



2019 Annual Report

31 December

NSX DETAILS

NATURE OF BUSINESS

Stock Exchange
Transfer Agent
Property owning Company
Guarantee Fund
Central Securities Depository Services

AUDITORS

Deloitte & Touché

BANKERS

First National Bank of Namibia Limited
Nedbank Namibia Limited

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NAMIBIAN STOCK EXCHANGE ANNUAL REPORT DECEMBER 2019

The Mission and Vision of the NSX

Mission

The **Mission** of the Namibian Stock Exchange (hereafter referred to as NSX) is to enable, develop and deepen capital markets in Namibia. Working in partnership with stakeholders in government and the financial sector, the NSX will:

- make investment in capital markets easier, providing a range of appropriate tradable instruments;
- create and maintain an effective, regulated environment to facilitate the way issuers of securities and investors get together to transact safely and securely; and
- contribute to the development of a supportive investment climate / culture in Namibia.

Vision

The **Vision** of the NSX is to contribute to economic growth and prosperity by providing an efficient marketplace for companies to raise capital locally and for savings to be used for the benefit and development of Namibia.

In so doing the NSX will contribute to the integrity of market pricing through increased liquidity, protect Namibia's macro economic interests and build pride in Namibia's sovereignty.

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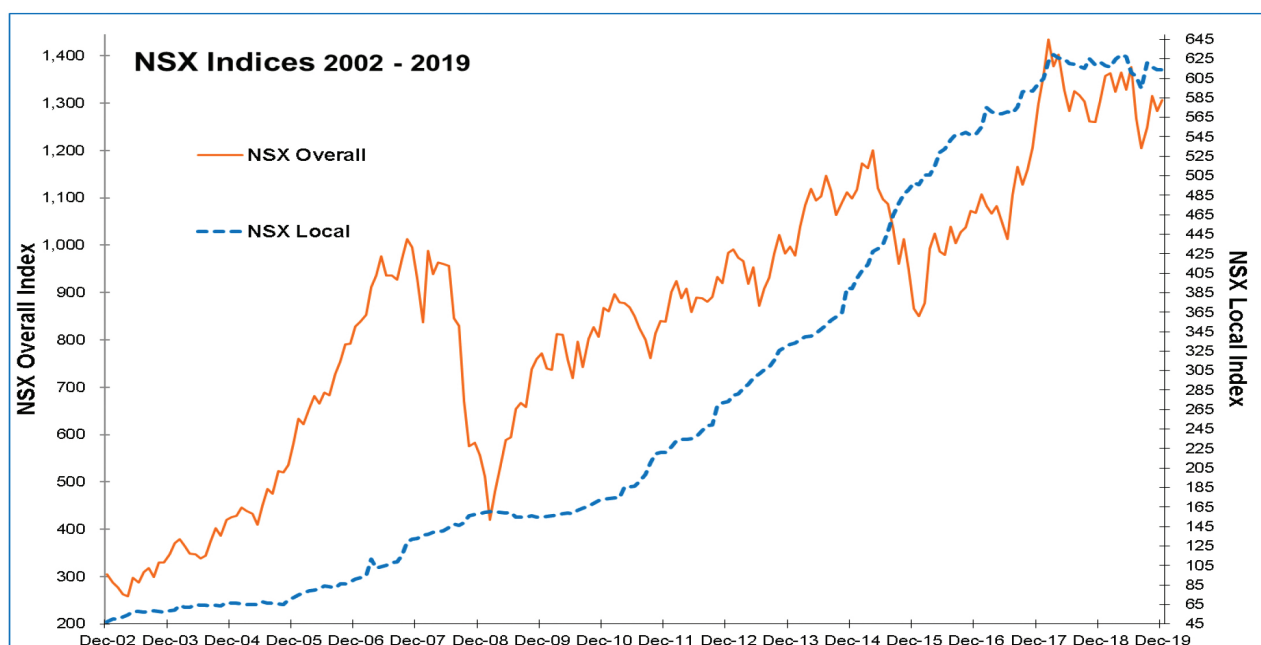
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Trading Statistics & Market Capitalisation

Summary of trading results of the NSX and composition of the accumulated reserves

Year	# of Deals	Trading value in N\$ billions	Year on year % Change	Volume of shares in 000s	Transaction levies	NSX Fees as % of trade value	NSX Investment Income	NSX Net Income	Accumulated reserves
2007	2,340	10,892	62%	242,597	4,496,490	0.0413%	1,257,343	5,344,521	13,959,400
2008	2,505	9,096	-16%	274,352	3,873,541	0.0426%	1,808,528	4,105,987	18,065,387
2009	3,016	8,728	-4%	342,970	3,724,090	0.0427%	2,021,529	4,116,108	22,181,010
2010	3,071	7,580	-13%	215,598	3,221,040	0.0425%	1,657,395	2,487,006	24,668,016
2011	2,765	3,272	-57%	98,865	1,555,423	0.0475%	1,657,844	435,689	25,103,705
2012	2,697	3,648	11%	83,063	1,698,026	0.0466%	1,862,951	414,973	25,518,678
2013	2,800	5,507	51%	114,625	2,568,508	0.0466%	4,112,481	4,808,922	30,327,600
2014	4,118	8,332	51%	174,427	3,712,723	0.0459%	3,123,337	5,470,783	35,798,383
2015	4,384	17,196	106%	267,537	6,927,056	0.0418%	4,421,171	10,332,858	46,131,241
2016	5,154	14,411	-16%	219,398	6,038,265	0.0424%	2,289,800	6,641,817	52,773,058
2017	4,412	13,859	-4%	228,607	5,881,576	0.0431%	6,070,318	7,876,659	60,649,717
2018	5,005	12,219	-12%	193,101	5,526,283	0.0463%	1,953,473	6,402,307*	63,416,910*
2019	4,911	8,872	-27%	205,813	3,649,172	0.0424%	6,143,037	8,216,123	71,633,033

* Restated figures, refer to Note 4 of the Annual Financial Statements for details.

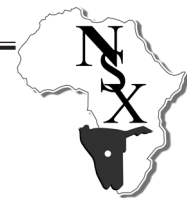


MARKET CAPITALISATION								
Primary Listed on the								
N\$ millions	Total	NSX	JSE	LSE	TSX	AIM	ASX	SEM
Year								
2007	1,194,088	4,781	496,417	685,167	7,723	-	-	-
2008	741,625	5,720	428,969	291,505	3,523	-	11,908	-
2009	1,047,527	7,126	495,685	501,125	2,346	4,275	36,970	-
2010	1,178,257	7,782	581,537	537,810	1,764	5,314	44,050	-
2011	1,148,880	9,304	547,617	557,594	445	6,336	27,584	-
2012	1,225,744	11,057	716,717	483,086	11,350	-	6,534	-
2013	1,407,168	19,501	892,123	482,423	8,911	-	4,210	-
2014	1,680,439	22,322	1,172,937	472,897	305	-	11,978	-
2015	1,414,811	29,430	1,068,890	301,253	6,640	-	5,043	3,555
2016	1,726,583	32,017	1,132,767	539,834	13,481	-	1,649	6,835
2017	2,083,149	36,018	1,399,261	625,125	14,672	-	1,602	6,470
2018	1,989,913	35,406	1,431,788	497,271	16,294	-	2,285	6,869
2019	1,944,532	36,508	1,277,473	603,970	20,794	-	2,793	2,994

Total market capitalisation is the sum of the number of shares in issue multiplied by the closing share price, in this table the price at 31 December of each year; and free float market capitalisation is the total multiplied by the percentage of shares which are not held by controlling shareholders and associates.



Trading value includes trading in ETFs, which was a new asset class added in 2014. Up to date two capital pool companies (CPCs) successfully listed on the NSX.



Chairman's Report

The year under review was characterised by a slowdown in global economic growth with Namibia not to be an exception. Despite the challenges of the economy contracting for three straight years the Namibian Stock Exchange ("NSX") remains cash generative. In the capital market, the overall comparative value traded was N\$ 8.872 billion for the year ending December 2019 with a decline of 27% compared to the previous year.

At 31 December 2019 the total market capitalisation was N\$ 1.945 trillion or US\$ 139 billion, hopefully re-confirming the position of the NSX as the second largest Exchange by total market capitalisation in Africa, after the JSE. The contributions of the top 13 listed equities, being those with a market capitalisation of N\$ 20 billion or more, are shown in the Management Commentary, pages 39 to 44.

The Local Index dropped by 1.22% in 2019 (2018: 3.64% increase) on turnover of N\$ 1,373 million (2018: N\$ 886 million), all in an illiquid market, while the Overall Index dropped by 0.04% (2018: 0.55% increase) against the JSE All Share Index which increased by 8.24%. On page 2 the graph tracks the month-end movement of the NSX Overall Index on the left-hand scale and the Local Index on the right-hand scale since 2002.

Selected highlights of the NSX contributions to deepening and diversifying the capital markets in Namibia during 2019 include:

- Total net assets of the NSX and its Guarantee Fund now exceeds N\$ 90 million;
- A CoSSE initiative for a Broker's networking session with other market participants from Southern Africa to expand the investment market base and promote information sharing.
- Year-to-date bond trades, nominal value traded N\$ 2.455 billion, an increase of 436%
- MoU signed with JSE on training offered to the market, successful training conducted on Listings and Continuous obligations.

On the listing's frontier, seven new listings were recorded to the total number of listed companies.

- Biggest capital raised to date remains by Trevo Capital Limited NAD 3.3 billion;
- Primary listing of SBN Holdings Limited on the main board;
- Listing of Alpha Namibia Industries Renewable Power Limited "Anirep", as a capital pool company on the Development Capital Board (DevX);
- Listing of four Exchange Traded Funds by Satrix (SXNEMG, SXNWDM, SXNNDQ, SXN500); and

- Listing of Newfunds S&P Nam Bond ETF (first ETF bond to list on NSX).

Traditionally the legislative updating processes in Namibia are slow and this is more evident in the preceding years, however the NSX is:

- Continuing to participate in the debate on the requirement of NEEEF and the impact on the financial sector;
- NAMFISA provided the second draft standards under the Financial Institutions and Markets Act, 2018 for the CSD, these were discussed with all market participants from which comments were derived for NAMFISA to review certain aspects of the standards. The NSX is awaiting the final standards and passing of the FIM Bill to proceed with the license application;

I am pleased to advise that the intended plans of formalising the bond market, which will entail additional trading functionality and transparency for on market bond trading, are on track as NAMFISA issued a license in the fourth quarter of 2019 to the exchange. Bond trading, or rather bond trades reported to the NSX in 2019 surpassed values of previous years with a nominal value of N\$ 2.455 billion and an increase of 436% compared to 2018. We are optimistic that the numbers in coming years will increase even more with the additional trading functionality for on market bond trading. Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades is currently conducted by the NSX.

The annual Scholar Investment Challenge was relaunched in 2017 between Universities in Windhoek with the assistance of assigned staff of the Financial Literacy Initiative "FLI". In 2019 the competition expanded its inclusion of the senior secondary schools and had a total of 84 registered teams. Trading was done on a virtual trading platform for a period of 6 months and completed with UNAM claiming the first and second place with Tsumeb High School in third place. Very generous prizes were sponsored since the relaunch of the competition and the NSX would like to give thanks to IJG Securities (Pty) Ltd, PSG Wealth Management (Pty) Ltd, FirstRand Namibia Ltd, Oryx Properties Ltd, Capricorn Investment Group Ltd, Namibia Breweries Ltd, Letshego Holdings Ltd and the Financial Literacy Initiative.

The NSX, being a not for profit members association continues to engage in the clarification and planning for demutualisation as envisaged in the Financial Institutions and Markets Bill and intends to self-list as many other exchanges in the region. It is in a position to do so, as it is cash positive and self-funding.

Work in progress items:

- Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades;

- Clarification and planning for demutualisation as envisaged in the Financial Institutions and Markets Bill; and
- Additional trading system functionality for bond and derivative trading in conjunction with the CSD project;

Another year and the continued uncertainty of the much discussed modalities of Regulation 13 to the Pension Fund Act prescribing 45% of its total fund in Domestic assets, still dominates the strategic direction and efforts of the NSX and its members (brokers). It is clear localised products are required to fill the void, as the current investment in dual listed stocks decline. The long-term effect on the NSX on the reduction in the dual listed percentage of assets is impossible to determine at this stage. As shown in the Management Commentary the traded value primary listed equities (local trades) amounted to 15.47% (2018: 7.25%) of the total trades. In June 2017, the Namibia Financial Institutions Supervisory Authority passed a circular, amending guiding regulations where it increased the minimum domestic asset requirement from 35% to 45%, which was to be complied with by 1 October 2018. The Government Institutions Pension Fund (GIPF), a government employee defined benefit fund obtained extension until 31 March 2021, as the funds local assets only amounted to 37% by end of September 2019. In 2019 we had delisting's of Clover Industries Limited (a secondary listing) and Bidvest Namibia Limited (a primary listing) with nearly N\$755 million of trades in primary listed shares been excluded from the turnover as the trade was reported to the NSX under concessionary transaction levies.

The NSX remains confident it has and will continue to serve the Namibian market well and has sufficient reserves to weather any competitive environment. The total of Government debt securities at the end of 2019 is N\$ 62.300 billion (consisting of N\$ 38.053 billion Government bonds plus Inflation Linked Bonds (ILBs) and N\$ 24.247 billion treasury bills) up from N\$ 9.982 billion at the end of 2010 plus N\$ 18 billion (at exchange rate of 31 December 2019) internationally and N\$ 2.892 million listed on the JSE. This may have deflected investments from the exchange as did the introduction of Regulation 29 to the Pension Fund Act. The NSX believes that the unlisted investments (Reg 29) are inherently riskier than listed investments where corporate governance and disclosures are in keeping with best practices and subjected to transparent price discovery. We believe that as capital flows into the market and trading volumes and liquidity increase, it will encourage more retail investors to take a serious look at equities and more companies to list.

These factors are crucial to the further development of the NSX. The largest uncertainties were the sustainability of the trading results of the NSX, in part due to the above mentioned points but offset by the accumulated reserves as highlighted in the table on page 2. The net income takes into account the ever increasing operating costs which include the cost of accommodation, staffing and providing for the state of the art technology and ensuring best practices governance.

The Development Capital Market or DevX, at the end of 2019 comprises four dual listed uranium companies and one cobalt company. In addition, Alpha Namibia Industries Renewable Power Limited "ANIREP" listed in September 2019 as a Capital Pool Company.



Shares listed on the DevX are not included in either of the NSX indices which are calculated by FTSE in London. NAMFISA has advised that economic activity in Namibia is not a prerequisite for listing a company's equity on the NSX.

The graphs presented in this report highlight the volatility in share prices and exchange rates which all severely affect the share prices more than the incomes of these listed companies; the price of uranium and the unfortunate Japanese experiences in 2012 have reduced the exploration capabilities and activities of the dual listed commodity companies. The slow recovery of world demand for commodities keep posing a risk, affecting both growth and fiscal revenues.

As per the 2019 review of the IFM global growth, 2019 recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In some cases (advanced economies and China), these developments magnified cyclical and structural slowdowns already under way. Further pressures came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico, and Russia. Worsening macroeconomic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen) rounded out the difficult picture. With the economic environment becoming more uncertain, firms turned cautious on long-range spending and global purchases of machinery and equipment decelerated. Household demand for durable goods also weakened, although there was an increase in the second quarter of 2019. This was particularly evident with automobiles, where regulatory changes, new emission standards, and possibly the shift to ride-shares weighed on sales in several countries. Faced with sluggish demand for durable goods, firms scaled back industrial production. Global trade which is intensive in durable final goods and the components used to produce them slowed to a standstill. Central banks reacted aggressively to the weaker activity. Over the course of the year, several including the US Federal Reserve, the European Central Bank (ECB), and large emerging market central banks—cut interest rates, while the ECB also restarted asset purchases. These policies averted a deeper slowdown. Lower interest rates and supportive financial conditions reinforced still-resilient purchases of nondurable goods and services, encouraging job creation. Tight labour markets and gradually rising wages, in turn, supported consumer confidence and household spending. Policy moves by global central bankers will continue to provide direction for international currency markets.

The domestic economy remained to be suppressed in 2019 posting a contraction of 1.1% in real terms. The poor performance is attributable to the Primary industries. However, Tertiary industries recovered to record a positive growth whilst the Secondary industries registered a constant growth relative to the preceding year. The recovery in the Tertiary industries is owed to the upturn in the economic activities of the sectors: 'Financial and insurance services' (6.0%), 'Public administration and defence' (2.2%), 'Education' (2.7%) and 'Information and Communication' (8.6%). Overall, the rest of the other services sectors remain subdued however, showing signs of improvement when compared to the preceding year. Timely implementation of targeted measures, private sector investment commitments and structural policy reforms are prerequisites to improve both the pace and quality of future growth.

The NamCode has continued to be widely accepted and implemented in all sectors of the Namibian market. All NSX Primary listed companies are required to comply with the NAMCODE on “apply or explain” or King IV on an “apply and explain” basis. The NamCode booklet is available on the NSX website free of charge and hard-copies are available for purchase at the NSX. This enhancement of the governance landscape has continued to position Namibia on the African investment scene and resulted in the deepening of the Namibian capital markets as it opens our market to a larger international investing pool. The International Finance Corporation’s issuance in Namibia as only the third African market shows the interest and trust in our markets and economy. This makes us more attractive to international investors. Many more steps are required to truly open our markets, not least of which are the formalisation of our bond market and setting up a Central Securities Depository (CSD) for the trading in electronic scrip.

The NSX has, from its reserves, funded the project to launch a Central Securities Depository in the Namibian market in partnership with the Bank of Namibia. During the latter of 2019, NAMFISA has issued a license to the exchange for the trading of debt on an additional trading system, being the Bond Trading System MITS (Multi Instrument trading system). Formalisation of the bond market is expected to occur during 2020. The eventual launch of derivatives is expected to follow the CSD launch as soon as FIM BILL is enacted. FIM Bill was confirmed to have been pushed out to 2020 as there was no quorum in parliament for the 3rd reading. We hope by developing the market in these projects, more Namibian companies will open their shareholder base and come to market by listing. As in most African markets, ours is plagued by small size and illiquidity and can only change by having more choice and depth. However, the exchange cannot force anyone to list their company and if they perceive uncertainty in the regulatory space, listing is a difficult step to take. It is therefore of the utmost importance to have clear guidelines on any requirements for Namibianisation, Black Economic Empowerment / New Equitable Economic Empowerment Framework and localisation. The NSX is confident it can play a meaningful role in these areas if the rules of the game are clear and consistent. The NSX has maintained world class regulation of listed companies and shall continue to do so, as dilution of these requirements may lead to lower levels of investment due to institutional investors not being allowed to participate in the market.

We further believe with the implementation of the CSD, it will open the Namibian market to additional interest from the international market which would increase the demand even more, not only for shares, but specifically on the bond market. The NSX is proud to be leading both these projects with the CSD expected to go live once FIM Bill has been tabled and approved.

Harambee Prosperity Plan (HPP), launched in 2016 is the Namibian government’s action plan towards prosperity for all and is constructed around the Namibian narrative. It acknowledges that we are not starting afresh but that we must continue with the construction of an inclusive Namibian House, built on a solid foundation of peace and stability. A total of 35 activities were planned for implementation under the Effective Governance Pillar, for the Harambee period. It is estimated that 24 of all programmed activities have been successfully executed; 10 are deemed to be slightly behind target while

1 target has not been met during the period under review. As the Namibian Stock Exchange, we are not only unified by our national identity but stand united in cause and believe we can contribute to usher Namibia into the epoch of prosperity.

The NSX contributes to expanding the markets in the region by its participation in the Committee of SADC Stock Exchanges and the African Securities Exchange Association.

I would like to offer my thanks to the Board, management and to the teams of committed employees, who remained focused and fastidious during the period and managed to successfully oversee projects. You have all been instrumental in moulding the operations of the NSX, its subsidiaries and I thank and commend all of you, wishing you continued success and always striving for service excellence.

The Management Commentary on pages 39 to 44 is outside the formal annual financial statements but is integral to a better understanding of the NSX.



David Nuyoma
Chairman

NAMIBIAN STOCK EXCHANGE

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors have pleasure in presenting their report on the activities of the group and entity for the year ended 31 December 2019.

NATURE OF BUSINESS

Stock Exchange, including transfer agent, property owning company, a guarantee fund for investor protection and to provide central depository services to the Namibian market.

RESULTS FOR THE YEAR

The operating results and state of affairs of the group and the NSX for the year ended 31 December 2019 are fully disclosed in the attached financial statements. The net profit for the year of the group and NSX was, respectively, N\$ 9 741 037 and N\$ 8 216 123 (2018 (restated): N\$ 5 556 966 and N\$ 6 402 307) and the net assets as at 31 December 2019 was, respectively, N\$ 92 482 189 and N\$ 74 453 533 (2018 (restated): N\$ 82 741 152 and N\$ 66 237 410).

GOING CONCERN

The directors are of the opinion that the group and NSX are a going concern, and the financial statements have been prepared on this basis. The going concern basis of preparation assumes that the NSX will continue operating in the foreseeable future and that the NSX will be able to realise its assets and discharge its liabilities in the normal course of business. The going concern assumption is based on the financial results for the year above.

BOARD AND OTHER OFFICE BEARERS

In terms of the Constitution of the NSX one-third of the Directors retire each year, but are eligible for re-election. All Board members are non-executive.

At 31 December 2019 the Board comprised of:

Capelao O	Re-elected 26 April 2019
Gerdes H	
Hansen B	Re-elected 26 April 2019
Nuyoma D	
Sauls L	
Smit D	Elected 26 April 2019
Smith M	
Spath M	
Van Rensburg B	Re-elected 26 April 2019
Nailenge E	Nominated by NAMFISA, in terms of Section 46 of the Stock Exchanges Control Act 1985, (Act 1 of 1985), as amended, to attend Board and committee meetings. Mrs Nailenge resigned from NAMFISA during the forth quarter of the year and a new representative was elected by NAMFISA on the 16th October 2019.
Kapenda A	New representative nominated by NAMFISA, in terms of Section 46 of the Stock Exchanges Control Act 1985, (Act 1 of 1985).

At 31 December 2019 management comprised of:

Bazuin C	Chief Executive Officer
Ullrich AL	Chief Financial Officer
Saal J	Chief Information Officer

SECRETARIES

AL Ullrich
4 Robert Mugabe Avenue
Windhoek
Namibia

REGISTERED OFFICE

4 Robert Mugabe Avenue
Windhoek
Namibia

P O Box 2401
Windhoek
Namibia

EVENTS AFTER THE REPORTING PERIOD



Subsequent to year-end it became evident that the COVID-19 pandemic would have significant impact and disruption on economic activity in Namibia. The directors have considered the impact of the pandemic on the business of the NSX and believes the Group is well positioned with sufficient liquid reserves to continue as a going concern. The directors are, however, not currently able to quantify the possible impact on the pandemic and will continue monitoring the situation.



MEMBERS OF BOARD OF DIRECTORS

At 31 December 2019



OSCAR CAPELAO – Born on 24 February 1979. He completed his BCom Honors degree in (Accounting) at UKZN after he obtained a B.Compt degree from UNISA. Oscar is currently serving as an Executive director of FNB Namibia Holdings Limited and its main subsidiaries including First National Bank of Namibia Ltd, where he also holds the position of group CFO. Prior to taking the role of CFO of FNB in 2012, Oscar served as a Group Financial Manager. His prior work experience includes working at Old Mutual Namibia and completing his accounting & audit articles with PwC Namibia. His professional membership includes SAICA and ICAN as Chartered Accountant. Oscar has accumulated 19 years of experience in the financial services industry, particularly focusing on strategy, IFRS, tax, capital management. Other external appointments include serving as Director of the National Housing Enterprise and also chairing its audit committee.



HANS-BRUNO GERDES (HABO) - born on 28 March 1952, is an associate of the Institute of Chartered Secretaries and holds a BProc degree from the University of Cape Town. He was admitted to practice in the High Court during 1985 and was the Managing Partner of Engling, Stritter and Partners until 2015 to work on corporate /commercial matters. Habo holds a number of directorships in both listed and unlisted companies and serves on various governance committees. He was the chairperson of the Legal Practitioners Fidelity Fund until recently and is the Honorary Consul for the Kingdom of Belgium in Namibia. Habo joined the NSX in 2009 and was re-elected at the AGM in April 2018.



BRUCE PAUL HANSEN – born on 19 September 1969 and is a Director at Simonis Storm Securities (SSS) where he is responsible for Money and Capital Markets and Wealth Management. His previous work experience includes the Ministry of Finance, the Namibian Development Corporation, Sanlam and GIPF. He was trained as an economist and holds a Masters in Economics as well as an MBA from Oxford Brooks University. He serves on a number of private companies' board of directors. Bruce was elected to the NSX board in 2013.



DAVID NUYOMA - born on 03 June 1963. He completed his Master Degree in Industrial Development and BA (Honours) in 1987 and 1989 respectively at the University of East Anglia School of Development Studies, UK. David is the CEO and Principal Officer of the Government Institution Pension Fund. Before he joined the Fund he was the first CEO of the Development Bank of Namibia and before that he was the Executive Director of the Namibia Investment Centre in the Ministry of Trade and Industry. David has served as Board member of various corporate entities in Namibia and was Chairman of the SADC Investment Promotion Agencies and also of the SADC Development Finance Institutions Network. He served as Commissioner of the National Planning commission and was a member of the President's Economic Advisory Council.



LYNDON SAULS - joined IJG Securities in June of 2016 as Head of Dealing and Bond Trading. Lyndon is a certified JSE Trader, certified Settlement Officer, Member of the Institute of Financial Markets RPE and a Broker's License Holder on the Namibian Stock Exchange. Prior to joining IJG he was attached to Simonis Storm as a Director and Head of Dealing. He has vast experience in the industry having started his stockbroking career with Huysamer Stals in 1998 transitioning through ABN Amro and Investment House Namibia before moving to SSS. From 1995 he plied his skills at FNB in the treasury department.

MEMBERS OF BOARD OF DIRECTORS

At 31 December 2019



DEBBIE SMIT - is a Registered Auditor with her own practice, Aurora Registered Accountants and Auditors. Debbie joined Nedbank Namibia Limited in 2006 for eight years, serving as CFO for three of those years. She then joined Oryx Properties Limited, a listed entity on the NSX, as CFO until 2017. Debbie also serves on the Board of Directors for Old Mutual Short-term Insurance Company and Old Mutual Investment Group. Debbie obtained a B.Acc and B.Acc (Hons) at the University of Stellenbosch and completed her articles at Deloitte Namibia.



MADELEIN SMITH - born on 30 November 1971 and matriculated at Pretoria North High School, Gauteng, South Africa. Madelein has a strong trading background in Forex, Money Market and Equity instruments and earned various industry qualifications in the 1990's before passing the NSX broker entrance examinations. She was appointed Managing Director of Namibia Equity Brokers (Pty) Ltd at the beginning of 2008 with 13 years' experience in the Namibia Financial Industry. Madelein was elected to the Board at the 2011 AGM and was subsequently re-elected.



MARK SPÄTH - Born on 23 February 1978 is the Group Managing Director of the IJG Group of Companies. Mark joined IJG in September 2003 as Head of Research. Following the completion of his stockbroking exams in 2005, he was appointed as MD of the Securities business. Mark holds a B.Bus.Science (Honours Finance) from the University of Cape Town, has completed an executive management course at the renowned Stanford Graduate School of Business and was a member of the NSX until 2012. Mark was rated no. 1 sell-side analyst in the category "Other African Markets & Economies" in May 2006 in the prestigious Financial Mail broker ratings. Mark has been directly involved as corporate advisor and sponsor to numerous companies that have listed (primary / dual / debt issues) on the NSX since September 2006. Prior to joining IJG, Mark worked in the derivatives department of WestLB in London for two years and completed an internship with Schwabe, Ley & Greiner, an Austrian consultancy firm. Mark was elected to the Board in 2017, after the resignation of Ms Kaunapaua Ndilula (Kauna).



BRIAN VAN RENSBURG - holds a B.Comm.Hons degree in Money and Banking from the University of the Free State and is a registered member of the NSX and the South African Institute of Stock Brokers. He started his career as an economist at FNB Namibia before joining the stock broking industry in 1996, qualifying as a broking member in 1997. He has over 20 years of experience in the stock broking and investment industry and is currently the Managing Director of PSG Namibia.





NSX BOARD & COMMITTEES

As at 31 December 2019

BOARD OF DIRECTORS

D Nuyoma (Chairman), H-B Gerdes (Deputy Chairman), O Capelao, B Hansen,
L Sauls, D Smit, M Smith, M Späth, B van Rensburg

SUB-COMMITTEES OF THE BOARD²

AUDIT & RISK COMMITTEE

O Capelao (Chair), B Hansen, D Smit

BROKER SCREENING COMMITTEE

H-B Gerdes (Chair), A Swanepoel

DISCIPLINARY COMMITTEE

H-B Gerdes (Chair), O Capelao

REMUNERATION COMMITTEE

H-B Gerdes (Chair), O Capelao, D Smit

INVESTMENT COMMITTEE

B Hansen, L Sauls, M Smith

LISTING COMMITTEE PANEL

A Board Member will chair each Listings Committee meeting.

H-B Gerdes (Chair), H Bossau (Deputy), J Badenhorst, G Cornelissen¹,
AP Jansen, S De Bruin, J D Mandy, H A R Meiring*, R Mostert, H-H Müseler, K Ndilula, O N Shikongo,
A Swanepoel, G Swart, B C Weichert and each of the Brokers

SUBSIDIARIES

Transfer Secretaries (Pty) Ltd: Directors – D Nuyoma (Chairman), C Bazuin
Central Securities Depository (Pty) Ltd: Directors – D Nuyoma (Chairman), C Bazuin, E van Zyl, N Mukasa
Maerua Investments Number Nine (Pty) Ltd: Directors – D Nuyoma (Chairman), C Bazuin

KEY MANAGEMENT

C Bazuin (Chief Executive Officer), A Ullrich (Chief Financial Officer), J Saal (Chief Information Officer)

¹ South African

² The Chairman of the Board and the Registrar of Stock Exchanges (or his nominee) may attend all committee meetings ex-officio.

* It is with great sadness to announce the passing of HAR Meiring, NSX Chairman from June 1999 to June 2001 and who continued to serve on the Listings sub-committee until his death during February 2020.

MEMBERS OF COMMITTEES & PANEL

31 December 2019



J Badenhorst, H Bossau, J J G Cornelissen, A P Jansen, H A R Meiring*, H-H Müsseler, K Ndilula
O N Shikongo, A Swanepoel, Gifford Swart, J Mandy, B C Weichert, S De Bruin, R Mostert

NSX & TRANSFER SECRETARIES STAFF at 31 December 2019



Left to Right: E Edwards, A Scholtz, T Kavangelwa, M Amutenya,
A van Wyk, R van Rooyen, T Bazuin, A Ullrich, J Saal





CORPORATE GOVERNANCE REPORT

The Board of the Namibian Stock eXchange (NSX) is responsible for the ongoing assessment of NSX policies relating to the duties and responsibilities of the Board and the delegation of powers. The NamCode Reports on Corporate Governance, based on international best practices, including the outdated King III report, detailing the importance of corporate governance in achieving financial objectives and fulfilling corporate responsibilities. This is to ensure that corporate governance requirements are met and that the core principles of accountability, integrity and transparency are adhered to.

At present the NSX is a non-proprietary association licensed by the Namibia Financial Institutions Supervisory Authority (NAMFISA) to operate as a stock exchange within Namibia in terms of the Stock Exchanges Control Act of 1985 (SECA). The NSX has 43 founder members and 6 stock broking members (the rights holders) who may attend general meetings of the association and annually elect the directors and appoint the auditors of the NSX and its subsidiaries. NAMFISA has been authorised to draft a Financial Institutions and Markets Bill (FIM Bill) to replace various financial sector Acts including the SECA and it has been announced that the Act will be tabled in Parliament this year. At the November 2012 consultative meeting with members of the financial sector NAMFISA announced that the NSX would be required to convert to a company within 12 months of the enactment of the FIM Bill, i.e. to demutualise. The principle was approved in 2015, but the change will be significant and have consequences which will require interaction with and the approval of the rights holders. The NSX is proactively preparing for this eventuality as it is an extensive process.

The Board diligently strives to adhere to the recommendations detailed in the NamCode which was launched in Namibia during 2014 and stipulates the principles of good corporate governance. The Board is of the opinion, based on the information and explanations given by management that the Exchange's internal controls are adequate, so that the financial records may reasonably be relied on for preparing the annual financial statements and for maintaining accountability for assets and liabilities; and in part by the receipt of an unqualified independent audit report.

The Board believes that the NSX's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the annual financial statements, the NSX has used appropriate accounting policies supported by reasonable and prudent judgments and estimates and has complied with International Financial Reporting Standards. The Board is of the opinion that the annual financial statements fairly present the financial position of the Group and Exchange at 31 December 2019 and the results of operations and cash flow information for the year then ended. The members of the Board have a reasonable expectation that the NSX (and by association the Group) has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the annual financial statements.

BOARD OF THE NAMIBIAN STOCK EXCHANGE ("the Board")

As at 31 December 2019, the non-executive Board consisted of 9 elected members; one-third of the elected Board members retire annually. The Board is elected in terms of the Constitution of the NSX which was gazetted on 15 October 2005 (Government Gazette No 3815) based upon their skills and experience and from seven prescribed sectors of the Financial Industry. The Chairman and Deputy Chairman of the Board are elected by the Board members.

A representative of the Namibia Financial Institutions Supervisory Authority (NAMFISA) is invited to attend all the meetings of the Board and its committees. Three members will retire at the Annual General Meeting of the NSX in April 2020.

		Total N\$		11-Mar	10-Apr	12-Aug	28-Nov	Total N\$
Board members		2019	Retainer					2018
Capelao O	Re-elected 26 April 2019	40,000	20,000	✓	✓	-	-	25,706
Gerdes H	Re-elected 26 April 2019	60,000	20,000	✓	✓	✓	✓	24,595
Hansen B	Re-elected 26 April 2019	40,000	20,000	✓	-	✓	-	25,706
Mostert R	Retired 26 April 2018	-	-	-	-	-	-	11,407
Niddrie R	Re-elected 12 April 2017*	5,000	5,000	-	-	-	-	29,024
Nuyoma D	Re-elected 12 April 2017	80,000	40,000	✓	✓	✓	✓	43,665
Sauls L	Elected 26 April 2018	60,000	20,000	✓	✓	✓	✓	17,617
Smit D	Elected 26 April 2019*	35,000	15,000	-	-	✓	✓	-
Smith M	Re-elected 12 April 2017	50,000	20,000	-	✓	✓	✓	29,024
Späth M	Elected 26 April 2018	50,000	20,000	✓	-	✓	✓	21,277
Van Rensburg B	Re-elected 26 April 2019	60,000	20,000	✓	✓	✓	✓	21,277
		480,000	200,000					249,298

*Mr Niddrie R is deceased, and Mrs Smit D filled his vacancy for the remainder of his term.

The Board has taken cognisance of the potential conflicts and has taken steps to mitigate any such conflicts. The Board believes that its composition and regular elections ensure that no one individual has undue influence in its deliberations and ultimate decisions.

The annual fee for the Board is split into a retainer and meeting attendance fee.

For 2019 Directors fees were based on a retainer of N\$ 20,000 for each Board member and a sitting fee of N\$ 10,000 for meetings attended.

The Chief Executive Officer and Chief Financial Officer attends all meetings by invitation.

MAJOR SUB – COMMITTEES OF THE BOARD

Remuneration Committee

The Remuneration Committee comprising three independent non-executive directors was chaired by H-B Gerdes. The Chairman of the Board and the NAMFISA representative are invited to attend. This committee is responsible for strategic human resources issues such as managerial succession planning, human resources policies, and the remuneration of staff and office-bearers and attendance fees for Board Members.

Remuneration Committee	Total N\$ 2019	11-Mar	05-Nov	Total N\$ 2018
Capelao O	10,000	✓	✓	3,318
Gerdes H	10,000	✓	✓	5,806
Mostert R	-	-	-	3,318
Niddrie R*	-	-	-	2,488
Smit D	5,000	-	✓	-
	25,000			14,930

Audit & Risk Committee

The Audit & Risk Committee was chaired by O Capelao plus two members of the Board, being B Hansen and D Smit. Representative from the external auditors, the NAMFISA representative, the Chief Executive Officer, the Chief Financial Officer and the Chairman of the Board attend the Audit & Risk Committee meetings by invitation. The Committee meets a minimum of twice a year to review the audit plan, annual financial results and other significant audit issues.



Audit & Risk Committee (continued)

Audit & Risk Committee	Total N\$ 2019	Retainer	03-Apr	06-Dec	Total N\$ 2018
Capelao O	32,500	22,500	✓	✓	7,465
Hansen B	10,000	-	✓	✓	-
Mostert R	-	-	-	-	7,465
Niddrie R*	7,500	7,500	-	-	22,106
Smit D	-	-	-	✓	-
Späth M	10,000	-	✓	-	-
	60,000	30 000			37,036

It is the responsibility of the Audit & Risk Committee to review the annual financial statements of the NSX and its subsidiaries and the Guarantee Fund, and to make appropriate recommendations regarding their approval to the Boards of the NSX, Transfer Secretaries (Proprietary) Limited, Maerua Investments Number Nine (Proprietary) Limited, Central Securities Depository (Proprietary) Limited and a dormant subsidiary company. The annual fee for the Audit Committee is split into a retainer and a meeting fee.

The meeting held on the 06 December 2019 was conducted by means of a round robin meeting, no fees are earned for round robin meetings held.

The Audit & Risk Committee has the responsibility to oversee the implementation and annual review of the risk management process and the maintenance of the risk register.

Broker Screening Committee

A Broker Screening Committee reviews all applications for broking membership of the NSX to determine if the applicant is fit and proper in terms of the Rules of the NSX. This committee comprises of H-B Gerdes as Chairman and A Swanepoel.

No Brokers Screening Committee meeting was had during the 2019 financial year.

Listing Committee

The Listing Committee panel includes, among others, representatives of major accounting and legal firms in Namibia and the quorum for each meeting is three non-conflicted Board Members and all of its meetings must be chaired by a member of the Board. This Committee meets on an ad hoc basis to approve all primary listing applications and the approval of note programmes for non-government bonds. Members attending the listing meetings are selected on availability and their particular skills and training. The NSX listings requirements are modelled on those of the JSE Limited trading as the Johannesburg Securities Exchange (JSE) but with the introduction of the 2004 Companies Act on 1 November 2010 a number of unique listings requirements are being considered as the Namibian legislation diverges from that in South Africa. Applications for approval of the medium-term note programmes or individual bonds were processed in accordance with the bond listing requirements of the JSE, prior to the amendments the JSE introduced in July 2012.

Listings Committee	Total N\$ 2019	Retainer	12-Sep	Total N\$ 2018
Bossau H	20,000	20,000	-	32,058
Gerdes H	40,000	30,000	✓	19,203
Niddrie R*	-	-	-	21,979
Smit D	10,000	-	✓	-
Smith M	10,000	-	✓	4,562
Van Rensburg B	-	-	-	17,417
	80,000	50,000		95,219

The Chairman and Vice Chairman of the Listing Committee are each paid a retainer in addition to the meeting fee for consultations during the year on listing requirement interpretations, but a Board member chairs the actual meeting in the absence of the Chairman.

The Board considers the JSE listing requirements to be best practices and has requested that the NSX regularly updates, where applicable, practicable, and permitted by Namibian legislation, for changes made by the JSE. A major review will be undertaken on the gazetting of the Financial Institutions & Markets Act (now expected in 2020) and the publication of the related prudential and market conduct regulations being drafted by the Namibia Financial Institutions Supervisory Authority (NAMFISA).

This review and the resultant update of the harmonisation with best practices are also in line with the aims of the Committee of SADC Stock Exchanges (CoSSE) to have a regional stock exchange as soon as possible in terms of the SADC Finance and Investment Protocol.

Investment committee and capital management

The NSX Investment Policy Statement provides a framework for the management and investment of the assets of the NSX. The objective of the Group in the management of capital is to safeguard the Group's ability to continue as a going concern in order to provide the statutory protection for investors in terms of the Guarantee Fund created in terms of the Stock Exchanges Control Act, Act 1 of 1985 and to deepen the capital markets in Namibia.

To improve the returns on investments and to benefit from the positive returns experienced in the capital market since the international financial crisis, management recommended to the Board to appoint a number of Namibian unit trust asset managers with a prudential and balanced mandate to manage the funds of the NSX and the Guarantee Fund and not to rely on the interest income approach of prior years. The Board has decided to impose a limit of 40% of total funds in any one fund or bank. No fees were paid to this committee during 2019.

The returns earned on these investments are reported through the income statement in terms of IFRS requirements as the assets are marked-to-market at year end.

RISK MANAGEMENT REVIEW

The JSE has written terms of reference for its Risk Management Committee which is chaired by an independent non-executive committee to assist its board with the identification, assessment, evaluation and monitoring actual and potential risks and the mitigation thereof. The South African Institute of Chartered Accountants in 2004 issued an updated *Stockbrokers: Audit and Accounting Guide* to provide practical guidance on the auditing and accounting issues related to the accounts of Stockbrokers. In addition, regular reviews of the BDA systems were undertaken by an independent auditing firm for use by all auditors to stockbrokers; this review was last completed in March 2020 for the period ended February 2020 by PricewaterhouseCoopers Advisory Services (Proprietary) Limited for the JSE Ltd.

A risk register has been populated and evaluated by management which it regularly updated, and which is reviewed, annually, by the Audit & Risk Committee.

Risks influencing the environment in which the NSX and its trading subsidiary, Transfer Secretaries (Proprietary) Limited operates are described below. As the property is occupied by the NSX and Transfer Secretaries the risks are substantially reduced. As part of its risk management procedures, the NSX has extensive insurance cover across all areas of its business and regularly reviews the mandatory insurance cover held by its members and the capital in the Guarantee Fund.

Principal risk

Principal risk is the risk of a party losing the full value of a transaction which may result from a delay between payment and the transfer of ownership of securities.

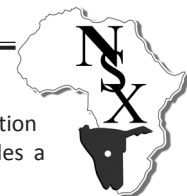
The implementation of STRATE eliminated the major portion of this risk on dual listed transaction through the simultaneous, final irrevocable delivery versus payment for the South African leg of the transaction, thereby substantially reducing the overall risk of participating in the equities market. The clearing of Namibian primary listed equities and bonds is settlement against delivery, but this is being hampered by the limits on the Namibia dollar size of cheques and the abolishing of cross border cheques. The Namibian Central Securities Depository (CSD) will address this risk in the same way STRATE addressed it in South Africa.

Technology and systems risk

The NSX through the JSE provides a market for the dealing in securities and financial instruments that is information technology intensive. Equity dealing is matched electronically on MIT Millennium Exchange which is developed and maintained by the JSE. In addition, trades in securities conducted through the JSE are settled through the electronic settlement engine STRATE. In parallel with the provision of this service the NSX and JSE (the Exchanges) also oblige all stock broking members to maintain their general ledger (exemptions are permitted) and client accounting through the JSE maintained Broker Deal Accounting system ("BDA").

The technology and systems risk is the inability of the systems and applications to manage and control the business processes and information. The JSE bears the risk for the dual listed trades but is largely exempt from legal liability should either or all of the systems referred to above not function efficiently or at all, resulting in the Exchanges being unable to provide an efficient operational market.





To address this risk the JSE employs a significant portion of its staff, under the supervision of the Director: Information Technology to manage the risk associated with BDA, MIT Millennium Exchange, Info Wiz and the ATS, which includes a comprehensive redundancy and disaster recovery infrastructure and plan.

The NSX has a Namibia based IT service provider managing its IT systems and to provide the required DR (Disaster Recovery) server, located off-site, and the NSX continues to provide an operational terminal for use by any of the brokers should part of their essential trading system fail. These services are continually reviewed and updated when considered necessary.

Settlement and liquidity risk

Settlement risk relates to where a party to an outstanding transaction fails to perform on the prescribed settlement date and a transaction fails as a result.

Liquidity risk is closely associated with settlement risk and is the risk that a party will not have sufficient liquidity to meet its settlement obligations.

Neither the JSE nor the NSX, accept any settlement or liquidity risk in respect of off-market trades. The NSX accepts no settlement or liquidity risk in respect of listed bond trades. The contracting parties in Namibia to an off-market trade or bond trade bear this risk.

Settlement performance is the cornerstone of every securities exchange, and therefore the Exchanges, in certain prescribed circumstances (on-market trades between two members) guarantees settlement and the Exchanges are required to manage settlement, bearing the liquidity and price risk for both the cash and securities.

The failure by a party to perform its settlement obligations may result in a counterparty having an open position. To address this situation, it is necessary to incur the cost of replacing, at current market prices, the securities subject to the agreed transaction. This risk is exacerbated by liquidity risk and price risk, which is the possibility that the price of replacing the required securities has materially and negatively changed. The Exchanges environment comprises a hierarchical risk structure with the obligations of the client being guaranteed by the client's stock broking member. The stock broking member's obligations in this regard are in turn guaranteed by the respective Exchanges. The settlement risk to the NSX is therefore directly proportional to the extent that both the client and the stockbroker are not able to perform their respective obligations. Both Exchanges have recourse in respect of any negative price movement against the stock broking member who introduced the trade.

The JSE has, through its rules, taken steps to address and limit settlement, price and liquidity risk. To ameliorate its inherent risks the NSX has adopted with appropriate amendments, for local laws and size of the market the JSE Listing requirements and general operating procedures. The JSE Settlement Authority is appointed in terms of the JSE rules and is currently - The Director: Clearing and Settlement, who is dedicated to facilitating and managing settlement. This Settlement Authority has a wide range of intellectual and information technology resources at its disposal as well as far reaching powers to manage the relevant risks and facilitate the settlement of listed securities.

Systemic risk

Systemic risk is the risk where a disruption to both or either of the Exchanges, STRATE, Central Securities Depository (CSD)'s, clearing and settlement members or the settlement system as a whole causes a knock-on effect throughout the financial markets, toppling one financial institution after another resulting in a loss of confidence in the system. This may result from a lack of solvency on the part of a stakeholder resulting in an inability to settle a multitude of transactions. Alternatively, an operational issue may contribute towards large-scale non-fulfilment of transactions.

The 2004 Companies Act allows listed Namibian companies to dematerialise share certificates and the NSX and Transfer Secretaries are investigating how this will impact on the current share registers, maintained for the primary listed companies as the required enabling legislation is still being drafted by NAMFISA. This 2004 Act allows any Namibian incorporated company to buy back its shares, under certain conditions instead of following the reduction of capital prescribed in the repealed act. A number of consequential changes to the Listings Requirements will be finalised together with the changes arising from the enactment of the Financial Institutions and Markets Act and consideration will be given to changes introduced by the JSE, as the leading SADC exchange, as best practices. The intension of the NSX is to implement the CSD and give shareholders the option to dematerialise their shares into electronic scrip, this is depended on the CSD obtaining its license under FIM Bill once the Bill is promulgated.

Both the Exchanges are subject to systemic risk, which is managed by the various stakeholders who participate in the financial markets. The NSX and the JSE both have Guarantee Funds, financial reserves and the JSE has a Fidelity Fund all of which are in place in the event that control procedures in place fail.

Fidelity risk

This is the risk of employees or agents of the NSX and its subsidiary committing fraud or an unauthorised activity. The NSX has significant funds under its management, including monies of the NSX Guarantee Fund. The Chief Executive Officer is responsible for managing this risk which is mitigated through the enforcement of the maximum delegation of powers, segregation of duties, rules setting out checks and balances, low risk investment policies as well as fidelity and similar insurance.

Legal risk

This is the risk that a transaction or contract cannot be consummated due to a legal impediment. The NSX is subject to this risk. The Chief Executive Officer is responsible for addressing this risk and in conjunction with external legal counsel attends to managing this risk. The Rules and Directives of the NSX will also be reviewed as a number of weaknesses therein have been brought to managements' attention.

Currency risk

This is the risk of defaulting on foreign currency payment obligations as a result of the devaluation of the Namibia Dollar which is linked to the South African Rand. The NSX is not exposed to this risk because payments for its service agreements with the JSE are in SA Rands.

The listing on the DevX and main board by Canadian and Australian uranium, gold, oil and phosphate exploration and mining companies has introduced a new currency risk in the trading cycle as well as some of the data vendors being billed in US Dollars; however, to-date the trading in these dual listed companies has been low and the Board is satisfied that the procedures approved by the Bank of Namibia, including the introduction in 2012 of depository receipts are adequate to safeguard the investors from any operational risk.

Reputational risk

Reputational risk is the risk of damage to the Exchanges' reputation. Given the nature of a financial market and the importance of the integrity of the market, this is a very grave risk and is a risk which is a natural consequence of all other risks set out above.

STRATE is a crucial element of the equities market. The risk associated with electronic settlement is not directly within the control of the JSE. This risk, if not managed, will result in the tarnishing of the Exchange's reputation and affect the ongoing viability of the securities market. The JSE, through its investment in and representation on the STRATE Board of Directors, participates in the guidance of the STRATE business, including the management of all STRATE related risk issues. In this way, the reputational risk to the Exchanges resulting from a STRATE related default, is managed and mitigated. International research has highlighted the enormous improvements to operational and settlement risks which should have a beneficial effect, particularly on the non-resident clientele of the market.

The Chief Executive Officer is generally responsible for managing this risk and under his guidance all aspects of the NSX business are focused on ensuring an honest, safe, transparent and efficient market.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems.

Operational risks are those risks of a non-speculative nature with no potential of showing a profit. The objective of operational risk processes is therefore to mitigate the downside impact of these risks as far as possible, thereby ensuring the optimal application and protection of physical assets, while ensuring the continuity of the Exchange's business.

Operational risk elements can be classified as follows:

- Process risk
- Employee risk
- Systems risk

The Board accepts overall responsibility for operational risk with the responsibility of day-to-day management of operational risk delegated to management of the NSX.

Risk management controls are in place to lower the probability of operational risk occurring and the impact thereof.

Credit risk

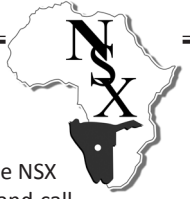
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

At year end there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk on the NSX's own funds is minimised through ensuring that funds are mainly placed with registered banking institutions with maximum investment limits prescribed for each bank, other approved investments are in Government bonds and treasury bills. Exposure to credit risk on accounts receivable balances is monitored as part of the daily procedures of the Exchange's finance department.





Liquidity risk

Liquidity risk is the risk that the NSX will be unable to meet its short-term funding requirements. This risk is managed by the NSX in conjunction with an Investment Committee, formed by the Board, by maintaining some of the NSX's funds in current and call accounts and investments of various maturities in treasury bills, government and other bonds and fixed deposits with institutional and maturity limits. The investments in the Namibian managed unit trusts can be redeemed at short notice and the NSX does not speculate in equity investments.

Interest rate risk

Interest rate risk is the risk of the NSX being exposed to gains or losses on fluctuations on interest rates where assets or liabilities are linked to fixed interest rates. This risk is managed by the Exchange ensuring that where appropriate assets and liabilities are invested for periods appropriate to the potential needs of the NSX.

NAMIBIAN STOCK EXCHANGE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Members of the Board of the Namibian Stock Exchange (hereinafter referred to as NSX) are responsible for monitoring the preparation and integrity of the financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for the system of internal controls and reviews its operation.

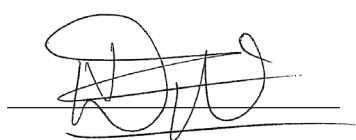
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Namibian Stock Exchange policies and procedures. Trained, skilled personnel with an appropriate segregation of duties implement these controls. The controls are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements incorporate responsible disclosures in line with the accounting philosophy of the Namibian Stock Exchange. The annual financial statements are based on appropriate accounting policies consistently applied.

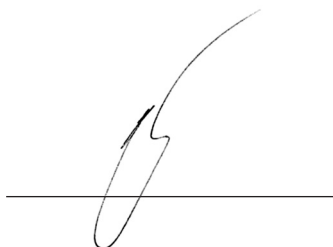
The management and the Board of the Namibian Stock Exchange believe that the Namibian Stock Exchange and its wholly-owned subsidiaries, will be able to continue as going concerns in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2019 set out on pages 4 - 24 have been approved by the Board on 21 April 2020 and are signed on its behalf by:

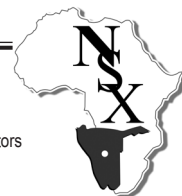


D Nuyoma
Chairman



O Capelao
Director





INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NAMIBIAN STOCK EXCHANGE

Opinion

We have audited the financial statements of Namibian Stock Exchange ("NSX") and its subsidiaries ("the Group") as set out on pages 4 to 24, which comprise directors' report, the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the NSX as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Statements

The Namibian Stock Exchange's Board and management are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Information

The directors are responsible for the other information. The other information comprises of the Directors' responsibilities and approval which we obtained before the date of this audit report and the Annual Report which is expected after the date of this auditor's report. The other information does not include the consolidated and separate financial statements, directors' report and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

THE NAMIBIAN STOCK EXCHANGE *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

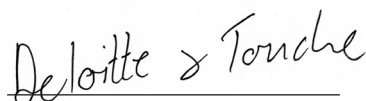
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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



Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per Johann Cronjé
Partner
Windhoek
21 April 2020





NAMIBIAN STOCK EXCHANGE **STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** **FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Group		Namibian Stock Exchange	
		2019	Restated	2019	Restated
		N\$	N\$	N\$	N\$
Revenue	4	13,498,245	13,827,272	9,360,261	10,594,239
Investment income	5	6,932,390	1,494,454	6,143,037	1,953,473
Other income		19,764	65,315	2,235,278	3,089,849
Total revenue		20,450,399	15,387,041	17,738,576	15,637,561
Operating expenses		(10,552,282)	(9,383,357)	(9,522,453)	(9,235,254)
PROFIT BEFORE TAXATION	6	9,898,117	6,003,684	8,216,123	6,402,307
Taxation	7	(107,080)	(161,718)	-	-
PROFIT FOR THE YEAR AFTER TAX		9,791,037	5,841,966	8,216,123	6,402,307
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified subsequently to profit and loss</i>					
Unrealised loss on revaluation of fixed property	10	(50,000)	(285,000)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,741,037	5,556,966	8,216,123	6,402,307
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Attributable to					
Parent		10,175,148	5,662,998	8,216,123	6,402,307
Non-controlling interest		(434,112)	(106,032)	-	-
		9,741,037	5,556,966	8,216,123	6,402,307

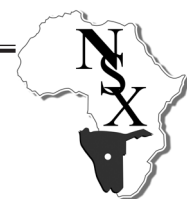
NAMIBIAN STOCK EXCHANGE

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Group		Namibian Stock Exchange	
		Restated		Restated	
		2019 N\$	2018 N\$	2019 N\$	2018 N\$
ASSETS					
NON-CURRENT ASSETS		61,201,654	57,159,501	46,841,816	43,672,215
Plant, equipment and intangibles	9	41,271	54,102	23,350	40,417
Fixed property	10	8,485,000	8,535,000	-	-
Investments in subsidiaries	11			6,102,709	6,020,563
Other investments	12	428,097	565,606	495,964	565,606
Other investments, balanced mandate unit trusts	13	52,247,286	48,004,793	40,219,793	37,045,629
CURRENT ASSETS		41,431,744	33,645,145	35,378,724	28,901,620
Other investments	12	67,867	-	-	-
Trade and other receivables	14	1,415,313	1,069,766	1,413,704	643,060
Trade receivables: Work in progress	14	813,740	-	-	-
Current taxation		147,599	55,598	-	-
Cash and cash equivalents	19.3	38,987,225	32,519,781	33,965,020	28,258,560
TOTAL ASSETS		<u>102,633,398</u>	<u>90,804,646</u>	<u>82,220,541</u>	<u>72,573,835</u>
RIGHTS, RESERVES AND LIABILITIES					
Rights and Reserves		92,482,189	82,741,152	74,453,533	66,237,410
Founding members' contributions		430,000	430,000	430,000	430,000
Stockbroking members rights		1,890,500	1,890,500	1,890,500	1,890,500
Property revaluation reserve		1,664,700	1,714,700	-	-
Insurance reserve		500,000	500,000	500,000	500,000
Guarantee fund	16	16,802,546	15,058,574	-	-
Retained surplus		73,255,388	64,774,212	71,633,033	63,416,910
Non-controlling interest		(2,060,946)	(1,626,834)	-	-
NON-CURRENT LIABILITIES		5,199,291	4,045,024	4,893,015	3,742,899
Provision for severance pay	17	340,294	269,818	293,883	243,809
Deferred revenue	4.1	4,599,132	3,499,090	4,599,132	3,499,090
Deferred taxation	8	259,866	276,116	-	-
CURRENT LIABILITIES		4,951,919	4,018,470	2,873,992	2,593,526
Deferred revenue	4.1	596,824	518,359	596,824	518,359
Loan: Bank of Namibia	18	1,731,679	1,561,408	-	-
Trade and other payables	15	2,623,415	1,938,703	2,277,168	2,075,167
TOTAL RIGHTS, RESERVES AND LIABILITIES		<u>102,633,398</u>	<u>90,804,646</u>	<u>82,220,541</u>	<u>72,573,835</u>





NAMIBIAN STOCK EXCHANGE

STATEMENTS OF CHANGES IN RIGHTS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP

	<u>Founding members' contributions</u>	<u>Stock- broking members' rights</u>	<u>Property revaluation reserve</u>	<u>Insurance reserve</u>	<u>Guarantee fund</u>	<u>Non- Controlling Interest</u>	<u>Retained surplus (Restated)</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Balance at 31 December 2017	430,000	1,890,500	1,999,700	500,000	14,311,052	-	61,686,088	80,817,340
Deferral of Revenue (IFRS 15)							(3,635,114)	(3,635,114)
Balance at 31 December 2017	430,000	1,890,500	1,999,700	500,000	14,311,052	-	58,050,974	77,182,226
Partial disposal of subsidiary	-	-	-	-	-	(1,520,802)	1,522,762	1,960
Loss / Profit for the year	-	-	-	-	-	(106,032)	5,947,998	5,841,966
Other comprehensive income for the year	-	-	(285,000)	-	-	-	-	(285,000)
Total comprehensive income for the year	-	-	(285,000)	-	-	(106,032)	5,947,998	5,556,966
Transfer	-	-	-	-	747,522	-	(747,522)	-
Balance at 31 December 2018	430,000	1,890,500	1,714,700	500,000	15,058,574	(1,626,834)	64,774,212	82,741,152
Loss / Profit for the year	-	-	-	-	-	(434,112)	10,225,148	9,791,037
Other comprehensive (loss) for the year	-	-	(50,000)	-	-	-	-	(50,000)
Total comprehensive (loss) / income for the year	-	-	(50,000)	-	-	(434,112)	10,225,148	9,741,037
Transfer	-	-	-	-	1,743,972	-	(1,743,972)	-
Balance at 31 December 2019	430,000	1,890,500	1,664,700	500,000	16,802,546	(2,060,946)	73,255,388	92,482,189
Number of rights	43	35	-	-	-	-	-	78
Notes			10		16		4.1	

NAMIBIAN STOCK EXCHANGE

	<u>Founding members' contributions</u>	<u>Stock- broking members' rights</u>	<u>Insurance reserve</u>	<u>Retained surplus (Restated)</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$
Balance at 31 December 2017	430,000	1,890,500	500,000	60,649,717	63,470,217
Deferral of Revenue				(3,635,114)	(3,635,114)
Restated Balance at 31 December 2017	430,000	1,890,500	500,000	57,014,603	59,835,103
Total comprehensive income for the year	-	-	-	6,402,307	6,402,307
Balance at 31 December 2018	430,000	1,890,500	500,000	63,416,910	66,237,410
Total comprehensive income for the year	-	-	-	8,216,123	8,216,123
Balance at 31 December 2019	430,000	1,890,500	500,000	71,633,033	74,453,533

VALUATION OF RIGHTS

The Board's valuation of a new right is based on the total of the capital and reserves at the end of the year divided by the number of rights in issue in terms of Rule 2.4.6. This valuation is only for the purpose of calculating the cost of a new right, should a new right be issued.

Number of rights

Founder members	43
Stockbroking members	35
	<u>78</u>

Valuation

	Group	Namibian Stock Exchange
2018 (Restated)	1 061 000	849 000
2019	1 185 000	954 000

NAMIBIAN STOCK EXCHANGE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes	Group		Namibian Stock Exchange	
	2019 N\$	Restated 2018 N\$	2019 N\$	Restated 2018 N\$
CASH FLOW FROM OPERATING ACTIVITIES	6,249,724	7,045,387	6,216,725	6,883,845
Cash receipts from customers	13,172,462	13,743,487	10,824,895	12,273,584
Cash paid to suppliers and employees	(9,397,303)	(8,741,470)	(7,577,044)	(7,943,952)
Cash generated from operations	3,775,159	5,002,017	3,247,851	4,329,632
Investment income	2,689,896	2,164,789	2,968,874	2,554,213
Taxation paid	(215,331)	(121,419)	-	-
CASH FLOWS UTILISED FOR INVESTING ACTIVITIES	47,448	(32,817)	(510,265)	1,009,928
Acquisition of property, plant and equipment	(22,194)	(34,036)	(7,074)	(24,775)
Movements in investments	-	-	(572,833)	1,033,484
Withdrawals from listed investments	69,642	1,219	69,642	1,219
CASH FLOWS FROM FINANCING ACTIVITIES	170,272	1,563,367	-	-
Proceeds of loan from non-controlling interest	170,272	1,561,407	-	-
Proceeds from disposal of interest	-	1,960	-	-
Net movement in cash and cash equivalents	6,467,444	8,575,937	5,706,460	7,893,773
Cash and cash equivalents at beginning of the year	32,519,781	23,943,844	28,258,560	20,364,787
Cash and cash equivalents at end of the year	38,987,225	32,519,781	33,965,020	28,258,560





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

1.2 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical basis, except for the fixed property and certain financial instruments that are measured at fair value as described in the accounting policies below.

The accounting policies have been consistently applied with the exception of:

- IFRS 16: Leases which had no significant impact on the Group or entity and did not result in any opening balance adjustment.
- A reconsideration of the appropriate policy for the recognition of revenue related to listings services (see Note 4.1 for more detail).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The functional currency of the Group is the Namibian Dollar ('N\$').

1.3 Consolidation

The consolidated financial statements include the financial position, operating results and cash flows of the NSX, an exchange licensed in terms of the Stock Exchanges Control Act, (Act 1 of 1985) (SECA); the separate statutory guarantee fund created and maintained in accordance with SECA and controlled by the NSX for the benefit of listed equity investors; and the subsidiaries of the NSX. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. Control is achieved where the NSX is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

At the date of acquisition of a subsidiary, the cost of the investment is allocated to the fair value of individual identifiable assets and liabilities of the subsidiary. Unrealised income, expenses and profits arising from transactions within the group and inter-company balances are eliminated. The carrying value of subsidiaries is compared with their attributable net asset or market value. Provision for permanent impairment is charged against profit.

1.4 Financial instruments

Initial recognition and measurement

Financial instruments recognised in the statement of financial position includes listed investments, investments in balanced mandated unit trusts, trade receivables, cash and cash equivalents, amounts due to and from group entities and trade payables. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the Group commits itself to purchase or sell the asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group classifies financial assets into the following categories:

- Financial assets at fair value through profit and loss; and
- Loans and receivables at amortised cost.

Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets at fair value through profit and loss

The business model of the Group is to collect contractual cashflows from financial assets.

The group's investment in balanced mandated unit trusts is classified as financial assets at fair value through profit and loss. These assets are carried at fair value with any resultant gain or loss being recognised in profit and loss. Impairment losses are recognised in profit and loss.

Loans and receivables and financial liabilities measured at amortised cost

Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses on financial assets. Other financial instruments include listed investments, trade receivables, cash and cash equivalents, amounts due to and from group entities and trade payables.

1.5 De-recognition of assets and liabilities

Financial assets

Financial assets (or a portion thereof) are de-recognised when the entity realises the rights to the benefits specified in the contract, the rights expire or the entity surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the statement of profit or loss and other comprehensive income.

Financial liabilities

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in the statement of profit or loss and other comprehensive income.

1.6 Impairments

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

1.7 Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the statement of financial position date. Foreign currency gains and losses are charged to the statement of profit or loss and other comprehensive income.

1.8 Plant, equipment and intangibles

Plant and equipment are stated at cost, less accumulated depreciation. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is charged on a straight-line basis estimated to write each asset down to estimated residual value over the term of its useful life at the following rates:

- equipment	33,33% per annum
- office furniture	20,00% per annum
- software	33,33% per annum





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.8 Plant, equipment and intangibles (continued)

Purchased software licences are initially stated at cost. Depreciation is charged on a straight-line basis over the period of the licence. The carrying amount of any intangibles is reviewed annually and written down for any permanent impairment.

Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount through the statement of profit or loss and other comprehensive income.

Surpluses and losses on disposal of property, plant and equipment are charged to the statement of profit or loss and other comprehensive income.

1.9 Fixed properties

Fixed properties held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

1.10 Employee retirement benefit costs

The Group contributes to an umbrella defined contribution fund in respect of retirement benefits of current employees, the costs of which are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group does not provide post retirement medical benefits to employees. The Group accrues for the value of leave due on the basis of the number of days owing to the employee and the relevant cost associated therewith. The Group provides for severance pay benefits in accordance with the terms and conditions specified in the Labour Act of 2007 (Act 11 of 2007).

1.11 Deferred taxation

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Current tax rates are used to determine the deferred tax balance. In determining the balance, account is taken of estimated tax losses.

A deferred tax asset is recognised to the extent that its probable future taxable profits will be available against which the unused tax losses and deductible temporary difference can be utilised.

1.12 Revenue recognition

The Group recognises revenue from the following major sources:

For the Namibian Stock Exchange:

- Listing and documentation fees
- Annual and entrance fees
- Annual fees
- Commission received - Transaction levy
- Information fees
- Commission received - Other

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.12 Revenue recognition (continued)

For Transfer Secretaries (Proprietary) Limited

- Annual fees
- Quarterly fees
- Service fees

For Guarantee Fund:

- Guarantee Fund contributions

Namibian Stock Exchange:

Listing and documentation fees (initial listing fees)

Revenue from contracts with customers:

The Group concluded that the revenue for the initial listing and documentation fees is to be recognised over an expected period that reflects the average listing period of issuers. This is based on an average historical minimum life expectancy of a listed company. The company has the obligation to provide the platform to the issuer over the term for which it receives the revenue.

A new applicant issuer is charged a documentation fee before the initial listing of securities; and
A capital raising fee is charged once the listing is successful.

Annual and entrance fees

All sponsors, except registered stockbrokers, pay an initial, non-refundable, application fee in order to act as a sponsor. All sponsors, except registered stockbrokers, will also pay a non-refundable annual fee, except in the year that the initial annual fee is paid.

Annual fees

An annual listings fee is payable each year whilst the securities are listed.

Commission received - Transaction levy

A transaction levy of 10% for securities, except bonds, is levied on the brokerage of each transaction.

Information fees

Revenue is earned from data subscriptions.

Commission received - Other

The commission rate earned is a 0.05% levy of the total trade value (excluding Stamp Duties) on over-the-counter securities (OTCMN) traded. A monthly quoting fee is charged for the duration of each quote on the OTCMN.

Transfer Secretaries (Proprietary) Limited:

Annual fees

The revenue stream is comprised of dual listed securities without shareholder registers in Namibia, as per the listing rules these securities are required to have a receiving office in Namibia.

The issuer appoints Transfer Secretaries (Proprietary) Limited as its receiving office in the Republic of Namibia ("Namibia") for the purpose of assisting its shareholders resident in Namibia.

Quarterly fees

The revenue stream is comprised of dual listed securities with a shareholder register in Namibia and primary listed securities. Transfer Secretaries (Proprietary) Limited maintains the Register and provides a registration and transfer office in Namibia and performs the specified registration services.

Service fees

The revenue stream is comprised of services performed by Transfer Secretaries (Proprietary) Limited.

The services being rendered is:

- Setting up of the register for a security;
- Receiving, registering and certifying transfers of the Principal's securities;





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.12 Revenue recognition (continued)

- Issuing certificates or certified deeds to holders of the Principal's securities;
- Preparing and dispatch dividend and/or interest payments to be made after the last day to register and advise the Principal forthwith of the total funds required to meet such payment;
- Reconciling the dividend and/or interest accounts ; and
- Preparation of addressed envelopes or labels for the despatch of notices to convene the meetings of holders, (if applicable) as may be required under the Articles of Association of the Principal, the Companies Act or any other statute or regulation or as the Principal itself may direct, the Programme Memorandum, etcetera, as well as to despatch the annual report and interim statement as may be required.

Guarantee Fund:

Broking members or broking firms or both contribute a levy to the fund.

1.13 Leases

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

1.14 Taxation

The NSX and the Guarantee Fund are exempt from normal taxation in terms of Section 16(1)(d) of the Income Tax Act, No. 24 of 1981. The operating subsidiaries are subject to normal taxation in terms of the Income Tax Act, No 24 of 1981.

The tax currently payable is based on taxable income of Transfer Secretaries (Proprietary) Limited for the year. Taxable income differs from profit reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability is calculated at the enacted statutory rate applicable for the reporting year.

1.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

There were no material judgements nor estimates made in preparing these financial statements other than disclosed in Notes 4, 9, 10 and 11.

The Directors have reviewed the Group's investment in financial assets in light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold these assets until they are ready for use.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / Interpretation:

- Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle;
- Amendments to IFRS 4: Insurance Contracts;
- Amendments to IFRS 4: Insurance Contracts and Applying IFRS 9 Financial Instruments;
- IFRS 9: Financial Instruments;
- Prepayment Features with Negative Compensation - Amendment to IFRS 9 Financial Instruments;
- Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle;
- IFRS 15 Revenue from Contracts from Customers;
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts from Customers;
- IFRS 16 Leases;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendments to IAS 12: Income Taxes: Annual Improvements to 2015 - 2017 cycle;
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19;
- Amendments to IAS 23 Borrowing Costs: Annual Improvements to 2015 - 2017 cycle;
- Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle;
- Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28; and
- Amendments to IAS 40: Transfers of Investment Property.

There were no significant adjustments as a result of applying these standards, other than the adjustments to IFRS 16: Leases and IFRS 15: Revenue from Contracts from Customers.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2020 or later periods:

Standard / Interpretation:

Effective date: Years beginning on or after

- | | |
|--|------------------|
| - Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture; | To be determined |
| - Amendments to IAS 1: Disclosure initiative; | 01 Jan 20 |
| - Amendments to IAS 8: Disclosure initiative; | 01 Jan 20 |
| - IFRS 17 Insurance Contracts; and | 01 Jan 21 |
| - Amendments to IFRS 3 Business Combinations: Definition of Business. | 01 Jan 20 |

Management has assessed the impact of these new and revised standards on the company not to be material.

4. REVENUE ANALYSIS

- 4.1. During the year the directors became aware of the pronouncement by the International Financial Reporting Interpretations Committee (IFRIC) of September 2018 related to "listing services" provided to customers.

In light of this pronouncement the directors re-evaluated the Group's revenue recognition policy and concluded that the revenue for initial listing and documentation fees should be recognised over an expected period that reflects the average listing period of issuers. This is based on an average historical minimum life expectancy of a listed company. The Group has the obligation to provide the platform to the issuer over the term for which it receives the revenue.

As a result of this error in revenue recognition due to accounting standard changes, the prior year amounts relating to revenue were adjusted.





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE ANALYSIS (continued)

It should be noted that the Group adopted the modified retrospective approach with regards to the implementation of IFRS 15 and therefore no adjustment was required to 2017 amounts, with the entirety of the opening balance adjustment recognised to equity on 1 January 2018.

	Restated Namibian Stock Exchange N\$	Restated Group N\$
Retained Earnings		
Opening Balance of Retained Earnings as previously reported as at 31 December 2017	60,649,717	61,686,088
Deferral of Revenue (IFRS 15)	(3,635,114)	(3,635,114)
<u>After adoption of IFRS 15:</u>		
Opening Balance of Retained Earnings as previously reported as at 31 December 2017	57,014,603	58,050,974
Partial disposal of subsidiary (as previously reported)	-	1,522,762
Loss / Profit for the year (as previously reported)	6,784,642	6,330,333
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2018	(858,493)	(858,493)
Realise as Revenue: Deferred Revenue from prior years realised in 2018	476,158	476,158
Transfer (as previously reported to Guarantee fund reserve)	-	(747,522)
Closing Balance of Retained Earnings after adjustments as at 31 December 2018	63,416,910	64,774,212
Revenue represents net invoiced amounts to :		
<u>After adoption of IFRS 15:</u>		
Listing and documentation fees as previously reported as at 31 December 2018	900,314	900,314
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2018	(858,493)	(858,493)
Realise as Revenue during 2018 (IFRS 15)	41,821	41,821
Realise as Revenue: Deferred Revenue from prior years realised in 2018	476,158	476,158
Revenue as at 31 December 2018	517,979	517,979
<u>After adoption of IFRS 15:</u>		
Listing and documentation fees generated during 2019	1,808,600	1,808,600
Deferral of Revenue (IFRS 15)	(1,696,867)	(1,696,867)
Realise as Revenue during 2019 (IFRS 15)	111,733	111,733
Realise as Revenue: Deferred Revenue from prior years that realises in 2019	518,359	518,359
Revenue as at 31 December 2019	630,092	630,092

As a result of these changes, deferred revenue increased from Nil (as previously reported) to N\$ 3 635 114 at 31 December 2017 and N\$ 4 017 449 at 31 December 2018 respectively.

As a result the Group's prior year retained earnings decreased by N\$ 4 017 449 from N\$ 68 791 661 as previously reported in 2018 to N\$ 64 774 212 (NSX's retained earnings decreased from N\$ 67 434 359 as previously reported in 2018 to N\$ 63 416 910).

In addition Group's profit in the prior year decreased by N\$ 382 335, from N\$ 5 939 301 as previously reported in 2018 to N\$ 5 556 966 (NSX's profit decreased from N\$ 6 784 642 as previously reported in 2018 to N\$ 6 402 307) as explained above.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE ANALYSIS (continued)

	Restated Namibian Stock Exchange	Restated Group
Deferral of Revenue (IFRS 15)		
At initial application on 1 January 2018	(3,635,114)	(3,635,114)
Realised as Revenue: Deferred Revenue from prior years that realises in 2018	476,158	476,158
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2018	(858,493)	(858,493)
Closing Balance of Deferred Revenue (IFRS 15) as at 31 December 2018	(4,017,449)	(4,017,449)
Realised as Revenue: Deferred Revenue from prior years that realises in 2019	518,359	518,359
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2019	(1,696,867)	(1,696,867)
Closing Balance of Deferred Revenue (IFRS 15) as at 31 December 2019	(5,195,956)	(5,195,956)

Disclosed as follows:

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Non-current Liabilities	4,599,132	3,499,090	4,599,132	3,499,090
Current Liabilities	596,824	518,359	596,824	518,359

	Namibian Stock Exchange	Transfer Secretaries	Guarantee Fund	Group
	N\$	N\$	N\$	N\$

4.2. Revenue represents net invoiced amounts to :

Listed entities

	For the year ended 31 December 2019			
- Listing and documentation fees	630,092	-	-	630,092
- Annual fees	3,789,100	175,000	-	3,964,100
- Quarterly fees	-	1,032,651	-	1,032,651
- Service fees	-	2,562,539	-	2,562,539
	4,419,192	3,770,190	-	8,189,382

Data distribution vendors

- Information fees	933,412	-	-	933,412
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Stockbrokers, sponsors and clients

- Guarantee fund contributions	-	-	367,794	367,794
- Annual and entrance fees	291,400	-	-	291,400
- Commission received - Transaction levy	3,677,942	-	-	3,677,942
- Commission received - Other	38,315	-	-	38,315
	4,007,657	-	367,794	4,375,451
	9,360,261	3,770,190	367,794	13,498,245





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE ANALYSIS (continued)

	For the year ended 31 December 2018 (restated)			
	Namibian Stock Exchange	Transfer Secretaries	Guarantee Fund	Group
	N\$	N\$	N\$	N\$
Listed entities				
- Listing and documentation fees	517,979	-	-	517,979
- Annual fees	3,424,500	140,700	-	3,565,200
- Quarterly fees	-	901,815	-	901,815
- Service fees	-	1,637,890	-	1,637,890
	3,942,479	2,680,405	-	6,622,884
Data distribution vendors				
- Information fees	775,202	-	-	775,202
Stockbrokers, sponsors and clients				
- Guarantee fund contributions	-	-	552,628	552,628
- Entrance and annual fees	321,700	-	-	321,700
- Commission received - Transaction levy	5,526,283	-	-	5,526,283
- Commission received - Other	28,575	-	-	28,575
	5,876,558	-	552,628	6,429,186
	10,594,239	2,680,405	552,628	13,827,272

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
5. INVESTMENT INCOME				
Interest on investments at amortised cost	52,835	53,391	52,835	53,391
Interest on intercompany loan	-	-	602,133	663,071
Interest on bank and call accounts	2,637,061	2,111,398	2,313,906	1,837,751
	2,689,896	2,164,789	2,968,874	2,554,213
Fair value adjustment on unit trust investments	4,242,494	(670,335)	3,174,163	(600,740)
	6,932,390	1,494,454	6,143,037	1,953,473

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after taking the following items into account:

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Other Income				
Administration fee: Central Securities Depository (Proprietary) Limited	-	-	(480,000)	(480,000)
Administration fee: Transfer Secretaries (Proprietary) Limited	-	-	(1,726,656)	(1,015,680)
Administration fee: Maerua Investments Number Nine (Proprietary) Limited	-	-	(8,858)	(8,052)
Education & Training fees	(8,164)	(48,415)	(8,164)	(48,415)
Bad Debts Recovered	-	-	-	-
Reversal of Impairment Loss (<i>refer to note 11.3</i>)	-	-	-	(1,520,802)
NamCode Booklet	(11,600)	(16,900)	(11,600)	(16,900)
	(19,764)	(65,315)	(2,235,278)	(3,089,849)
Operating expenses				
Auditor's remuneration - audit	323,977	193,864	233,417	139,674
Depreciation	35,025	43,592	24,141	27,323
Impairment loss of loan to related party (<i>refer to note 11.3</i>)	-	-	490,687	734,856
Information technology fees	820,439	811,301	545,781	677,947
Legal fees	-	75,470	-	-
Loss on foreign exchange	19,816	20,447	19,816	20,447
Professional & secretarial fees	19,133	18,676	14,558	13,837
Short-term and low value rental expense	98,619	91,314	756,080	752,676
Remuneration - directors and staff				
Director and Committee fees				
- Board	480,000	249,298	480,000	249,298
- Brokers screening committee	-	-	-	-
- Audit and risk management committee	60,000	37,036	60,000	37,036
- Demutualisation committee	-	-	-	-
- Listing committee	80,000	95,219	80,000	95,219
- Remuneration committee	25,000	14,930	25,000	14,930
	645,000	396,483	645,000	396,483
- Transfer Secretaries (Proprietary) Limited Board	3,000	3,000	-	-
Less Board and committee fees allocated to subsidiaries	-	-	(141,250)	(75,318)
	648,000	399,483	503,750	321,165





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. PROFIT BEFORE TAXATION (continued)

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Staff costs				
Including key management costs				
- salaries and wages	5,033,913	4,683,883	4,302,669	4,008,909
- contributions to retirement funds	1,042,628	975,460	886,590	824,735
- other	245,669	498,599	160,515	388,836
- provision for severance pay	70,476	66,396	50,075	53,959
	6,392,686	6,224,339	5,399,849	5,276,439
	7,040,686	6,623,822	5,903,599	5,597,604

7. TAXATION

The Namibian Stock Exchange and the Guarantee Fund are exempt from taxation in terms of Section 16 (1)(d) of the Income Tax Act No 24 of 1981.

Tax rate reconciliation - Namibian normal taxation

Income tax recognised in the consolidated statement of profit or loss and other comprehensive income

	Group 2019 N\$	Restated 2018 N\$
Effective rate	1.1%	2.7%
- effect of income exempt from tax the:		
- Namibian Stock Exchange	27.7%	29.9%
- Guarantee Fund	5.6%	4.0%
- effect of the assessed losses not recognised	(2.9%)	(4.6%)
Standard rate of taxation	32%	32%

Normal taxation

- Current taxation	123,331	110,633
- Deferred taxation	(16,250)	51,085
Namibian normal tax	107,080	161,718

Estimated tax losses

Utilised to reduce tax liability	-	-
At beginning of the year	-	-
Utilised during the year	-	-

Unutilised tax loss

At beginning of the year	(3,338,213)	(2,472,647)
Increase in the assessed losses	(885,942)	(865,566)
Available for set off against future taxable income	(4,224,155)	(3,338,213)

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

8. DEFERRED TAXATION

	Group	
	2019	2018
	N\$	N\$
Balance at the beginning of the year	(276,116)	(225,031)
Charge to profit and loss	16,250	(51,085)
Balance at end of the year	(259,866)	(276,116)
<i>Comprising:</i>		
Capital allowances	274,558	236,344
Prepayments	159	-
Straight-lining of rental	-	48,095
Provision for severance pay	(14,851)	(8,323)
	259,866	276,116

Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority.

9. PLANT, EQUIPMENT AND INTANGIBLES

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Group - Cost				
Balance at 31 December 2017	1,199,086	175,017	459,713	1,833,817
Additions	-	2,889	31,147	34,036
Balance at 31 December 2018	1,199,086	177,906	490,860	1,867,853
Additions	-	3,699	18,495	22,194
Balance at 31 December 2019	1,199,086	181,605	509,355	1,890,047
Group - Depreciation				
Balance at 31 December 2017	1,196,525	168,966	404,668	1,770,159
Amortisation / Depreciation charge for the year	1,800	3,384	38,408	43,592
Balance at 31 December 2018	1,198,325	172,350	443,076	1,813,751
Amortisation / Depreciation charge for the year	749	1,852	32,424	35,025
Balance at 31 December 2019	1,199,074	174,202	475,500	1,848,776
Group - Net book value				
At 31 December 2018	761	5,556	47,784	54,102
At 31 December 2019	12	7,403	33,855	41,271

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Namibian Stock Exchange - Cost				
Balance at 31 December 2017	492,170	127,216	325,224	944,610
Additions	-	2,889	21,886	24,775
Balance at 31 December 2018	492,170	130,105	347,110	969,385
Additions	-	3,699	3,375	7,074
Balance at 31 December 2019	492,170	133,804	350,485	976,459





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

9. PLANT, EQUIPMENT AND INTANGIBLES (continued)

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Namibian Stock Exchange - depreciation				
Balance at 31 December 2017	489,615	124,719	287,311	901,645
Amortisation / Depreciation charge for the year	1,800	196	25,327	27,323
Balance at 31 December 2018	491,415	124,915	312,638	928,968
Amortisation / Depreciation charge for the year	751	1,670	21,720	24,141
Balance at 31 December 2019	492,166	126,584	334,358	953,109
Namibian Stock Exchange - Net book value				
At 31 December 2017	755	5,190	34,472	40,417
At 31 December 2018	4	7,220	16,127	23,350

The Namibian Stock Exchange and its subsidiary, Central Securities Depository (Proprietary) Ltd (CSD), have both signed agreements with a supplier to provide software products to the NSX and the CSD.

Payments and commitments are pending approval by the Namibian Financial Institutions Supervisory Authority (NAMFISA).

The group considers that there is evidence of impairment of the Securities and Trading Technology (STT) asset in CSD, due to the legislative framework under which the asset is to be implemented not coming into effect and there is no certain date of its implementation.

The recoverable amount was assessed as nil, as no active market in which to sell the asset was identifiable, also the future cash flows from use of the asset has not been determined as yet when reviewing the five year budget of the project. The directors intend to re-evaluate this matter once the enabling legislation has been promulgated.

10. FIXED PROPERTY

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Balance brought forward	8,535,000	8,820,000	-	-
Revaluation adjustment	(50,000)	(285,000)	-	-
At fair value	8,485,000	8,535,000	-	-

Fixed property consists of Section 9 (measuring 255 m² with a participation quota of 18.8%) and Section 2 (measuring 91 m² with a participation quota of 6.7%) in the Sectional Title Scheme Maerua Heights No 65 / 2012 and an undivided share of Erf 1970 Windhoek, measuring 1264 m². The property is un-encumbered. The property was acquired in 2013 at the cost of N\$ 6 820 300.

The major portion (70%) of the fixed property is let to the Namibian Stock Exchange and the remainder to Transfer Secretaries (Proprietary) Limited.

At 31 December 2019 the two units were revalued by Property Valuation Namibia's, Yolandi Lawrence, a Professional / Sworn Appraiser holding a National Diploma: Real Estate (CPUT) at N\$8 485 000 (2018: N\$8 535 000). The income capitalisation method of valuation was used by the Professional / Sworn Appraiser.

The information below demonstrates the sensitivity to a possible change in the price earnings index, with all other variables held constant, of profit before tax.

Increase or decrease of a 100 basis points in the price earnings index	9,227,000	7,742,000
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NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENTS IN SUBSIDIARIES

		Namibian Stock Exchange	
		2019	2018
		N\$	N\$
11.1.	Transfer Secretaries (Proprietary) Limited		
	The nature of its business is that of transfer agent		
	Issued capital	100%	4,000
	Included in accounts receivable (note 14) is the amount owing by subsidiaries.		4,000
11.2.	Maerua Investments Number Nine (Proprietary) Limited		
	This company whose nature of its business is investing in property was acquired to further diversify the NSX's investment portfolio with potential for capital appreciation.		
	Issued capital	100%	1,325,100
	Loan to subsidiary without any fixed term of repayment, interest is payable monthly at an annual rate of 8.5% (2018: 8.5%).		1,325,100
		4,460,000	4,600,000
11.3.	Central Securities Depository (Proprietary) Limited		
	The nature of its business is to provide central securities depository services to the Namibian market:		
	Issued share capital	51%	2,040
	Opening balance		2,040
	Opening accumulated impairment of loan		1,765,370
	Release of impairment due to sale of portion of the loan to Bank of Namibia		(1,675,948)
	Movement in loan		-
	Additional impairment for the current year		1,520,802
			(696,523)
			(490,687)
			311,569
			89,423
	The Namibian Stock Exchange has provided ongoing financial support to Central Securities Depository (Proprietary) Limited.		
	With the non-controlling interests' buy-in into Central Securities Depository (Proprietary) Limited, Bank of Namibia will provide financial support to Central Securities Depository (Proprietary) Limited in the future.		
	Interest on the loan is charged at Namibian prime and is capitalised monthly, with no capital repayments terms specified.		
	As a formal agreement is in place between the Namibian Stock Exchange, Bank of Namibia and Central Securities Depository (Proprietary) Limited the loans will not be called in the next twelve months and has therefore been classified as non-current.		
11.4	The Namibian Stock Exchange also wholly owns the following dormant subsidiary:		
	Issued share capital:		
	Namibian Stock Exchange Trustees (Proprietary) Limited	100%	4,000
	Less - intercompany loans		(4,000)
			-
			-
	Total investment in subsidiaries		6,102,709
			6,020,563





NAMIBIAN STOCK EXCHANGE **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** (continued) **FOR THE YEAR ENDED 31 DECEMBER 2019**

12. OTHER INVESTMENTS

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
At Amortised Cost				
- Eskom bond - E170 *	135,734	202,819	135,734	202,819
- Government Bonds	360,230	362,787	360,230	362,787
Total investments at amortised cost	495,964	565,606	495,964	565,606

* Eskom bond - E170 is a three-legged bond with three redemption dates, namely 01 August 2019, 01 August 2020 and 01 August 2021.

The fair value of these investments approximate the cost thereof.

13. OTHER INVESTMENTS, BALANCED MANDATE UNIT TRUSTS

At fair value through Profit and Loss

Allan Gray Balanced Fund	15,239,615	14,284,291	15,239,615	14,284,291
Old Mutual Unit Trust - Namibia Managed Fund	18,353,799	16,950,972	12,388,814	11,441,906
Standard Bank Namibia Managed Fund	18,653,872	16,769,530	12,591,364	11,319,432
Total investments at fair value	52,247,286	48,004,793	40,219,793	37,045,629

14. TRADE AND OTHER RECEIVABLES

Trade receivables	1,334,813	1,017,308	793,257	554,552
Trade receivables: Work in progress	813,740	-	-	-
Transfer Secretaries (Proprietary) Limited	-	-	498,383	-
Maerua Investments Number Nine (Proprietary) Limited	-	-	60,431	48,581
Prepayments	70,621	50,227	58,154	37,696
Other receivables	9,879	2,231	3,479	2,231
	2,229,053	1,069,766	1,413,704	643,060
Receivables that are past due but not impaired	43,833	11,799	43,833	11,318

No provision for impairment loss has been raised as the directors consider the expected credit loss related to receivables to be trivial.

15. TRADE AND OTHER PAYABLES

Trade payables	862,957	336,079	848,526	331,214
Intercompany payables: Guarantee Fund	-	-	17,726	35,011
Intercompany payables: Transfer Secretaries	-	-	-	194,503
Value added taxation	132,383	35,841	-	-
Accruals	1,628,075	1,566,783	1,410,916	1,514,439
	2,623,415	1,938,703	2,277,168	2,075,167

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

16. GUARANTEE FUND

A separate guarantee fund is maintained, for investor protection purposes, by the Stock Exchange in terms of Section 30 of the Stock Exchanges Control Act, (Act 1 of 1985), as amended. As the NSX and its Board exercise control over this Guarantee Fund it is required to consolidate the activities of the Guarantee Fund into the Group financial statements in terms of International Financial Reporting Standards.

Every stockbroker is obliged to contribute to this fund to cover liabilities that may arise out of the buying and selling of securities but have no rights to any assets of the guarantee fund.

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Balance at beginning of year	15,058,574	14,311,052	-	-
Income for the year	1,743,972	747,522	-	-
Retained surplus at end of the year	16,802,546	15,058,574	-	-

17. PROVISIONS

Provision for severance pay

Balance at beginning of the year	269,818	203,422	243,809	189,850
Increase / (decrease) in provision	70,476	66,396	50,074	53,959
Balance at end of the year	340,294	269,818	293,883	243,809

The provision for severance pay benefits has been determined in accordance with the Labour Act of 2007 (Act 11 of 2007).

Key assumptions used are:

- likelihood of remaining in service until the age of retirement
- varied according to current age of staff members

The Group does not make use of an actuary to compute the calculation, it is done internally.

18. Loan: Bank of Namibia

Loan from Bank of Namibia to Central Securities Depository (Proprietary) Limited	1,731,679	1 561 409	-	-
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The loan is unsecured and has no fixed terms of repayment. Interest is capitalised monthly at the Namibian prime interest rate. A formal agreement is in place between Bank of Namibia and Central Securities Depository (Proprietary) Limited, the loan will not be called up in the next twelve months.





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

19. NOTES TO THE STATEMENTS OF CASH FLOWS

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
19.1 Cash generated from operations (2018 restated)				
Profit for the year before taxation	9,898,117	6,003,684	8,216,123	6,402,307
<i>Adjustment for:</i>				
Depreciation	35,025	43,592	24,141	27,323
Impairment loss of loan to related party	-	-	490,687	734,856
Reversal of impairment loss of loan to related party	-	-	-	(1,520,802)
Investment income recognised in profit	(6,932,390)	(1,494,454)	(6,143,037)	(1,953,473)
Increase in provision for severance pay	70,474	66,396	50,072	53,959
	<u>3,071,226</u>	<u>4,619,218</u>	<u>2,637,986</u>	<u>3,744,170</u>
<i>Movements in working capital</i>				
Deferred Revenue	1,178,508	382,335	1,178,508	382,335
Increase in trade and other receivables	(1,159,287)	(531,220)	(770,644)	(271,822)
(Decrease) / increase in trade and other payables	684,712	531,684	202,001	474,949
	<u>3,775,159</u>	<u>5,002,017</u>	<u>3,247,851</u>	<u>4,329,632</u>
19.2 Taxation paid is reconciled to the amount disclosed in the statement of profit or loss and other comprehensive income as follows:				
Amounts receivable at the beginning of the year	(55,598)	(44,811)	-	-
Taxation charged to profit or loss	107,080	161,718	-	-
Movement in deferred taxation	16,250	(51,085)	-	-
Receivable at end of year	147,599	55,598	-	-
	<u>215,331</u>	<u>121,419</u>	<u>-</u>	<u>-</u>
19.3 Cash and cash equivalents				
Cash at bank and on hand	1,050,408	311,396	799,162	123,733
Call accounts	37,936,817	32,208,385	33,165,858	28,134,827
	<u>38,987,225</u>	<u>32,519,781</u>	<u>33,965,020</u>	<u>28,258,560</u>

20. COMMITMENTS

Commitments under operating leases with subsidiary, Maerua Investments Number Nine (Proprietary) Limited:

Within one Year	-	-	-	657,461
One year to five years	-	-	-	1,476,921
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,134,382</u>

Historically, the lease has been recognised as an operating lease in terms of IAS 17: Leases. However, in the current year the lease contract was renegotiated as a 12 month lease contract and therefore no commitments exists with regards to future periods.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

21. RETIREMENT BENEFIT INFORMATION

21.1 Retirement fund

The Stock Exchange contributes to the Benchmark Retirement Fund, an umbrella defined contribution plan. This fund is registered under and governed by the Pension Funds Act 1956 (Act 24 of 1956). All employees who are eligible through qualifying service are members of the fund. The fund provides death, disability and retirement benefits.

In terms of the rules of the fund the employer contributes 19.6% of cost to company remuneration towards retirement and premiums for group life benefits. Obligations for contributions to the fund are recognised as an expense as incurred. Refer to Note 6.

Under defined contribution plans, the legal liability of the entity is limited to the agreed contribution. Consequently investment risks are borne by the employees.

21.2 Post-retirement medical benefits

The Stock Exchange and its subsidiaries contribute to a medical aid scheme for the benefit of permanent employees. In terms of employment contracts, the Group is not liable for the medical aid contributions of retired employees.

22. FINANCIAL RISK MANAGEMENT

The group and NSX's principal financial instruments comprise of investments and cash equivalents. The financial assets which are investments and cash and cash equivalents, arise directly from operations.

The market risks arising from the group and NSX's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised.

22.1 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. A significant number of the foreign currency transactions are denominated in South African Rand. Namibia is part of the Southern African Common Monetary Area. The Namibian Dollar is pegged to the South African Rand on a one-to-one basis. Virtually all the Stock Exchange's transactions are conducted within the common monetary area of Southern Africa. Foreign data distribution vendors are billed in foreign currency and these amounts are not hedged.

The Group does not have assets or liabilities denominated in foreign currency as at year end.

22.2 Interest rate management

The Group's sensitivity to interest rates has decreased since the investment in the prudent unit trusts (note 13) and the purchase of the Group's operating premises. The Group still adheres to the process of managing the Group's interest rate risk. Interest rate characteristics of new investments and the reinvesting of maturing investments are positioned according to expected movements in interest rates. This risk is managed by the Group ensuring that where appropriate assets and liabilities are invested for periods appropriate to the potential needs of the Group.

The group and NSX's exposures to interest rates on financial assets and financial liabilities are detailed in note 23.

The information below demonstrates the sensitivity to a possible change in the interest rates, with all other variables held constant, of profit before tax.

	100 bps Increase	100 bps Decrease
Increase or decrease of a 100 basis points in the interest rate	389,872	325,198





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

22. FINANCIAL RISK MANAGEMENT (continued)

22.3 Credit risk management

The Group only deposits cash surpluses with major banks of high quality credit standing.

Trade accounts receivables comprise a sound customer base. On-going credit evaluation of the financial position of customers is performed.

The granting of credit is made on application and is approved by management. At 31 December 2019 the Group did not consider there to be any significant concentration of credit risk which has not been provided for.

22.4 Fair value

The Board of Directors is of the opinion that:

- the carrying value of financial instruments carried at cost or amortised cost approximates fair value due to the short-term nature of these investments;
- the appropriate fair value of the investments in unit trusts is the price published by the unit trust managers on the measurement date;
- the fair value of the fixed property was determined as detailed in note 10.

The Group does not speculate in or engage in the trading of derivative instruments.

22.5 Capital risk management

The Group manages its capital with the objective of ensuring that the NSX continues as a going concern in order to provide the statutory protection for investors in terms of the Guarantee Fund.

The Group is not subject to any externally imposed capital requirements.

In the prior financial years, the Board approved the appointment of three Namibian Asset Managers to manage the Group's investments. The Group's cash and cash equivalents exceeds its liabilities by N\$34 million.

22.6 Liquidity risk management

The group and NSX's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

The directors take note of the net assets position of the group and NSX. The directors have concluded that sufficient liquid resources are available to the group and NSX to allow it to continue normal operations for the foreseeable future.

The group and entity's financial assets and financial liabilities maturity are detailed in note 23.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

23. LIQUIDITY AND INTEREST RATE RISKS TABLES

	Interest rate		Group		Namibian Stock Exchange	
	2019	2018	2019	Restated 2018	2019	Restated 2018
	%	%	N\$	N\$	N\$	N\$
Assets						
Non-financial assets						
Plant and equipment	-	-	41,271	54,102	23,350	40,417
Fixed property	-	-	8,485,000	8,535,000	-	-
Investment in subsidiaries	-	-	-	-	1,331,140	1,331,140
Current taxation	-	-	147,599	55,598	-	-
Prepayments	-	-	70,621	50,227	58,154	37,696
			<u>8,744,491</u>	<u>8,694,927</u>	<u>1,412,644</u>	<u>1,409,253</u>
Financial assets at fair value – mandated unit trusts			<u>52,247,286</u>	<u>48,004,793</u>	<u>40,219,793</u>	<u>37,045,629</u>
Financial assets at amortised cost						
1 to 5 years						
Investment in subsidiaries: Maerua Investments Number Nine (Proprietary) Limited	8.50%	8.50%	-	-	4,460,000	4,600,000
Investment in subsidiaries: Central Securities Depository (Proprietary) Limited	10.25%	10.50%	-	-	311,569	89,423
Other investments - listed maturing in 2020 & 2021	10.25%	10.50%	495,964	565,606	495,964	565,606
			<u>495,964</u>	<u>565,606</u>	<u>5,267,533</u>	<u>5,255,029</u>
0 to 3 months						
Call accounts - variable rates						
Other investments - NSX	10.25%	10.50%	33,165,858	28,134,827	33,165,858	28,134,827
Other investments - Guarantee Fund	10.25%	10.50%	4,770,959	4,073,558	-	-
Current accounts - variable						
Bank balances and cash	-	-	1,050,408	311,396	799,162	123,733
Financial Assets - no interest						
Trade and other receivables	-	-	2,158,432	1,019,539	1,355,550	605,364
			<u>41,145,657</u>	<u>33,539,320</u>	<u>35,320,570</u>	<u>28,863,924</u>
Total assets			<u>102,633,398</u>	<u>90,804,646</u>	<u>82,220,541</u>	<u>72,573,835</u>





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

23. LIQUIDITY AND INTEREST RATE RISKS TABLES (continued)

	Interest rate		Group		Namibian Stock Exchange	
	2019	2018	2019	Restated 2018	2019	Restated 2018
	%	%	N\$	N\$	N\$	N\$
Rights and reserves						
Founder members' contributions	-	-	430,000	430,000	430,000	430,000
Stockbroking members rights	-	-	1,890,500	1,890,500	1,890,500	1,890,500
Property revaluation reserve	-	-	1,664,700	1,714,700	-	-
Insurance reserve	-	-	500,000	500,000	500,000	500,000
Guarantee fund	-	-	16,802,546	15,058,574	-	-
Retained surplus	-	-	73,255,388	64,774,212	71,633,033	63,416,910
Non-controlling interest	-	-	(2,060,946)	(1,626,834)	-	-
			92,482,188	82,741,152	74,453,533	66,237,410
Liabilities						
Non-financial liabilities						
Provision for retrenchments and retirement	-	-	340,294	269,818	293,883	243,809
Trade and other payables	-	-	132,383	636,041	17,726	229,514
Deferred Revenue	-	-	5,195,956	4,017,449	5,195,956	4,017,449
Current taxation	-	-	-	-	-	-
Deferred taxation	-	-	259,866	276,116	-	-
			5,928,498	5,199,424	5,507,565	4,490,772
Financial liabilities						
Loan: Bank of Namibia	10.25%	10.50%	1,731,679	1,561,408	-	-
0 to 3 months						
Trade and other payables	-	-	2,491,032	1,302,662	2,259,442	1,845,653
Total liabilities			10,151,209	8,063,494	7,767,007	6,336,425
Total rights, reserves and liabilities			102,633,398	90,804,646	82,220,541	72,573,835

24. FAIR VALUE HIERARCHY

Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principle (or most advantages) market (of designated fair value financial instrument through profit and loss) regardless of whether that price is directly observable or estimated using another valuation technique.

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements; this is done for instruments and fixed property recognised at fair value. The Groups' fair value hierarchy has the following levels:

- Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3 - Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

24. FAIR VALUE HIERARCHY (continued)

24.1 Financial instruments

The NSX classifies the investment in unit trusts as Level 2 and is of the opinion that for the fair value hierarchy as prescribed by IFRS, the daily publication of unit trust prices by reputable unit trust managers suffices.

The following financial assets are recognised at Level 2 fair value in the statement of financial position:

	Group		Namibian Stock Exchange	
	2018	2017	2018	2017
	N\$	N\$	N\$	N\$
Investments in balanced mandate funds	52 247 286	48 004 793	40 219 793	37 045 629

24.2 Fixed property

The Group revalue its property as disclosed in note 10 and classifies the fixed property as Level 2 as the Directors are of the opinion that for the fair value hierarchy as prescribed by IFRS, the income capitalisation valuation method applied by the Professional / Sworn valuator suffices.

25. RELATED PARTIES

A related parties relationship exists between the Stock Exchange, which performed certain administration services for its subsidiaries (Transfer Secretaries (Proprietary) Limited and Maerua Investments Number Nine (Proprietary) Limited) for which a management fee as detailed below was charged and paid, being an appropriate allocation of costs incurred by the NSX.

	Group		Namibian Stock Exchange	
	2019	2018	2019	2018
	N\$	N\$	N\$	N\$
Amounts received from Transfer Secretaries (Proprietary) Limited:				
Administrative and management fees based on staff cost (note 6)	-	-	1,726,656	1,015,680
Insurance recharge	-	-	43,929	37,530
IT Services	-	-	74,400	69,600
Board and Committee fees (note 6)	-	-	75,318	75,318
Amounts incurred by Central Securities Depository (Proprietary) Limited				
- Management fee to NSX			480,000	480,000
- Interest on long-term loan by Namibian Stock Exchange			216,833	258,279
- Interest on long-term loan by Bank of Namibia	170,272	40,605	-	-





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

25. RELATED PARTIES (continued)

	Transfer Secretaries 2019	Transfer Secretaries 2018	NSX 2019	NSX 2018
Amounts paid to and received from Maerua Investments Number Nine (Proprietary) Limited				
- Administrative fee	-	-	8,858	8,053
- Premises rental	280,960	260,149	657,461	608,760
- Interest on long-term loan by Namibian Stock Exchange	-	-	385,300	404,792

Related party balances are disclosed in Notes 11, 14, 15 and 18 and Directors fees are disclosed in Note 6.

26. FINANCIAL STATEMENTS

The annual financial statements were authorised for issue on 21 April 2020.

NAMIBIAN STOCK EXCHANGE MANAGEMENT COMMENTARY FOR THE YEAR ENDED 31 DECEMBER 2019

This management commentary by the NSX, provides additional context to users of the annual financial statements of the Namibian Stock Exchange (NSX) and the Group which includes Transfer Secretaries, the Guarantee Fund, the property owning company and the Central Securities Depository, all of which have been prepared in accordance with International Financial Reporting Standards. The commentary provides integrated information that explains the performance of the NSX and the amounts presented in the financial statements specifically the NSX's financial position, financial performance and cash flows and serves as a basis for understanding management's objectives and its strategies for achieving the stated objectives. We do not present a full integrated report, but rather apply parts of an integrated report in our annual report, due to the small size of the NSX. A full integrated report will be presented once demutualisation occurs.

Nature of business

The NSX is an electronic marketplace for the listing and secondary trading of financial securities such as equities and bonds. It oversees and regulates the activities and trading of its member stockbrokers, sponsors, listed companies and publishes information about trading, listed company information and general information about stock exchanges.

The Namibian Stock Exchange (NSX) is the only registered stock exchange in Namibia and is required to be licensed annually by the Namibian Financial Institutions Supervisory Authority. The NSX participated in the debates and consultations leading to the drafting of the Namibian Financial Sector Strategy. This strategy calls for the NSX to be demutualised as prescribed in the Financial Institutions & Markets Bill, which is scheduled to be promulgated in 2020.

- Demutualisation will require the registration of a company (with share capital) and the transfer of the assets of the NSX to the newly established company within one year from the enactment of the Act. This could lead to the NSX being listed when the existing rights holders approve the terms of the demutualisation and listing. At the Annual General Meeting in 2015 the existing rights holders approved the principle of demutualisation and self-listing in terms of the FIM Bill, expected to be promulgated this year.

The NSX is an association not-for-profit whose main function is to develop the capital market as the engine of economic growth, development & prosperity of Namibia; to assist listed companies to raise capital; to provide a trading platform in these shares after listing with transparent price discovery in a regulated environment where best practices corporate governance is prescribed and enforced which encourages investors to buy equities / shares in the first place. The NSX has published the Corporate Governance Code for Namibia ("NamCode") which is applicable on all listed companies as a replacement of the outdated King II compliance requirement and the NamCode is part of the continuing obligations under the listing requirements on an apply or explain basis.

The role of the NSX is to "list" companies that want to raise money and / or want to facilitate the subsequent trading in their shares as efficiently as possible. It is important to understand that the stock exchange itself does not create or market the business ideas that require finance - that is the responsibility of the stock brokers and sponsors. The ability of a company to raise money on an exchange and the performance of the company's share price after listing depends entirely on the company itself and external economic factors including the government's management of the economy in terms of the legislative framework.

At the end of 2019, the NSX comprised of 43 founder members and six stock broking members (one of which is a founder member). One of the more onerous obligations on becoming a stockbroker is to acquire six rights at the valuation shown in the statement of changes in rights & reserves. At year end a total of 78 rights had been issued.

The rights holders are entitled to attend the Annual General Meeting held in April each year to approve the annual financial statements and to elect members of the Board of Directors to supervise the management of the NSX.



How does one measure the performance of the NSX itself?

At first glance on page 2 of the Annual Financial statements the NSX did not fare as well in 2019 considering the challenging economy we find ourselves in. The profits of an exchange depend directly on how much their services are used and on sustainability which is underpinned by the certainty of continued licensing and sound investing of its retained income. The services provided by the NSX include the trading system, publishing reliable, prompt information about trading, and compliance with sound regulation as well as investor relations. The share prices of those stock exchanges that have demutualized and listed on their exchange are therefore good indicators of their performance. As the NSX is still an association not for gain, other indicators are the norm.

The NSX has no share price by which to measure its performance. Instead a number of other indicators have to be examined in addition to the normal financial statements to which this report is attached and the movement in reserves is included in a table on page 2 of the Annual Financial Statements.

- The number of listing applications and actual new listings is a good indicator of how many companies want to raise money through the exchange, besides the three new sponsor approvals in 2018.
 - *In 2019 the primary listing of SBN Holdings Ltd was recorded and the issuance of five new ETF's as secondary listings. Private placement by ANIREP (second CPC to list) was done on the Development Capital Board (DevX) and six new bonds were listed on the NSX with 2nd and 3rd tranche issuance by BWJh2 and BWfh22 respectively. A total of eight Namibian bonds and one SA listed bond matured to the end of 2019.*
- The trades on the exchange can be measured by the number and value of shares traded. See tables on page 2. The 2019 trades were worth N\$ 8.872 or 27% lower than 2018. The liquidity of the exchange can be measured by dividing the value of shares traded by the free-float market capitalisation of the exchange — the so-called liquidity ratios.
 - *Throughout the reporting period the buy and hold mentality, the demand for local assets by regulation and taxing regime, the significant increase in existing and new Government bonds, locally, regionally and internationally, continues to dampen the liquidity on the NSX.*
- Regulations and Listing requirements.
 - *The NSX is regulated by NAMFISA as stated above in terms of the 1985 Stock Exchanges Control Act and has adapted the JSE Listing Requirements which will be revamped with changes required in terms of the 2004 Companies Act when the Financial Institutions and Markets Bill is enacted.*
- Cost of trading on the NSX.
 - *Namibia's stockbrokers must comply with the NSX's non-negotiable and fixed charges. An application can be made for concessionary brokerage limited to trades in Namibian companies in excess of N\$ 40 million. In a small market it is essential that level playing fields are maintained and that the brokers earn sufficient income to provide a full service in Namibia and not be controlled by foreign companies. **The Managing Director of the corporate member must be a Stockbroker and must be Namibian.***
- Trading costs, as shown on page 2, as a percentage of the traded value are:

• Brokers' fees, on average	0.424%
• NSX Levy, 10% of brokers fees	0.042%
• NAMFISA levy on trade value (Nov 2017 onwards)	0.079%
Total cost for each leg of a local trade	0.545%

These fees can be as high as 1.14% for trades under N\$ 10 000 as the brokerage is charged at 1% for the first N\$ 10 000 of the traded value.

There are six registered stockbrokers on the NSX. Contact details can be found on the back cover of this report.

Growth of the NSX

Since the launch of the NSX in 1992 the market capitalisation of shares listed on the NSX has grown significantly with more than 75 companies being listed across a range of sectors including both domestic and international. As in many exchanges with attrition through takeovers, transfers to other exchanges and two liquidations the number of listed entities has reduced throughout the years. As at December 2019 a total of 49 companies are listed on the Main Board, the Development Capital Board (DevX) and Exchange Traded Funds of the stock exchange.

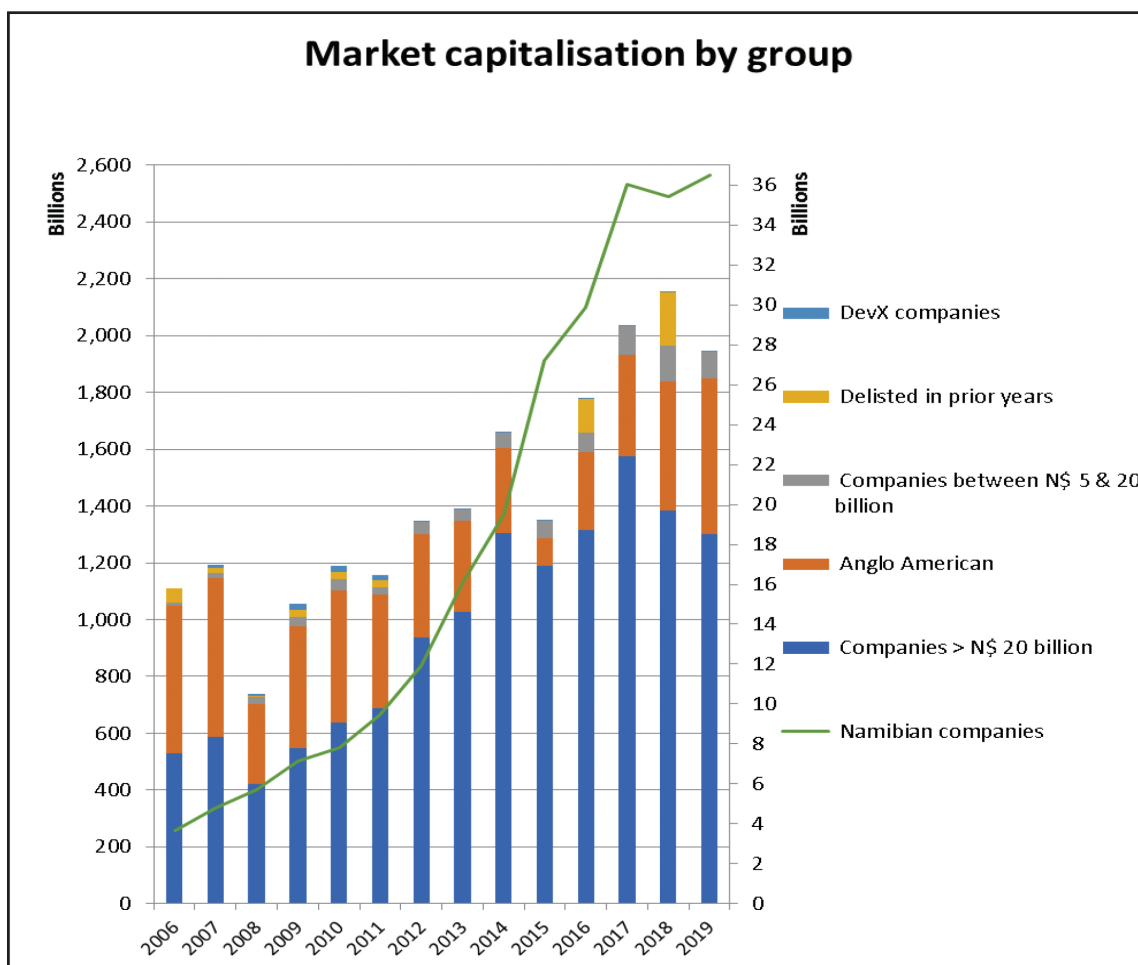
In dissecting the 49 listed companies, there are 38 companies with more than one listing and 11 local listed companies on the Namibian Stock Exchange.

Primary listed on the stock exchanges in:

Namibia - NSX	12
Australian - ASX	5
London - LSE	2
South Africa - JSE	15
South Africa - JSE - ETF	9
Toronto - TSX	2
Mauritius – SEM	4

Total **49**

Total market capitalisation is the sum of the number of shares in issue multiplied by the closing share price, in this case the price at 31 December of each year. ETFs are excluded in the market capitalisation calculation, but included in the total listings and trading statistics.

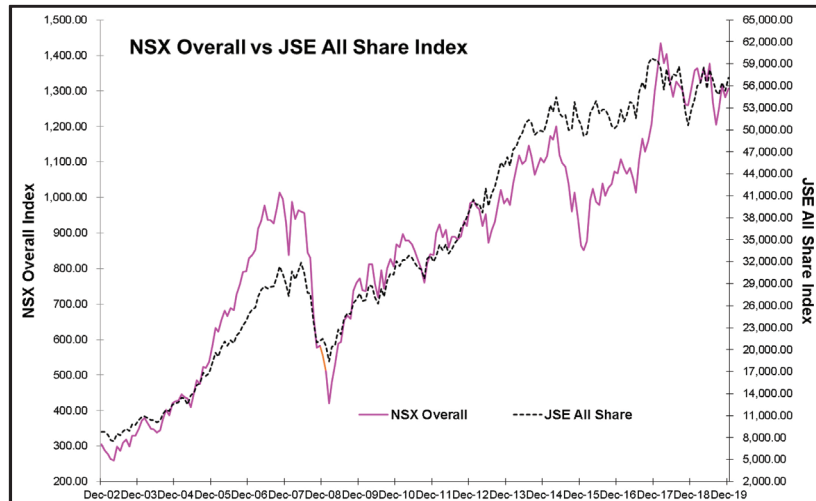
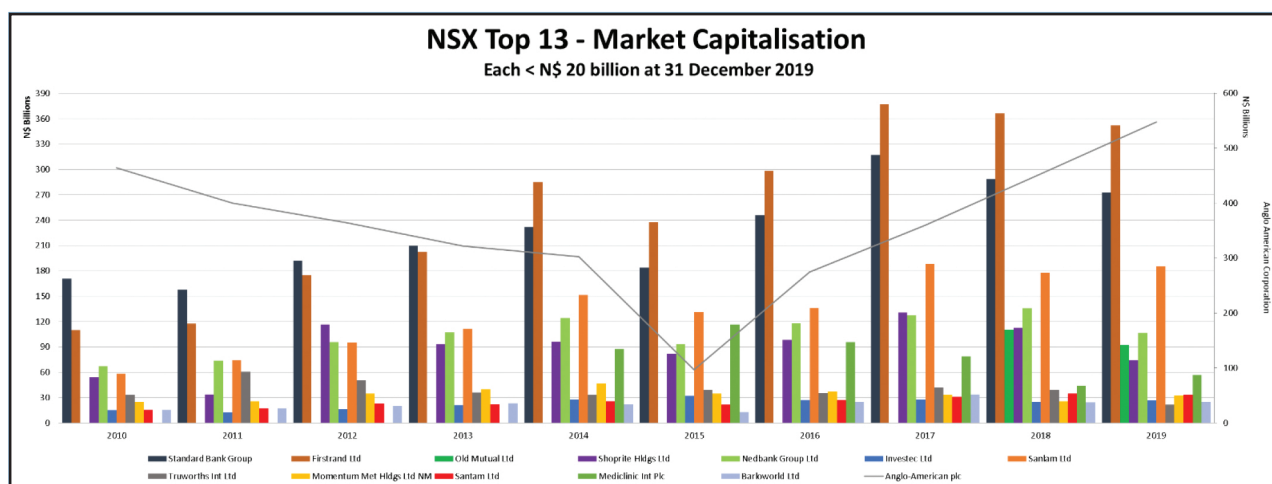




The NSX has over the years benefited from the Namibian asset requirements for Pension Funds and the similar regulation for long-term insurance companies by the dual / cross / secondary listing of companies listed on other international exchanges. Since 1994 pension funds have been required to invest 35% of their respective assets in deemed Namibian assets which include dual listed shares purchased through a Namibian Stock Broker on the NSX. Effective from 31 December 2014, only 25% of the value of dual listed shares will qualify as Namibian assets and this percentage reduced by five percentage points each year to ten percent at the end of 2017. **It is impossible to determine the detrimental effect this reduction will have on the NSX results over this period.**

At the end of each day, the NSX publishes information about trading that has taken place and has contracted with FTSE to calculate various indices, each of which is a single number reflecting the price movement of its various components. To cover the costs of preparation, this information is only available to subscribers and posted to the NSX website weekly. At the end of each day, week and month, reports are compiled and distributed to subscribers, brokers, fund managers and other interested parties.

In the next graph the solid line highlights the movement in the market capitalisation of Anglo American Corporation plc against the right hand vertical axis, in billions of Namibia dollars, since December 2006 and compares this to the largest companies listed on the NSX.



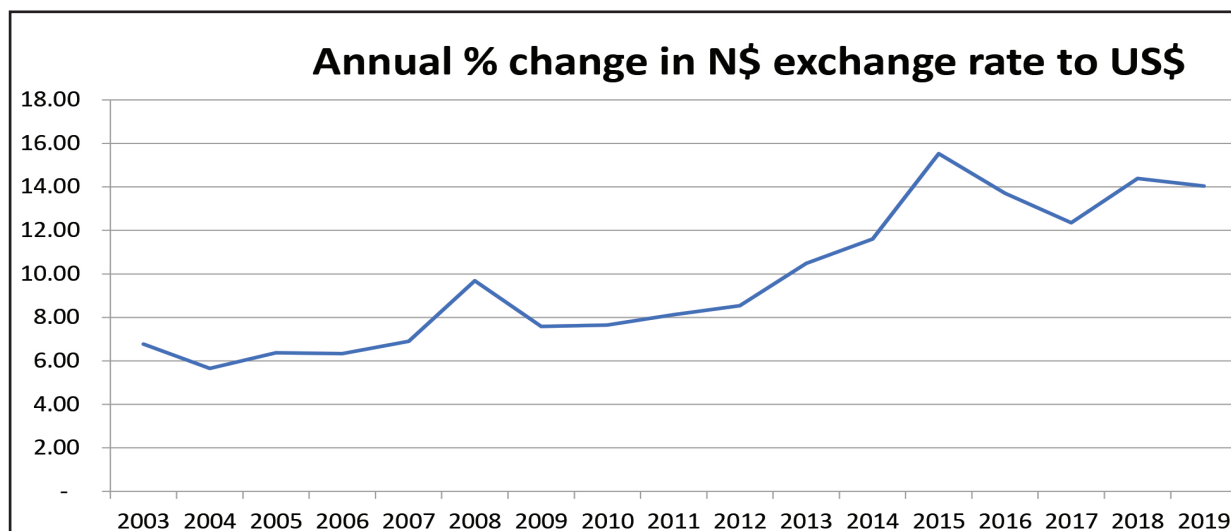
This graph shows the composite growth based on the price movement in the components of the Overall Index and is compared to the JSE All Share Index. The NSX Overall Index includes some companies of high market capitalisation, such as FirstRand, Anglo American and Old Mutual, which makes it a difficult index to track, as investors would be unlikely to be so overweight in a few stocks.

It must therefore be acknowledged that the index does not reflect an investible benchmark.

On 06 March 2018 the NSX Overall Index was at an all-time high of 1,460.44. As at year end 31 December 2019 the NSX Overall Index closed at 1,306.30 declining with 0.04% compared to 2018; while the JSE All Share Index closed at 57,084.10 at the end of the year or 8.24% up for 2019. Notable dual listed comparative number pre and post 2008 are:

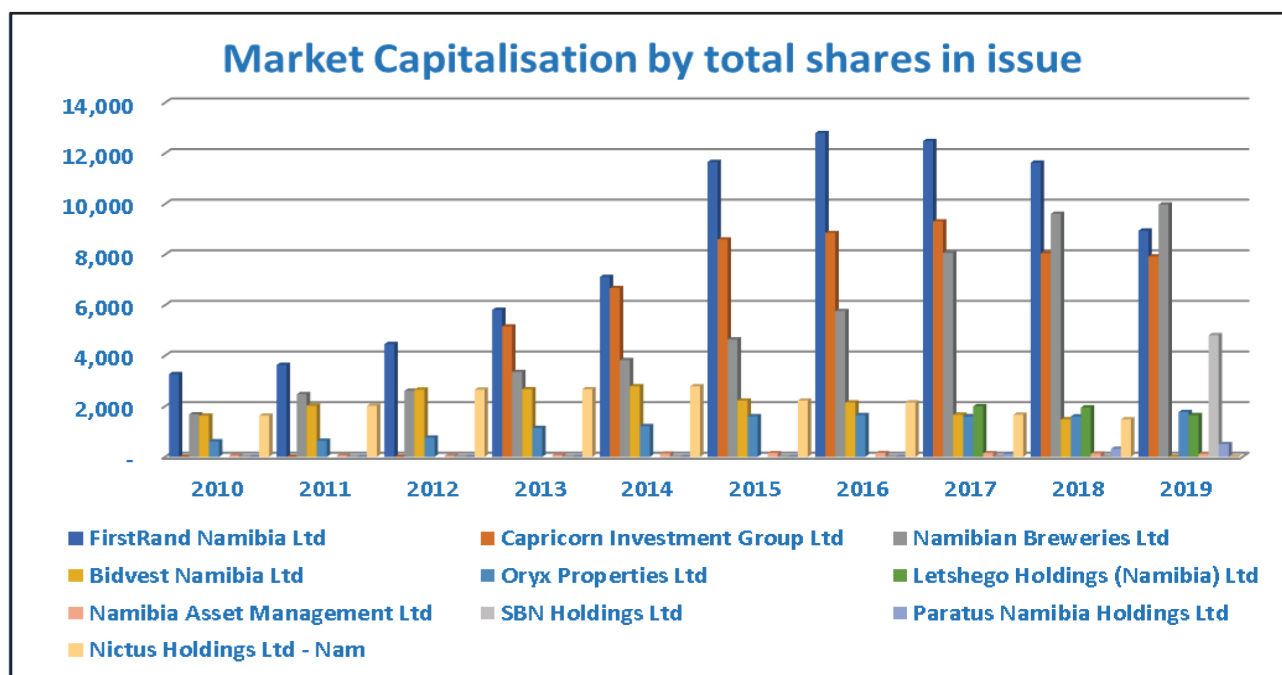
- Anglo American at N\$ 479.01 in October 2007 and N\$ 68.99 at 31 December 2015 and closed at N\$ 398.84 or 23.8% up as at 31 December 2019;
- Old Mutual Plc at N\$ 24.65 in 2007, dropped to N\$ 4.72 in March 2009 and closed at N\$ 37.83 as at 29 June 2018 when it delisted.
- Old Mutual Ltd listed June 2018 and closed at N\$ 22.40 in 2018, dropping to N\$ 19.66 as at 31 December 2019;
- FirstRand at N\$ 20.30 in 2007 and N\$ 65.27 in 2018, closed at N\$ 62.80 as at 31 December 2019.

Although the London Stock Exchange shares were initially considered to be Rand (N\$) hedges, the volatility of the Namibia Dollar / ZAR against the US Dollar and the introduction of dividend withholding taxes on shareholders included on the RSA register (STRATE); and the decline in the Anglo share price since the 2008 financial sector crisis has diluted any benefit from being a rand hedge.

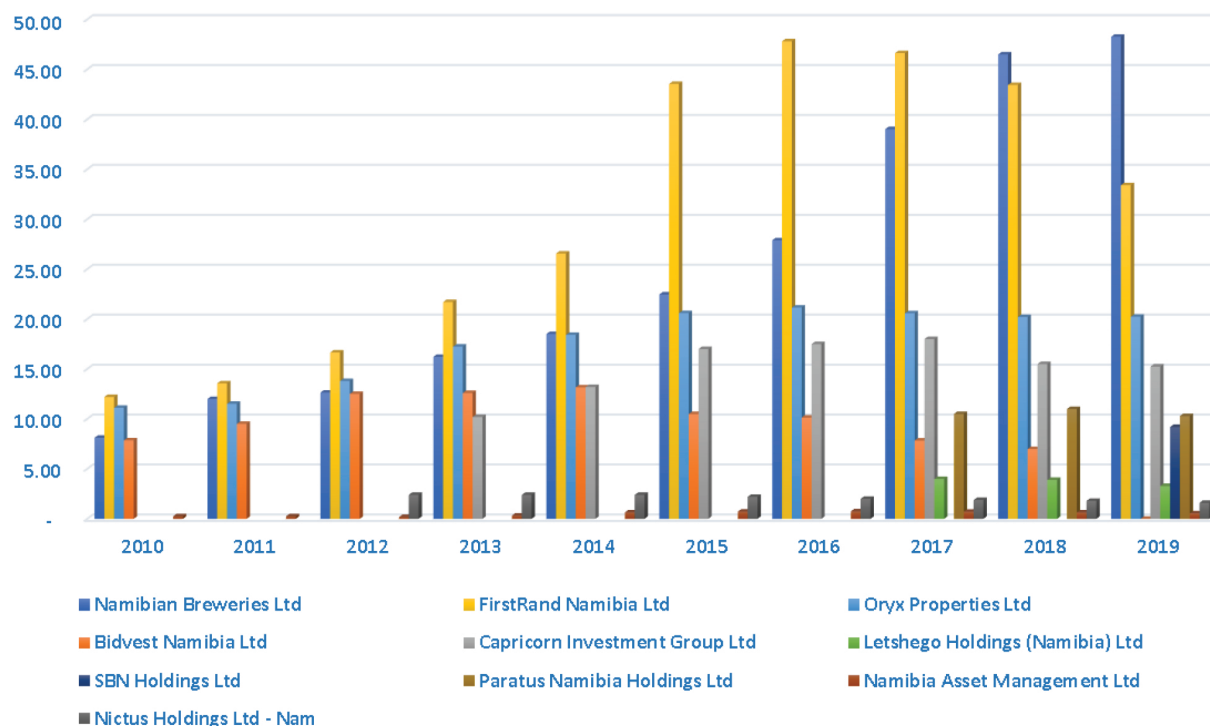


The local index which includes only Namibian Primary listed equities is calculated and published on a daily basis (refer to page 2 for the growth in the index). The local index declined by 1.22% in 2019. Although Regulation 13 has been the basis of creating a large demand side of the market on the local securities, foreign taxation legislation has made local more attractive in the last few years. South African legislation implemented a 20% withholding tax on dividends, so local investors have a commercial incentive to buy local securities where they receive a larger part of the dividend. When analysing the performance of the Namibian securities over a 10-year period it is clear that the local market has become more active of late and there is a demand for local securities that is not currently being met, both from regulatory as well as a commercial perspective. Due to the regulation most pension funds also have a “buy and hold” philosophy, which decreases the liquidity of the securities even further. The implementation of the CSD is expected to open the Namibian market to additional interest from the international market which would increase the demand even more, not only for shares, but specifically on the bond market. It is clear that more Namibian companies need to come to market and expand their shareholding base if the liquidity problem is to be addressed. The graphs below examine the price and market capitalisation growth of selected Namibian securities, without taking dividend payments into account.

Primary Listed Companies



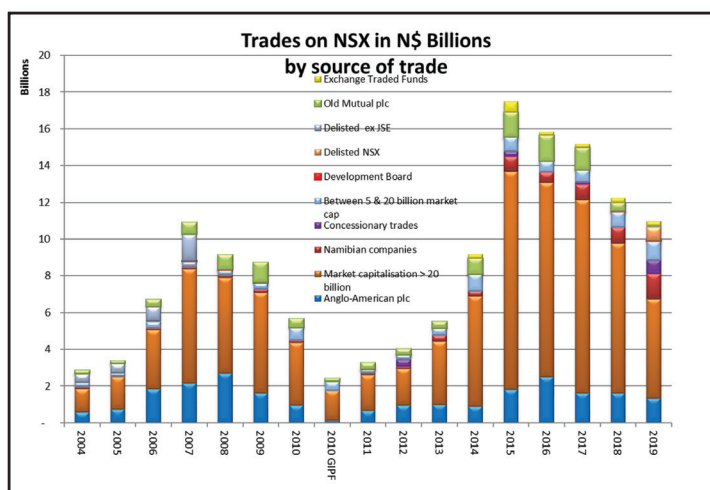
NSX local market share prices



Trades in equities

Trades are reported by a calendar year and trends, if any, are examined to determine if the value of trades is likely to exceed the forecast for the year, being the average of the preceding three years. To assist in understanding the value of the secondary trades reported by the NSX a stacked column graph has been prepared to highlight the value of each segment.

As shown above Old Mutual and Anglo-American Corporation Plc are shown separately as it have significantly influenced the trading and reporting on the NSX and are shown separately. Other companies are grouped together as follows:

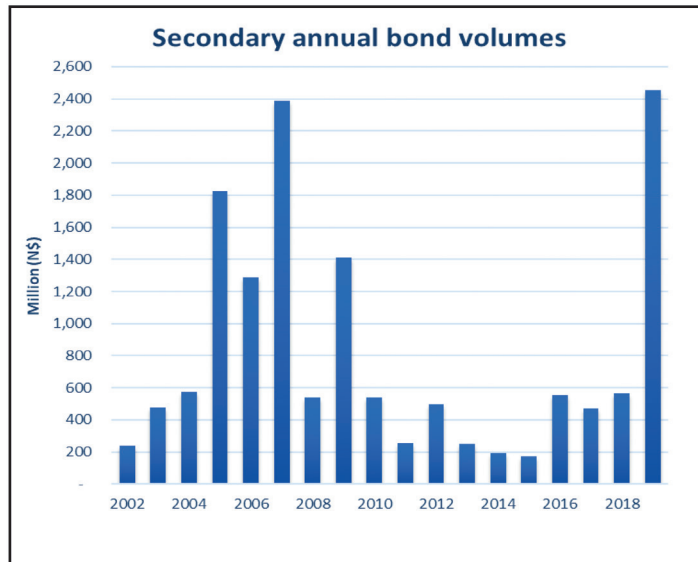


- Companies with a market capitalisation greater than N\$ 20 billion;
- Namibian companies (irrespective of size or primary listing);
- Companies other than Namibian incorporated with a market cap of between N\$ 5 billion and N\$ 20 billion;
- Companies which have been delisted on either the NSX or JSE since 2003;
- All companies on the development capital board – at present only ASX and TSX companies;
- Exchange Traded Funds; and
- The trades referred to above as concessionary trades, which would not have been traded on the NSX without applying the discretionary brokerage.
- Concessionary trades are large blocks (> N\$ 40 million) of a single primary listed entity for which a preferential trading cost is approved by the NSX to encourage all secondary trades to be reported to the market.

In addition, in the second quarter of 2010 GIPF, a defined benefit fund for Government employees and the largest Pension Fund in Namibia implemented a major revision to its asset management mandates which necessitated the sale and purchase of a number of dual listed equities via an off-shore international transitional manager.

Traded values have been decreasing since the high of 2007 to 2012 with trading levels picking up in the last few years and 2015 being an exceptional year with an increase of 106% on 2014. Traded values for 2019 dropped by 27% when compared to 2018, as the dual listed portion of Domestic assets reduce, this trend is expected to continue.

Trades in Bonds

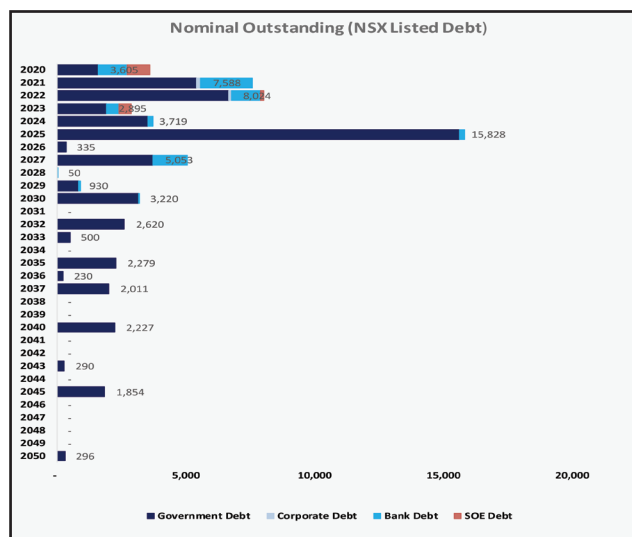


The values of issued bonds in N\$ millions are:

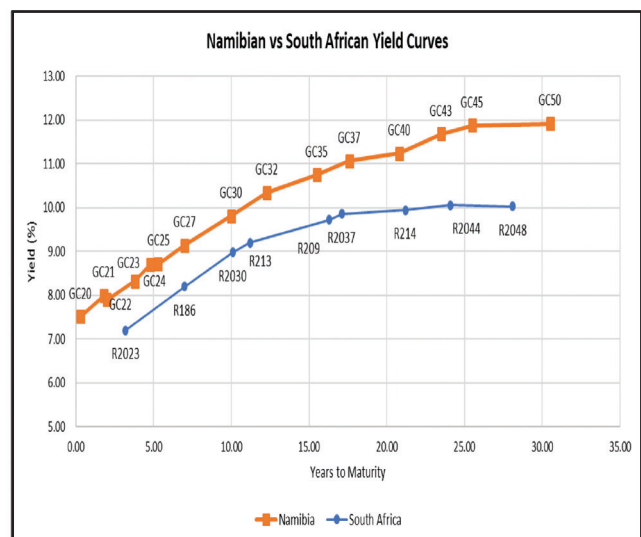
Government	38,053
State Owned Enterprises	
Namibia, only	991
Dual listed on JSE	500
Commercial Banks	4,353
Dual listed on JSE	2,212
Corporate	263

This is in addition to the US\$ 500 million raised in Europe in 2011 and US\$ 750 million raised in 2015; ZAR 2,892 billion listed on the JSE and the N\$ 24,247 billion outstanding Treasury Bills.

The number at the end of the bar is the total value of maturities for the year.



IJG calculated Yield Curve as of 31 December 2019





Notes



NSX FOUNDER MEMBERS

(former names)

//Ae//Gams Financial Services (Pty) Ltd
African Controlling (Pty) Ltd
Alexander Forbes Risk Services (*Lumley Namibia (Pty) Ltd*)
Bank Windhoek Limited
Beira Investment (Pty) Ltd
Business Connections Namibia (Pty) Ltd (*(Comparex Namibia) (Asba Data)*)

Capital Alliance Life Ltd (*AGA (ACA Insurers)*)
CIC Holdings Limited
De Beers Services (Pty) Ltd (*Namdeb Namibia / CDM*)
Development Bank of Namibia Limited (*formerly NDC*)
E O Schneider
First National Bank of Namibia Limited
Government Institutions Pension Fund
IJG Securities (Pty) Ltd (*Irwin, Jacobs, Greene & Associates (Pty) Ltd (HSBC Securities (Namibia))*)
IJG Holdings (Pty) Ltd (*Irwin, Jacobs, Greene & Associates (Pty) Ltd*)
Insurance Company of Namibia Limited
IY Rachmin (*Magnum Centre (Pty) Ltd*)
Manica Group Namibia (Pty) Ltd
Metcash Trading (Namibia) (Pty) Ltd (*Metlas*)
Metje & Ziegler Limited
Momentum Life Association Limited (*The Southern Life Association*)
Namib Bou (Pty) Ltd (*Namib Building Society*)
Namibia Industries (Pty) Ltd
Namibia Investment (Pty) Ltd
Namibian Sea Products Ltd & Namibian Fishing Industries Ltd
Nedbank Namibia Limited (*Commercial Bank of Namibia*)
NEC Investment Holdings (Pty) Ltd
Nictus (Pty) Limited
NovaNam Ltd (*Pescanova Fishing*)
Ocean Diamond Mining Holdings Limited
Ohlthaver & List Trust Co. Limited
Old Mutual Life Assurance Co. (Namibia) Limited
Pupkewitz Holdings (Pty) Ltd
Sanlam Namibia Limited
Santam Namibia Limited
Schoeman Office Systems (Pty) Ltd
Seaview Investments
Standard Bank Namibia Limited
Swabou Holdings Limited (*Swabou Building Society*)
TDS Holdings (Pty) Ltd
TransNamib Limited
Tunacor Limited
Wispeco (Namibia) (Pty) Ltd

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SPONSOR Equity and Bonds

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<p style="text-align: center;">RMB Namibia A division of First National Bank of Namibia Ltd ("RMB") Investment Banking Division Managing Director: Matthias Langheld P/Bag 13239, Windhoek 1st Floor, @Parkside, 130 Independence Avenue, Windhoek Tel: +264 61-299 8112 • Fax: +264 61-378 644 E-mail: matthias.langheld@rmb.com.na</p>	