance Hydraulics; Proportional Hydraulics; GMDSS, VTS and Pilot Training Scheme.

Workforce Profile for the Period Ending 31 July 2006	
NN: Man	2
White Female	2
White Male	11
Black Male	74
Black Female	11
People with Disabilities	1

Workforce Profile for the Period Ending 31 July 2006



Career Exhibitions
Training and Development conducted career exhibitions at the Polytechnic of Namibia.

Bursaries
Five bursaries have been awarded to prospective Namibians for full time studies in the fields of Human Resources and Finance.

Staff Study Assistance
Human capital who wish to pursue further studies were awarded assistance and additionally twenty one dependents of personnel are benefiting from Employee Loans in pursuance of tertiary education.

Marine Pilotage
Due to skill shortage within the maritime industry, Namport in 1994 took a lead in training and developing Namibians towards Marine Pilots and Marine engineers, as the maritime industry was flooded by foreigners due to lack of expertise.

During the year under review Namport has managed to train 4 Namibian Marine Pilots, 2 Marine Engineering Officer towards Class 2 Certificate of Competence (STCW, 95), with the logistical support of its strategy business partners, SAFMARINE and UNICORN LINES based in south Africa. By the end of the current financial year Namport will be able to produce a Class 1 engineer and 2 Class 2 Marine pilots.

Staff Development Programme
Namport regards training and development as a strategic business partner to all its Business Units, and thus on a continues basis trains and develops its employees who it regards as its most valuable asset. All Namport employees are encouraged to develop their skills and knowledge base in the learning friendly environment created by the company via the Interest free Study Loan scheme. Loans are advanced to all permanently employed staff members to study in different disciplines.

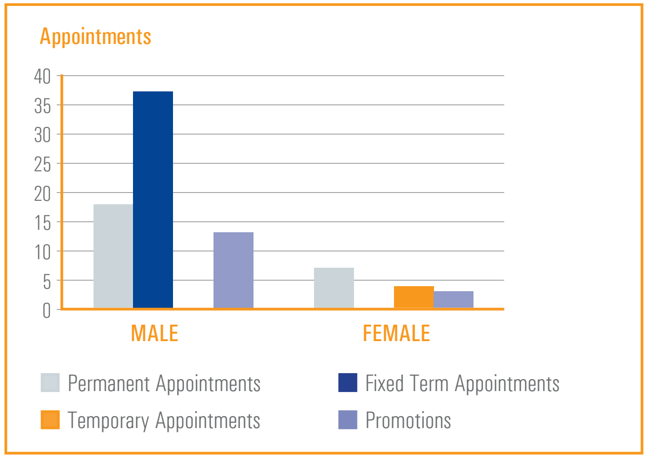
Commercial Advancement Programme
The company recruited eight out of school grade 12 students to get training in logistics via Inwent and Walvis Bay Corridor group. These students are getting practical experience through exposure to all the business units at Namport.

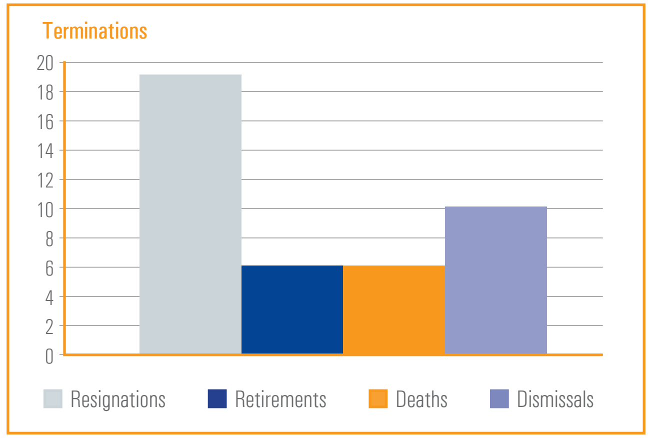
Employee Relations
The promotion of effective sound employee relations strategies engendering mutual respect and responsibility remained the focus of the section during the year under review.

Meaningful dialogues that encourage trust, respect and active problem solving underpinned by the company's commitment to continuous improve through a culture of involvement to create a structure whereby employees can participate.

Key highlights during the year under review.

- There has been a faster resolution of Disciplinary and grievances issues.
- Wage and salary negotiations were conducted and concluded in a smart participation partnership.
- Retirement counselling sessions for employee's who are due to go on retirement is still ongoing.
- A solidarity fund has been introduced inconjunction with the union to help employees in difficult times.
- The early Voluntary Retirement Scheme has been introduced for employees who opted to make use of the opportunity.
- The Collective Bargaining and Procedural Agreement is due to be signed after it has been reviewed.





PROPERTY DEPARTMENT
Makes available suitable port land to meet external and internal customer requirements in a revenue generating and cost effective manner.

Property portfolio
The property portfolio of the Namibian Ports Authority comprises land for industrial, commercial and office use at the ports of Walvis Bay and Lüderitz. In addition the Authority owns residential properties in Walvis Bay and Lüderitz as well as lighthouse properties situated at Pelican Point (Walvis Bay) and Diaz Point (Luderitz) and in Swakopmund.

Revenue generated by property assets achieved a growth of 12% in the past financial year and has contributed 4% to the total revenue of Namport.

Acquisitions and Disposals
Namport has acquired a property in Luderitz from Seaflower Lobster Corporation and it is the intention that this property will primarily be utilised for the following purposes :

- Boatyard business, which will be conducted by a wholly owned subsidiary of Namport.
- Warehousing and storage.
- New Luderitz Port Administration building.

The Blue Ocean Products property at Walvis Bay has been acquired by Namport and will be utilised for storage and office accommodation purposes.

Property strategy envisages disposing of non-core property assets such as residential properties in Walvis Bay with the sale of such property generating funds for capital development projects.

Port related business leases

Namport leases land to various industries and businesses in its ports including railways, mining, motor, stevedoring services, cold store, acid storage, storing and handling of bulk soda ash, bulk terminal, packed warehouse storing and handling of chemicals, scrap metal depot, relocatable and fixed warehousing, container storage, and facilities for the handling of liquefied petroleum and related products in bulk.

Community development and social responsibility leases

A separate Property Development company, namely Namport Property Holdings (Pty) Ltd (Namprop), has been formed with a view to participating as a shareholder in the proposed Marina Development at Walvis Bay. It is envisaged that the property currently occupied by the Walvis Bay Yacht and Angling Club tenants of Namport, together with an additional area of Namport land, will resort with Namprop.

As a special concession, the rental payable by Government institutions for properties leased is calculated at 10% of market related rental plus proportionate rates and taxes.

As part of Namport's social responsibility initiative, religious institutions such as Biblia and The Mission to Seafarers are charged 5% of market related rental plus proportionate rates and taxes. No rental or other charges are payable in respect of property leased to the Sea Rescue Institute of Namibia.

Land is leased at the port of Luderitz to the Luderitz Waterfront Development Company and is utilised for waterfront related business and facilities. The Diaz Point houses at Luderitz, which in the past were used by the light keepers, have been leased to the Bay View Hotel and will be utilised for tourism related activities.

Certain areas in the port of Walvis Bay are leased to various players in the tourism industry as slipways and jetties, together with adjacent land for parking and other facilities, and are utilised for the provision of boat rides and related recreational activities.

A portion of land at the Swakopmund Lighthouse is utilised as a restaurant facility and at the port of Walvis Bay we have a tenant who operates a café and take away facility.

Aquaculture and Mariculture leases

Currently Namport has leased five areas of water for aquaculture projects. Furthermore a certain portion of water area has been allocated for purposes of the establishment of an Aqua Park which can accommodate approximately ten aquaculture projects.

Dry Dock

Elgin, Brown & Hamer (Namibia) (Pty) Ltd, which operates a floating dock and ship repair facility, leases an area of water at the port of Walvis Bay where their floating dock facility has been established.

Property utilised for Staff Welfare

Premises in the port of Walvis Bay have been identified for modern mess and ablution facilities and suitable premises have been identified at both ports for purposes of establishing a cafeteria and meeting rooms for staff.

Due to the housing shortage at Lüderitz, Namport retains ownership of certain residential properties in Lüderitz for leasing to staff as well as for non-Namibian staff appointed on contract.

PORT ENGINEER
ENGINEERING PROJECT CATEGORIES: GROWTH, STATUTORY AND MAINTENANCE THE 2005/2006 FINANCIAL YEAR.

Port of Walvis Bay

Projects Undertaken in the category: Growth

Project Description	Project Value	Time Frame
New Water pipelines and upgrades	N$ 1.4 million	July 05 to July 06
New Port Entrance Road with supporting electrical infrastructure	N$ 4.8 million	July 05 to July 06
Upgrading of existing container terminal surfacing	N$ 2.37 million	July 05 to Jan 06
Additional container terminal surfacing and related electrical infrastructure	N$ 7.3 million	July 06 to Aug 06
New Warehouses (Rubbhalls) with supporting surfacing	N$ 10.0 million	Sept 05 to Aug 06
Syncrolift water filtration system	N$ 0,04 million	Aug 06
Port Dredging	N$ 11.6 million	Sept 05 – Aug 06
Total:	**N$ 37.51 million**	

Projects Undertaken in the category: Statutory

Project Description	Project Value	Time Frame
SO Project: Fuelling Slab Rehabilitation	N$ 10,000-00	Nov 05 to Dec 05

Projects Undertaken in the category: Maintenance

Project Description	Project Value	Time Frame
Repairs and Maintenance	N$ 1,960,000-00	Sept 05 to Aug 06

Of this maintenance amount some N$ 0,5 million was allocated and spent in Namport's SME programme for repair works.

Port of Lüderitz

Projects Undertaken in the category: Growth

Project Description	Project Value	Time Frame
New port warehouses (Rubbhalls) for the storing of import products	N$ 1.7 million	Sept 05 to Feb 07
Port maintenance dredging	N$ 1,066,605-00	Sept 05 to Aug 06

Projects Undertaken in the category: Statutory

Project Description	Project Value	Time Frame
ISO Project: Waste oil collection and storage facility to meet the Namport ISO 14001 standards for waste oils	N$ 250,000-00	July 06 to Sept 06

Projects Undertaken in the category: Structural Maintenance

Project Description	Project Value	Time Frame
Repair of Concrete Jetty substructure	N$ 500,000-00	Sept 05 to Aug 06

Walvis Bay Syncrolift

Projects Undertaken in the category: Statutory

Project Description	Project Value	Time Frame
New waste water treatment plant for the purification of industrial water	N$ 750,000-00	June 06 to Oct 06

S.H.R.E.Q DEPARTMENT
SAFETY, HEALTH, RISK, ENVIRONMENT AND QUALITY

Health, Safety and Security

Central to our vision of being the first choice world-class port service provider in Africa is our commitment to safety, health and environmental management and acknowledgement of the right of all our employees to a safe and healthy work environment. In recognition of this commitment, Namport has attained a NOSA three star rating during our external health and safety annual audit. We achieved our goal of reducing lost time injuries by 20% but fell short of achieving our goal on equipment and infrastructure damages. We are determined to improve on this performance and will continue to build on the LTI downward trend by fostering an organizational safety culture through improved management control, behavioural based safety training and the launch of a S.H.E recognition programme. In accordance with international best practise we are in the process of upgrading our health and safety system to the esteemed OSHAS 18001 standard, with certification anticipated in August 2007.

We have maintained our record on pilferage with zero cargo theft claims being reported. Inspections by the US Coast Guard and Holland, American Cruise Lines reaffirmed our compliance to the ISPS code. In our endeavour to improve safety and security in the port and to ensure continued compliance to the ISPS Code, Close Circuit Television and Electronic Access Control Systems have been installed in the commercial port.

Environmental Commitment

In order for fulfill Namport commitment towards environmental sustainable development a follow-up Environmental Impact Assessment (EIA), specifically related to dredging, was called for to up-date the existing Environmental Management Plan (EMP) for the period 2006-2010. This work was done by COWI, a world renowned Environmental Assessment Organization, whom was also responsible for the now completed Local Agenda 21 program in Walvis Bay. No major dredging will take place during the 2006-2010 period and the EIA and EMP will be used to guide smaller maintenance projects and future development planning.

Environmental Management

Namport achieved another environmental performance milestone in 2006 by being successfully recertified as compliant to the ISO 14001: 2004 standard. Our continued implementation of the pollution tariff has proved an effective deterrent in reducing the number of land based and water pollution by 71%. Namport appointed COWI, a Danish consultancy to review and update our dredging EIA and EMP. The purpose of this update is to develop management guidelines for potential present and future negative environmental impacts due to dredging and disposal of dredged material. An effluent treatment plant with a capacity of 3m3 per hour has been designed and installed at our ship repair facility to negate the discharge of harmful effluent into the sea. An environmental noise and air pollution survey was conducted to determine the effect of our ship repair contractor operations on the surrounding community. The survey confirmed that organic vapours and air borne dust generated at the Synchrolift does have a nuisance influence on the neighbouring community. Namport is committed to work hand in hand with ship repair contractors to ensure the implementation of exposure controls.

Quality Management

Customers are becoming more sophisticated, better informed and their expectations are growing. For any business, the only way to maintain customer satisfaction is to offer a commitment to quality. To demonstrate this commitment Namport has embarked on a two year certification project that will satisfy the rigors of an independent, external certification body. We are convinced that such a move will not only enhance company image in the eyes of customers, employees and shareholders but will also give a competitive edge to the organizations marketing. Namport anticipates certification according to ISO 9001 in August 2007.

OPERATIONS DEPARTMENT

Investment In Cargo Equipment

Having identified the need to increase Namport's container handling equipment due to the ever increasing container volumes, a decision was made to acquire three additional reach stackers. This would increase Namport's capacity from eight to eleven reach stackers. After a thorough tender procedure, it was approved to purchase three Liebherr LRS 645 reach stackers.

The reach stackers arrived on the 21 June 2006, after which a period of three weeks was allowed for assembly, commissioning and most important, operator training. The machines were fully operational from the 17th of July 2006.

In line with Namport's strategic vision to invest in state of the art technology, the new Liebherr LRS 645 reach stackers certainly passed the test. Being drive by wire operated (joysticks) with full hydrostatic operation and world leading stacking capacity these new reach takers will certainly enable Namport to satisfy their customers demands.

World Class Restructuring

In 2006 the Technical Department underwent a major restructuring exercise to better align the maintenance team at Namport with world class practices. The main objectives of the restructuring were:

1. Group all technical maintenance functions in Namport into one team
2. Improve cost effectiveness

a. outsource non core functions / maintain critical functions

b. Combine fitting, welding and equipment workshops

c. Focus on equipment maintenance – civil functions removed

The new look organizational structure for the Technical Department below:

Stacking 6 high

High-tech design

MD and GM with operations

- **General Manager Operations**
  - Manager NAMTECH
    - Technichal Superintendent Electrical Workshop
    - Technichal Superintendent
    - Marine Manager
  - Manager CARGO SERVICES
    - Container Terminal Manager
    - Bulk / Break-Bulk Manager
  - Manager PORT OF LUDERITZ
    - Port Captain
    - Chief Cargo Coordinator
    - Chief Administrator
    - Chief Protection Officer
  - Manager SYNCROLIFT
    - Senior Dockmaster
  - Manager PORT OF WALVIS BAY
    - Senior Pilot

Cargo Landed

	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk / Breakbulk	311,128	351,101	252,196	306,298	270,373	368,062
Containerised	232,993	257,770	298,795	314,252	331,548	516,698
Sulphuric Acid	143,876	187,039	146,126	220,954	206,520	177,512
Petroleum	764,105	647,146	704,523	682,281	791,300	815,687
Total	1,452,102	1,443,056	1,401,640	1,523,784	1,599,740	1,877,959

Cargo Shipped

	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk / Breakbulk	567,805	616,235	727,568	880,002	855,007	735,860
Containerised	152,867	299,531	173,899	187,774	248,810	265,094
Total	720,673	915,766	901,468	1,067,776	1,103,817	1,000,955

Cargo Transhipped

	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk / Breakbulk	50,617	55,600	37,448	33,650	19,941	11,937
Containerised	5,971	4,737	9,565	138,236	307,859	317,141
Total	56,588	60,337	47,013	171,886	327,800	329,078

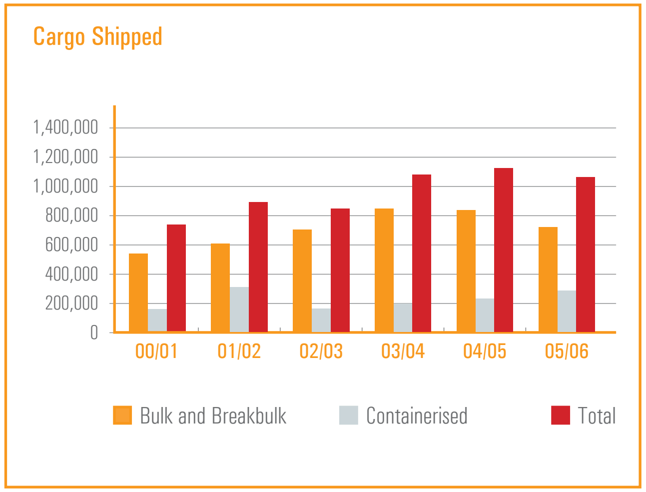
Total	2,229,362	2,419,158	2,350,120	2,763,446	3,031,357	3,207,991

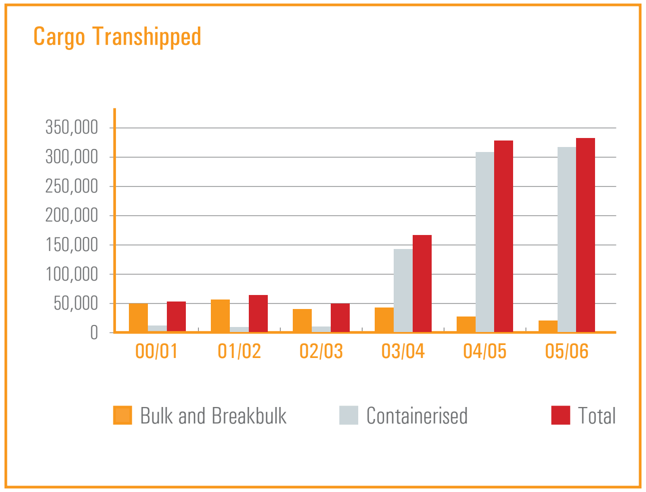
Vessel visits

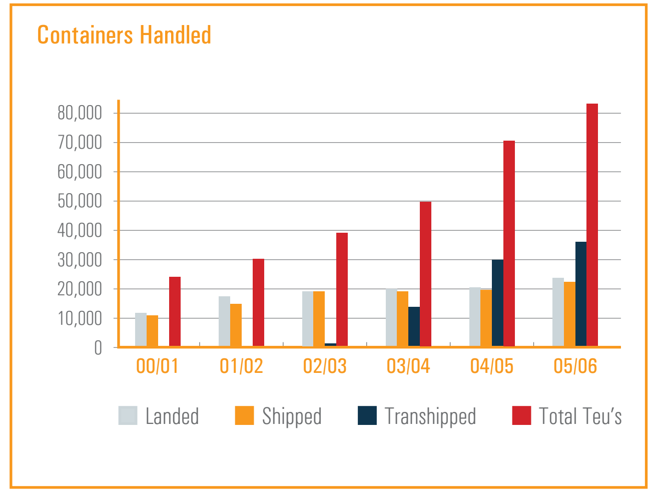
	00/01	01/02	02/03	03/04	04/05	05/06
Container	94	152	157	178	185	227
Reefer	73	82	98	62	41	27
Foreign Fishing	432	429	435	414	332	337
Namibian Fishing	142	197	252	188	166	148
Petroleum	26	29	34	30	38	38
General Cargo	119	170	139	146	130	120
Other	111	136	137	149	170	169
Total	997	1,195	1,252	1,167	1,052	1,066

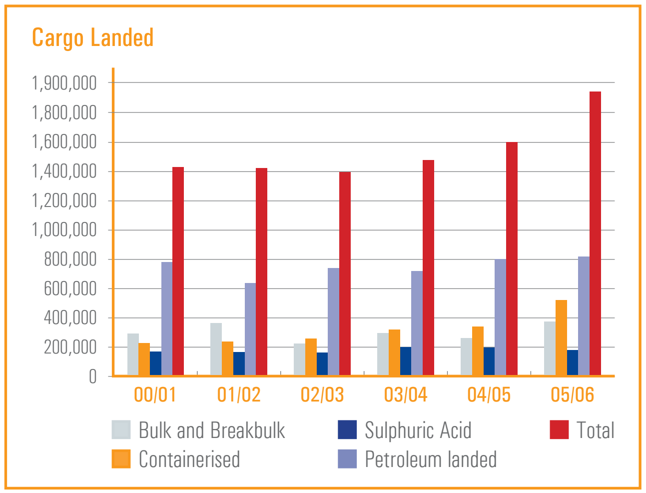
Containers handled (Twenty-foot Equivalent Units)

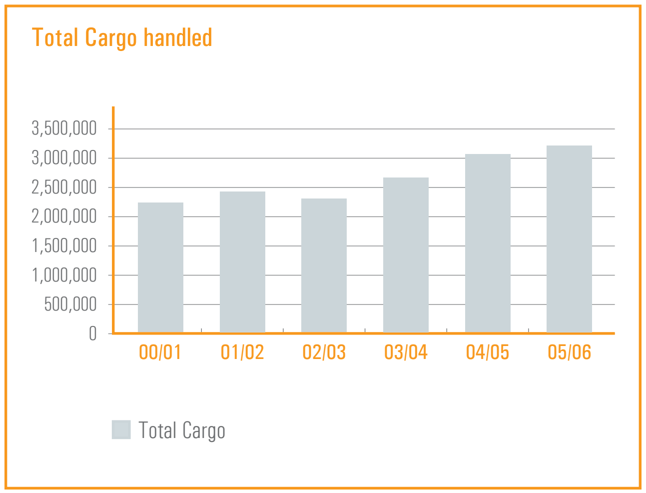
	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Landed	13,338	16,814	18,230	19,665	21,312	23,720
Shipped	11,974	14,208	18,528	17,625	20,585	22,766
Transhipped	456	547	1,057	13,073	29,559	36,777
Total TEU's	25,768	31,569	37,815	50,363	71,456	83,263

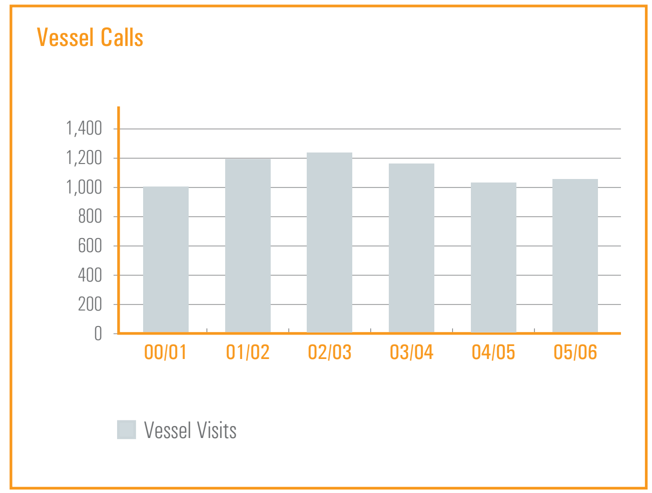












statistics: port of walvis bay

Cargo landed	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Fuel	46,486	55,467	40,112	32,849	39,998	50,953
Fish	85,321	77,932	90,448	82,978	73,056	50,698
Sulphur	-	-	22,014	57,372	67,131	68,784
General Cargo	11,457	37,802	1,557	2,883	3,943	?
Total landed	**143,264**	**171,201**	**154,131**	**176,082**	**184,128**	**171,346**

Cargo shipped	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Fish & Bait	31,211	14,576	4,260	5,953	1,823	465
Ice	60,967	79,216	86,434	67,651	44,453	29,145
Zinc / Zinc Conc.	-	-	13,949	82,711	88,600	15,591
Other	12,913	7,955	27,719	1,160	999	29,264
Total shipped	**105,091**	**101,747**	**132,362**	**157,474**	**135,875**	**74,464**

Cargo transhipped	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Fish	9,382	3,961	19	228	-	45
Other	594	687	-	-	100	-
Total transhipped	**9,976**	**4,648**	**19**	**228**	**100**	**45**

Total Cargo	258,331	277,596	286,511	333,784	320,104	245,855

Containerized Cargo	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Landed	3,002	5,687	1,402	260	266	1,289
Shipped	18,538	19,654	26,449	34,332	60,027	147,950
Transhipped	-	-	24	-	-	44
Total	**21,540**	**25,341**	**27,874**	**34,592**	**60,293**	**149,283**

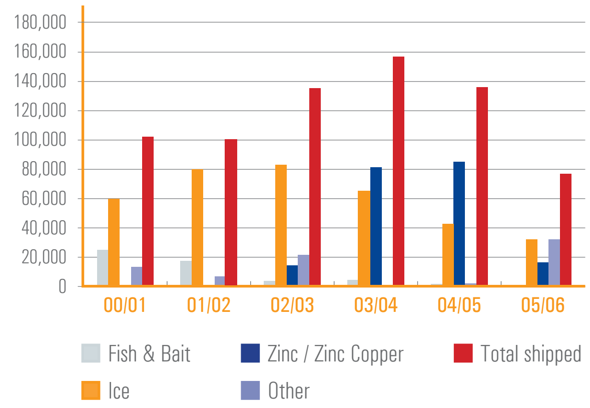
Total Cargo	279,871	302,938	314,386	368,376	380,397	395,138

Containers handled (Twenty-foot equivalent units)	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Landed	1,276	768	1,770	2,294	3,121	5,762
Shipped	1,973	1,712	1,831	2,355	3,033	5,160
Total Teu's	**3,248**	**2,480**	**3,601**	**4,649**	**6,154**	**10,922**

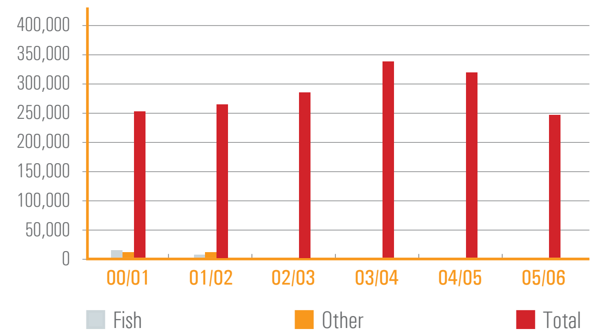
Vessel visits	2,496	2,364	2,052	2,020	1,347	1,373

cargo handling: port of lüderitz

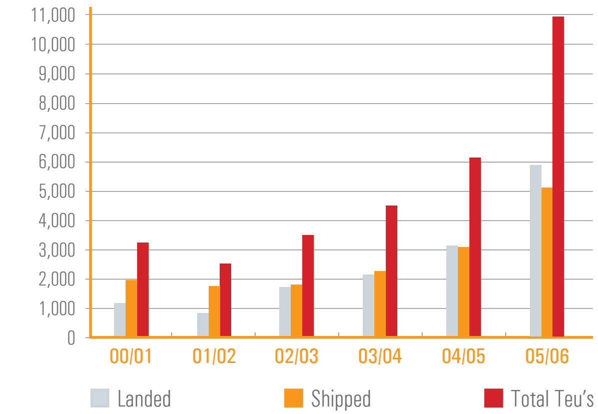
Cargo Shipped



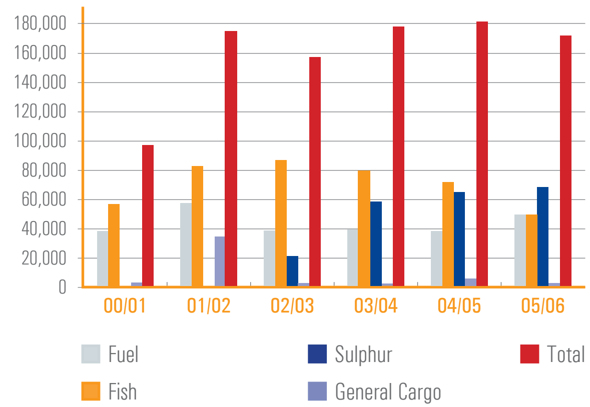
Cargo Transhipped



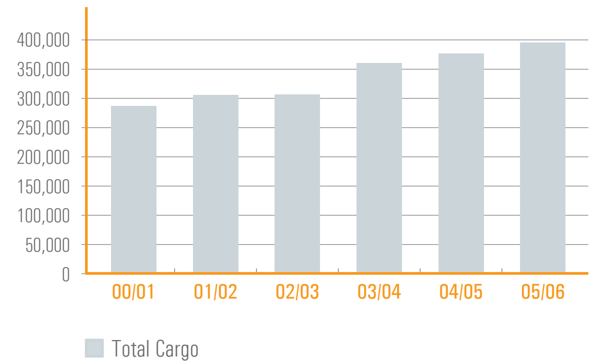
Containers Handled



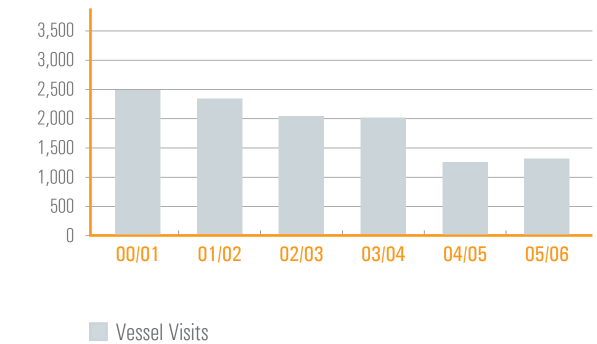
Cargo Landed



Total Cargo handled



Vessel Calls



cargo handling: port of lüderitz

Cargo landed	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk and Breakbulk	407,906	466,835	366,215	449,531	414,503	488,456
Containerised	235,995	263,457	300,196	314,512	331,814	517,987
Sulphuric Acid	143,876	187,039	146,126	220,954	206,520	177,512
Petroleum landed	810,591	702,613	744,635	715,129	831,298	866,640
	1,598,368	**1,619,944**	**1,557,172**	**1,700,126**	**1,784,134**	**2,050,594**

Cargo shipped	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk and Breakbulk	672,896	717,982	859,930	1,037,475	990,883	810,324
Containerised	171,405	319,185	200,348	222,106	308,837	413,044
	844,301	**1,037,166**	**1,060,278**	**1,259,582**	**1,299,719**	**1,223,368**

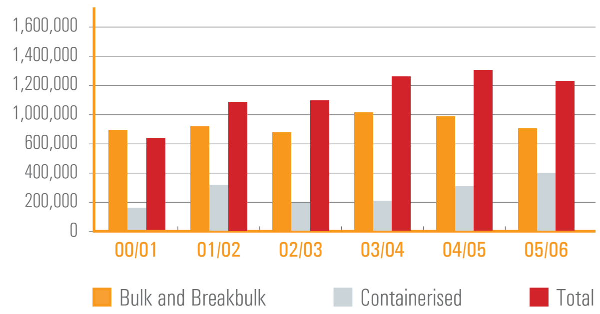
Cargo transhipped	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Bulk and Breakbulk	60,593	60,248	37,467	33,879	20,041	11,982
Containerised	5,971	4,737	9,590	138,236	307,859	317,185
	66,564	**64,985**	**47,056**	**172,114**	**327,900**	**329,167**

Total Cargo	2,509,233	2,722,096	2,664,506	3,131,822	3,411,754	3,603,129

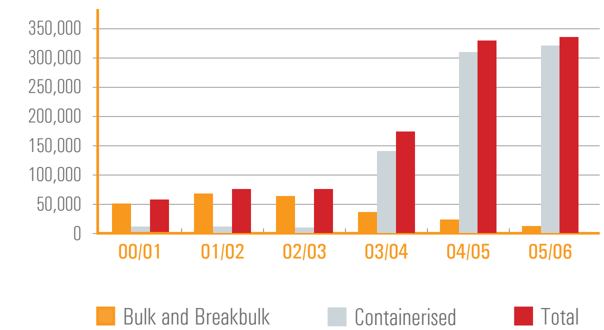
Containers handled (Twenty-foot equivalent units)	Sep/Aug 00/01	Oct/Sep 01/02	Sep/Aug 02/03	Sep/Aug 03/04	Sep/Aug 04/05	Sep/Aug 05/06
Landed	14,613	17,582	20,000	21,959	24,433	29,482
Shippes	13,947	15,920	20,359	19,980	23,618	27,926
Transhipped	456	547	1,057	13,073	29,559	36,777
Total Teu's	**29,016**	**34,049**	**41,416**	**55,012**	**77,610**	**94,185**

Vessel Visits	3,493	3,559	3,304	3,187	2,399	2,439

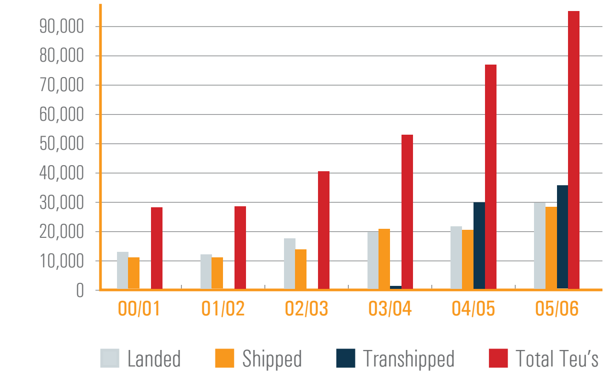
Cargo Shipped



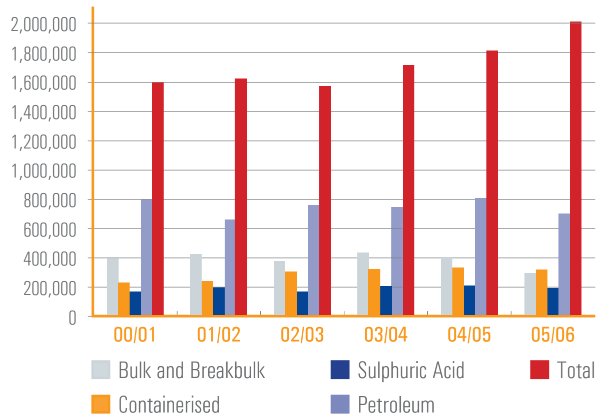
Cargo Transhipped



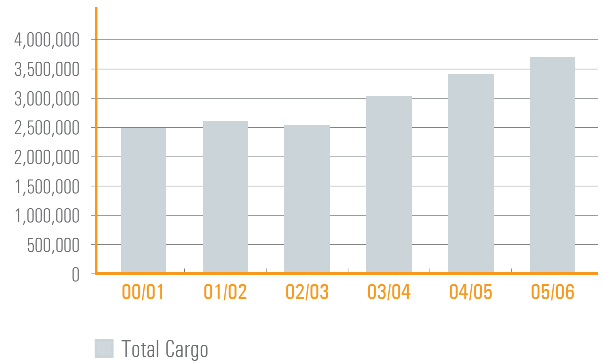
Containers Handled



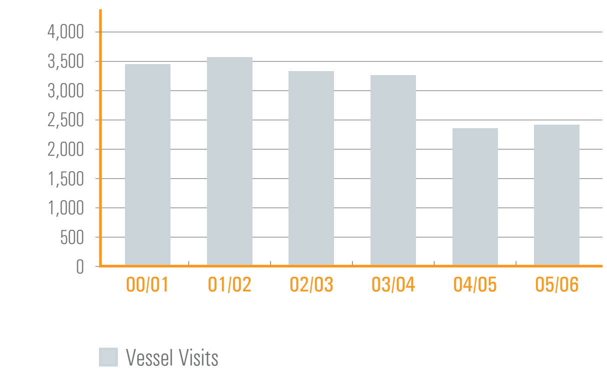
Cargo Landed



Total Cargo handled



Vessel Calls



cargo handling: namibian ports

	12 months 2005/2006	12 months 2004/2005	12 months 2003/2004	12 months 2002/2003	12 months 2001/2002
Turnover	**252,671**	220,858	211,270	181,219	166,274
Operating Profit	**37 418**	36 638	12,357	34,141	33,519
Profit before Taxation	**45 638**	33 520	7,455	17,398	21,390
Return on Assets	**4%**	3%	1%	2%	3%
Return on Equity	**6%**	4%	1%	3%	6%
Operating Profit Margin	**14%**	15%	6%	19%	20%
Total Assets	**1,135,511**	1,060,495	1,009,779	1,006,802	647,827
Shareholder's Interest	**782 566**	755 578	569,430	563,642	337,402
Borrowings	**184,808**	154,119	141,239	152,176	146,025
Debt: Equity Ratio	**0.24**	0.20	0.25	0.27	0.43
Liquidity Ratio	**2.06**	2.21	1.25	1.21	1.28
Number of Employees	**592**	569	591	472	459
Turnover per Employee (N$ '000s)	**427**	388	357	384	362
Assets per Employee (N$ '000s)	**1,918**	1,864	1,709	2,133	1,411

company key financial indicators

	Notes	2006 N$000	%	2005 N$000	%
WEALTH CREATED					
Revenue		252,671		220,858	
Paid to suppliers of materials and services		(72,882)		(54,055)	
VALUE ADDED		179,789		166,803	
Income from investments and sale of assets		45,326		26,839	
TOTAL WEALTH CREATED		225,115	100	193,642	100
WEALTH DISTRIBUTION					
Salaries, wages & other employment costs	1	91,329	41	85,681	44
Providers of capital:					
Dividends to shareholder		3,500	2	-	
Finance cost on borrowings		30,255	13	19,280	10
Government	2	16,208	7	20,295	11
Reinvested to maintain and develop operations:					
Depreciation		55,232	24	54,378	28
Retained Earnings		28,591	13	14,008	7
TOTAL WEALTH DISTRIBUTED		225,115	100	193,642	100

company value added statement

for the year ended 31 August 2006

NOTES TO THE VALUE ADDED STATEMENT

	Notes	2006 N$000	%	2005 N$000	%
1. Salaries, wages and other employment costs					
Salaries, overtime payments, bonuses and allowances		73,937		70,237	
Training and study assistance		4,579		3,855	
Employer contributions		12,813		11,589	
		91,329		85,681	
2. Central and local governments					
Normal and deferred taxation		15,150		19,513	
Rates and taxes		1,058		782	
		16,208		20,295	
3. Additional amounts collected on behalf of central and local governments					
VAT collected on revenue		38,325		34,995	
VAT paid on purchases		(7,125)		(5,697)	
VAT paid on imports		(2,443)		(1,064)	
PAYE deducted from remuneration		16,471		14,092	
		45,228		42,326	

The reports and statements set out below comprise the annual financial statements presented to the member :

Corporate Governance Statement	32
Statement of Responsibility by the Board of Directors	34
Report of the Auditor-General	35
Report of the Independent Auditors	36
Directors' Report	37
Balance sheet	38
Income statement	39
Statement of changes in equity	40
Cash flow statement	41
Notes to the financial statements	42

group annual financial statements

for the year ended 31 August 2006

The Namibian Ports Authority is a state-owned enterprise established by the Namibian Ports Authority Act, 1994 (Act No 2 of 1994).

The Authority is committed to the principles of openness, integrity and accountability and the directors recognise the need to conduct the business of the Authority in accordance with good governance principles and internationally accepted accounting practice.

BOARD OF DIRECTORS

The Authority is managed by a board of directors which has overall responsibility and accountability for the affairs and performance of the Authority. The board gives strategic direction and monitors executive management closely in implementing board strategies and plans.

The board delegates responsibility for specified matters to its committees or management, however, the board reserves responsibility for a range of key decisions for its collective decision. The delegation of authority by the board is encompassed in a formal delegation framework which clearly indicates those matters specifically reserved for the collective decision of the board.

The Board has a unitary structure of five directors comprising one executive, two non-executive and two independent non-executive directors. The directors are appointed by the shareholder and their term of office is three years. The executive director's service contract does not exceed five years in duration. The Chairperson of the Board is an independent non-executive director.

Regular meetings of the board take place. The roles of the chairperson and the managing director provide leadership and guidance to the Authority's board and encourages proper deliberation of all matters requiring the Board's attention. The chairperson of the board is responsible for the overall leadership and effective functioning of the board.

EXECUTIVE MANAGEMENT

The managing director has line responsibility for all aspects of the execution of strategy and management of the Authority for which he is held accountable by the board. The managing director is assisted in his executive management responsibilities by members of the Executive Committee of Management (EXCO) and the Company Secretary. EXCO comprises the heads of department of Finance, Operations, Marketing, Engineering, Human Resources and Safety, Health, Environment Risk and Quality Management (S.H.R.E.Q.) and the managing director who is the chairperson. The service contracts of EXCO members do not exceed five years in duration.

SECRETARY OF THE BOARD

All directors have access to the advice and services of the secretary of the board who guides the board in respect of its duties and responsibilities, ethics, good governance and statutory responsibilities. All directors are entitled to seek independent professional advice about the affairs of the Authority and at the Authority's expense.

BOARD COMMITTEES

The board has established board committees where such committees can enhance the board's effectiveness in key areas of the board's duties and responsibilities. The board is ultimately responsible for the actions and decisions of board committees. The board is well informed about proceedings of board committees by reports from the chairpersons of the committees tabled at each board meeting.

Audit Committee

The audit committee is responsible for independently reviewing, on behalf of the board, the Authority's framework of control and its internal and external audit processes.

The audit committee comprises three members, being two independent non-executive directors and the executive director. The members of the audit committee are Mr A Neethling (Chairperson), Adv S Masiza and Mr S Kankondi. The chairperson of the committee is an independent non-executive director and is not the chairperson of the board. Both the internal and external auditors have unrestricted access to the audit committee which ensures that their independence is in no way impaired.

Three meetings of the audit committee take place annually and representatives of the internal and external auditors, the finance and operations executives and the finance manager attend the meetings.

Remuneration Committee

The remuneration committee is responsible for making recommendations to the board regarding the determination of the remuneration of directors, executive and senior management. The remuneration committee comprises three non-executive directors and the chairperson of the committee is an independent non-executive director. The members of the remuneration committee are Adv S Masiza (Chairperson), Mrs A Hange and Mr P Amutenya. The committee is scheduled to meet two times per annum.

The managing director attends meetings of the Committee by invitation and is excused from a meeting when his compensation, as well as the Chairperson's compensation, is reviewed. Similarly, the Chairperson is excused when his remuneration is discussed.

Risk Committee

The risk committee reports to the audit committee and assists the board in the discharge of its duties relating to corporate accountability and associated risk in terms of management, assurance and reporting. The committee comprises the finance and S.H.R.E.Q. executives and the company secretary. Three meetings of the committee are scheduled to take place each year.

INTERNAL CONTROL SYSTEMS

The Authority maintains systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition, which are designed to provide reasonable assurance to the Authority's management and board regarding the preparation of reliable published financial statements and the safeguarding of the Authority's assets. The system includes a documented organization structure and division of responsibility, established policies and procedures, which are communicated throughout the Authority and the proper training and the development of its personnel.

Internal auditors were appointed to monitor the operation of the internal control systems and report findings and recommendations to management and the board. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Board, operating through its audit committee, provides oversight of the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Authority maintains its internal control system on a continuous basis to ensure effective internal control over financial reporting. The Authority believes that for the period ending 31 August 2006, its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, was adequate.

The annual budget is reviewed and approved at board level and on a monthly basis management assesses performance against budget and reports to executive management.

DISCLOSURE OF INTERESTS

The agenda of each board and committee meeting provides for board and committee members to disclose interests in any matters which will be discussed at the meeting. In addition, a register of interests is maintained by the secretary wherein employees of the Authority can disclose interests. This register of interest can be viewed by any employee at the office of the secretary.

INDUCTION

All new directors receive an electronic board information pack which contains information on the Authority, financials, governance issues, key policies, board and committee information and other information relevant to the board. This electronic information is updated on an annual basis.

Each year, one meeting of the board takes place in Walvis Bay and one in Luderitz. When a meeting takes place at a port, board members are taken on tour of the port and receive up to date information on the operations and developments at the port.

Directors are advised of workshops, seminars and conferences to update their skills as well as their knowledge of the port industry.

statement of responsibility

by the Board of Directors

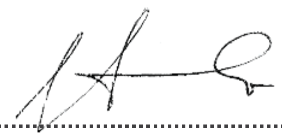
The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Namibian Ports Authority and the group annual financial statements. The financial statements, presented on pages 27 to page 60 have been prepared in accordance with and comply with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and include amounts based on judgments and estimates made by the management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Authority will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the Authority and the group is supported by the financial statements.

The financial statements have been audited by the independent auditing firm, Grand Namibia, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The audit report of Grand Namibia is presented on page 36.

The financial statements were approved by the Board of Directors on 3 November 2006 and are signed on its behalf by:

Adv S V Masiza
Chairman



S Kankondi
Managing Director

I have examined the audit documentation, as required of me in terms of Section 26(3) of the Namibian Ports Authority Act, 1994, compiled by the auditor registered in terms of the Public Accountant's and Auditor's Act, 1951, who was appointed by the Board of Directors of the Namibian Ports Authority.

I therefore report that the abovementioned audit of the annual financial statements and group annual financial statements for the year ended 31 August 2006 has been carried out to my satisfaction.

....

Junias Etuna Kandjeke
Auditor General

Windhoek
November 2006

report of the independent auditors

to the members of the Namibian Ports Authority

We have audited the annual financial statements and group annual financial statements set out on pages 27 to 60 for the year ended 31 August 2006. These financial statements are the responsibility of the Authority's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Authority and the group at 31 August 2006 and the result of its operations, changes in equity and cash flow information for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Ports Authority Act, 1994 (Act No 2 of 1994).

Grand Namibia
Chartered Accountants (Namibia)
Registered Accountants and Auditors

3 November 2006

The directors hereby present their annual report, which forms part of the audited financial statements of the Authority and the group for the year, ended 31 August 2006.

Nature of business

The Authority manages and exercises control over the operations of the ports and lighthouses and other navigational aids in Namibia and its territorial waters and provides facilities and services normally related to the functioning of a port.

Ownership of company

The Namibian Ports Authority (Namport) was established in terms of Namibian Ports Authority Act, 1994 (Act No 2 of 1994) and is a state-owned enterprise reporting to the shareholder through the Minister of Works, Transport and Communication.

Financial results

The financial results are set out in the financial statements.

Ownership of Land

During the current financial year the Authority acquired erven 236, 635 and 636 Lüderitz from Seaflower Lobster Corporation Ltd and these erven were registered in the name of the Authority on 14 December 2005.

Auditors

Grand Namibia has been appointed as external auditors, in accordance with guidelines agreed with the Auditor-General, for a period of three financial years terminating with the 2006 financial year.

PricewaterhouseCoopers provides internal audit services to the Authority and has been appointed for a period of three financial years terminating with the 2008 financial year.

Directors

The names of the directors of the Authority as at 31 August 2006 are set out in the following table.

Name	Term of Office
Adv S V Masiza (Chairperson)	10 June 2005 to 9 June 2008
Mr S Kankondi	10 June 2005 to 9 June 2008
Mr A Neethling	10 June 2005 to 9 June 2008
Ms A Hange	10 June 2005 to 9 June 2008
Mr P Amutenya	10 June 2005 to 9 June 2008

Directors and Key Management Remuneration p.a.

Non-executive Directors	N$	303,674.85
Executive Management	N$	5,325,410.11

Changes in accounting policies

The Namport Board of Directors elected to adopt International Financial Reporting Standards ("IFRS") with effect from 1 September 2005. The financial statements have been prepared in accordance with IFRS, with the date of transition for the Group being 1 September 2004.

In terms of IFRS 1, First Time Adoption of International Financial Reporting Standards, the Authority has restated its opening reserves at 1 September 2004, the balance sheet as at 1 September 2004 and 31 August 2005 and the income statement for the year ended 31 August 2005. There have been no adjustments to the cash flow statements previously reported as a result of the adoption of IFRS.

The impact of the conversion to IFRS is contained in note 2 to the annual financial statements.

Board Committees

Audit committee

Three meetings of the audit committee took place during the past financial year with attendance as follows:

Name	No of meetings attended
Mr A Neethling (Chairperson)	3
Adv S V Masiza	2
Mr S Kankondi	3

Remuneration committee

The first meeting of the remuneration committee took place in June 2006 with attendance as follows:

Name	No of meetings attended
Adv S V Masiza (Chairperson)	1
Mrs A Hange	1
Mr P Amutenya	1

Risk committee

The first meeting of the risk committee took place during June 2006 with attendance as follows:

Name	Designation	No of meetings attended
Mr J L van der Merwe	General Manager: Finance	1
Mr R Visagie	Manager: S.H.R.E.Q.	0
Mrs K E van Heerden	Company Secretary	1

Secretary and Registered Office

The secretary of the Authority is Mrs. Kathy van Heerden, whose business address and registered office is 17 Rukumbi Kandanga Road, Walvis Bay. The postal address and registered office is PO Box 361, Walvis Bay, Namibia.

Subsidiary Companies

Namibian Ports Authority acquired interest in following subsidiaries directly:

Name	Percentage shareholding owned by the Authority
Elgin Brown & Hamer Namibia (Pty) Ltd	52.5%
Namport Property Holdings (Pty) Ltd	100%
Lüderitz Boatyard (Pty) Ltd	100%

Elgin Brown & Hamer Namibia (Pty) Ltd

This company has as its main objects and business marine engineering, ship repair, ship building and all work ancillary thereto with all engineering work of the same or similar type to that employed in the foregoing. This company was formed primarily to own, manage and operate a floating dock facility at the port

of Walvis Bay. Namport owns 52.5% effectively from 30 November 2005 which is date of incorporation. The remaining 47.5% shareholding in the company is owned by Elgin Brown & Hamer Consortium (Pty) Ltd and provides technical support to Namibian operations. There are seven members of the board of directors of the company, of which four members represent the Authority.

Namport Property Holdings (Pty) Ltd

Namport Property Holdings (Proprietary) Limited became a wholly-owned subsidiary of the Authority on 25 January 2006; however the company is still dormant. The main object and business of the company is to be engaged in the property industry, property development, property management and any other business which may seem directly or indirectly conducive thereto. The purpose of establishing this company was to serve as a vehicle for participation in the envisaged Walvis Bay marina development with certain waterfront properties owned by the Authority being transferred to the company. Three members of management have been appointed ex officio as directors on the board of directors of the company.

Lüderitz Boatyard Company

During the year under review the Authority purchase land/erven which included a operational business unit from Seaflower Lobster Corporation Ltd on 14 December 2005. The business, a going concern, was managed separately from the Authority and became a wholly owned subsidiary of Namport on 3 October 2006 known as Lüderitz Boatyard (Pty) Ltd. Therefore the financial results of the company could not be consolidated into the holding company as the entity was in formation stage. Three members of management have been appointed ex officio as directors of the company.

Strategic Planning

The Authority has a Strategic Plan for the period 2005 to 2007 and this plan is reviewed annually by the board and management.

Risk Management

The board is responsible for ensuring that the Authority has implemented an effective ongoing process to identify risk, measure its potential impact and utilise internal controls as a measure to mitigate and control risk.

During the past financial year a board and management strategic risk review session took place, facilitated by the internal auditors, and a number of risks were identified.

The top ten risks identified have been addressed through various initiatives approved by the board. The risks are furthermore being reviewed by the internal auditors which have tabled recommendations to address the risks. Executive Management has considered the internal auditors' recommendations for risks reviewed in the cargo, finance, information technology, human resources, S.H.R.E.Q. and technical services' business units and has proposed action plans and controls for consideration by the audit committee.

Judicial Proceedings

During the year under review the following major legal actions received attention:

- In 2002 Ramatex Textiles (Pty) Ltd instituted proceedings against the Authority in respect of a claim for a damaged container. The matter was settled out of court by the insurers with Namport being liable for the deductible of N$250,000.00.

- The court case relating to the legal action instituted by Marco Fishing (Pty) Ltd against Namport, Government of Namibia and Ministry of Works, Transport and Communication for damages of N$7.9 million relating to the sinking of the vessel Meob Bay is scheduled for hearing in 2007.

- With regard to the legal actions instituted against and by the Authority relating to the Jan de Nul dredging works, an out of court settlement is currently being considered by the parties. Discussions are furthermore being pursued by both parties with the relevant financial institution regarding payment of interest on the amount which was frozen by court order.

balance sheet

as at 31 August 2006

	Notes	Group 2006 N$000	Group 2005 N$000	Company 2006 N$000	Company 2005 N$000
ASSETS					
Non-current assets					
Property, plant and equipment	9	790,129	742,578	730,722	742,578
Investments	10	261,170	170,673	261,170	170,673
Channel levy fund investment	6	3,340	1,348	3,340	1,348
Investment in subsidiary		-	-	1	-
Loan to subsidiary		-	-	3,790	-
Deferred tax asset	23	257	-	-	-
		1,054,896	914,599	**999,023**	914,599
Current assets					
Inventories	11	6,612	656	674	656
Receivables and prepayments	12	60,405	34,045	42,011	34,045
Cash and cash equivalents	22	93,394	107,913	93,286	107,913
Current tax assets		517	3,282	517	3,282
		160,928	145,896	**136,488**	145,896
Total assets		**1,215 824**	1,060,495	**1,135 ,511**	1,060,495
EQUITY AND LIABILITIES					
Capital and reserves					
Capital account	3	50,344	50,344	50,344	50,344
Revaluation and other reserves		-	-	-	-
Retained earnings		729,931	705,234	732,222	705,234
Shareholders interest		**780,275**	755,578	**782,566**	755,578
Minority interest		(226)	-	-	-
Total equity		780,049	755,578	782,566	755,578
Non-current liabilities					
Interest bearing borrowings	4	236,685	154,119	184,808	154,119
Shareholder Loans		6,047	-	-	-
Deferred tax liabilities	5	98,552	83,402	98,552	83,402
Channel levy fund	6	3,340	1,348	3,340	1,348
		344,624	238,869	**286,700**	238,869
Current liabilities					
Trade and other payables	7	56,975	36,793	35,540	36,793
Current portion of long-term liabilities	4	20,129	19,411	20,044	19,411
Provisions	8	10,661	9,844	10,661	9,844
Bank Overdraft	22	3,386	-	-	-
		91,151	66,048	**66,245**	66,048
Total liabilities		**435,775**	304,917	**352,945**	304,917
Total equity and liabilities		**1,215,824**	1,060,495	**1,135,511**	1,060,495

	Notes	Group 2006 N$000	Group 2005 N$000	Company 2006 N$000	Company 2005 N$000
Revenue	16	291,664	220,858	252,671	220,858
Other income		811	1,900	96	1900
Staff costs		(98,224)	(87,846)	(97,061)	(87,846)
Variable operational costs		(13,581)	(10,354)	(13,581)	(10,354)
Direct overhead costs		(41,010)	(5,235)	(5,517)	(5,235)
Indirect overhead costs		(34,851)	(15,339)	(32,033)	(15,339)
Depreciation		(56,225)	(54,378)	(55,232)	(54 378)
Maintenance		(12,085)	(12,968)	(11,925)	(12,968)
Operating Profit		**36,499**	36,638	**37,418**	36 ,638
Finance income / (cost)	18	6,365	(3,118)	8,220	(3,118)
Profit before tax	17	**42,864**	33,520	**45,638**	33,520
Taxation	19	(14,893)	(19,513)	(15,150)	(19,513)
Profit/(loss) for the period		**27,971**	14,007	**30,488**	14, 007
Attributable to:					
Minority interest		(226)	-		
Equity holders of the parent		28,197	14,007		
		27,971	14,007		

income statement

for the year ended 31 August 2006

	Capital	Revaluation and other reserves	Retained earnings	Share holders' interest N$'000	Minority interest N$'000	Total
Group						
Restated Balance at 1 September 2005	**50,344**	**-**	**705,234**	**755,578**	**-**	**755,578**
Depreciation transfer - restated	-	-	-	-	-	-
Depreciation Transfer - as previously reported	-	(20,293)	31,220	10,927	-	10,927
Effect of adopting IFRS	-	20,293	(31,220)	(10,927)	-	(10,927)
Dividend paid - 2005	-	-	(3,500)	(3,500)	-	(3,500)
Net Profit - restated	-	-	28,197	28,197	(226)	27,971
Balance 31 August 2006	**50,344**	**-**	**729,931**	**780,275**	**(226)**	**780,049**
Company						
Balance at 1 September 2004 as previously reported	**50,344**	**332,340**	**186,747**	**-**	**-**	**569,431**
Effect of adopting IFRS taxation		(332,340)	504,480			172,140
Restated Balance 1 September 2004	**50,344**	**-**	**691,227**	**-**	**-**	**741,571**
Depreciation transfer - restated	-	-	-	-	-	-
Depreciation Transfer - as previously reported	-	(19,453)	29,927	-	-	10,474
Effect of adopting IFRS	-	19,453	(29,927)	-	-	(10,474)
Dividends paid - 2004	-	-	-	-	-	-
Net Profit - restated	-	-	14,007	-	-	14,007
Net Profit as previously reported	-	-	11,304	-	-	11,304
Effect Of Adopting IFRS net of taxation	-	-	2,703	-	-	2,703
Restated Balance 31 August 2005	**50,344**	**-**	**705,234**	**-**	**-**	**755,578**
Dividends paid - 2005	-	-	(3,500)	-	-	(3,500)
Net profit	-	-	30,488	-	-	30,488
Balance at 31 August 2005	**50,344**	**-**	**732,222**	**-**	**-**	**782,566**

statement of changes in equity

for the year ended 31 August 2006

	Notes	Group 2006 N$000	Group 2005 N$000	Company 2006 N$000	Company 2005 N$000
Cash flow from operating activities					
Cash receipts from customers		275,600	221,072	253,988	221,072
Cash paid to suppliers and employees		(214,031)	(120,935)	(189,594)	(120,935)
Net cash flow from operating activities	20	61,570	100,137	64,394	100,137
Purchase of property, plant and equipment to maintain operations		(95,191)	(10,010)	(44,628)	(10,010)
Cash generated from operations		(33,621)	90,127	19,766	90,127
Interest received		45,235	17,240	45,230	17,240
Interest paid		(32,114)	(19,280)	(30,255)	(19,280)
Dividend paid		(3,500)	-	(3,500)	-
Tax refund / paid	21	2,765	(4,633)	2,765	(4,633)
Net cash flow from operating activities		(21,235)	83,454	34,006	83,454
Cash flow from investing activities					
Purchase of property, plant and equipment		(680)	(7,128)	(680)	(7,128)
Purchase of non-current investments		(77,508)	(46,044)	(77,509)	(46,044)
Transfer to cash on call		-	22,530	-	22,530
Proceeds from disposal of property, plant and equipment		64	43	64	43
Proceeds from disposal of investments		8,716	13,368	8,716	13,368
Investment in subsidiary		(1)	-	(1)	-
Loan extended to subsidiary		(3,790)	-	(3,790)	-
Net cash outflows from investing activities		(73,199)	(17,231)	(73,200)	(17,231)
Cash flows from financing activities					
Proceeds from long-term borrowings		97,874	45,893	45,912	45,893
Payment of capital element of long-term borrowings		(30,567)	(48,900)	(30,567)	(48,900)
Minority Loan		-	-	-	-
Payment of capital element of finance lease liabilities		9,222	(189)	9,222	(189)
Net cash (outflow)/inflow from financing activities		76,529	(3,196)	24,567	(3,196)
Net increase in cash and cash equivalents		(17,905)	63,027	(14,627)	63,027
Cash and cash equivalents at the beginning of year		107,913	44,886	107,913	44,886
Cash and cash equivalents at the end of year	22	90,008	107,913	93,286	107,913

cash flow statement

for the year ended 31 August 2006

1. Principal accounting policies and presentation of financial statements

The Authority's and group consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. These are the Group's first consolidated financial statements to be prepared in accordance with IFRS, and IFRS 1, First Time Adoption of International Financial Reporting Standards, has been applied.

The financial statements are prepared on the historical cost basis, adjusted by the revaluation of certain freehold land, structures and buildings, floating craft and machinery and equipment as set out in note 1 below and the measurement of certain financial instruments at fair value.

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Authority and entities controlled by the Authority.

Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intragroup transactions, balances, and profits and losses arisen from intragroup transactions, are eliminated in the preparation of the group annual financial statements.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein.

The group uses the following principal accounting policies, which are consistent with those of the previous year other than for the adjustments in note 2 relating to the adoption of IFRS.

1.1. Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Trade receivables / Held To Maturity Investments and / or Loans and receivables

The company assesses its trade receivables / held to maturity investments and/or loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Deferred tax assets

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Asset lives

Property, plant and equipment is depreciated over its useful life taking account residual values where appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

Residual values

The residual values of property, plant and equipment are reviewed at each balance sheet date. The residual values are based on the assessment of useful lives and other available information.

1.2. Property, plant and equipment

The cost of 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 company; and
- the cost of the item can be measured reliably.

Property, plant and equipment other than freehold land, structures and buildings, floating craft and machinery and equipment are carried at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Freehold land, structures and buildings, floating craft and machinery are stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by external independent valuers at regular intervals to ensure that the carrying amount of the asset does not differ materially from the fair value at balance sheet date.

The increase in carrying value arising on the revaluation is credited directly to a revaluation reserve within shareholder's equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. On disposal of a previously revalued asset, any amounts relating to those assets remaining in the revaluation reserve is transferred directly to retained earnings.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation is provided on all property, plant and equipment, other than freehold land, by a charge to profit and loss computed on a straight-line basis so as to write off the cost or valuation of the assets, less residual values over their expected useful lives. The expected useful lives are as follows:

Building & Structures	5 - 50 years
Machinery & Equipment	2 - 10 years
Floating craft	4 - 15 years
Furniture & Office Equipment	3 - 10 years
Computer Equipment	3 - 5 years
Motor Vehicles	2 - 5 years

Dredging expenditure is categorized into capital dredging and maintenance dredging.

Capital dredging is expenditure, which deepens or extends the channel, berths or the swing basin. This expenditure is capitalised and amortised over the economic useful lives of the channel, berths or swing basin.

Maintenance dredging is expenditure incurred to restore the channel to its previous condition and depth .On average the Port dredge the channel every 5 to 6 years At the completion of maintenance dredging, the channel has an average service potential of five to six years. Maintenance dredging is capitalised and amortised evenly over this period.

The residual value and the useful life of each asset are reviewed at each financial year-end.

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 shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3. Investments in subsidiaries

Company financial statements

Investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.4. Financial Instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Loans to (from) group companies

These included loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are measured initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to shareholders, directors, managers and employees

These financial assets are initially measured at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

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. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments 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 fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Held for trading financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are included in profit or loss for the period.

Available for sale financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Held to maturity and loans and receivables

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial assets carried at fair value through profit and loss

Financial assets carried at fair value through profit and loss are initially and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in profit and loss for the period.

1.5. Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent that it is unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted by the balance sheet date.

Deferred tax assets and liabilities

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and premiums on endowment policies. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

1.6. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.7. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes transport and handling costs. Where necessary, provision is made for redundant and slow-moving inventories with regard to its age, condition and utility.

1.8. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9. Revenue and revenue recognition

Revenue is recorded in the financial statements at the date services are provided to customers.

Revenue is measured at measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates and value added tax.

Interest is recognized, in the profit and loss, on a time proportion basis.

Dividends are recognized, in profit and loss, when the Authority's right to receive payment has been established.

1.10. Translation of foreign currencies

The functional currency of the Authority was determined based on the currency of the primary economic environment in which the Authority operates. The functional currency of the Authority is Namibia Dollars.

A foreign currency transaction is recorded, on initial recognition in Namibia Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Assets and liabilities in foreign currencies are translated to functional currency at the rates of exchange ruling at the end of the financial year.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

1.11. Employee benefits

Current contributions to the defined contribution pension fund operated for Authority employees are charged against income as they fall due.

1.12. Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Effect of First Time Adoption of IFRS

Restatement of financial information for the year ended 31 August 2004 under IFRS

In order to explain how the reported performance and the financial position of the Authority are impacted by IFRS, the Authority has restated information previously published under Namibian Statements of Generally Accounting Practice ("GAAP") to the equivalent basis under IFRS. This restatement follow the guidelines set out in IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS").

Transitional Arrangements

The date of transition to IFRS for the Authority is 1 September 2004 and therefore, as required by IFRS1, the Authority's opening balance sheet at 1 September 2004 has been restated to reflect all the IFRSs expected to be applicable to the

retrospective application principle upon adoption of IFRS. The Authority has elected to utilize the following transitional arrangement:

Property, plant & equipment: The Authority has elected to use the previous GAAP revaluation, which is comparable to fair value at the date of the revaluation, of freehold land, structures and buildings, floating craft and machinery and equipment at the date of transition as its deemed cost. Hence, fair value is deemed to be cost at that date.

	Notes	Assets	Equities	Liabilities
2.1. Reconciliation of assets, liabilities and equity at 1 September 2004				
As Reported Under Previous GAAP		1,009,779	440,349	569,431
Adjustments for:				
Revaluation reserve	2.4A	-	(172,140)	172,140
Balances as reported under IFRS		1,009,779	268,209	741,571
2.2 Reconciliation of assets, liabilities and equity at 31 August 2005				
As Reported Under Previous GAAP		1,056,336	465,128	591,208
Adjustments for:				
Revaluation reserve	2.4A	-	(172,140)	172,140
Revaluation depreciation	2.4B		10,474	(10,474)
Depreciation	2.4C	4,159	1,455	2,704
Balances as reported under IFRS		1,060,495	304,917	755,578
2.3 Reconciliation of profit and loss for the year ended 31 August 2005				
As Reported Under Previous GAAP		11,304		
Adjustments For:				
Depreciation	2.4C	2,703		
As reported under IFRS		14,007		

2.4 Material Adjustments Due to IFRS adoption

2.4A The Authority has elected to use the previous GAAP revaluation, which is comparable to fair value at the date of transition, for freehold land, structures and buildings, floating craft and machinery and equipment at the date of transition as its deemed cost. Hence fair value is deemed to be cost at the transition date and the revaluation reserve together with the deferred tax portion thereof, pertaining to these items of property, plant and equipment, were transferred to retained earnings.

2.4B The deferred tax component of revaluation depreciation for financial periods subsequent to the transition date was reversed, since the property, plant and equipment has assumed a “deemed cost” on the transition date.

2.4C The Group did a reassessment of the residual values of items of property, plant and equipment. Under previous GAAP, no residual values were assigned by the Group to items of property, plant and equipment. The Group now reassesses the residual values of its property, plant and equipment at each balance sheet date. The continuous reassessment of residual values, which impacts on the depreciable amounts of assets, typically leads to a change in depreciation charges annually.

The Group reassessed the useful lives of its property, plant and equipment. This reassessment, which is carried out at each balance sheet date, typically leads to changes in the annual depreciation charges.

Where significant components of an item of property, plant and equipment have different useful lives or residual values, those components are accounted for as separate items of property, plant and equipment. Previously all parts of an item of property, plant and equipment were depreciated at the same rate.

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
3. Capital account				
The capital account of the Authority is the net value at which assets were transferred from the shareholder on 1 March 1994.	**50,344**	50,344	**50,344**	50,344

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
4. Interest-bearing borrowings				
KfW Government to Government loan on-lended to the Authority. The loan is unsecured and bears interest at 10% per annum payable bi-annually in arrears. Repayment in 36 equal bi-annual installments commenced in December 2000.	22,405	24,272	22,405	24,272
Foreign loan by the European Investment Bank (EIB), secured by government guarantee, bearing interest at the greatest of 3% per annum or the interest rate applicable to comparative loans made by the lender, subsidised by 3.84%. Currently the loan bears interest at 3% per annum. Repayment will be in 30 bi-annual installments in arrear and commenced on 15 April 2002. The total foreign facility was swapped to a South African financial institution on a Rand basis. The same terms and conditions set out in the foreign agreement apply to this swap agreement.	61,179	66,071	61,179	66,071
Structured finance loan secured by a cession of an endowment policy with a book value of N$42 817 763. The loan bears interest at 9.4% per annum and is repayable on 31 March 2010. The full loan commitments under the two separate structured loans were transferred to the new structure and the repayments already made were converted to a preference share investment, which offsets the long term loan.	73,659	28,347	73,659	28,347
Soft loan by DANIDA, swapped to local financial institution secured by cession of endowment policies. The loan is bearing interest at 8% and is repayable in twenty bi-annual instalments that commenced on 29 September 2000.	6,465	8,081	6,465	8,081
A thirteen-month evergreen overdraft facility with Nedbank of Namibia. The loan is bearing interest at 78% of the current Nedbank Namibia Ltd prime rate.	19,251	35,108	19,251	35,108
A two-tier finance agreement with Veritas Kapital Limited. Loan 1 bears interest at 7.25% and is repayable in 5 annual installments commencing on 1 April 2006. Loan 2 bears interest at prime minus 2.75% and is repayable on 1 April 2006, at which date the repayment terms will be revisited.	12,671	11,651	12,671	11,651
Liabilities under capitalised finance leases payable over three years at an interest rate of 2% below the Namibian prime rate.	9,222	-	9,222	-
Asset financing loan This loan is interest free for the first 12 months and thereafter bears interest at prime les 2% per annum, secured by ship's mortgage over the floating dock. From March 2007 the monthly interest is payable and from March 2008 the loan is repayable in monthly installments of N$451,267.	30,000	-	-	-
The company has a Medium Term Loan Facility of N$23,000,000 with Standard Bank bearing interest at prime less 2%. When initial project is complete this loan will be subject to same conditions as the asset financing loan. See note 10 for securities are held by the bank.	21,498	-	-	-
Motor vehicle financing loan bearing interest at 10.25% per annum. Finance leases over Isuzu NQR, Colt LDV and Nissan 2.4i.	464	-	-	-
	256,814	173,530	204,852	173,530
Current portion of loans included in accounts payable	(20,129)	(19,411)	(20,044)	(19,411)
	236,685	154,119	184,808	154,119

	Group 2006 N$000	Group 2005 N$000	Company 2006 N$000	Company 2005 N$000
5. Deferred tax liabilities				
Balances at beginning of year	83,402	64,207	83,402	64,207
Limitation on provision of assess loss	(3,419)	-	(3,419)	-
Correction on previous year	-	1,554	-	1,554
Timing differences	18,569	17,641	18,569	17,641
Balances at the year end	**98,552**	83,402	**98,552**	83,402
6. Channel levy fund				
The amounts levied during a year exceeding the original recovery amount for the dredging of the fishing harbour, are reserved in a fund and invested into a separate bank account. The fund will be utilised at a future date for maintenance dredging of the fishing harbour.				
Balance at 01 September	1,348	965	1,348	965
Excess levy related to the year ended 31 August	1,857	343	1,857	343
Interest earned	135	40	135	40
	3,340	1,348	**3,340**	1,348
Invested at call at Standard Bank Limited	**3,340**	1,348	**3,340**	1,348
7. Trade and other payables				
Trade payables	34,064	20,075	12,629	20,075
Other payables	22,911	16,718	22,911	16,718
Accruals	21,276	11,468	21,276	11,468
Receiver of revenue – VAT	-	(95)	-	(95)
Outstanding cheques	1,635	5,345	1,635	5,345
	56,975	36,793	**35,540**	36,793
8. Provisions				
Provisions for leave pay	4,829	4,761	4,829	4,761
Provision for bonuses	5,425	5,083	5,425	5,083
Other Provisions	407	-	407	-
	10,661	9,844	**10,661**	9,844

9. Property, plant and equipment

	Land, structures, and buildings N$000	Floating craft N$000	Vehicles, machinery, equipment and furniture N$000	Leased assets N$000	Work-in-Progress N$000	Total N$000
Group						
Year ended 31 August 2006						
Opening carrying amount	603,758	40,389	86,936	-	11,495	742,578
Additions	10,639	46,606	5,006	2,135	41,322	105,708
Disposals	(1,846)	(10)	(76)	-	-	(1,932)
Transfers	18,567	-	11,822	-	(30,389)	
Depreciation	(36,155)	(3,934)	(16,136)	-	-	(56,225)
Closing carrying amount	594,963	83,051	87,552	2,135	22,428	790,129
At 31 August 2006						
Cost or valuation	832,842	142,043	206,811	3,895	22,428	1,208,019
Accumulated depreciation	(237.879)	(58,992)	(119,259)	(1,760)	-	(417,890)
Carrying amount	594,963	83,051	87,552	2,135	22,428	790,129

	Land, structures, and buildings N$000	Floating craft N$000	Vehicles, machinery, equipment and furniture N$000	Leased assets N$000	Work-in-Progress N$000	Total N$000
Company						
Year ended 31 August 2005						
Opening carrying amount	634,486	43,413	97,379	67	4,566	779,911
Additions	(125)	119	2,858	-	14,286	17,138
Disposals	-	(58)	(35)	-	-	(93)
Transfers	4,436	-	2,921	-	(7,357)	-
Depreciation	(35,039)	(3,085)	(16,187)	(67)	-	(54,378)
Closing carrying amount	603,758	40,389	86,936	-	11,495	742,578
At 31 August 2005						
Cost or valuation	805,482	95,447	190,360	1,962	11,495	1,104,746
Accumulated depreciation	(201,724)	(55,058)	(103,424)	(1,962)	-	(362,168)
Carrying amount	603,758	40,389	86,936	-	11,495	742,578
Year ended 31 August 2006						
Opening carrying amount	603,758	40,389	86,936	-	11,495	742,578
Additions	70	628	3,288	-	41,322	45,308
Disposals	(1,846)	(10)	(76)	-	-	(1,932)
Transfers	18,567	-	11,822	-	(30,389)	-
Depreciation	(35,569)	(3,697)	(15,966)	-	-	(55,232)
Closing carrying amount	584,980	37,310	86,004	-	22,428	730,722
At 31 August 2006						
Cost or valuation	819,644	96,059	205,093	1,760	22,428	1,144,984
Accumulated depreciation	(234,664)	(58,749)	(119,089)	(1,760)	-	(414,262)
Carrying amount	584,980	37,310	86,004	-	22,428	730,722

Full details of land, structures and buildings can be obtained from the property register maintained at the offices of the Authority in Walvis Bay.

Freehold land, structures and buildings, floating craft and machinery and equipment were independently valued as at 31 August 2003 by Mills Fitchet, International Property Consultants. The surplus on revaluation has been credited to non-distributable reserve.

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
10. Investments				
Investment in endowment policies	181,037	128,108	181,037	128,108
At cost	157,633	118,018	157,633	118,018
Unrealised (loss)/income	23,404	10,090	23,404	10,090
Money market instruments at fair value	80,133	42,565	80,133	42,565
	261,170	170,673	**261,170**	170,673

Investment ceded to third parties and suretyship extended for EBH.
The following securities are held by the bank:

10.1 Ship mortgage for N$30,000,000.00 over the floating dock, plant equipment and infrastructure.

10.2 Comprehensive insurance by an insurance company acceptable by the bank over the assets to be financed and confirmation that the bank is noted as first loss payee.

10.3 Suretyship for N$59,000,000.00 by Namibian Ports Authority (Act no. 2 of 1994)

10.4 Cession of cash investment of N$29,000,000.00 in the name of Namibian Ports Authority, in support of aforementioned suretyship.

	Group 2006	Group 2005	Company 2006	Company 2005
11. Inventories				
Inventories, consisting of consumable stores	**6,612**	656	**674**	656
12. Accounts receivable and prepayments				
Total trade debtors	50,022	37,648	31,628	37,648
Less: Provision for bad/doubtful debts	(1,069)	(5,929)	(1,069)	(5,929)
	48,953	31,719	30,559	31,719
Staff loans	84	48	84	48
Other receivables	830	730	830	730
Prepayments	10,538	1,548	10,538	1,548
	60,405	34,045	42,011	34,045

13. Pension Fund

At the financial year-end, all the permanent employees of the Authority were members of the Namport Retirement Fund, a defined contribution fund, governed by the Pension Fund Act. Employees' contributions amount to 7.5% of basic salary and the Authority's contribution amounts to 17% of basic salary. The total contributions for the year amounted to N$9,685,711 (2005: N$ 9,427, 496) of which employees' contributed N$3,059,150 (2005: N$2,909,379) and the Authority the difference. The fund is administered by Old Mutual on behalf of the board of trustees.

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
14. Contingent liabilities				
Insurance excess payments	**1,000**	1,000	**1,000**	1,000
The amount is the maximum excess payments relating to public liability claims and damage to equipment. These amounts when payable will be refunded from the Authority's contingency policy.				
15. Capital expenditure approved				
Commitments in respect of contracts placed	12,819	10,656	12,819	10,656
Approved by directors in addition to contracts placed	92,715	80,589	85,715	80,589
Approved expenditure outstanding	**105,534**	91,245	**98,534**	91,245
It is intended to finance capital expenditure from existing borrowing facilities and working capital generated by the Authority.				
16. Revenue				
Sales, which exclude Value Added Tax and inter-divisional transactions, represent income from harbour activities and related services.				
17. Operating profit				
Operating profit is stated after taking account of the following items:				
Auditors' remuneration	292	207	292	207
Directors emoluments	304	154	304	154
Operating lease payments				
Depreciation Cost	56,225	54,378	55,232	54,378
Land, structures and buildings	36,155	35,039	35,569	35,039
Floating craft	3,934	3,085	3,697	3,085
Vehicles and equipment	16,136	16,187	15,966	16,187
Leased assets	-	67	-	67
(Loss)/Profit on disposal of property, plant and Equipment	(1,868)	(49)	(1,868)	(49)
Foreign exchange (losses)/gains	-	(12)	-	(12)

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
18. Net finance cost				
Interest paid on long-term loans	38,869	29,110	37,010	29,110
Money Market vested returns accrued on endowment policies	(16,489)	(9,521)	(16,489)	(9,521)
Received from other sources	(28,745)	(16,471)	(28,741)	(16,471)
	(6,365)	3,118	(8,220)	3,118
19. Taxation				
Namibian normal tax				
Current taxation – current period	-	318	-	318
Deferred taxation (note 5 and note 23)	14,893	19,195	15,150	19,195
	14,893	19,513	15,150	19,513
The tax on profit before tax differs from the theoretical amount that would arise using the basic tax rate of Namibia as follows :				
Profit before tax	42,864	33,520	45,638	33,520
Tax calculated at a tax rate of 35%	15,002	11,732	15,973	11,732
Income not subject to tax	(11,472)	6,227	(11,565)	-
Expenses not deductible for tax purposes	11,363	1,554	10,742	6,227
Deferred tax provided due to under provision of prior year	-	-	-	1,554
Charge for the year	14,893	19,513	15,150	19,513

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
20. Net cash flow for operating activities				
Reconciliation of profit before tax to cash generated from operations	42,864	33,520	45,638	33,520
Profit before tax				
Adjustments for:				
Depreciation	56,225	54,378	55,232	54,378
Investment written off				
(Profit)/loss on sale of property, plant and equipment	1,868	49	1,868	49
Investment income	(45,235)	(25,992)	(45,230)	(25,992)
Interest expense	38,869	29,110	37,010	29,110
Capitalisation of market value of investments	(21,704)	-	(21,704)	-
	72,887	91,065	72,814	91,065
Changes in working capital				
Total brought forward				
- trade and other receivables	(26,361)	(2,469)	(7,966)	(2,469)
- inventories	(5,956)	10	(18)	10
- payables	21,000	11,531	(436)	11,531
	61,570	100,137	**64,394**	100,137
21. Reconciliation of tax paid (refunded)				
Opening balance	(3,282)	1,034	(3,282)	1,034
Charge to income statement	14,893	19,513	15,150	19,513
Adjustment for deferred tax	(14,893)	(19,195)	(15,150)	(19,195)
Closing Balance	(517)	3,282	(517)	3,282
	(2,765)	4,633	**(2,765)**	4,633
22. Cash and cash equivalents				
For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the following:				
Bank balances	92,718	107,168	92,612	107,168
Foreign currency deposits	640	526	640	526
Cash on hand	34	33	33	33
CFC account	2	-	-	-
Bank overdraft	(3,386)	186	1	186
	90,008	107,913	**93,286**	107,913

	Group		Company	
	2006 N$000	2005 N$000	2006 N$000	2005 N$000
23. Deferred tax asset				
Current tax year charge	(257)	-	-	-
Release of tax loss	(9,272)	-	-	-
Timing differences	8,647	-	-	-
Difference	368	-	-	-
Comprising of:				
Capital allowances	(257)	-	-	-
Tax losses	8,647	-	-	-
Difference	(9,272)	-	-	-
	368	-	-	-
	-	-	-	-

23. Related party transactions

Namibian Ports Authority (Namport) is wholly-owned by the Namibian Government and established in terms of the Namibian Ports Authority Act, 1994 (Act No 2 of 1994). The subsidiaries, government Ministries/Offices/Agencies, state owned enterprises and business enterprises that the Board of Directors and Executive Management are involved with are seen as related parties.

The following related-party transactions have been entered into:

Related Party	Relationship	Transaction type	Company - 2006 (N$000's)	Company - 2005 (N$000's)
Revenue & Interest Income				
Ministry of Fisheries & Marine Resources	Government Ministry	Rental and Port services	374	-
Elgin Brown & Hamer Namibia (Pty) Ltd.	Subsidiary	Port services	2 632	-
Ministry of Finance	Government Ministry	Rental income	33	-
Ministry of Works, Transport & communication	Government Ministry	Rental income	22	-
Ministry of Defence	Government Ministry	Port services	174	-
Road Fund Administration	State Owned enterprise	Fuel levy refunds	671	-
Namibia Post Ltd.	State owned enterprise and Company MD serves as Chairperson of the Board of related party	Interest on investments	-	539

Related Party	Relationship	Transaction type	Company - 2006 (N$000's)	Company - 2005 (N$000's)
Expenses & Interest Paid				
Seaflower Lobster Corporation Ltd	State owned enterprise	Purchase land and business operation	5,885	
Air Namibia	State owned enterprise		5	-
Ellis & Partners	Namport Chairperson is a Partner in related party	Legal services	323	161
Erongo RED	State owned enterprise	Electricity supply	2	-
Lüderitz Town Council	State owned enterprise	Municipal services	1,734	-
Namwater Ltd.	State owned enterprise	Water supply	474	-
Namibia Post Ltd.	State owned enterprise and Company. Chairperson serves on Board of Related Party	Postal services	5	-
Transnamib Ltd.	State owned enterprise	Transport services	41	-
Road Fund Administration	State owned enterprise	Vehicle licenses	135	-
Walvis Bay Municipality	State owned enterprise	Municipal services	7,006	-
Swakopmund Municipality	State owned enterprise	Municipal services	26	-
Telecom Namibia Ltd.	State owned enterprise	Telecommunication services	576	-
Nedbank Namibia Ltd.	Company MD serves on Board of related party	Interest paid on loan	2,143	208
Balances due from related parties				
Ministry of Fisheries & Marine Resources	Government Ministry	Trade Debtor	103	-
Ministry of Works, Transport & Communication	Government Ministry	Trade Debtor	37	-
Ministry of Defence	Government Ministry	Trade Debtor	19	-
Road Fund Administration	State owned enterprise	Trade Debtor	239	-
Ministry of Finance	Government Ministry	Trade Debtor	2	-
Elgin Brown & Hamer Namibia (Pty) Ltd.	Subsidiary	Loan advanced	3,790	-
Balances due to related parties				
Erongo RED	State owned enterprise	Trade Creditor	1	-
Lüderitz Town Council	State owned enterprise	Trade Creditor	115	-
Namwater Ltd.	State owned enterprise	Trade Creditor	69	-
Transnamib Ltd.	State owned enterprise	Trade Creditor	8	-
Walvis Bay Municipality	State owned enterprise	Trade Creditor	752	-
Swakopmund Municipality	State owned enterprise	Trade Creditor	1	-
Nedbank Namibia Ltd.	Company MD serves on Board of related party	Medium term loan	19,251	35,108

24. Standards and interpretations not yet effective

- Amendment to IAS 19 Employee Benefits (December 2004). This standard should be applied to all annual periods commencing on or after 1 January 2006. The standard permits an entity to recognise all actuarial gains and losses in the period in which they occur, outside profit or loss, in a statement of recognised income and expense. This amendment is not applicable to the Authority or the group.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement (April 2005). This standard should be applied to all annual periods commencing on or after 1 January 2006. The amendment to IAS 39 allows the designation, as a hedged item in consolidated financial statements, the foreign currency risk of a highly probable forecast intragroup transaction under certain conditions. The Authority and the group will evaluate the effects of this amendment.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement (June 2005). This standard should be applied to all annual periods commencing on or after 1 January 2006. The revisions to IAS 39 restrict the extent which entities can designate a financial asset or financial liability as at fair value through profit or loss only to specific situations. The Authority and the group will evaluate the effects of this amendment, but it is not expected to have a significant impact on the company's results and disclosures.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement (August 2005) and IFRS 4 Insurance Contracts. This standard should be applied to all annual periods commencing on or after 1 January 2006. Under the revised standards the issuer of a financial guarantee contract would generally measure the contract initially at fair value; and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised (less, when appropriate, cumulative amortisation). This amendment is not applicable to the Authority or the group.
- IFRIC 4 Determining whether an Arrangement contains a Lease. This interpretation should be applied to all annual periods commencing on or after 1 January 2006. This interpretation provides guidance on determining whether an arrangement that does not take the legal form of a lease contains a lease and should be accounted for in terms of IAS 17 Leases. An arrangement contains a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset. The Authority and the group will evaluate the effects of this interpretation.
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. This interpretation should be applied to all annual periods commencing on or after 1 January 2006. The Authority and the group will evaluate the effects of this interpretation.
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. This interpretation should be applied to all annual periods commencing on or after 1 December 2005. This interpretation is not applicable to the Authority and the group.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. This interpretation should be applied to all annual periods commencing on or after 1 March 2006. IAS 29 Financial Reporting in Hyperinflationary Economies requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit. IFRIC 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency. This interpretation is not applicable to the Authority and the group.
- FRIC 8 Scope of IFRS 2. This interpretation should be applied to all annual periods commencing on or after 1 May 2006. The interpretation clarifies that IFRS 2 applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share-based payment, but where other circumstances indicate that goods or services have been received. The Authority and the group will evaluate the effects of this interpretation.

- IFRIC 9 is effective for annual periods beginning on or after 1 June 2006. IAS 39 requires an entity, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives. IFRIC 9 concludes that such an assessment must be made when the entity first becomes a party to the contract. Subsequent re-assessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows. The Authority and the group will evaluate the effects of this interpretation.

- IFRS 7. This standard should be applied to all annual; periods commencing on or after 1 January 2007. This standard adds certain new disclosures about financial instruments to those currently required by IAS 32 Financial Instruments: Presentation and Disclosure. The Authority and the group will evaluate the effects of this interpretation.

25. Risk management

25.1 Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

25.2 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to various financial institutions. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

25.3 Interest rate risk

As part of managing interest rate exposures, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates so that fluctuations in variable rates do not have a material impact on the profit and loss.