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NAMIBIAN PORTS AUTHORITY

OUR VISION

Our vision includes the development of Namibia as a dynamic, world class autonomous port organisation, making Namport the preferred link for seaborne trade with Namibia and the SADC region through the Walvis Bay Corridor.

OUR MISSION

Namport is committed to providing, facilitating and promoting efficient and effective port and related services for seaborne trade between Namibia, its neighbours and their international trading partners as well as for the Namibian fishing and other offshore industries.

Our goal is to achieve excellent customer care. We aim to operate cost effectively whilst generating sufficient funds to make a reasonable return on investment for long-term sustainable growth. We promote and encourage the active participation of all personnel and other stakeholders in achieving our goals. In this process, Namport will provide competitive conditions of service and a safe working environment while standing for equal opportunity for all our employees. Namport strives to facilitate economic growth in Namibia by promoting foreign trade.

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THE NAMPORT BOARD



Adv SV Masiza
Chairman



Mr WJA Wessels
Chief Executive
Officer



Mr JC Rogers
Deputy Chairman



Mr SE Ndjaba
Director



Ms N Mbako
Director

CHAIRMAN'S REVIEW

On behalf of the new Board of Directors of the Namibian Ports Authority, it is my privilege to report on what has been a truly excellent year for Namport. The contribution and co-operation of all our stakeholders made this possible. Our ongoing thrust remains the development of new business through our ports whilst maintaining the world-class levels of efficiency and customer service that Namport has become regionally renowned for.

A strong emphasis remains on the Walvis Bay Corridor as the surface transport logistics facilitator to the SADC region. The Port of Walvis Bay as the gateway to the different legs of this corridor represents the potential to become the west coast hub port for the SADC region, which remains our ongoing target market. The

Angolan market similarly holds exciting prospects for the Port of Walvis Bay. This financial period reflects the best performance in the history of Namport, and it is important to note the strong contribution made by the operating income to the financial bottom line. As this operating income represents the lifeblood of our commercial activities, this contribution augurs well for the future financial well being of Namport. The fluctuations of the exchange rate of the South African Rand against the US Dollar and other international currencies and the concomitant effect on Namport remain a source of concern, given the exposure of Namport to hard currency related costs specifically in the marine and equipment field. Innovative ways will have to be found to hedge this exposure in the longer term without burdening our customer base with an excessively high cost structure.

For the Ports of Walvis Bay and Lüderitz, total cargo tonnage increased from 2 509 223 tons for the previous period to 2 722 096 tons for the period under review (representing an increase of 8,5%). Container numbers showed an increase from 29

016 TEUs for the previous period to 35 498 TEUs for this financial year (reflecting an increase of 22,3%). A major portion of this container number increase has been due to containers imported by Ramatex, and we look forward to their continued strong contribution in container volumes to the Port of Walvis Bay. Mining developments such as Skorpion in the south of Namibia and the ongoing success of Ongopolo



with copper exports also remain excellent prospects for the growth of mining commodities exports and imports through our ports, whilst strong growth in other commodities such as sulphuric acid imports through the Port of Walvis Bay and growth in general cargo have all made significant contributions in achieving

the good growth generally in cargo volumes.

Tariff increases for the year averaged 8%, which figure was well below inflationary cost increases experienced by Namport, especially in the light of exchange rate fluctuations as mentioned foregoing. The full financial burden of development projects and concomitant finance charges are now borne by Namport, which is also reflected in the financial statements. In September 1998, a self insurance policy was taken out by Namport, in order to provide part cover for deductibles in terms of current insurance policies, as well as uninsurable items. A further contribution of N\$ 5 million was made to this policy in the period under review. One claim has been submitted against this policy to date. After taking this into account, the policy value reflected N\$ 11,6 million as at the end of August 2002.

Given the performance of Namport and the required financial parameters of the different financing agreements in place as well as working cash

requirements, it was again possible within the bounds of appropriate financial and cash flow management, to declare a dividend to Government as shareholder for the period under review.

Namport remains committed to the full development of its human capital, and to this end it is recognized that the efforts, abilities and contribution of our staff remains the key to our future success. The Second Affirmative Action Report as required in terms of Sections 27(1) and 28(1) of the Affirmative Action Act of 1998, and was submitted to the Employment Equity Commission, and subsequently approved. In line with the broader commitments set out in our Affirmative Action Report, Namport shall ensure that all the concerns that agitate against harmonious human relations at the workplace are addressed to turn Namport into an even more effective organization.



Last but not least, I want to convey my sincere appreciation to our customers for their support during the financial period under review. The support of our customer base remains vital to our success, and Namport remains committed to provide world-class services and standards at competitive rates. We look forward to continuing strong growth for Namport and the growing role of Namibia as a major economic player in the SADC region, and the support from all our stakeholders that will make this aspiration possible.

Adv. S.V. MASIZA
Chairman of the Board

I wish to take this opportunity to thank the Government of the Republic of Namibia and the Honourable Minister of Works, Transport and Communication for their support. I would also like to extend a warm welcome to all the other members of the new Board of Directors, and I look forward to a fruitful and productive partnership to help us build the future based on Namport's many successes and actively progress those yet to come. My sincere thanks and appreciation also go to the Management Team and all staff members of Namport, for the excellent performance during the period under review. We remain proud of the contribution that Namport makes to the strategic national infrastructure and the broader Namibian economy, and indeed our wider contribution to the economies of the SADC region.

MANAGEMENT



Mr WJA Wessels
Chief Executive Officer



Mr A Kathindi
Manager: Syncrolift



Mr E Loftie-Eaton
Manager: Technical Services



Capt. MJ van der Meer
General Manager: Port Authority



Mr A Green
Manager: Financial



Mr U Hengari
Port Operations Manager: Walvis Bay



Mr JL van der Merwe
General Manager: Finance



Mr J Mouton
Manager: Marketing & Strategic Business Development



Mr L du Toit
Port Operations Manager: Lüderitz



Capt. V Gusev
Port Captain: Port of Walvis Bay



Mr AJ Raw
Port Engineer



Mrs R Reilly
Manager: Human Resources



Mr AE Hannabus
Manager: Cargo Services

REPORT OF THE CHIEF EXECUTIVE OFFICER

GENERAL

It gives me great pleasure at this juncture to report on Namport for the financial period representing its best performance in the 8 years of existence of the port authority, from both a cargo handling as well as financial perspective. Given that the full burden for local and international loan repayments is now carried by Namport and is consequently reflected in the financial results, it clearly augurs well for future business development initiatives and Namport's contribution to the national and regional economy. A sound business and financial platform remains essential to the long-term sustainability and viability of our ports. In this regard, it remains vital to plan cash flow adequately to meet all future loan repayments. In the ports environment generally, investments are characterised by very high cost (exacerbated locally by exchange rate deterioration against the basket of international currencies, which impacts upon loan repayments in such currencies), as well as long project lead times. The Namport approach of in-depth port master planning coupled to a philosophy of building ahead of demand has paid off handsomely. This has been achieved within a successful financial framework, meeting the requirements of local and international financiers as well as the parameters of the Performance Agreement signed with the Honourable Minister of Works, Transport and Communication, representing the Government of Namibia as our shareholder.



The effective execution of the Namport business development strategy for the medium term (3 to 5 year) planning horizon is now crucial to consolidate utilization of the recently undertaken port development projects and to firmly establish the role of Namport as the preferred gateway ports to the SADC region.

Economic growth in the region has remained subdued and below expectations for the

period under consideration, but as before the diversity of our commodity base and good growth in certain commodities have assisted in helping us to exceed our turnover and profit targets. An important strategy component for Namport's business development remains the Walvis Bay Corridor Group and the development of corridor traffic through the different legs of the Walvis Bay Corridor, which will play an increasingly important role to position Namibia as a future major economic player for the SADC region on the west coast of Africa. There has been satisfying growth in road cargo traffic on the Trans Kalahari Highway, which represent one of the major arteries of the corridor linking Namibia through Botswana to the industrial heartland of South Africa in the Gauteng region.

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BUSINESS DEVELOPMENT

The medium term business strategy focuses and consists of the development of the ports of Namibia as regional gateways to SADC. Such business will assist in positioning Namibia and position them as a transfer country for imports and exports to this region, and the good business environment offered in this regard will be a strong supporting factor. Namport has continued its broad based media campaign to heighten the awareness of target markets to the possibilities and advantages contained in Namport's abilities and location together with the Walvis Bay Corridor, thus presenting exciting alternative logistics solutions for the SADC region on the west coast of Africa. High-level regional and international conferences were again utilized as a medium to directly market the regional role of Namibia and Namport in this regard.

For the Port of Walvis Bay, the synergies developed with the Walvis Bay Corridor Group remains the cornerstone of the development of future new business. Regional development will of course never be done to the detriment of our valued local customer base, and I am happy to report that the service and development of local business through our ports facilities have shown healthy and strong progress.

Developments at the Skorpion zinc-mining project in the south of Namibia have progressed very well, with infrastructure in the Port of Luderitz now also in place to handle the anticipated volumes envisaged with this



milestone project for Namibia. From Namport's side, this includes a new mobile harbour crane of 60 tons capacity and heavy duty lifting equipment such as a new 45 ton forklift unit and a reach stacker. The mine is expected to start production in January 2003 and will make a major volume contribution to the port. Future developments anticipated for Luderitz include the anticipated development in due course of the Kudu gas field, the Haib copper project and the potential of imports and exports of especially fruit and vegetables emanating from the North Western Cape region of South Africa. In terms

of business development at the Port of Walvis Bay, a total volume of 2 419 158 tons of cargo was handled by Namport for the financial year, representing an increase of 8,5% over the previous period volume of 2 229 362 tons. Container volumes increased from 25 768 TEUs to 31 569 TEUs for this financial year,

showing a growth of 22,5%. A major contribution in this regard was made by the Ramatex textile development in Windhoek,

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and we look forward to a continued strong growth in container volumes from this industry. The number of vessel visits to the Port of Walvis Bay for the period equaled 1 195, compared to 997 visits for the previous period. Sulphuric acid imports increased by 30% to 187 039 tons, and copper and lead concentrate exports grew by 9% to 49 421 tons. Fish exports increased by 26% to 117 027 tons, and general cargo shipped increased by 20% to 92 693 tons, whilst general cargo landed increased by 33% to 207 727 tons. The Syncrolift ship repair facility performed very well for the period under review, with a turnover increase from N\$ 7,4 million in the previous period, to N\$ 11,3 million in the period under review. This reflects an increase of 52,7% in turnover.



PORT DEVELOPMENT PROJECTS

The initial infrastructure development as contemplated in the First Port Master Development Plan has now been materially completed for both ports. The commissioning of the 64 ton mobile harbour crane for the Port of Lüderitz, purchased from Liebherr in Austria took place during this financial period, and Namport was greatly honoured by the presence of the Honourable Deputy Prime Minister at the name giving ceremony. This crane vastly expands the cargo handling capabilities at the port, and will play an increasingly important role in growing the container and mining business. This purchase equally provides for the skills upgrade of our

human capital, and it is a matter of pride for Namport that the modernization of equipment and continued automation has led to a significant retraining and skills upgrade of staff in general, which stand in sharp contrast with retrenchments which so often have accompanied this type of activity in other parts of the world.

In the Port of Lüderitz, cargo volumes again grew well, with a total cargo tonnage of 302 938 tons for the period under review, as compared to 279 871 tons for the previous period. This represents a growth of 8,1%. A significant contributor to this growth was the first importation of sulphur for the Skorpion zinc-mining project. Vessel visits to the port were 2 364 for the period, showing a decline of 5% over the previous year's figure.

Equipment planning and purchases remain focused on flexibility, which is essential in the small ports environment within which Namport operates. Phase 2 of a major electrical and underground cabling upgrading program is currently under way in the Port of Walvis Bay.

The total estimated cost of both phases of this electrical upgrade program amounts to N\$ 6,8 million. As stated in previous years, a regular upgrading program and thorough maintenance of equipment remains vital to ensure continued delivery of required and competitive service standards. Ongoing upgrading and maintenance of current port infrastructure will thus remain a high priority issue for the foreseeable future, to maintain required operational and safety standards.

INFORMATION TECHNOLOGY

The very successful installation and commissioning of the SAP/R3 enterprise software during the previous financial period has proved its worth in the delivery of dramatically improved financial and management information and data. This N\$ 3 million investment in leading edge information systems technology now stands Namport in good stead in the dynamic and complex international business environment within which it operates. Given the increasing importance of effective information systems and technology in the modern world, this software approach will help Namport to maintain its edge as the leading port authority on the west coast of Africa.

FINANCE

Financial results as reported on in the relevant section show an excellent performance by Namport in this year under review. For Namport in total, revenue rose by some 24% to a total of N\$ 166,3 million, whilst direct costs rose by 13% to N\$ 46,5 million. Administrative expenses (which includes cost of labour) rose by 24% to N\$ 70,8 million. Net finance charges decreased by 9,2% to N\$ 12,1 million. This shows the



full burden of financing costs for projects now borne by Namport. Cash flow has again been managed very well, resulting in minimizing of short term financing charges in this regard. Profit before tax increased by 43,5% to N\$ 21,39 million. Profit from ordinary activities after tax decreased slightly by 3,3% to N\$ 8,29 million. Following from this, a dividend of N\$ 2,8 million was proposed to the Government of Namibia as shareholder of Namport. As stated in previous years, it should be noted that investment income will not contribute significantly to future earnings, given that funds are now invested in the various physical infrastructure projects as discussed earlier.

HUMAN CAPITAL

The development of our human capital within Namport remains a key issue in future strategic planning and for future business success. The ongoing focus remains on industrial relations and appropriate and relevant staff training, and to this end the Training Department (as part of the Human Resources Division) continues to play a major role. Training of specialized staff specifically in the marine area has been a priority, with the training of the first Namibian marine pilots well under way. Training remains a priority, as reflected by a budget

allocation of N\$ 3,7 million in the new financial year budget as approved by the Board of Directors. Of this amount, N\$ 2,1 million will be spent on the training of marine staff and marine pilots.

Affirmative action development remains an ongoing objective, following on the Second Affirmative Action Report as required in terms of Sections 27(1) and 28(1) of the Affirmative Action Act of 1998, submitted by Namport to the office of the Employment Equity Commissioner, within the time frame as required by the Act. The Third Affirmative Action Report is now due for submission in the next financial year.

In closing, I wish to convey my appreciation to the Government of Namibia, the Honourable Minister of Works, Transport and Communication and the Chairman and Board of Directors (both previous and present) of Namport for their support, interest and contribution during this financial period. Our newly appointed Board took office in June 2002, and I would like to take this opportunity to congratulate them on their appointment and I look forward to their anticipated positive contribution to the future successes of Namport. I furthermore wish to thank all our staff members for their hard work and dedication. As before, the development work at Namport combined with the day to day business has placed high demands on our staff which is a relatively small team for the volume of work accomplished, but which I am again happy to report was very successfully handled by all involved.



There is now a focus within Namport to improve our internal communications, to ensure the continued growth of team spirit and synergies in the workplace. This remains vital for us to maintain and grow the levels of efficiency and customer service for which Namport has become renowned. We equally

wish to express our appreciation for the ongoing support of all our stakeholders and customers, and we look forward to their continued support in our ongoing quest to grow and develop Namport to the benefit of its customers, stakeholders and the national and regional economy.

W.J.A. WESSELS

CHIEF EXECUTIVE OFFICER

PORT OF LÜDERITZ

OVERVIEW

The Port of Lüderitz has undoubtedly performed beyond expectations since the investment of the New Cargo and Container Quay in the year 2000. Many other business opportunities have sprung up after this development and the last year has shown specific increases in containerised cargo and the import of construction materials for the Scorpion Zinc Mine which is due to export its first consignment of its production towards the first quarter of next year.

The two major projects which contributed to an increase in breakbulk cargo is:

- KUDU GAS exploration project - All the project material was handled at the Port of Lüderitz has resulted in a significant increase in traffic volumes, but unfortunately this project was discontinued in the second semester of the year 2002.
- Many construction materials were also imported for the Scorpion Zinc mine and also two large shipments of Sulphur at 10,600 tonnes and 11,200 tonnes respectively was imported for use in the production process at this mine.

The following equipment have been acquired for the Port of Lüderitz:

- A new mobile crane was purchased for the Port of Lüderitz to handle the growing demand in containers and other breakbulk cargo at this port. This 64 tonne Mobile Crane was purchased from Liebherr, an Austrian based company at an amount of N\$20 million.
- A Digital Voice Recording system to improve communication for the Port Control Division was also purchased at N\$ 114,180.00

LÜDERITZ WATERFRONT PROJECT



The very first two phases of the Lüderitz Waterfront project has been completed and has brought immense interest amongst business people and created a lot of opportunities for the local community in Lüderitz.

The main reason for this project was to improve facilities at Lüderitz, boost tourism and provide additional employment in the local community. This development within Lüderitz has totally changed the image of and existence of the town of Lüderitz from a stopover destination to a stay over town. This Waterfront is being completed in respect of the first two phases to a total cost of more than N\$33 million while the two remainder phases will be developed during the next two years.



The major attractions of this waterfront up to now include a shopping centre, tidal pool, and also a 70 meter walking jetty which links the residents and tourists with the Atlantic Ocean. Namport in its capacity as Landlord of this facility fully supports initiatives or projects like these, which is in line with its policy to develop the ports of Namibia to the benefit of the Namibian community at large.

PORT OF WALVIS BAY

OVERVIEW

As the main deepwater Port of Namibia and its strategic location on the West Coast of Africa, promotional efforts are pursued to a large extent to establish new business for this Port. Significant infrastructure development, strategic planning and sound management principles are the abiding rules to ensure the ongoing success of this port and to establish the port as the gateway for trade between Southern African Developing Community (SADC) countries, Europe and the Americas.



Several Projects were completed for the year under review:

- Walvis Bay Tanker Berth Fire Fighting system - N\$ 1,3 million
- Upgrading of Electrical Supply Services - More than N\$ 2 million
- Concrete washout bay - N\$ 446,000.00

Major equipment bought during this past year includes:

- Solar powered Marine lights - N\$ 436,013.00
- 45 Ton Forklift - N\$ 3,1 million

Massive bulk shipments exported through the Port of Walvis Bay

The Port of Walvis Bay has recently made history with the handling of the largest shipment in Salt exports from the Port of Walvis Bay. Total exports for salt for the last financial period amounts to more than half a million tonnes, with our biggest shipment of salt exported through the Port of Walvis Bay during June 2002 and the

second biggest shipment done during the end of December last year. Both of these shipments were destined for Qatar, in the Middle East. The Walvis Bay Salt Refinery Company who produces the salt about 10 kilometres outside town has experienced significant growth in the past year. In total this company export more than 500 000 tons of salt through the Port of Walvis Bay on an annual basis which is done in the form of bulk and bagged salt. Most of the bulk salt is destined for the chemical industry in South Africa, whereas the bagged salt is being exported to African countries like the Democratic Republic of the Congo.

The quality of salt that is being manufactured in Namibia carries a high standard and therefore it is in high demand all over the world. The deepening of the Port in the year 2000 has therefore allowed the handling of such larger shipments at the Port of Walvis Bay.

SYNCROLIFT

Massive increase of vessels repaired at the Syncrolift

The passed financial year has shown significant growth for the Syncrolift. This drydock facility provides ship repair services for vessels on the West Coast of Africa, which is ideal to the fishing fleet, diamond vessels, offshore oil & gas supplying vessels and other international vessels. The Syncrolift bay occupancy rate of vessels has been escalating quite considerably during the past year, which happened, due to limited capacities available at the Dry dock of Cape Town, which is the nearest ship repair to Walvis Bay. The Syncrolift handled in excess of 400 vessels during this past year.



One of the highlights during this year was that the largest vessel in length of about 86 metres was handled at this Syncrolift. The Syncrolift is a good example of private entrepreneurship as more than 80% of the operations within the Syncrolift Yard is being done by private companies. Namport only manage and operate the docking/undocking of vessels from and to the lift whereas private companies and individuals perform all the repair work. The current demand for shiprepair services along the Atlantic Coastline has

created the opportunity for the investment of a much larger Ship repair facility to accommodate vessels in the nearby facility. Future plans of the Syncrolift incorporates the development of a drydock facility of about 5000 tons which will enable Walvis Bay to handle repair services of larger vessels of more than twice the size than it handles now.

WORKING TOWARDS ACCREDITATION OF ISO 14001 THROUGH ENVIRONMENTAL MANAGEMENT

As the National Port Authority in Namibia, Namport has to operate in a global market with international competitors and clients; therefore we must be well aware of the longterm prospects of our business. As part of this, Namport have embarked upon a project to implement ISO 14001

for the Port of Walvis Bay, Port of Lüderitz, as well as the Syncrolift.

ISO 14001 is a voluntary environmental management system with appropriate goals whereby standards are being set to improve corporate performance. This will provide an objective basis for verification of Namport's claims about its performance, which is particularly important in relation to international trade, where at present almost anyone can make assertions about environmental performance.



Consumers, governments and companies up and down the supply chain are all seeking ways to reduce their environmental impact and increase their long-run sustainability. For companies, the key goals are to become more efficient - to get more output per unit of input - while earning profits and maintaining the trust of their stakeholder. ISO 14001 identify environmental aspects of products, activities and services that Namport delivers to its clients as well as other activities which takes place within the area of jurisdiction of Namport. The ISO 14001 standards do not themselves specify environmental performance goals. These must be set by the company itself, taking into account the effects operations has on the environment, and the views of its stakeholders. Implementation of a management system based approach has helped Namport to focus attention on environmental issues, and bring it into the main stream of corporate decision-making.

The Namibian Ports Authority has committed itself to environmental management in every phase of the company's planning and operating processes. Our focus is to promote all port related activities and this commitment encompasses the management of the environment in every phase of the company's planning and operating processes. This process of ensuring environmental management embrace that employees, port users, service providers, tenants and supportive clients must align to comply with the Namibian Ports Authority's environment and safety requirements. The Namibian Ports Authority's commitment is to continuously improve environmental protection, within its area of jurisdiction, and strive to secure ISO 14001 certification.



In implementing and maintaining its Environmental Management System, the Namibian Ports Authority is striving to comply with all international and local prerequisites set by relevant authorities, and will fully abide by the national legislation of Namibia in this regard. The Namibian Ports Authority commits itself to enact this policy, with proficient and regularly trained employees, who are dedicated to eradicate the environmental impacts and health and safety risks in the ports environment.

PROGRESS ON THE WALVIS BAY CORRIDOR

Improvements on the TransKalahari Highway and TransCaprivi Highway

Efforts in establishing the Port of Walvis Bay a regional transport turntable are bearing fruit as the international cargo link through the port of Walvis Bay and into southern Africa's industrial heartland of Gauteng have been

promoted extensively during the past twelve months. Over the past twelve months the development and marketing efforts of the Walvis Bay Corridor Group and its members have focused on the Trans Kalahari Highway. Success of these efforts is manifested in the tripled utilisation of the route by heavy vehicles according to the latest traffic counts. Through the trilateral Trans Kalahari Committee (with stakeholders from Namibia, Botswana and South Africa) customs procedures along the route have been simplified and border hours on the Namibia and Botswana Border have been extended from six o' clock in the morning until twelve o' clock at night, while extensions of border hours on the Botswana/South Africa borders have also been extended with two hours. These efforts are underway to ensure increased efficiency and also help to change perceptions on the use of the TransKalahari highway.



Several promotional tools has been utilized like the Matchmaking Opportunity Exhibition, organised by the South African Chamber of Business (SACOB), in order to establish contacts and was met with considerable interest from manufacturers, importers, exporters, business associations and country representatives.

The main advantage for the Port of Walvis Bay is that we can guarantee speedy and reliable cargo delivery and we can offer at least seven days time saving between Europe and Gauteng. The Walvis Bay Corridor Group have also realized that it needs representation in Gauteng, and has therefore begun planning the formation of institutional alliances with SACOB and the Johannesburg Metropolitan Chamber of Commerce and Industry (JMCCI). On the other hand the recent regional trade flow analysis has also shown regular imports via Walvis Bay to Angola and the Democratic Republic Congo along the TransCaprivi route of between ten and twelve thousand tonnes a year and traffic along this route will be given added impetus with the establishment of the Walvis Bay/Ndola/Lumbumbashi Corridor Committee which encompass representation from Namibia, Zambia and the Democratic Republic of the Congo. Construction of the new bridge between the Namibia border at Katima Mulilo and the Zambia border at Sesheke have started in March this year and is expected to be finished by March 2004. This new link will open up the gateway for imports and exports along the TransCaprivi between Zambia and Namibia via the Port of Walvis Bay.

New Custom Procedures To Speed Up Traffic On TransKalahari

Since the establishment of the Walvis Bay Corridor Group several procedures and frameworks has been put into place up till today to ensure utilization of the TransKalahari Highway which runs from Namibia into Botswana and link us up with the Gauteng market in South Africa. Instrumental in these efforts has been the Trans Kalahari Corridor Management Committee, for which the Walvis Bay Corridor Group acts as Secretariat. On this forum, representatives of public and private Corridor stakeholders from Namibia, Botswana and South Africa, assessed how best to simplify and harmonize Corridor cross border operations. Southern African Development Community (SADC) and its transport commission SATCC have realized the achievements of the Trans Kalahari public-private partnership, and confirmed to use the Trans Kalahari Route as a model for transport and customs operations in Southern Africa. The Namibia, Botswana and South Africa Customs officials in conjunction with the partners of the Walvis Bay Corridor Group and the Trans Kalahari Committee have launched the new SADC Customs procedures for the transportation of goods in transit as a pilot run on the Trans Kalahari route within the first semester of 2002.

The trial project was instigated and encompasses:

- a single customs document for transportation from the Port of Walvis Bay passing Namibia and Botswana into Gauteng and vice versa
- a single security bond will be valid in all three countries,
- preferred treatment and processing of cargo in transit, and
- less intervention and inspection
- and will be based on the accreditation of road carriers utilising the route.

These SADC Transit procedures have been implemented to facilitate trade along the Trans Kalahari Corridor and encourage freight forwarders and transport operators to register with the local Customs authorities for participation. This venture between the public and private sectors will make sure that the Trans Kalahari Corridor becomes a model for Corridor development in SADC and the Port of Walvis Bay a viable alternative for Trans Atlantic trade routes between Europe and the Americas and the SADC region.



MARKETING AND BUSINESS DEVELOPMENT



OVERVIEW

- Marketing and Business Development for the Port of Walvis Bay and the Port of Lüderitz remains a high priority for the Namibian Ports Authority, therefore it is pursued in high intensity. The team in the Business development and Strategic Marketing department drives this continuous effort to explore and establish new ventures and opportunities. The priority focus has been on establishing new business through the TransKalahari Highway for the Botswana and Gauteng markets. As part of these efforts the Namibian Ports Authority have participated in the following Regional Trade Fairs:
 - Botswana International Trade Fair - Gaborone, Botswana
 - Zambia Agricultural and Commercial Show - Lusaka, Zambia
 - South African International Trade Fair - Johannesburg, South Africa
 - Afmarine Show - Walvis Bay, Namibia
- Other endeavours to attract new business for the Port of Walvis Bay include the availability of direct routes from Walvis Bay to other major ports of the World. Currently we have two shipping lines that have direct sailing connections between Walvis

ESTABLISHING HUB STATUS FOR THE PORT OF WALVIS BAY

Bay and Europe on a weekly and bi-weekly basis. The previous feeder line service between South African and Namibian ports have been amended to provide a much more improved service between the Ports of Southern Africa starting from Maputo

(Mozambique), servicing the major South African ports, touching the quay alongside the Namibian ports and making its turn at the Port of Luanda in Angola. This service has been growing quite rapidly as a result of the normalising of the situation in Angola and increase in the trade flows between the Southern African countries.

- The Port of Walvis Bay have also opened its doors to the East with two shipping lines who established direct links to the East. Other efforts are also pursued in getting direct connections to the United States of America as well as other destinations to establish the Port of Walvis Bay as a Hub port for Southern Africa.
- One of the world's biggest shipping lines has recognised the current and future potential of the Port of Walvis Bay as part of their Europe - Africa service with the construction of their own container depot within the jurisdiction of the Port. This all forms part of the role of this port to become the Hub port for trade between SADC countries, Europe and the Americas.

PORT SECURITY AND HOW THE SAFETY OF LIFE AT SEA (SOLAS) CONVENTION AFFECTS NAMPORT

In 1985 the cruise liner "Achille Lauro" was boarded and hijacked by Palestinian terrorists. This is probably the most famous hijacking to date of a passenger cruise liner. The lessons learned during and after the event showed a complete lack of security on board the vessel and the ease in which the terrorists accessed and took control. This event prompted the IMO (International Maritime Organisation) to develop a maritime instrument to assist member states to implement ship board security measures (IMO resolution A 584 (14) MSC Circ 443). The instrument was not completed due to, among others, lack of support from the member states. Of the 161 member states only three, the United States of America, United Kingdom and Canada have enacted national legislation incorporating the security recommendations in this resolution.

After the September 11 events in the year 2000 global pressure mounted a renewed effort to complete the instrument and hence the United States of America played a leading role in initiating the process.

The United Nations, through its Security Council, called on the international community to redouble its efforts to prevent and suppress terrorist acts including full implementation of all anti terrorist conventions. The proposal was made because terrorist acts

against shipping and ports e.g. the use of a gas tanker as an explosive device in a major port city, an attack on a large cruise liner or the explosion or deliberate sinking of vessels in channels - would be devastating to the thousands of persons immediately involved as well as the enormous



commercial, environmental and public health consequences. Such incidents could have significant adverse effects on the global economy as merchant ships transport 90% of the world trade.

The International Maritime Organisation therefore launched a global program on maritime/port security in order to provide assistance through the use of regional, sub-regional and national seminars/workshops with the purpose to familiarize the port operators and responsible ministries with the concepts and principles of maritime and port security and to ensure their understanding of the methods of conducting a port facility security survey

Namport is well ahead of any African state with regard to preparations for implementing acceptable security measures. The Security Committee in the ports have been established and the security plans are in hand. One of the requirements in the IMO recommendations is the employment of Port Facility Security Officer (PFSO) for every port facility. However, for terminals such as the tanker berth where a private operator is responsible for the operations, Namport is expected to provide the PFSO.

The PFSO will be conversant with:

- Security administration
- Relevant international instruments
- Responsibilities of other agencies
- Relevant national legislation
- Risk and vulnerability assessments
- Security surveys and inspections
- Ship security measures
- Security training
- Recognition of personal characteristics and behavioural patterns
- Inspection, control and monitoring techniques
- Dangerous substances and devices
- Ship and port operations and conditions
- Security devices and systems

The IMO has gone as far as it can with regard to prescribing to sovereign states on what to do on shore bases. Previously the IMO has only prescribed to safety aspects on vessels. That is why it has confined its recommendations to the immediate ship/port interface.

HUMAN RESOURCES

OVERVIEW

Namibian Ports Authority remains highly focused on the training and development of its most important resource, the employees and are therefore committed to ensure that the relevant training are provided to staff from time to time. Various courses were presented and attended during the last year where much emphasis was put on safety and health issues.

This past year's appointments have also seen that one third of the total appointments were female out of the total of 31 employees being employed during this period. History was made at Namport as several females have been appointed in the much male dominated port industry. Two ladies were appointed to the Marine department; while another has been employed at the Port Operations division and a fourth lady has been promoted after the completion of her apprenticeship to an Instrumentation Artisan at the mobile Crane division.

The following training has taken place during the past year and focused on:



- **Administrative Training**
 - HIV/AIDS & Medical Absenteeism Seminar
 - Developing & Implementing Succession Planning
 - Supervisory Skills Development
 - Train the Trainer
 - Time and Productivity Course
 - VIP Personnel and Payroll Course

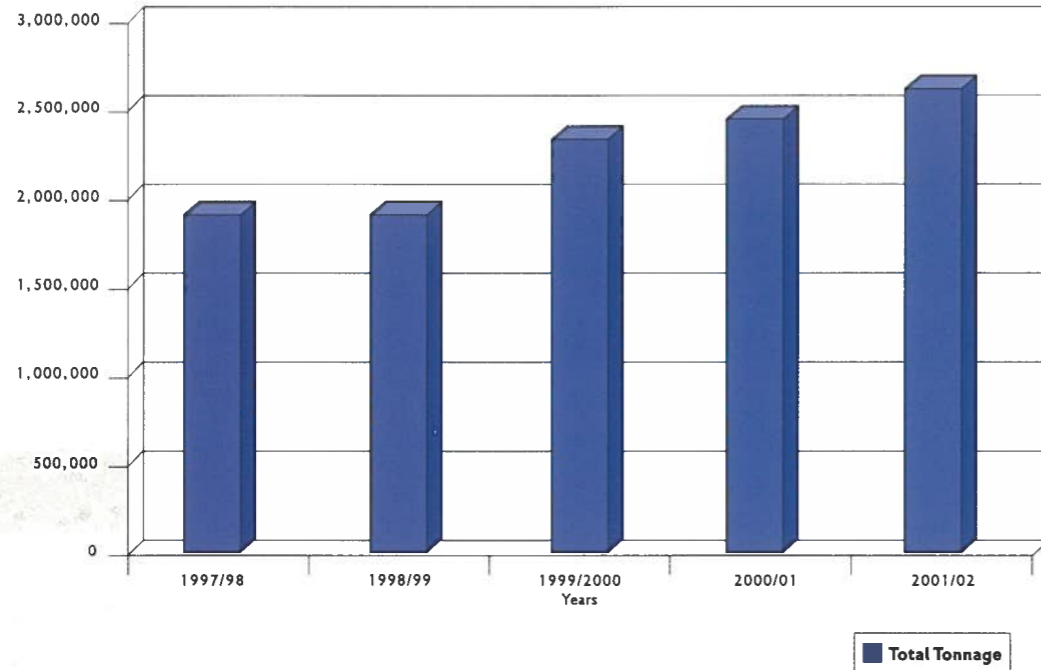
- **Risk Management Training**
 - General Health and Safety Course
 - Advance Fire Fighting Course
 - Safety Management Training Course

- **Operator/Driver Training**
 - Forklift Driving Skills
 - Forklift Driver Facilitators
- **Computer Training**
 - Basic-Concept of Information Technology
 - Microsoft Word

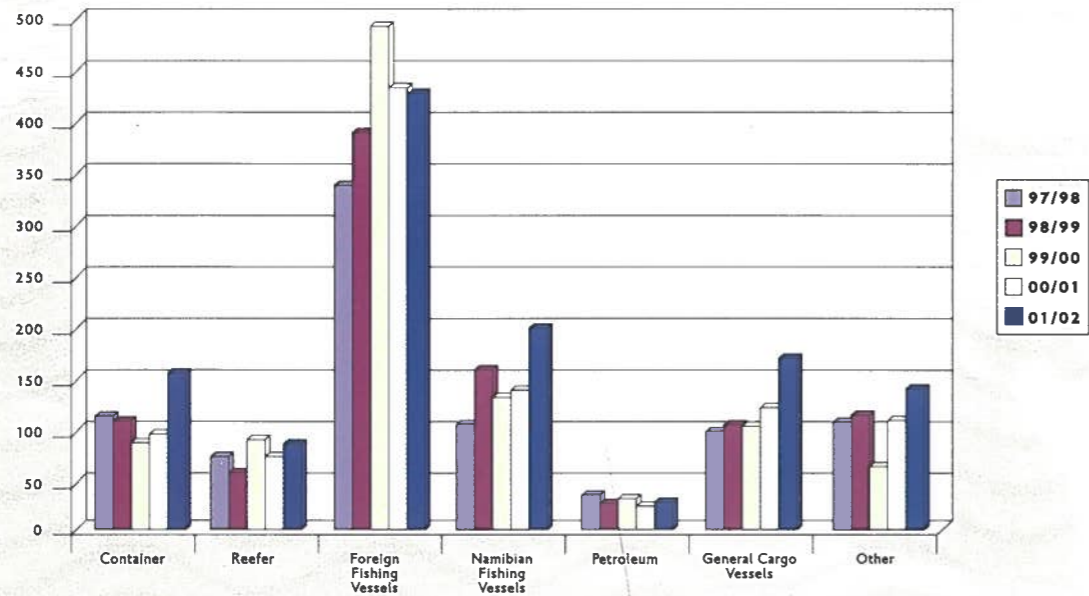


GRAPHS & STATISTICS

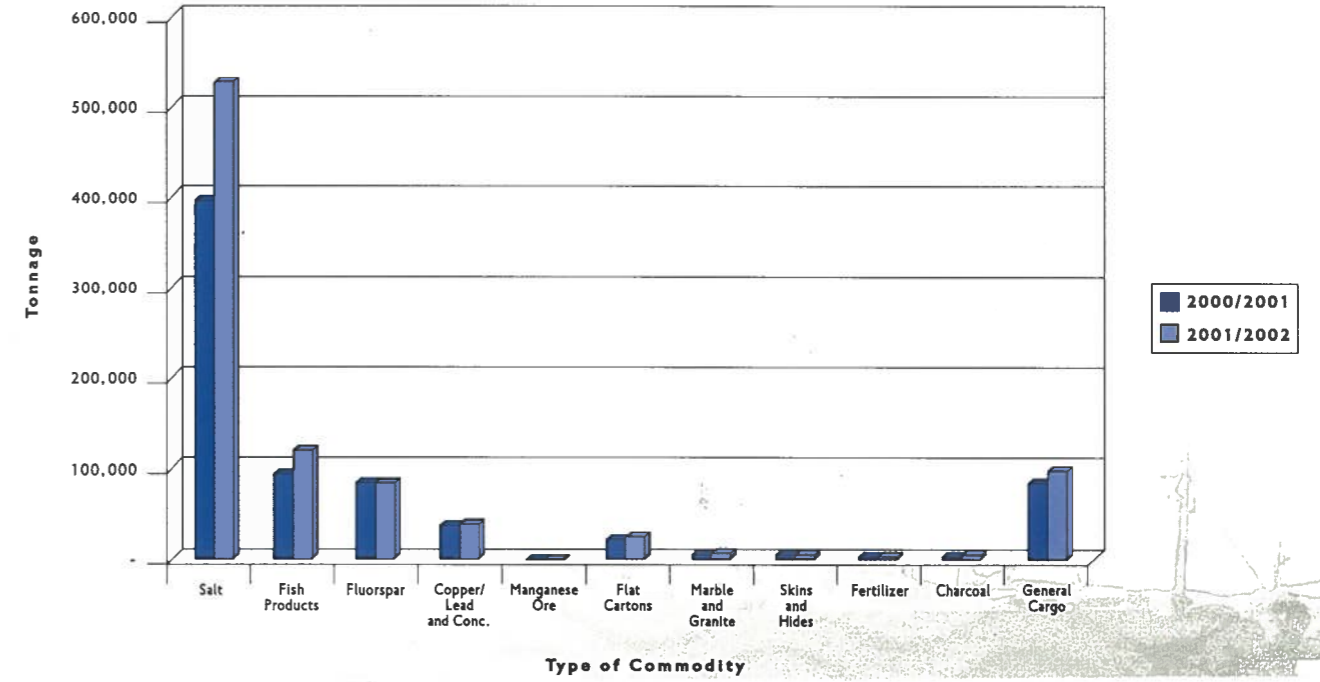
TOTAL TONNAGE
Port of Walvis Bay & Port of Lüderitz



NUMBER OF VESSELS - PORT OF WALVIS BAY



PORT OF WALVIS BAY
Commodities Shipped



NUMBER OF VESSEL VISITS TO THE PORT OF WALVIS BAY
(by type of vessel)

	97/98	98/99	99/00	00/01	01/02
Container	111	108	89	94	152
Reefer	75	60	87	73	82
Foreign fishing vessels	339	388	491	432	429
Namibian fishing vessels	104	159	133	142	197
Petroleum	37	29	33	26	29
General cargo vessels	96	105	104	119	170
Other	109	117	68	111	136
TOTAL	871	966	1005	997	1195

MAIN COMMODITIES HANDLED AT THE PORTS OF WALVIS BAY

(freight tonnes)

	Oct/Sep 97/98	Oct/Sep 98/99	Oct/Sep 99/00	Sep/Aug 00/01	Sep/Aug 01/02
LANDED					
PETROLEUM	633,180	562,604	838,676	764,105	647,146
COAL	45,018	17,203	14,916	20,105	42,339
FISH PRODUCTS	156,839	120,878	157,086	167,227	138,944
WHEAT	28,572	45,661	48,206	21,529	35,000
SUGAR	48,380	51,845	52,294	34,337	63,879
CEMENT	16,861	45,006	12,895	14,292	11,070
WINE/ BEVERAGES	8,133	5,525	3,112	16,838	18,082
COPPER / LEAD	20,386	23	-	11,354	20,730
SULPHURIC ACID	6,823	52,211	159,963	143,876	187,039
SULPHUR	70,590	35,250	-	-	-
MANGANESE ORE	-	-	-	58,408	22,307
MALT	15,558	15,467	20,306	23,902	20,997
VEHICLES	2,216	3,094	13,335	15,241	24,193
LUBRICATING OIL	5,870	6,149	6,572	4,496	3,604
GENERAL CARGO	66,120	63,030	135,943	156,393	207,727
TOTAL	1,124,546	1,023,946	1,460,304	1,452,103	1,443,055

	Oct/Sep 97/98	Oct/Sep 98/99	Oct/Sep 99/00	Sep/Aug 00/01	Sep/Aug 01/02
SHIPPED					
SALT	500,663	468,459	440,343	388,003	530,397
FISH PRODUCTS	77,169	77,524	79,315	93,035	117,027
FLUORSPAR	34,836	53,723	60,496	80,921	80,426
COPPER/LEAD AND CONC.	41,311	22,318	28,108	45,336	49,421
MANGANESE ORE	-	27,604	22,203	-	-
FLAT CARTONS	3,636	5,874	22,282	22,884	25,868
MARBLE AND GRANITE	13,137	10,404	4,799	4,822	8,015
SKINS AND HIDES	4,357	4,130	5,126	4,334	3,439
FERTILIZER (GUANO)	-	-	-	1,131	1,430
CHARCOAL	2,452	1,236	336	3,160	7,050
GENERAL CARGO	35,849	46,265	60,416	77,047	92,693
TOTAL	713,410	717,537	723,424	720,673	915,766

Transhipped

GENERAL CARGO	45,829	44,683	39,970	56,585	60,337
----------------------	---------------	---------------	---------------	---------------	---------------

Total **1,883,785** **1,786,166** **2,223,698** **2,229,362** **2,419,158**

DRY CARGO HANDLED AT THE PORT OF WALVIS BAY

	Oct/Sep 97/98	Oct/Sep 98/99	Oct/Sep 99/00	Sep/Aug 00/01	Sep/Aug 01/02
Cargo landed					
Bulk and Breakbulk	330,957	261,083	252,969	311,128	351,101
Containerized	153,586	148,048	211,696	232,993	257,770
Sulphuric Acid	6,823	52,211	156,963	143,876	187,039
Petroleum landed	633,180	562,604	838,676	764,105	647,146
TOTAL	1,124,546	1,023,946	1,460,304	1,452,102	1,443,056

Cargo shipped

Bulk and Breakbulk	590,970	596,915	593,827	567,805	616,235
Containerized	122,440	120,622	129,597	152,867	299,531
TOTAL	713,410	717,537	723,424	720,672	915,766

Cargo transhipped

Bulk and Breakbulk	26,213	28,502	35,322	50,617	55,600
Containerized	19,616	16,181	4,648	5,971	4,737
TOTAL	45,829	44,683	39,970	56,588	60,337

Total dry cargo **1,883,785** **1,786,166** **2,223,698** **2,229,362** **2,419,158**

Containers handled at the port of Walvis Bay (Twenty-foot Equivalent Units)

Landed	13,284	12,439	12,725	13,338	16,814
Shipped	12,419	12,093	11,721	11,974	14,208
Transhipped	2,754	2,267	413	456	547
Total Teu's	28,457	26,799	24,859	25,768	31,569

Vessel visits 871 966 1,005 997 1,195

CARGO HANDLED AT THE PORT OF LÜDERITZ
(freight tonnes)

	Oct/Sep 97/98	Oct/Sep 98/99	Oct/Sep 99/00	Sep/Aug 00/01	Sep/Aug 01/02
Break Bulk					
Cargo landed					
Fuel	24,395	34,360	35,664	46,486	55,467
Fish	23,096	60,643	54,534	85,321	77,932
General Cargo	447	1,504	3,353	11,457	37,802
Total landed	47,938	96,507	93,551	143,264	171,201
Cargo shipped					
Fish & Bait	17,216	18,056	18,959	31,211	14,576
Ice	21,155	52,290	14,921	60,967	79,216
Other	2,038	4,325	5,628	12,913	7,955
Total shipped	40,409	74,671	39,508	105,091	101,747
Cargo transhipped					
Fish	13,603	13,221	13,456	9,382	3,961
Other		117	687	594	687
Total transhipped	13,603	13,338	14,143	9,976	4,648
Total	101,950	184,516	147,202	258,331	277,596
Containerized Cargo					
Landed	130	82	62	3,002	5,687
Shipped	5,533	18,710	16,354	18,538	19,654
Transhipped	255	930	-	-	-
Total	5,918	19,722	16,416	21,540	25,341
Total Cargo	107,868	204,238	163,618	279,871	302,938
Containers handled at the port of Lüderitz (Twenty-foot Equivalent Units)					
Total Teu's	409	2348	2236	3248	2480
Vessel visits	1174	1604	2200	2496	2364

CARGO HANDLED AT THE PORTS OF WALVIS BAY AND LÜDERITZ

	Oct/Sep 97/98	Oct/Sep 98/99	Oct/Sep 99/00	Sep/Aug 00/01	Sep/Aug 01/02
Cargo landed					
Bulk and Breakbulk	354,500	323,230	310,856	407,906	466,835
Containerized	153,716	148,130	211,758	235,995	263,457
Sulphuric Acid	6,823	52,211	156,963	143,876	187,039
Petroleum landed	657,575	596,964	874,340	810,591	702,613
Total	1,172,614	1,120,535	1,553,917	1,598,368	1,619,944
Cargo shipped					
Bulk and Breakbulk	631,379	671,586	633,335	672,896	717,982
Containerized	127,973	139,332	145,951	171,405	319,185
Total	759,352	810,918	779,286	844,301	1,037,166
Cargo transhipped					
Bulk and Breakbulk	39,816	41,840	49,465	60,593	60,248
Containerized	19,871	17,111	4,648	5,971	4,737
Total	59,687	58,951	54,113	66,564	64,985
Total cargo handled	1,991,653	1,990,404	2,387,316	2,509,233	2,722,096
Containers handled at the ports of Walvis Bay and Lüderitz (Twenty-foot Equivalent Units)					
Landed	13,545	13,308	13,705	14,149	17,582
Shipped	12,706	12,824	13,052	13,483	15,920
Transhipped	2,754	2,267	413	456	547
Total Teu's	29,005	28,399	27,170	28,088	34,049
Vessel visits Walvis Bay and Lüderitz					
Number	2,045	2,570	3,205	3,493	3,559

KEY FINANCIAL INDICATORS

	12 months 2001/2002	12 months 2000/2001	11 months 1999/2000	12 months 1998/1999
Turnover	166,274	134,121	99,567	97,930
Operating Profit	33,519	28,269	16,701	14,362
Profit before taxation	21,390	14,906	11,937	11,199
Return on assets	3%	2%	2%	2%
Return on equity	6%	5%	4%	4%
Operating profit margin	20%	21%	17%	15%
Total assets	647,827	638,695	628,771	579,703
Shareholder's interest	337,402	324,752	313,934	305,027
Borrowings	146,025	159,827	142,603	143,004
Longterm debt: equity ratio	0.43	0.49	0.45	0.47
Liquidity ratio	1.28	1.43	1.59	1.75
Number of employees	459	442	413	407
Turnover per employee (N\$1000)	362	303	241	241
Assets per employee (N\$1000)	1,411	1,445	1,522	1,424

VALUE ADDED STATEMENT for the year ended 31 August 2002

	Notes	2002 N\$000's	%	2001 N\$000's	%
WEALTH CREATED					
Revenue		166,274		134,121	
Paid to suppliers of materials and services		(35,957)		(25,565)	
VALUE ADDED					
		130,317		108,556	
Income from investments and sale of assets		13,837		12,377	
TOTAL WEALTH CREATED					
		<u>144,154</u>	100	<u>120,933</u>	100

VALUE ADDED STATEMENT (continued) for the year ended 31 August 2002

WEALTH DISTRIBUTION

Salaries, wages and other employment costs	1	63,565	44	51,013	42
Providers of capital					
Dividends to shareholder		-	-	2,500	2
Finance cost on borrowings		25,394	18	23,708	20
Government	2	13,564	10	6,814	5
Reinvested to maintain and develop operations					
Depreciation		20,808	14	18,985	16
Retained Earnings		20,823	14	17,913	15
TOTAL WEALTH DISTRIBUTED		<u>144,154</u>	100	<u>120,933</u>	100

NOTES TO THE VALUE ADDED STATEMENT

1. Salaries, wages and other employment costs			
Salaries, overtime payments, bonuses and allowances	52,788		43,413
Training and study assistance	1,797		1,249
Employer contributions	8,980		6,351
	<u>63,565</u>		<u>51,013</u>
2. Central and local governments			
Normal and deferred taxation	12,990		6,332
Rates and taxes	574		482
	<u>13,564</u>		<u>6,814</u>
3. Additional amounts collected on behalf of central and local governments			
VAT collected on revenue	31,995		24,944
VAT paid on purchases	(5,265)		(2,359)
VAT paid on imports	(596)		(74)
PAYE deducted from remuneration	9,681		6,709
	<u>35,815</u>		<u>29,220</u>

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 August 2002

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

	Page
Corporate governance statement	30-32
Statement of responsibility by the board of directors	33
Report of the Auditor-General	34
Report of the Independent Auditors	35
Directors' report	36
Balance sheet	39
Income statement	40
Statement of changes in Equity	42
Cash flow statement	43
Notes to the financial statements	44-55

CORPORATE GOVERNANCE STATEMENT

The Namibian Ports Authority is committed to the principle of openness, integrity and accountability and the directors recognize the need to conduct the business of the Authority with integrity and in accordance with generally accepted accounting corporate practices.

BOARD OF DIRECTORS

The Board meets regularly, retains control over the Authority and monitors executive management. The board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Authority. The roles of the chairperson and the chief executive provide leadership and guidance to the Authority's Board and encourage proper deliberation of all matters requiring the Board's attention, and obtain optimum input from the other directors.

In supporting the Code of Corporate Practices and Conduct set out in the King Report, the directors recognise the need to conduct the business of the enterprise with integrity and in accordance with generally accepted corporate practices. Monitoring the Authority's compliance with the Code forms part of the mandate of the audit committee.

NON-EXECUTIVE DIRECTORS

Up to 9 June 2002 there were six non-executive directors on the board, three of whom were appointed in their respective capacities as Permanent Secretaries of the Ministries of Works, Transport and Communication, Finance and Fisheries and Marine Resources.

With the activation of Section 1 of the Namibian Ports Authority Amendment Act, 2000 (Act No 12 of 2000) on 2 May 2002, and with effect from 10 June 2002 the Board of Directors comprised four non-executive directors and one executive director.

The non-executive directors are appointed for specific terms and re-appointment is not automatic.

EXECUTIVE DIRECTORS

There is one executive director on the board. The executive director's service contract does not exceed five years in duration.

SECRETARY AND PROFESSIONAL ADVICE

All directors have access to the advice and services of the secretary of the Authority, who is responsible to the board for ensuring that board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Authority and at the Authority's expense.

AUDIT COMMITTEE

An audit committee, whose chairperson is a non-executive director, reviews financial matters on a regular basis. Both the internal and external auditors have unrestricted access to the audit committee, which ensures that their independence is in no way impaired. Regular meetings of the committee are held annually which is attended by the external and internal auditors and appropriate members of the executive management. The audit committee provides assistance to the Board with regard to:

- ensuring compliance with applicable legislation and requirements of regulatory authorities;
- matters relating to financial and internal control, accounting policies, reporting and disclosure;
- internal and external audit policy;
- activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- review/approval of external audit plans, findings, problems and reports;
- compliance with the Code of Corporate Practices and Conduct; and
- compliance with the Authority's Code of Ethics

INTERNAL CONTROL SYSTEM

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 of Directors regarding the preparation of reliable published financial statements and the safeguarding of the Authority's assets. The system includes a documented organisation 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 of directors. 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 assessed its internal control system as at 31 August 2002 in relation to effective internal control over financial reporting. Based on its assessment, the Authority believes that, as at 31 August 2002, its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, was adequate.

WORKER PARTICIPATION

The Authority employs participating structures on issues which effect employees directly and materially, and which are designed to achieve good employer/employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflicts. These structures embrace goals relating to productivity, career security, legitimacy and identification with the Authority. An affirmative action program forms part of the Authority's training program and business plan.

CODE OF ETHICS

The Code of Ethics commits the Authority to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders, including its directors, managers, employees, customers, suppliers, investors and society at large. Directors and staff are expected to observe their ethical obligations in such a way as to carry on business only through fair commercial competitive practices.

STATEMENT OF REponsibility 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. The financial statements, presented on pages 36 to page 55 have been prepared in accordance with generally accepted accounting practice and include amounts based on judgements 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.

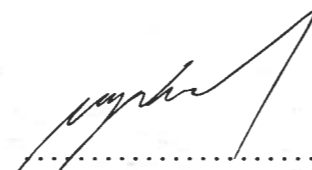
The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Authority will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the Authority is supported by the financial 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 35.

The financial statements were approved by the Board of Directors on 18 November 2002 and are signed on its behalf.



Chairman



Director

REPORT OF THE AUDITOR-GENERAL

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 for the year ended 31 August 2002 has been carried out to my satisfaction.



Dr FANUEL TJINGAETE
AUDITOR GENERAL

Windhoek
7 November 2002



**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBER OF THE NAMIBIAN PORTS AUTHORITY**

We have audited the financial statements set out on pages 36 to 55 for the year ended 31 August 2002. 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 statements of Namibian Auditing Standards. 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 at 31 August 2002 and the result of its operations, changes in equity and cash flow information for the year then ended in accordance with Namibian generally accepted accounting practice and in the manner required by the Namibian Ports Authority Act, 1994 (Act No 2 of 1994).


Grand Namibia
CHARTERED ACCOUNTANTS (NAMIBIA)

Date: 18 November 2002

DIRECTORS' REPORT
for the year ended 31 August 2002

The directors present their annual report, which forms part of the audited financial statements of the Authority for the year ended 31 August 2002.

1 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.

2 FINANCIAL RESULTS

The financial results are set out in the income statement and the notes thereto.

3 OWNERSHIP OF LAND

Section 7 of the Namibian Ports Authority Amendment Act, 2000 (Act No 12, 2000) dealing with transfer of land, was activated on 8 November 2001 from which date the transfer of land originally acquired at the time of the establishment of the Authority has been in progress.

4 AUDITORS

The auditors, Grand Namibia, were appointed for the current financial year in accordance with guidelines agreed with the Auditor-General.

22° 57' 8725 14° 29' 2545

DIRECTORS' REPORT (continued)

for the year ended 31 August 2002

5 DIRECTORS

The following directors were appointed in terms of Section 4 of the Namibian Ports Authority Act, 1994 (Act No 2 of 1994) ("the Act") with effect from 1 March 2000 :

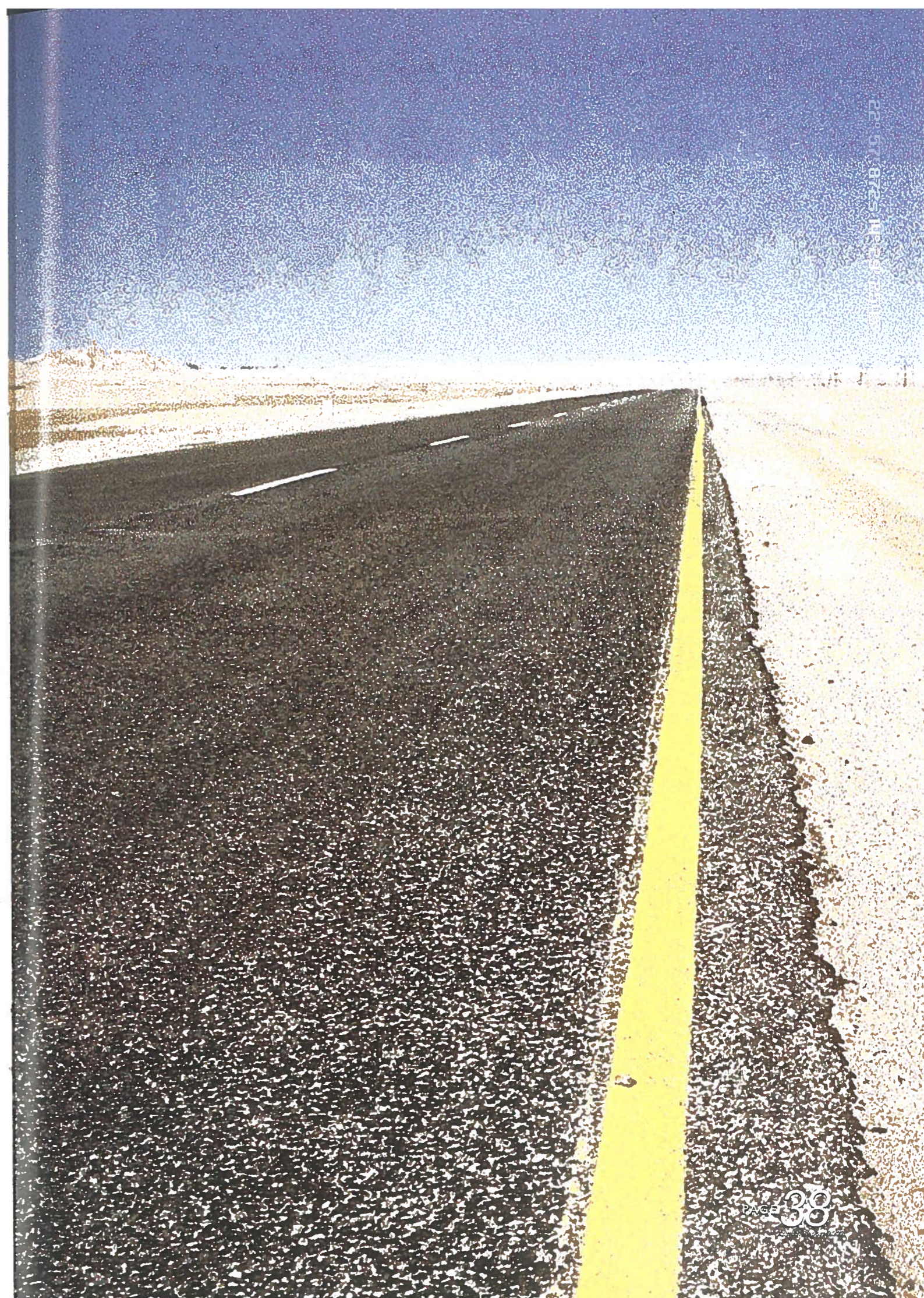
Mr D H Conradie
Mr J C Rogers
Mr W J A Wessels
Mrs N Mbako
Mr S T Hiveluah
Mr U Maamberua
Ms S T Harris

and their period of office as directors lapsed on 9 June 2002 due to the activation of Section 1 of the Namibian Ports Authority Amendment Act, 2000 (Act 12 of 2000) which substituted the aforementioned Section 4.

The following directors were appointed on 10 June 2002:

Adv. SV Masiza
Mr JC Rogers
Mr WJA Wessels
Mr SE Ndjaba
Mrs N Mbako

and their term of office expires on 9 June 2005.



BALANCE SHEET

at 31 August 2002

	Notes	2002 N\$000	2001 N\$000
ASSETS			
Non-current assets			
Property, plant and equipment	8	479,897	485,700
Investments	9	113,596	94,636
		<u>593,493</u>	<u>580,336</u>
Current assets			
Inventories	10	371	502
Receivables and prepayments	11	19,851	20,068
Cash and cash equivalents	20	34,112	37,789
		<u>54,334</u>	<u>58,359</u>
Total assets		<u><u>647,827</u></u>	<u><u>638,695</u></u>

EQUITY AND LIABILITIES**Capital and reserves**

Capital account	2	50,344	50,344
Revaluation and other reserves	3	150,923	159,096
Retained earnings		136,135	115,312
		<u>337,402</u>	<u>324,752</u>

Non-current liabilities

Interest bearing borrowings	4	146,025	159,827
Deferred tax liabilities	5	121,815	113,225
		<u>267,840</u>	<u>273,052</u>

Current liabilities

Trade and other payables	6	18,389	17,593
Current portion of long-term liabilities	4	18,970	16,620
Provisions	7	5,226	4,178
Dividend declared		-	2,500
		<u>42,585</u>	<u>40,891</u>

Total liabilities		<u><u>310,425</u></u>	<u><u>313,943</u></u>
Total equity and liabilities		<u><u>647,827</u></u>	<u><u>638,695</u></u>

INCOME STATEMENT

for the year ended 31 August 2002

	Notes	2002 N\$000	2001 N\$000
Revenue	15	166,274	134,121
Other operating income		573	2,032
Direct costs		(46,520)	(41,172)
Indirect costs		(15,971)	(9,447)
Administrative expenses		<u>(70,837)</u>	<u>(57,265)</u>
Operating profit	16	33,519	28,269
Net finance cost	17	<u>(12,129)</u>	<u>(13,363)</u>
Profit before tax		21,390	14,906
Taxation	18	<u>(12,990)</u>	<u>(6,332)</u>
Profit from ordinary activities		<u><u>8,400</u></u>	<u><u>8,574</u></u>

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2002

	Capital	Revaluation and other reserves	Retained earnings	Total
Balance at 1 September 2000	50,344	166,191	97,399	313,934
Revaluation gain	-	2,033	(1,110)	923
Depreciation transfer	-	(9,128)	12,949	3,821
	<u>50,344</u>	<u>159,096</u>	<u>109,238</u>	<u>318,678</u>
Dividend declared (2,500)	-	-	-	(2,500)
Net profit 8,574	-	-	-	8,574
Balance at 31 August 2001	<u>50,344</u>	<u>159,096</u>	<u>115,312</u>	<u>324,752</u>
Balance at 1 September 2001	50,344	159,096	115,312	324,752
Revaluation gain	-	(151)	-	(151)
Depreciation transfer	-	(8,022)	12,423	4,401
	<u>50,344</u>	<u>150,923</u>	<u>127,735</u>	<u>329,002</u>
Dividend proposed	-	-	-	-
Net profit	-	-	8,400	8,400
Balance at 31 August 2002	<u>50,344</u>	<u>150,923</u>	<u>136,135</u>	<u>337,402</u>

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CASH FLOW STATEMENT
for the year ended 31 August 2002

	Notes	2002 N\$'000	2001 N\$'000
Cash flow from operating activities			
Cash receipts from customers		166,397	135,581
Cash paid to suppliers and employees		(101,857)	(80,369)
Net cash flow from operating activities	19	<u>64,540</u>	<u>55,212</u>
Purchase of property, plant and equipment to maintain operations		(3,003)	(2,367)
Cash generated from operations			
Interest received		13,264	10,345
Interest paid		(25,394)	(23,708)
Dividend paid		(2,500)	(2,100)
Net cash flow from operating activities		<u>46,907</u>	<u>37,382</u>
Cash flow from investing activities			
Purchase of property, plant and equipment		(24,681)	(17,837)
Purchase of non-current investments		(14,490)	(57,000)
Proceeds from disposal of property, plant and equipment		40	63
Net cash outflow from investing activities		<u>(39,131)</u>	<u>(74,774)</u>
Cash flows from financing activities			
Proceeds from long-term borrowings		-	30,000
Payment of capital element of long-term borrowings		(11,227)	(33,554)
Payment of capital element of finance lease liabilities		(226)	(211)
Net cash outflow from financing activities		<u>(11,453)</u>	<u>(3,765)</u>
Net decrease in cash and cash equivalents		(3,677)	(41,157)
Cash and cash equivalents at the beginning of year		37,789	78,946
Cash and cash equivalents at the end of year	20	<u>34,112</u>	<u>37,789</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002

1 Principal accounting policies

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 1.1 below. The following principal accounting policies are used by the Authority, which are consistent with those of the previous year.

1.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than freehold land, structures and buildings, floating craft and machinery and equipment are included at cost. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Freehold land, structures and buildings, floating craft and machinery are stated at market value, based on valuations by external independent valuers, every 5 years. The increase in carrying value arising on the revaluation is credited directly to a revaluation reserve within shareholder's equity. On disposal of a previously revalued asset, any amounts relating to those assets remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation is recorded by a charge to operating profit computed on a straight-line basis so as to write off the cost or valuation of the assets 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

1.2 FINANCE LEASES

Assets acquired under finance lease agreements that transfer to the Authority all the risks and rewards of ownership, are capitalised at their cash cost equivalent. The capital element of the leasing commitment is disclosed under long-term liabilities. Lease installments are apportioned between their capital and interest components using the effective interest rate method.

Lease installments in respect of assets leased under operating lease agreements are charged to income as and when incurred.

1.3 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.

1.5 INVESTMENTS

Listed investments are stated at market value. Dividends are brought to account as at the last day of registration. Premiums paid on company owned endowment policies are capitalised as investments. These investments are stated at cost adjusted by the amount of vested returns declared by the underwriters.

1.6 DEFERRED TAX

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 tax losses carried forward. 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.

1.7 REVENUE RECOGNITION

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

1.8 FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction. Where the transaction is covered by a forward exchange contract the rate specified in the contract is used.

Assets and liabilities in foreign currencies are translated to Namibian currency at the rates of exchange ruling at the end of the financial year or at rates applicable to forward exchange contracts. Translation surpluses and deficits are included in operating profit.

1.9 PENSION FUND

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

1.10 TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

1.11 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

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.

1.13 FINANCIAL INSTRUMENTS

Financial instruments consist of investments, loans, accounts receivable, bank balances, cash and accounts payable resulting from normal business transactions.

1.13.1 CREDIT RISK

Potential concentrations of credit risk consists principally of short-term cash and cash equivalent investments and debtors. The Authority deposits short-term cash surpluses with major banks of high credit standing only and, by policy, limits the amounts of credit exposure to various financial institutions.

1.13.2 INTEREST RATE MANAGEMENT

As part of managing interest rate exposure, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

1.13.3 LIQUIDITY RISK

The Authority has minimised its risk of liquidity by ensuring that it has adequate banking facilities and reserve borrowing capacity.

1.13.4 FAIR VALUE

The directors are of the opinion that the carrying value of financial instruments approximates fair value.

	2002 N\$000	2001 N\$000
2. CAPITAL ACCOUNT		
The capital account of the Authority is the net value at which assets were transferred from the shareholder on 1 March 1994.	<u>50,344</u>	<u>50,344</u>
3. REVALUATION AND OTHER RESERVES		
Property, plant and equipment :		
At beginning of period	159,096	166,191
Revaluation	-	2,033
Gain on assets sold	(151)	-
Depreciation on revalued property, plant and equipment	(12,423)	(12,949)
Deferred income taxes on revaluation	4,401	3,821
At end of period	<u>150,923</u>	<u>159,096</u>
The non-distributable reserve constitutes the following:		
Property, plant and equipment acquired from TransNamib at no value capitalised at valuation	4,350	4,350
Capitalisation of dredging cost	8,299	8,299
Surplus arising from revaluation of property, plant and equipment	138,274	146,447
Land	52,545	52,545
Structures and buildings	82,254	87,973
Floating craft	2,465	1,655
Plant and equipment	1,010	4,274
	<u>150,923</u>	<u>159,096</u>

	2002 N\$000	2001 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 instalments commenced in December 2000.	29,873	31,740
Foreign loan by the European Investment Bank (EIB), secured by government guarantee, bearing interest at the greater 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 instalments 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.	79,893	82,076
Structured finance loan secured by a cession of endowment policies to the amount of N\$9 061 734. The loan bears interest at 20.68% per annum and is repayable on 15 June 2006. Repayments under the structure arrangement are invested at 19.95% per annum.	10,495	13,444
Structured finance loan secured by a cession of endowment policies to the amount of N\$21 115 845. The loan bears interest at 14.74% per annum and is repayable on 15 May 2011. Repayments under the structure arrangement are invested at 14.25% per annum.	31,078	33,690

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

	2002 N\$000	2001 N\$000
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 installments that commenced on 29 September 2000.	12,930	14,546
Liabilities under capitalized finance leases payable over three years at an interest rate of 2% below the prime rate of Namibia	726	951
Current portion of loans included in payable accounts	<u>164,995</u> <u>(18,970)</u>	<u>176,447</u> <u>(16,620)</u>
	<u>146,025</u>	<u>159,827</u>
5. DEFERRED TAX LIABILITIES		
At beginning of period	113,225	110,714
Income statement charge (note 18)	12,990	6,332
Tax effect of revaluations (note 3)	(4,400)	(3,821)
The balance comprises capital allowances.	<u>121,815</u>	<u>113,225</u>
6. TRADE AND OTHER PAYABLES		
Trade payables	4,223	2,608
Other payables	14,166	14,985
Accruals	10,158	8,297
Provision for audit fees	120	109
Receiver of revenue - VAT	2,525	3,335
Outstanding cheques	1,363	3,244
	<u>18,389</u>	<u>17,593</u>
7. PROVISIONS		
Provisions for leave pay	3,599	2,654
Provision for bonuses	1,627	1,524
	<u>5,226</u>	<u>4,178</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Land, structures, and buildings N\$'000	Floating craft N\$'000	Vehicles, machinery and equipment and furniture N\$'000	Leased assets N\$'000	Work-in-Progress N\$'000	Total N\$'000
Year ended 31 August 2001						
Opening carrying amount	433,315	21,903	37,116	845	3,333	496,512
Revaluation surplus	355	228	138	202	-	923
Transfers	7,749	(3)	(7,746)	(1)	1	-
Additions	3,595	6,102	7,809	-	2,698	20,204
Disposals	-	-	(5)	-	-	(5)
Depreciation	(19,514)	(5,228)	(6,946)	(246)	-	(31,934)
Closing carrying amount	<u>425,500</u>	<u>23,002</u>	<u>30,366</u>	<u>800</u>	<u>6,032</u>	<u>485,700</u>
At 31 August 2001						
Cost or valuation	521,336	54,844	83,191	2,264	6,032	667,667
Accumulated depreciation	(95,836)	(31,842)	(52,825)	(1,464)	-	(181,967)
Carrying amount	<u>425,500</u>	<u>23,002</u>	<u>30,366</u>	<u>800</u>	<u>6,032</u>	<u>485,700</u>
Year ended 31 August 2002						
Opening carrying amount	425,500	23,002	30,366	800	6,032	485,700
Transfers	-	-	732	-	(732)	-
Additions	262	109	23,501	-	3,812	27,684
Disposals	(203)	-	(53)	-	-	(256)
Depreciation	(19,348)	(5,484)	(8,153)	(246)	-	(33,231)
Closing carrying amount	<u>406,211</u>	<u>17,627</u>	<u>46,393</u>	<u>554</u>	<u>9,112</u>	<u>479,897</u>
At 31 August 2002						
Cost or valuation	521,263	54,954	105,379	2,206	9,112	692,914
Accumulated depreciation	(115,052)	(37,327)	(58,986)	(1,652)	-	(213,017)
Carrying amount	<u>406,211</u>	<u>17,627</u>	<u>46,393</u>	<u>554</u>	<u>9,112</u>	<u>479,897</u>

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 during September and October 1998 by CB Richard Ellis, International Property Consultants. The surplus on revaluation has been credited to non-distributable reserve.

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

9. INVESTMENTS	2002 N\$000	2001 N\$000
Investment in endowment policies	68,409	54,636
at cost	60,500	46,000
vested returns thereon	7,909	8,636
Money market instruments	45,187	40,000
	<u>113,596</u>	<u>94,636</u>
10. INVENTORIES		
Inventories, consisting of consumable stores	<u>371</u>	<u>502</u>
11. ACCOUNTS RECEIVABLE AND PREPAYMENTS		
Total trade debtors	18,226	18,579
Less: Provision for bad/doubtful debts	(301)	(587)
	<u>17,925</u>	<u>17,992</u>
Staff loans	68	58
Other receivables	669	960
Prepayments	1,189	1,058
	<u>19,851</u>	<u>20,068</u>

12. PENSION FUND

At the financial year-end, permanent employees of the Authority were members of the Nampont 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 12.5% of basic salary. The total contributions for the year amounted to N\$ 5,469,072.60 (2001: N\$4 688 357.44). The fund is administered by Old Mutual on behalf of the board of trustees.

13. CONTINGENT LIABILITIES

Claims by customers arising from industrial action	<u>-</u>	<u>-</u>
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NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

14. CAPITAL EXPENDITURE APPROVED	2002 N\$000	2001 N\$000
Commitments in respect of contracts placed	6,596	21,101
Approved by directors in addition to contracts placed	57,528	10,587
Approved expenditure outstanding	<u>64,124</u>	<u>31,688</u>

It is intended to finance capital expenditure from existing borrowing facilities and working capital generated by the Authority.

15. REVENUE

Sales, which exclude Value Added Tax and inter-divisional transactions, represent income from harbour activities and related services.

16. OPERATING PROFIT

Operating profit is stated after taking account of the following items:

Auditors' remuneration	124	91
Audit fees		
- current year	120	109
- prior year	2	(44)
- fees for services	2	26
Depreciation	33,231	31,934
Cost		
Land, structures and buildings	10,700	10,864
Floating craft	2,701	2,446
Vehicles and equipment	7,161	5,429
Leased assets	246	246
	<u>20,808</u>	<u>18,985</u>
Valuation		
Land, structures and buildings	8,648	8,650
Floating craft	2,783	2,783
Vehicles and equipment	992	1,516
	<u>12,422</u>	<u>12,949</u>
(Loss)/profit on disposal of property, plant and equipment	(66)	58
Foreign exchange gains/(losses)	<u>2,089</u>	<u>210</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

17. NET FINANCE COST

Interest paid on long-term loans	25,394	23,708
Vested returns accrued on endowment policies	(4,469)	(2,948)
Received from other sources	(8,796)	(7,397)
	<u>12,129</u>	<u>13,363</u>

18. TAXATION

Namibian normal tax	-	-
Current taxation - current period	12,990	6,332
Deferred taxation (note 5)	<u>12,990</u>	<u>6,332</u>

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	<u>21,390</u>	<u>14,906</u>
Tax calculated at a tax rate of 35%	7,486	5,217
Income not subject to tax	(13)	(348)
Expenses not deductible for tax purposes	5,517	5,798
Deferred tax provided due to utilisation of assessed loss	-	(4,335)
Charge for the year	<u>12,990</u>	<u>6,332</u>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of profit before tax to cash generated from operations		
Profit before tax	21,390	14,906
Adjustments for:		
Depreciation	33,231	31,934
(Profit)/loss on sale of property, plant and equipment	66	(58)
Investment income	(13,264)	(10,345)
Interest expense	25,394	23,708
Capitalisation of market value of investments	(4,469)	(3,004)
Balance carried forward	<u>62,348</u>	<u>57,141</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2002 (continued)

19. NET CASH FLOW FROM OPERATING ACTIVITIES (continued)

Total brought forward	62,348	57,141
Changes in working capital		
- trade and other receivables	217	(6,665)
- inventories	131	(310)
- payables	1,844	5,046
	<u>64,540</u>	<u>55,212</u>

20. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement the year-end cash and cash equivalents comprise the following:

Bank balances	33,028	25,779
Foreign currency deposits	1,009	11,981
Cash on hand	46	29
Bank overdraft	29	-
	<u>34,112</u>	<u>37,789</u>