



**N**amibian **S**tock **eX**change

**2012**

**Annual Report**

**31 December**

## **NSX DETAILS**

### **NATURE OF BUSINESS**

Stock Exchange  
Transfer Secretaries

### **AUDITORS**

Deloitte & Touche

### **BANKERS**

First National Bank of Namibia Limited  
Nedbank Namibia Limited

### **ADDRESS**

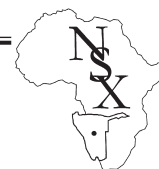
Robert Mugabe Avenue No 4  
(Parking & access from Burg Street)  
P.O. Box 2401, Windhoek, Namibia

### **CONTACT DETAILS**

Tel: +264-61-227 647  
Fax: +264-61-248 531

e-mail  
[info@nsx.com.na](mailto:info@nsx.com.na)

Website  
[www.nsx.com.na](http://www.nsx.com.na)



# NAMIBIAN STOCK EXCHANGE

## ANNUAL REPORT DECEMBER 2012

### The Mission and Vision of the NSX

#### Mission

The **Mission** of the 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 tradeable instruments
- create and maintain an effective, regulated environment to facilitate the way issuers of securities and investors get together to transact safely and securely
- 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.

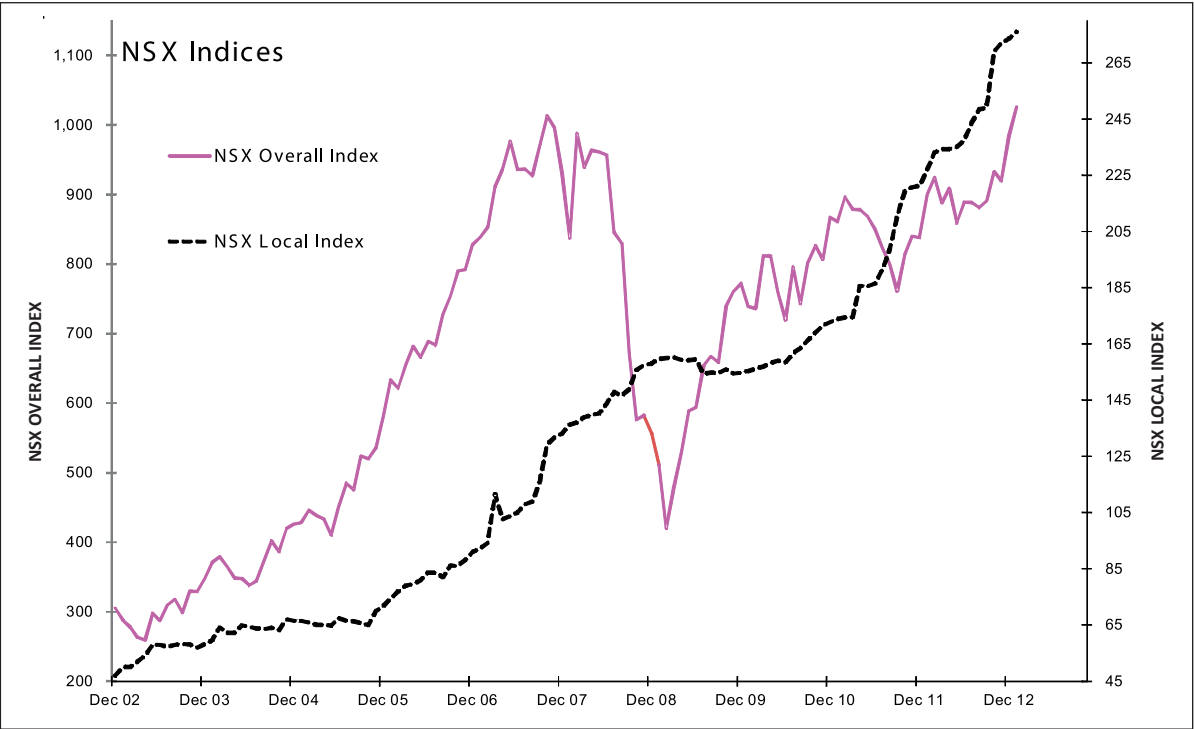
In so doing the NSX will contribute to the integrity of market pricing through increased liquidity, protect Namibia's macro-economic interests and build pride in Namibia's sovereignty.

## CONTENTS

NSX Details	Inside front cover
Statistics	2
Chairman's Annual Report	3 - 5
NSX Board, Committees & Staff	6 - 10
Corporate Governance Report	11 - 17
Responsibility for and approval of the Annual Financial Statements	18
Independent auditor's reports	19
<b>Annual Financial Statements</b>	
Statements of comprehensive income	20
Statements of financial position	21
Statements of changes in capital and reserves	22
Statements of cash flow	23
Accounting policies	24 - 26
Notes to the financial statements	27 - 36
How does one measure the performance of the NSX itself?	37
Management commentary	38 - 42
NSX Founder Members	inside back cover
Broker contact detail	back cover

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

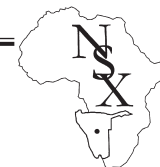
Year	# of Deals	Trading value in N\$ millions	Year on year % Change	Volume of shares in 000s	Transaction levies	NSX Fees as % of trade value	Investment Income	NSX Net Income	Accumulated reserves
2005	2,372	3,367	18%	120,835	1,515,650	0.0450%	781,051	990,557	7,590,328
2006	2,549	6,714	99%	234,586	2,911,718	0.0434%	892,225	1,274,551	8,614,879
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	4,115,623	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



FREE FLOAT MARKET CAPITALISATION							
N\$ millions		Primary Listed on the					
Year	Total	NSX	JSE	LSE	TSX	AIM	ASX
2005	769,586	2,630	374,796	392,160	-	-	-
2006	1,112,548	3,819	458,302	650,427	-	-	-
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	0	6,534

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.





# Chairman's Report

*"The stock market is bewildering. So it is hardly surprising that investors turn to professional fund managers for help. But when they do, they face a paradox. Since the market is dominated by professional managers, the average fund manager will earn the index return minus costs. Since the index does not reflect the impact of costs, investors are doomed, on average, to under-perform the market."*

Buttonwood; The Economist 15 December 2012

In the 2011 Report a number of expectations were listed and the 2012 scorecard shows few actually being achieved in 2012. However, the income from transaction levies increased by 9.2% on trade values which increased by 11% after a decline of 56.8% in 2011. Then, in 2011 the Board opinion was that increased listings and trades would come from pending regulatory and legislative action, unfortunately, once again it was more talk than action.

In 2012 changes at the NSX included the JSE upgrade to state-of-the-art LSE / MIT trading platform on 2 July 2012 which was seamless, after extensive testing, with immediate benefits from the surveillance enhancements and ease of preparing the daily reports coinciding with the transfer of Johene Saal (who joined Transfer Secretaries as an Administrator / Messenger in June 2000) to the NSX as Accountant / Information Officer; the promotion of Tiaan Bazuin from Listings Manager to CEO with effect from 2013; the move to the new premises at the junction of Jan Jonker & Robert Mugabe Avenue in early January 2012; and the introduction of concessionary brokerage rates on primary listed instruments.

In 2012 selected highlights of the NSX contributions to **deepening the capital markets** include:

- the Ministry of Finance and the financial sector regulators (Bank of Namibia and NAMFISA) published the Namibia Financial Sector Strategy which includes as its first stated objective the demutualisation of the NSX, which is to have a market capitalisation of 75% of GDP in 2021. NAMFISA, in the Financial Institutions & Markets bill, is now prescribing this demutualisation to happen within 12 months of the enactment of this act;
- continuing to participate in the debate on the white paper on local ownership of the commercial banks versus the requirement of NEEEF and the financial sector charter;

- receiving an application for the listing of Bank Windhoek in 2013;
- the dual listing on the main board of an Canadian primary listed company B2Gold Corporation, which acquired Aurix Gold Corporation, with a mining licence for gold in central Namibia;
- the introduction of depository receipts by B2Gold via Bank of New York Mellon;
- the approval of the listing of Nictus Holdings Limited via an unbundling of the Namibian assets of Nictus Limited, the first listing on the NSX;
- editing the uniquely Namibian Governance Code with the assistance of the Institute of Directors in South Africa;
- contributing to the World Bank Doing Business surveys;
- cooperating with the sovereign rating agencies during their annual reviews;
- the gazetting of updated Rules on the NSX disciplinary procedures; and
- participating in various fora on mining and other taxation, transfer duty and securities tax, anti-money laundering procedures and industry regulations.

The NSX was also engaged in the following items which are work-in-progress:

- Secondary trading of sovereign bonds and an improvement in the liquidity through the appointment of primary bond dealers continues to be delayed by the legacy legislation on insolvency which does not recognise the principle of set-off;
- With the introduction of dematerialised share certificates through the 2004 Companies Act, in 2010, the need for a Central Securities Depository (CSD) gained momentum but the delay in finalising the terms of NAMFISA's pending legislation and the restriction of the Namibia dollar amount of cheques is exacerbating the risks of settlement of sovereign and other bonds; unanswered question is "can this be outsourced like the trading system" or will the regulator(s) insist on an in-country stand-alone system which would be prohibitively expensive?
- The NSX is licenced to facilitate trades in all listed securities and has been reporting debt instrument trades, however, to advance this to a full bond exchange with a cost structure that will not drive to extensive off-market trades;

- Applying best practices in the sphere of corporate governance is paramount to a successful exchange and in 2004 adopted the King II Code as the baseline for all listed companies, currently and in parallel to the consultations on the FIM Bill the NSX has drafted a *NamCode* incorporating best practices and will be releasing this draft early in 2013. A measure of best practice is the World Bank's publication Doing Business in which Namibia is rated on protecting investors below a number of SADC countries which overall are reported as being more than double Namibia's 59 spot.

The NSX contributes to deepening the markets in the region by its participation in the Committee of SADC Stock Exchanges and the African Securities Exchange Association. The NSX was unwilling to meet the requirement of ASEA to host the Annual General meeting in Windhoek in 2012.

Another year and the continued uncertainty of the much discussed modalities of Regulation 28 to the Pension Fund Act (in terms of which each fund must invest 35% of its total fund in "Namibian" assets, with certain **prescriptive minimums** and **prudential maximums**) still dominates the strategic direction and efforts of the NSX and its members (brokers). Our on-going concern is the dominance of the Government Institutions Pension Fund (GIPF) on the financial sector. The GIPF is a government employee's defined benefit fund which during 2012 was one of many government institutions suffering from the lack of a substantive chief executive until the beginning of 2013 with the appointment of David Nuyoma (a director of the NSX from 2005 to 2008); we wish David well in his endeavours and have offered our assistance if needed. The risk attributed to the GIPF due to its sheer size in the domestic market and the effect it might have on the trading results of the NSX had manifested itself in the significant decline in the transaction levy (turnover) of the NSX since 2007, which we hope has now been reversed. What percentage of the decline can be ascribed to the GIPF's passive styled investment mandate granted to a reduced number of active Asset Managers responsible for listed securities or to the decline from the international financial crisis in 2008, from which Namibia was largely excluded, is still being debated. As shown in the graph included in the management comments section of this publication N\$ 2.4 billion of the turnover in 2010 was due to GIPF transition trades which if excluded would mean the decline was 41% in 2010 and 37% in 2011 and not the percentages in the first paragraph of this report. In 2012 nearly N\$ 370 million of trades in primary listed shares have been excluded from the turnover as the trades were reported to the NSX under concessionary transaction levy terms.



The total of Government debt securities at the end of 2012 is N\$ 17.26 billion up from

N\$ 9.982 billion at the end of 2010 plus N\$ 4 billion internationally and N\$ 850 million listed on the JSE. This may have deflected investments from the exchange.

The NSX again acknowledges that its success in building up reserves, in excess of N\$ 25.1 million over the past decade has largely been due to the Pension Fund Regulation 28 and the Namibianisation process, driven by GIPF, but it appears as if the latter is no longer a prerequisite for an appointment as a GIPF Asset Manager; and the Fund's focus has shifted to the unlisted investment arena which at most will account for 3.5% of the pension fund investments or N\$ 1.7 billion. The NSX believes that these investments are inherently riskier than listed investments where corporate governance and disclosures are in keeping with best practices and subjected to transparent price discovery. In response to the draft Regulation 29 on special purpose vehicles proposed by NAMFISA has been the preparation of *over the counter* ("OTC") procedures for the NSX stockbrokers trading unlisted investments and it is anticipated that Agra Limited will quote its shares on this market early in 2013.

**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.

Once again in 2012 the JSE was willing and able to provide the required technology at affordable levels and guidance on best practices. The JSE was again rated as the best regulated exchange by the World Economic Forum in 2012.

At the Annual General Meeting in April 2012 Otto Shikongo retired as a director after successfully leading the Remuneration Committee in recruiting the Listings Manager and now CEO. Ms Kauna Ndilula was elected. The NSX continued with the annual Scholars Investment Challenge in 2012 and as budgets were reduced the annual national road-show was reduced to recording the introduction at one school in Windhoek and then broadcasting this on TV. The resultant 2012 Scholars Investment Challenge, with 50 Schools and 215 teams participating, yielded exceptional results for two private schools with their teams scooping all the prizes – not the intention. A re-evaluation of the challenge and the support of Namibian Breweries Limited and the promotion of its campaign against underage drinking and possible linkage to the National Literacy Programme is a must. Namibia Breweries contributed to the operating costs, while Trustco Group, IJG Securities and Bannerman Resources contributed to the prize monies.





2012 Winners, with their impressive results were:

<b>First</b>	<b>Elnathan Private School – 11.5%</b>
<b>Second</b>	<b>Elnathan Private School – 4.2%</b>
<b>Third</b>	<b>DHPS – 0.4%</b>
<b>Fourth</b>	<b>Elnathan Private School – (2.7)%</b>
<b>Fifth</b>	<b>DHPS – (3.1)%</b>

The NSX Overall index increased by 0.94% over the period March to August 2012 while the Local Index increased by 5.62% and the DevX uranium stocks were all affected by the Japanese Tsunami – well done to all, especially the teaching staff at the winning schools.

The Management Commentary on pages 38 to 42 and page 37 entitled *how does one measure the performance of the NSX itself* are outside the formal annual financial statements but are integral to a better understanding of the NSX.

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 2003.

The Local Index which increase by 23.7% in 2012 on turnover of N\$ 130 million plus N\$ 370 million in concessionary trades after a 28.06% increase in 2011; all in an illiquid market with a turnover of a little over N\$ 100 million driven by the buy-side demand of Regulation 28.

At 31 December 2012 the total market capitalisation was N\$ 1.357 trillion or US\$ 160 billion, hopefully re-confirming the position of the NSX as the second largest Exchange by total market capitalisation in Africa, after the JSE.

The Development Capital Market or DevX, at the end of 2012 comprises five dual listed uranium, one gold, one oil and one phosphate exploration companies. No shares listed on DevX are included in either of the NSX indices which are calculated by FTSE in London.

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.

I have previously mentioned that traditionally the legislative updating processes in Namibia are slow and this more evident in the year preceding a national election and are often exclusive without comprehensive consultation to the detriment of developing constructive relationships. However, the NSX believes these processes are changing and the NSX is fortunate to have

a Board with a wide range of interest and skills and individually and collectively management and the Board are uniquely positioned to assist regulators and the legislative architects to present research, support and critique proposed legislation.

Finally on behalf of the Board I would like to thank John Mandy for his dedicated service to the NSX as General Manager / CEO since he joined in March 2003 and his legacy of promoting the NSX at every opportunity and wish him well when his contract ends in May 2013.

As my term expires in April this year I extend my thanks to management and the Board for harmonising their efforts to improve the operations of the NSX and with improved co-operation between the Board members and members of all the Committees of the NSX.

Sebby Kankondi  
Chairman

# NAMIBIAN STOCK EXCHANGE

## ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2012

### BOARD

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.

During 2012 the Board comprised:

Kankondi S. I.	Chairman
Gerdes H-B.	Re-elected at 2012 AGM
Matthews L. J.	
Ndilula K.	Elected at 2012 AGM
Rukoro V. Adv	
Shikongo O. N.	Retired at 2012 AGM
Smith M.	
Späth M.	
van Rensburg B.	Retired at 2012 AGM
van Zyl 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 & committee meetings.

Matomola K. S.

### NATURE OF BUSINESS

Stock Exchange, including transfer agent

### AUDITORS

Deloitte & Touche

### BANKERS

First National Bank of Namibia Limited  
Nedbank Namibia Limited

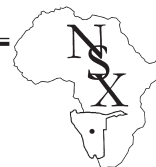
### REGISTERED OFFICE

Robert Mugabe Avenue No 4  
Windhoek  
Namibia

P O Box 2401  
Windhoek  
Namibia







## **NSX BOARD & COMMITTEES**

**As at 31 December 2012**

### **1**

#### **BOARD OF DIRECTORS**

H-B. Gerdes (Deputy Chairman), S.I. Kankondi (Chairman), L.J. Matthews,  
K. Ndilula, M. Smith, M. Späth, Adv V. Rukoro, E. van Zyl  
K.S. Matomola<sup>3</sup>

#### **SUB-COMMITTEES OF THE BOARD**

### **2**

#### **AUDIT & RISK COMMITTEE<sup>2, 3</sup>**

L.J. Matthews (Chair), M. Späth, E. van Zyl

### **3**

#### **BROKER SCREENING COMMITTEE<sup>2, 3</sup>**

H-B. Gerdes (Chair), A. Swanepoel

### **4**

#### **DISCIPLINARY COMMITTEE<sup>2, 3</sup>**

H-B. Gerdes (Chair), S. I. Kankondi, Adv. V Rukoro

### **5**

#### **REMUNERATION COMMITTEE<sup>2, 3</sup>**

H-B. Gerdes (Chair), K. Ndilula, Adv V. Rukoro

### **6**

#### **INVESTMENT COMMITTEE**

L. J. Matthews (Chair), K. Ndilula

### **7**

#### **LISTING COMMITTEE PANEL<sup>3</sup>**

A Board Member will chair each Listings Committee meeting.

H-B. Gerdes (Chair), H. Bossau (Deputy), J. Badenhorst, G. Cornelissen<sup>1</sup>, R. Chun, M. Kalondo,  
L.J. Matthews, H.A.R. Meiring, H-H. Müsseler, O.N. Shikongo, A. Swanepoel, Gifford Swart, B.C. Weichert,  
and each of the Brokers

### **8**

#### **TRANSFER SECRETARIES (PTY) LTD DIRECTORS**

S. I. Kankondi (Chairman), E. van Zyl

#### **KEY MANAGEMENT**

J.D. Mandy (Chief Executive Officer), M. Steynberg (Operations Manager)  
C. (Tiaan) Bazuin (Listings Manager)

<sup>1</sup> South African

<sup>2</sup> The Chairman of the Board may attend all committee meetings ex-officio.

<sup>3</sup> K. S. Matomola was nominated on 1 August 2011 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.

---

## MEMBERS OF BOARD OF DIRECTORS

At 31 December 2012



**HANS-BRUNO GERDES** (Habo) Born on 28 March 1952 is Managing Partner of Engling, Stritter & Partners. Habo is an associate of the Institute of Chartered Secretaries and holds a BProc degree from the University of Cape Town. He currently practices as commercial/corporate attorney and holds a number of directorships in both listed and unlisted companies and serves on various governance committees. He is also the chairperson of the Legal Practitioners Fidelity Fund and Honorary Consul for the Kingdom of Belgium in Namibia. Habo joined the NSX in 2009 and was re-elected at the AGM in April 2012.



**SEBULON INOTILA KANKONDI** Born 30 September 1965 Sebby re-joined Bidvest Namibia after six years leading NamPort. Sebby started his career in freight and logistics management in 1993; rising from material and logistic coordinator. He was trained as a mechanical engineer and holds a Degree in Business Administration. He has also successfully completed the UCT and Stellenbosch Business School Programme in Marketing and Business Management and Leadership. He took part in assignments in the Middle East, Norway and USA, gaining exposure to modern management practice in freight and logistics. He is the chairman of Namibia Post Limited and Elgin, Brown and Hamer Namibia (Pty) Ltd. Among others, he also serves on the board of Nedbank Namibia. Sebby joined the NSX in 2010 and retires by rotation at the AGM in April 2013.



**LIONEL JOHN MATTHEWS** Born 10 July 1964 is a registered CA (Namibia) CA(SA) and holds a Executive MBA from the Graduate School of Business in Cape Town. During his career he served articles with Ernst & Young in Windhoek and has worked at in a number of high profile companies including the Bank of Namibia, Bank Windhoek, Namibia Breweries, Trans Namib Holdings, Metje & Ziegler and is currently the CEO of the Old Mutual Investment Group in Namibia. Lionel holds and has held various directorships in business and in his professional bodies. His experience covers regulatory supervision, enterprise risk management, corporate banking, financial and strategic planning, change management and the auditing of major corporations. Lionel retires by rotation at the AGM in April 2013



**Ms KAUNA NDILULA** Born 30 April 1969 is a Development Finance Specialist with diverse experience covering areas such as finance, business development and support, strategic planning, project screening, investment facilitation, SME institutional development, and community development. Kauna has significant development exposure having served on the Boards of NNF, the National executive of NCCI, NamDef and is currently serving as the Chairperson of the Windhoek Branch NCCI, Board member of NAMMIC Holdings and Trustee of Kuleni Preservation Fund and a Director of Business Financial Services (Pty) Limited a private equity entity. Kauna was elected to the NSX Board in April 2012.





**Adv. VEKUII RUKORO** Born 11 November 1954 has served as the Group CEO of FNB Namibia Holdings Ltd since March 2006 until his retirement on 28 February 2013. Before that he served for six years as the Managing Director of Sanlam Namibia Ltd as well as Sanlam Investment Management Namibia Ltd. Adv. Rukoro had spent the 1990's serving the Government of Namibia from independence, firstly, as Deputy Minister of Justice for the five years after which he was promoted to full Cabinet rank as the first black Attorney-General of the Republic of Namibia for the next five years. Adv. Rukoro has left some major footprints in the national liberation struggle. His involvement covered the period 1975 right to the date of independence in 1990. He was one of the drafters of the Independence Constitution of Namibia and was elected to the first Parliament of independent Namibia. His qualifications, include a LLB (Hons) degree, University of Warwick, Coventry, UK; a LLM degree, American University, Washington DC, USA; and a Utter Barrister's degree after which he was called to the Bar of England & Wales as a member of Gray's Inn of Court; is enrolled as Advocate of the High Court of Namibia, served as a Chairman and director of various leading corporates in Namibia. He is a successful commercial farmer in the Grootfontein district and joined the NSX in 2011.



**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.



**MARK SPÄTH** Born on 23 February 1978 is Managing Director of IJG Securities (Pty) Ltd and was elected to the Board on 23 April 2008. Mark joined IJG in September 2003 as Head of Research and in April 2005 was appointed MD after completing his stockbroker exams. Mark holds a B.Bus. Science (Honours Finance) from the University of Cape Town. Mark has been directly involved as corporate advisor and sponsor to numerous companies that have listed (primary and dual) on the NSX since September 2006. Prior to joining IJG, Mark completed a 3-month internship with Schwabe, Ley & Greiner, an Austrian based Consulting company. He also worked in the derivative department of WestLB London for two years. Mark was elected to the NSX on 23 April 2008 and retired by rotation in 2011 but was re-elected for a further three year term but as the longest serving member since last re-election retires at the AGM in April 2013.



**EMILE VAN ZYL** Born 16 August 1961 completed his M.Comm (Economics) at the University of Pretoria in 1987 while an Economic Advisor at Department of Finance in South Africa from 1985-1988; Senior Economist at Senbank in SA from 1988-1991 Risk Manager at Bankkorp/ABSA from 1991 to 1995 Various positions at Bank Windhoek/Capricorn Holdings from 1995 to 2003 including Manager: Asset and Liability Management, Senior Manager: Corporate Banking, Senior Manager: Retail Banking, Executive Officer: Treasury, Principal Officer: Capricorn Unit Trust Management Company; Director: Research at Simonis Storm Securities, a member of the NSX, from 2003 until 31 January 2012, when he joined the Bank of Namibia as advisor to the Governor. Emile was elected to the Board of the NSX at the 2011 AGM.

## MEMBERS OF COMMITTEES & PANEL

31 December 2012



J. Badenhorst 7, H. Bossau 7, R. Chun 7, J. J. G. Cornelissen 7, A. P. Jansen 7, M. Kalondo 7, H. A. R. Meiring 7  
H-H. Müseler 7, O.N. Shikongo 7, A. Swanepoel 3,7, Gifford Swart 7, B. van Rensburg 7, B. C. Weichert 7

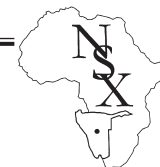


## NSX & TRANSFER SECRETARIES STAFF AT 31 December 2012

Tiaan Bazuin (Listings Manager, CEO Designate), Frieda Kaluhoni, Alicia van Wyk, Theresia Kavangelua, Manda Steynberg (Operations Manager), Johene Saal, Elize Kazenango, Elizabeth Esterhuizen, John Mandy (CEO)







# CORPORATE GOVERNANCE REPORT

The envisaged NamCode Report on Corporate Governance, based on international best practices, including the King III report, will details the importance of corporate governance in achieving financial objectives and fulfilling corporate responsibilities. 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. 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) which 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 Market Bill (FIM Bill) to replace various financial sector Acts including the SECA. 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. This change will be significant and have consequences which will require interaction with and the approval of the rights holders.

The Board diligently strives to adhere to the recommendations to be detailed in the NamCode which the Institute of Directors of South Africa has drafted by adapting, with input from various Namibian stakeholders, 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 2012 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 2012, the non-executive Board consisted of 8 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. The three members who will retire at the Annual General Meeting of the NSX in April 2013 are Sebby Kankondi, the current Chairman, Lionel Matthews and Mark Spath (the longest serving director since last elected); all are eligible for re-election.

Board members		Total N\$ 2012	Retainer	20 Mar 1	23 May 1	31 Jul 1	26 Nov. 1	Total N\$ 2011
Gerdes H-B.	Re-Elected 25 April 2012	15,000	6,000	c	✓	✓	a	17,000
Kankondi S.I.	Elected Chairman 18 May 2011	28,000	16,000	a	c	c	c	23,250
Matthews L.J.		13,500	6,000	✓	a	✓	✓	14,700
Ndilula K.	Elected 25 April 2012	9,500	4,500		✓	a	✓	-
Rukoro V. Adv	Elected 30 April 2011	8,500	6,000	✓	a	a	a	7,450
Smith M.	Elected 30 April 2011	16,000	6,000	✓	✓	✓	✓	12,450
Späth M		16,000	6,000	✓	✓	✓	✓	14,700
van Zyl E.	Elected 30 April 2011	16,000	6,000	✓	✓	✓	✓	12,450
Shikongo O.N.	Retired 25 April 2012	4,000	1,500	✓				9,250
Van Rensburg B.	Retired 25 April 2012	4,000	1,500	✓				16,000
Hango P.S.	Retired 30 April 2011	-	-					11,250
Jansen A.P.	Retired 30 April 2011	-	-					3,000
		<b>130,500</b>	<b>59,500</b>					<b>141,500</b>
Brandt L.	Nominated by NAMFISA to attend Board	-						8,500
Matomola K.	meetings	10,000	-	✓	✓	✓	✓	5,000
Swanepoel A.	Member of Listings Panel	-	-					1,200
		<b>140,500</b>	<b>59,500</b>					<b>156,200</b>

<sup>1</sup> Quarterly meetings or to approve annual financial statements  
<sup>a</sup> Apology  
<sup>c</sup> Chairman

The majority of the members of the Board are considered to be independent non-executive directors as some have interests that fall outside the definition of independent as set out in the NamCode and the NSX Listing Requirements but have served for periods which ensure that they are defined as independent in the UK's Combined Code. 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.

The Chief Executive Officer attends all meetings by invitation.

## MAJOR SUB – COMMITTEES OF THE BOARD

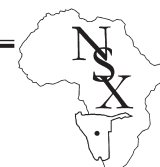
### Remuneration Committee

The Remuneration Committee comprising three independent non-executive directors was chaired by Otto Shikongo until his retirement at the last AGM and is currently chaired by H-B Gerdes. The Board had invited Dr C Swart-Opperman, a human resource consultant as a member of the committee during the search for a new CEO, while 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 and in 2012 recommended the appointment of Christiaan (Tiaan) Bazuin as the CEO as from 1 January 2013.

Remuneration Committee	Total N\$ 2012	15 Mar	02 Oct	Total N\$ 2011
Gerdes H-B	7,000	a	c	3,500
Rukoro, V. Adv	5,000	✓	✓	-
Ndilula K.	1,000		✓	-
Shikongo ON	6,000	c		12,300
Jansen A P	-			5,400
Swart-Opperman Dr C	-			1,900
Hango P S	-			5,400
	<b>19,000</b>			<b>28,500</b>

At the meeting of the Board on 20 March 2013 it was proposed to increase the remuneration of Directors and Committee Members by 10%. The rights holders will be asked to approve this increase at the AGM in April 2013. The annual fees are based on an hourly rate of a qualified professional, the nature and brief or mandate of the particular committee, the expected duration of the meeting and the preparation time required which factor is then multiplied by the number of meetings.





## Audit & Risk Committee

The Audit & Risk Committee is chaired by Lionel J Matthews plus two members of the Board. Representative from the external auditors, the NAMFISA representative, the Chief Executive Officer, the Operations Manager 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.

		Total N\$ 2012	Retainer	06 Mar	23 Nov	Total N\$ 2011
Audit & Risk Committee						
Matthews L.J.	Chairman	20,000	10,000	✓	✓	14,500
Cornelissen J.J.G.		4,000	2,000	✓		6,100
Späth M.		8,000	4,000	✓	✓	6,100
van Zyl E.		4,000	2,000		✓	-
Matomola K.		4,000		✓	✓	-
Brandt L.		-				1,500
Hango P.S.		-				1,500
		<b>40,000</b>	<b>18,000</b>			<b>29,700</b>

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 Board and the Board of Directors of Transfer Secretaries (Pty) Limited and the two dormant subsidiary companies. The annual fee for the Audit Committee is also split into a retainer and a meeting fee.

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.

## 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 must be chaired by a member of the Board. This Committee meets on an ad hoc basis to approve all listing applications for both primary and dual listed equities 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.

		Total N\$ 2012	Retainer	10 Feb 1	20 Mar 2	04 Apr 3	30 Jul 4	Total N\$ 2011
Listings Panel								
Gerdes H-B.	Chairman	33,500	9,300	C	C	C	C	15,200
Bossau H.	Deputy Chairman	9,300	9,300					12,200
Cornelissen J.J.G.		8,200	-	✓				-
Matomola K.		13,500	-	✓	✓	✓		3,800
Matthews L.J.		2,600	-				✓	3,800
Meiring H.A.R.		5,400	-		✓			3,800
Müseler H-H.		2,700	-		✓			-
Smith M.		10,900	-	✓	✓			-
Späth M.		2,600	-				✓	3,800
Swanepoel A.	Co-opted	-	-					3,800
Van Rensburg B.		25,200	-	✓		✓		3,800
van Zyl E.		13,500	-	✓	✓	✓		6,800
		<b>127,400</b>	<b>18,600</b>					<b>57,000</b>

<sup>1</sup> B2Gold & Nedbank MTNP

<sup>2</sup> Eco -Atlantic

<sup>3</sup> Standard Bank MTNP

<sup>4</sup> Nictus Holdings

C Chairman



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 2013) and the publication of the related prudential and market conduct regulations being drafted by the Namibia Financial Institutions Supervisory Authority.

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 committee fees were paid during 2012.

#### **RISK MANAGEMENT REVIEW**

With the introduction by the JSE of electronic settlement for equities through STRATE and thereby for the South African dual listed shares on the NSX, which normally accounted for over 95% (2011 – 96.9%) of the value of trades on the NSX, the risks that the NSX is required to identify, manage and mitigate are significantly reduced. In early 2012 the NSX acknowledged that major off-market transactions in primary listed equities were being reported due to the high trading costs on the NSX and the NAMFISA levies on both the buy and sell legs of the transaction and introduced its so-called concessionary trade levies, retaining the double NAMFISA levy but reducing the stockbroker and the resultant NSX portion. This resulted in a number of local trades totally nearly N\$ 370 million being reported on market with income of N\$ 93 313 to the NSX. Excluding these concessionary trades the dual trades again amounted to 96.2%.

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 was undertaken by an independent auditing firm for use by all auditors to stockbrokers; this review was last completed in March 2012 for the period ended February 2012 by PricewaterhouseCoopers Advisory Services (Pty) Limited for the JSE Limited.

In 2010 the NSX engaged the Namibian PricewaterhouseCoopers Advisory Services (Pty) Limited to provide risk management services in accordance with Enterprise Risk Management good practices according to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) II model and King III and a risk identification and assessment workshop was held on 16 February 2010. The outcome of this workshop was a risk register populated and evaluated by management which is regularly updated and annually reviewed 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 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 Africa 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. The NSX plans to introduce a central security depository in Namibia prior to the enactment of the Financial Institutions and Market Act.





## Technology and systems risk

The NSX through a Service Level Agreement with the JSE provides a market for the dealing in securities and financial instruments that is information technology intensive. Equity dealing is matched electronically on TALX and MIT Millennium Exchange (2011 -Trade Elect™) which is developed by a subsidiary of the London Stock Exchange 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 change in the trading platform (not the manner of trading) was an inclusive consultative process and the NSX attended a number of planning and report back sessions at the JSE and on 2 July 2012 the change-over was successfully and seamlessly achieved.

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 in stead 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 Market Act and consideration will be given to changes introduced by the JSE, as the leading SADC exchange, as best practices.

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 level 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 are 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**

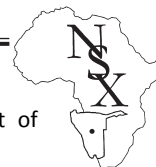
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems.

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 STATEMENTS AT 31 DECEMBER 2012

### Responsibility for and approval of the Annual Financial Statements for the year ended 31 December 2012

The Members of the Board of the Namibian Stock Exchange 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 NSX believe that the Namibian Stock Exchange and its wholly-owned subsidiary, Transfer Secretaries (Proprietary) Limited, 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.

The accompanying annual financial statements, including the Guarantee Fund, for the year ended 31 December 2012 have been approved by the Board on 20 March 2013 and are signed on its behalf by:

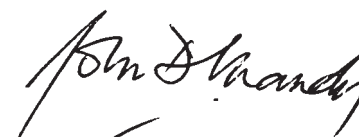


S. I. Kankondi  
Chairman



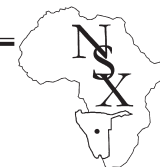
L. J. Matthews  
Director

The accompanying annual financial statements for the year ended 31 December 2012 have been prepared by management and are signed by:



J.D. Mandy  
Chief Executive Officer as at 31 December 2012





# INDEPENDENT AUDITORS REPORT

## TO THE MEMBERS OF THE NAMIBIAN STOCK EXCHANGE

We have audited the group annual financial statements and the annual financial statements of the Namibian Stock Exchange, which comprise the consolidated and separate statements of financial position at 31 December 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in rights and reserves, and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 20 to 36.

### *Board's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects the consolidated and separate financial position of the Namibian Stock Exchange at 31 December 2012, 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.

*Deloitte + Touche*

**Deloitte & Touche**  
**Registered Accountants and Auditors**  
**Chartered Accountants (Namibia)**  
**Per E Tjipuka**  
**Partner**  
**Windhoek**  
**20 March 2013**

# NAMIBIAN STOCK EXCHANGE

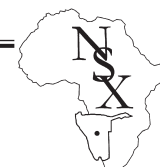
## STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2012

		Group	Namibian Stock Exchange		
	Note	2012	2011	2012	2011
		N\$	N\$	N\$	N\$
Revenue	3	5,083,833	4,460,960	3,756,251	3,209,324
Investment income	4.1	2,303,976	1,999,380	1,862,951	1,657,844
Other income		9,321	1,679	9,325	1,679
<b>Total revenue</b>		<b>7,397,130</b>	<b>6,462,019</b>	<b>5,628,527</b>	<b>4,868,847</b>
Administration costs		1,029,512	1,155,189	824,639	977,454
Consulting fees, net of recoveries	22	-	104,664	-	104,664
Depreciation	7	54,602	29,516	45,896	25,734
Marketing expenses		32,949	82,760	32,949	82,760
Occupancy cost, including utilities		850,683	369,935	665,155	316,619
Remuneration - staff & directors	4.2	4,299,002	3,601,524	3,557,531	2,859,886
Other expenses		87,384	66,041	87,384	66,041
<b>Total expenses</b>		<b>6,354,132</b>	<b>5,409,629</b>	<b>5,213,554</b>	<b>4,433,158</b>
<b>Income before taxation</b>		<b>1,042,998</b>	<b>1,052,390</b>	<b>414,973</b>	<b>435,689</b>
Taxation	5	4,781	21,441		
<b>Income for the year</b>		<b>1,038,217</b>	<b>1,030,949</b>	<b>414,973</b>	<b>435,689</b>
Transfer to Guarantee Fund	15	613,963	553,643		
<b>Total comprehensive income for the year after transfer</b>		<b>424,254</b>	<b>477,306</b>	<b>414,973</b>	<b>435,689</b>







# NAMIBIAN STOCK EXCHANGE

## STATEMENTS OF FINANCIAL POSITION

### AT 31 DECEMBER 2012

	Note	Group 2012 N\$	2011 N\$	Namibian Stock Exchange 2012 N\$	2011 N\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant & equipment	7	139,330	95,298	92,084	75,670
Investments in subsidiaries	8			4,000	4,000
Other investments, listed	9	194,921	193,632	194,921	193,632
Other investments, balanced mandate unit trusts	10	20,455,228	-	13,807,279	-
Deferred taxation	6	-	531		
		20,789,479	289,461	14,098,284	273,302
<b>Current assets</b>					
Trade & other receivables	12	376,540	359,252	301,178	294,527
Bank balances & cash	11	15,574,064	8,175,129	15,238,869	7,077,586
Other investments, unlisted	9	-	26,523,713	-	21,257,964
Taxation	6	851	-		
		15,951,455	35,058,094	15,540,047	28,630,077
<b>Total assets</b>		<b>36,740,934</b>	<b>35,347,555</b>	<b>29,638,331</b>	<b>28,903,379</b>
<b>RIGHTS, RESERVES &amp; LIABILITIES</b>					
<b>Rights &amp; reserves</b>					
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
Insurance fund	13	500,000	500,000	500,000	500,000
Guarantee fund	15	6,888,859	6,274,896		
Retained surplus		25,625,409	25,201,155	25,518,678	25,103,705
		35,334,768	34,296,551	28,339,178	27,924,205
<b>Non-current liabilities</b>					
Provision for retrenchment & retirement	16	75,261	62,223	72,756	53,455
<b>Current liabilities</b>					
Other liabilities					
Trade & other payables	14	1,326,655	969,257	1,226,397	925,719
Taxation, current		-	19,524		
Taxation, deferred	6	4,250	-		
		1,330,905	988,781	1,226,397	925,719
<b>Total rights, reserves &amp; liabilities</b>		<b>36,740,934</b>	<b>35,347,555</b>	<b>29,638,331</b>	<b>28,903,379</b>

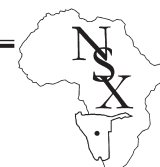
# NAMIBIAN STOCK EXCHANGE

## STATEMENTS OF CHANGES IN RIGHTS AND RESERVES

### FOR THE YEAR ENDED 31 DECEMBER 2012

			Group		Namibian Stock Exchange
			2012	2011	2011
	Note	Number of Rights	N\$	N\$	2012
					N\$
Founder members' contributions		43	430,000	430,000	430,000
Stockbroking members' rights		35	1,890,500	1,890,500	1,890,500
Insurance fund	13		500,000	500,000	500,000
Guarantee fund	15				
Beginning of year			6,274,896	5,721,253	
Transfer			613,963	553,643	
Balance end of year			6,888,859	6,274,896	
Retained surplus					
Beginning of year			25,201,155	24,723,849	25,103,705
Total comprehensive income for the year after transfer			424,254	477,306	414,973
Balance end of year			25,625,409	25,201,155	25,518,678
<b>Total</b>		<b>78</b>	<b>35 334 768</b>	<b>34 296 551</b>	<b>28 339 178</b>
Board's valuation of a new right 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		<b>78</b>	<b>453 000</b>	<b>440 000</b>	<b>363 000</b>
					<b>358 000</b>





# NAMIBIAN STOCK EXCHANGE

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Namibian Stock Exchange	
	2012	2011	2012	2011
	NS	N\$	N\$	N\$
<b>Cash flows from operating activities</b>				
Income for the year before taxation	1,042,998	1,052,390	414,973	435,689
Depreciation	54,602	29,516	45,896	25,734
Income taxes paid	(20,375)	(25,457)	-	-
	1,077,225	1,056,449	460,869	461,423
Investment income recognised in profit	(2,303,976)	(1,999,380)	(1,862,951)	(1,657,844)
	(1,226,751)	(942,931)	(1,402,082)	(1,196,421)
Movements in working capital				
(Increase) / decrease in accounts receivable	(17,288)	(77,173)	(6,651)	111,744
Increase / (decrease) in provision	13,038	(121,699)	19,301	(125,747)
Increase / (decrease) in accounts payable	357,398	64,260	300,678	65,952
Cash generated from operating activities	(873,603)	(1,077,543)	(1,088,754)	(1,144,472)
Net loss on disposal of property, plant & equipment	16	13	12	13
Net cash generated by operating activities	(873,587)	(1,077,530)	(1,088,742)	(1,144,459)
<b>Cash flows from investing activities</b>				
Additions to property, plant & equipment	(98,649)	(68,265)	(62,322)	(49,627)
Investments in balanced unit trusts	(20,000,000)	-	(13,500,000)	-
Investment income	1,848,747	1,999,380	1,555,672	1,657,844
Withdrawals from (additions to) investments - net	26,522,424	980,525	21,256,675	1,309,525
Net cash generated (used) by investing activities	8,272,522	2,911,640	9,250,025	2,917,742
<b>Cash flows from financing activities</b>				
Net cash generated by financing activities	-	-	-	-
<b>Net change in cash and cash equivalents</b>	7,398,935	1,834,110	8,161,283	1,773,283
<b>Cash and cash equivalents at beginning of year</b>	8,175,129	6,341,019	7,077,586	5,304,303
<b>Cash and cash equivalents at end of year</b>	15,574,064	8,175,129	15,238,869	7,077,586

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### AT 31 DECEMBER 2012

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial assets and liabilities where the fair value basis of account are adopted. The principal accounting policies conform with International Financial Reporting Standards (IFRS). These policies are consistent with those applied in the previous year.

The preparation of 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.

##### 1.2 Consolidation

The consolidated financial statements include the financial position, operating results and cash flows of the Namibian Stock Exchange, 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 is 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.

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 the profit.

##### 1.3 Financial instruments

###### Initial recognition and measurement

Financial instruments recognised in the statement of financial position include accounts receivable, cash and cash equivalents, accounts payable. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes party to contractual arrangements and are subsequently carried at amortised cost using the effective interest method, less any impairment. The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

Financial assets - The entity's principal financial assets are investments, accounts receivable, bank, including call accounts and cash balances and these are classified as loans and receivables or interest bearing investments at amortised cost while investments in unit trusts are carried at fair value through profit and loss. The carrying amount of financial assets with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

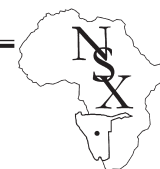
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group's financial liabilities are trade payables and other payables.

##### 1.4 De-recognition of assets and liabilities

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 comprehensive income.

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 comprehensive income.





# **NAMIBIAN STOCK EXCHANGE**

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

### **AT 31 DECEMBER 2012**

#### **1. ACCOUNTING POLICIES (Continued)**

##### **1.5 Impairments**

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impaired. Trade and other receivables originated by the entity are stated at their cost less a provision for impairment. An estimate of impairment is made based on a review of all outstanding amounts at statement of financial position date, and posted against a provision account. When the trade receivable is uncollectible, it is written off against the provision account. Bad debts are written off during the period in which they are identified.

##### **1.6 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 comprehensive income.

##### **1.7 Property, plant & equipment**

Property, plant & equipment are stated at cost, less accumulated depreciation. 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

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 all 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 comprehensive income.

Surpluses and losses on disposal of property, plant & equipment are charged to the statement of comprehensive income.

##### **1.8 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 retrenchment and retirement benefits in accordance with the terms and conditions specified in the Labour Act of 2007 (Act 11 of 2007).

##### **1.9 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.

---

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

#### 1. ACCOUNTING POLICIES (Continued)

##### 1.10 Revenue recognition

Revenue from the provision of services is recognised when the transaction giving rise to the services has been completed, the amounts can be measured reliably and it is probable that the economic benefits will flow to the Stock Exchange and its operating subsidiary.

Dividends, if any, are recognised when the right to receive payment is established.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Revenue from annual fees is recognised when the right to use the services of the stock exchange or its subsidiary is obtained.

##### 1.11 Leases

Leases where the Lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

##### 1.12 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 only operating subsidiary, Transfer Secretaries (Proprietary) Limited, is 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 (Pty) Limited for the year. Taxable income differs from profit reported in the statement of 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.

##### 1.13 Provisions

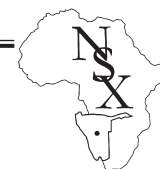
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

#### 2. DEFINITIONS

##### 2.1 Cash and cash equivalents

The cash and cash equivalents amounts disclosed in the cash flow statement comprise cash on hand and current and call account balances.





# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Namibian Stock Exchange N\$	Transfer Secretaries N\$	Guarantee Fund N\$	Group N\$
<b>3. REVENUE ANALYSIS</b>				
Management regards the NSX as a single reportable segment, as with Transfer Secretaries and the Guarantee Fund.				
<b>Revenue represents net invoiced amounts to :</b>				
	<b>For the year ended 31 December 2012</b>			
<b>Listed entities</b>				
- Listing & documentation fees	287,488	-	-	287,488
- Annual fees	1,265,400	55,250	-	1,320,650
- Quarterly fees	-	345,860	-	345,860
- Handling & service fees	-	746,689	-	746,689
	1,552,888	1,147,799	-	2,700,687
<b>Data distribution vendors</b>				
- Information fees	370,024	-	-	370,024
<b>Stockbrokers, sponsors &amp; clients</b>				
- Guarantee fund contributions	-	-	179,134	179,134
- Other	-	-	649	649
- Annual fees	42,000	-	-	42,000
- Commission received - Transaction levy	1,698,026	-	-	1,698,026
- Commission received - Concessionary trades	93,313	-	-	93,313
	1,833,339	-	179,783	2,013,122
	<b>3,756,251</b>	<b>1,147,799</b>	<b>179,783</b>	<b>5,083,833</b>
	<b>For the year ended 31 December 2011</b>			
<b>Listed entities</b>				
- Listing & documentation fees	120,000	-	-	120,000
- Annual fees	1,219,500	57,400	-	1,276,900
- Quarterly fees	-	336,700	-	336,700
- Handling & service fees	-	639,104	-	639,104
	1,339,500	1,033,204	-	2,372,704
<b>Data distribution vendors</b>				
- Information fees	272,401	-	-	272,401
<b>Stockbrokers, sponsors &amp; clients</b>				
- Guarantee fund contributions	-	-	155,542	155,542
- Other	-	-	62,890	62,890
- Annual fees	42,000	-	-	42,000
- Commission received - Transaction levy	1,555,423	-	-	1,555,423
- Commission received - Concessionary trades	-	-	-	-
	1,597,423	-	218,432	1,815,855
	<b>3,209,324</b>	<b>1,033,204</b>	<b>218,432</b>	<b>4,460,960</b>



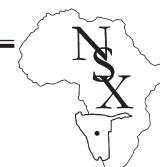
# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Note	Group 2012 N\$	2011 N\$	Namibian Stock Exchange 2012 N\$	2011 N\$
<b>4. INCOME BEFORE TAXATION</b>					
Income before taxation includes					
<b>4.1. Investment income:</b>					
Interest on investments at amortised cost					
- listed		28,775	28,763	28,775	28,763
- unlisted treasury bills and fixed deposits		616,287	1,561,508	482,036	1,261,011
Interest on bank and call accounts		1,203,686	409,109	1,044,861	368,070
		1,848,748	1,999,380	1,555,672	1,657,844
Fair value adjustment on unit trust investments		455,228	-	307,279	-
		2,303,976	1,999,380	1,862,951	1,657,844
<b>4.2. Total expenses include:</b>					
Auditors' remuneration					
- audit fee - current year		104,718	98,143	79,408	74,417
- other services		-	7,648	-	5,736
		104,718	105,791	79,408	80,153
<b>Staff recruiting costs</b>		10,203	52,492	3,930	52,492
<b>Legal &amp; other professional fees</b> , net of recovery		10,000	104,664	10,000	104,664
<b>Reimbursement of students fees</b> towards the Chartered Financial Analyst qualification		14,705	24,947	14,705	24,947
<b>Remunerations - staff &amp; directors</b>					
<b>Director &amp; Committee fees</b>	22				
- Board		140,500	156,200	140,500	156,200
Less - meetings held to approve listing & property transaction		-	(25,200)	-	(25,200)
- Audit & risk committee		40,000	29,700	40,000	29,700
- Remuneration committee		19,000	28,500	19,000	28,500
- Property consideration		-	16,000	-	16,000
- Investment committee		-	5,600	-	5,600
Total excluding listings		199,500	210,800	199,500	210,800
- Listing Committee & board approval		127,400	66,200	127,400	66,200
Total		326,900	277,000	326,900	277,000
- Transfer Secretaries		4,000	4,000		
Less - allocated to subsidiary		-	-	49,875	47,300
		330,900	281,000	277,025	229,700
<b>Staff costs</b>					
Including key management costs	22				
- salaries and wages		2,686,112	2,492,615	2,391,421	2,165,737
- contributions to retirement funds		602,364	278,785	542,071	242,267
- other		666,588	508,873	623,978	478,644
- provision for retrenchment & retirement	16				
past service cost		2,908	11,304	1,940	8,161
current year service cost		8,295	26,316	7,904	25,994
interest charge		1,835	2,631	1,756	2,048
		3,968,102	3,320,524	3,569,070	2,922,851
Less - allocated to subsidiary as management fee				288,564	292,665
		4,299,002	3,601,524	3,557,531	2,859,886





# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Group 2012 N\$	2011 N\$
<b>5. TAXATION</b>		
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 comprehensive income		
- effect of income exempt from tax the:		
- NSX	13.53%	14.08%
- Guarantee Fund	20.01%	17.89%
- effect of the utilisation of prior tax losses	0.46%	2.03%
	<hr/>	<hr/>
Standard rate of taxation	34.0%	34.0%
	<hr/>	<hr/>
Normal taxation relating to subsidiary		
- Current	-	20,705
- Deferred		
Attributable to temporary differences arising in current year	4,781	736
	<hr/>	<hr/>
Namibian normal tax	4,781	21,441
	<hr/>	<hr/>
Estimated tax losses relating to subsidiary		
At beginning of the year	-	-
(Utilised) during the year	1,812	-
	<hr/>	<hr/>
Available for set off against future taxable income	1,812	-
	<hr/>	<hr/>
<b>6. DEFERRED TAXATION</b>		
The movement on the deferred tax balance is as follows:		
Balance at beginning of the year	531	1,267
Statement of comprehensive income, movement	(4,781)	(736)
	<hr/>	<hr/>
Balance at end of the year	(4,250)	531
	<hr/>	<hr/>
Deferred tax asset		
- Estimated tax loss	1,812	-
Deferred tax liability:		
- Provision for retrenchment & retirement	(6,263)	4,048
- Property, plant & equipment	(9,612)	(6,212)
	<hr/>	<hr/>
Net deferred tax asset	(14,063)	(2,164)
	<hr/>	<hr/>
At the statutory tax rate	34%	
	(4,781)	(736)
	<hr/>	<hr/>

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

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

#### 7. PROPERTY, PLANT

	Software & licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
<b>Group - Cost</b>				
Balance at 31 December 2010	588,542	143,002	333,178	1,064,722
Additions	37,783	18,638	11,844	68,265
Disposals	(48,213)	(10,584)	(20,187)	(78,984)
Balance at 31 December 2011	578,112	151,056	324,835	1,054,003
Additions	-	34,393	64,256	98,649
Disposals	-	(21,923)	(27,018)	(48,941)
<b>Balance at 31 December 2012</b>	<b>578,112</b>	<b>163,526</b>	<b>362,073</b>	<b>1,103,711</b>

#### Group - Depreciation

Balance at 31 December 2010	569,204	142,876	296,080	1,008,160
Amortisation / Depreciation charge for the year	13,209	-	16,307	29,516
Disposals	(48,210)	(10,579)	(20,182)	(78,971)
Balance at 31 December 2011	534,203	132,297	292,205	958,705
Amortisation / Depreciation charge for the year	19,129	8,593	26,880	54,602
Disposals	-	(19,476)	(29,450)	(48,926)
<b>Balance at 31 December 2012</b>	<b>553,332</b>	<b>121,414</b>	<b>289,635</b>	<b>964,381</b>

#### Group - Net book value

At 31 December 2011	43,909	18,759	32,630	95,298
<b>At 31 December 2012</b>	<b>24,780</b>	<b>42,112</b>	<b>72,438</b>	<b>139,330</b>

#### Namibian Stock Exchange - cost

Balance at 31 December 2010	550,617	128,760	265,963	945,340
Additions	37,783	-	11,844	49,627
Disposals	(48,213)	(10,584)	(20,187)	(78,984)
Balance at 31 December 2011	540,187	118,176	257,620	915,983
Additions	-	31,950	30,372	62,322
Disposals	-	(19,478)	(27,018)	(46,496)
<b>Balance at 31 December 2012</b>	<b>540,187</b>	<b>130,648</b>	<b>260,974</b>	<b>931,809</b>

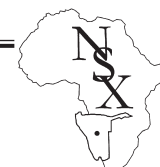
#### Namibian Stock Exchange - depreciation

Balance at 31 December 2010	531,909	128,661	232,980	893,550
Amortisation / Depreciation charge for the year	12,709	-	13,025	25,734
Disposals	(48,210)	(10,579)	(20,182)	(78,971)
Balance at 31 December 2011	496,408	118,082	225,823	840,313
Amortisation / Depreciation charge for the year	19,006	4,866	22,024	45,896
Disposals	-	(19,476)	(27,008)	(46,484)
<b>Balance at 31 December 2012</b>	<b>515,414</b>	<b>103,472</b>	<b>220,839</b>	<b>839,725</b>

#### Namibian Stock Exchange - Net book value

At 31 December 2011	43,779	94	31,797	75,670
<b>At 31 December 2012</b>	<b>24,773</b>	<b>27,176</b>	<b>40,135</b>	<b>92,084</b>





# **NAMIBIAN STOCK EXCHANGE** **NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)** **AT 31 DECEMBER 2012**

		Namibian Stock Exchange	
		2012	2011
		N\$	N\$
<b>8. INVESTMENTS IN SUBSIDIARIES</b>			
Transfer Secretaries (Pty) Ltd			
The nature of its business is that of transfer agent			
Issued capital		4,000	4,000
% held		100%	100%
Included in accounts receivable (note 12) is the amount owing by subsidiaries on current account		60,962	13,143
The Namibian Stock Exchange also wholly owns the following dormant subsidiaries:			
Central Depository (Pty) Ltd - issued share capital		4,000	4,000
Namibian Stock Exchange Trustees (Pty) Ltd - issued share capital		4,000	4,000
Less - intercompany loans		(8,000)	(8,000)
		-	-

		Group		Namibian Stock Exchange	
		2012	2011	2012	2011
		N\$	N\$	N\$	N\$
<b>9. OTHER INVESTMENTS</b>					
<b>Listed investments</b>					
- Eskom bond - E170 maturing in 2019		194,921	193,632	194,921	193,632
<b>Current unlisted investments</b>					
- Treasury bills		-	26,523,713	-	21,257,964
Total unlisted investments		-	26,523,713	-	21,257,964
<b>Total investments at amortised cost</b>		194,921	26,717,345	194,921	21,451,596

The NSX intends to reinvest some proceeds received on maturity in similar instruments or in interest bearing call accounts with Namibian commercial banks or in balanced mandate unit trusts.

## **10. OTHER INVESTMENTS, BALANCED MANDATE UNIT TRUSTS**

- Namibia managed prudential funds	20,455,228	-	13,807,279	-
<b>Total investments at fair value</b>				

The NSX has diversified its investments to include equities to increase the yields currently available in interest bearing call accounts with Namibian commercial banks.

## **11. BANK BALANCES AND CASH**

Cash at bank and on hand	201,657	239,936	104,003	150,004
Call accounts	15,372,407	7,935,193	15,134,866	6,927,582
	15,574,064	8,175,129	15,238,869	7,077,586

## **12. TRADE AND OTHER RECEIVABLES**

Trade receivables, net of provision	252,129	193,225	118,519	119,202
Transfer Secretaries (Pty) Ltd			60,962	13,143
Prepayments	78,942	104,087	75,268	99,282
Other receivables	45,469	61,940	46,429	62,900
	376,540	359,252	301,178	294,527
Provision for doubtful accounts	-	-	-	-

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Note	Group 2012 N\$	2011 N\$	Namibian Stock Exchange 2012 N\$	2011 N\$
<b>13. INSURANCE FUND</b>					
This fund was established to provide for the excess on insurance claims. Interest received is not capitalised to the fund but included in the Namibian Stock Exchange statement of comprehensive income and transferred when necessary.					
		500,000	500,000	500,000	500,000

#### 14. TRADE AND OTHER PAYABLES

Trade payables	147,622	121,442	100,880	120,169
Guarantee Fund			9,969	7,732
Accruals	1,179,033	847,815	1,115,548	797,818
	1,326,655	969,257	1,226,397	925,719

#### 15. GUARANTEE FUND - consolidation only

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.

		<b>Guarantee Fund</b>	
		<b>2012</b>	<b>2011</b>
		<b>N\$</b>	<b>N\$</b>
Balance at beginning of year		6,274,896	5,721,253
Income for the year		613,963	553,643
Retained surplus at end of the year		6,888,859	6,274,896

#### 16. PROVISIONS

		Group N\$	Namibian Stock Exchange N\$
Provision for retrenchment & retirement	4.2		
Balance at 31 December 2010		183,922	179,202
Provision		40,251	36,203
Payment & reversal due to resignations		(161,950)	(161,950)
Balance at 31 December 2011		62,223	53,455
Provision		17,996	16,558
Transfer from subsidiary			7,701
Reversal due to resignations		(4,958)	(4,958)
<b>Balance at 31 December 2012</b>		<b>75,261</b>	<b>72,756</b>

The provision for retrenchment and retirement benefits has been determined in accordance with the Labour Act of 2007 (Act 11 of 2007).

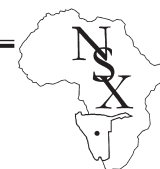
Key assumptions used are:

- present value using the indicative yield of the GC 24
- estimated average salary increases of
  - likelihood of remaining in service to age 65
  - existing staff & 60 staff for all new staff

9.00% 8.93%  
9% 9%

varied according to current age  
of staff member





# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Group		Namibian Stock Exchange	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
<b>17. COMMITMENTS</b>				
Commitments under operating leases				
2012	-	683,448	-	683,448
2013	680,070	680,070	680,070	680,070
2014	734,475	734,475	734,475	734,475
2015	793,233	793,233	793,233	793,233

## 18. RETIREMENT BENEFIT INFORMATION

### 18.1 Retirement fund

The Stock Exchange contributes to the Benchmark Retirement Fund (2011 - Namflex Pension 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.

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

### 18.2 Post-retirement medical benefits

The Stock Exchange and its subsidiary 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.

## 19. FINANCIAL RISK MANAGEMENT

### 19.1 Foreign currency risk management

Namibia is part of the Southern African Common Monetary Area. The Namibia 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 but these amounts are not hedged.

### 19.2 Interest rate management

As part of 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. A movement in the bank rate of 1% could change the interest earnings of the Group by approximately N\$ 155 000 in 2013 and the NSX by N\$ 152 000.

### 19.3 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 2012 the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

### 19.4 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. In addition, the appropriate fair value of the investments in unit trusts is the price published by the unit trust managers on the measurement date. The Group does not speculate in or engage in the trading of derivative instruments.

### 19.5 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. In early 2012 the Board approved the appointment of three Namibian Asset Managers to manage the Groups investments.

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

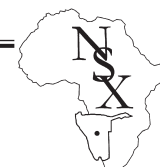
### AT 31 DECEMBER 2012

#### 20. LIQUIDITY & INTEREST RATE RISKS

		Group 2012 N\$	2011 N\$	Namibian Stock Exchange 2012 N\$	2011 N\$
<b>Assets</b>					
<b>Non-financial assets</b>					
Property, plant & equipment		139,330	95,298	92,084	75,670
Investment in subsidiaries		-	-	4,000	4,000
Prepayments		78,942	104,087	75,268	99,282
Deferred taxation		851	531	-	-
		219,123	199,916	171,352	178,952
<b>Financial assets at fair value</b>	10	20,455,228	-	13,807,279	-
<b>Financial assets</b>					
<b>5 years +</b>					
Other investments - listed maturing in 2019		194,921	193,632	194,921	193,632
<b>9 to 12 months - fixed interest rate</b>					
Other investment - NSX only		-	-	-	-
<b>6 to 9 months - fixed interest rate</b>					
Other investments - Guarantee Fund		-	5,265,749	-	-
<b>3 to 6 months - fixed interest rate</b>					
Other investments - NSX only		-	21,257,964	-	21,257,964
<b>0 to 3 months</b>					
<b>Other Investments</b>					
Treasury bills		-	-	-	-
<b>Call accounts - variable rates</b>					
Other investments - NSX only		15,134,866	6,927,582	15,134,866	6,927,582
Other investments - Guarantee Fund		237,541	1,007,611		
<b>Current accounts - variable</b>					
Bank balances and cash		201,657	239,936	104,003	150,004
<b>Current accounts - no interest</b>					
Trade and other receivables		297,598	255,165	225,910	195,245
		15,871,662	8,430,294	15,464,779	7,272,831
<b>Total assets</b>		<b>36,740,934</b>	<b>35,347,555</b>	<b>29,638,331</b>	<b>28,903,379</b>
<b>Liabilities</b>					
<b>Non-financial liabilities</b>					
Provision for retrenchments & retirement		75,261	62,223	72,756	53,455
Taxation		4,250	19,524		
		79,511	81,747	72,756	53,455
<b>Financial liabilities</b>					
<b>0 to 3 months</b>					
Trade and other payables		1,326,655	969,257	1,226,397	925,719
<b>Total liabilities</b>		<b>1,406,166</b>	<b>1,051,004</b>	<b>1,299,153</b>	<b>979,174</b>
<b>Net assets &amp; liabilities</b>		<b>35,334,768</b>	<b>34,296,551</b>	<b>28,339,178</b>	<b>27,924,205</b>







# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

	Group		Namibian Stock Exchange
	2012	2011	2012
	N\$	N\$	N\$

#### 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of designated fair value financial instrument through profit and loss is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable willing parties and does not represent a forced or distressed sale.

When determining the fair value of financial instruments, at Level 1, preference is given to prices quoted in an active securities market. 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 statements 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

Investments in balanced mandate funds	10	20 455 228	-	13 807 279	-
---------------------------------------	----	------------	---	------------	---

#### 22. RELATED PARTIES

A related parties relationship exists between the Stock Exchange and Transfer Secretaries (Pty) Ltd.

Amounts received from Transfer Secretaries (Pty) Ltd:

- Administrative service fees based on staff cost note 4.2		288,564	292,665
- Indemnity insurance		40,867	40,405
- IT Services including Internet connectivity		55,200	55,200
- Premises rental, net		185,528	53,316
- Photocopy costs		8,642	-
- Board & Committee fees note 4.2		49,875	47,300
- NSX Audit fees - meeting attendance fees		-	1,912
- Membership fees		1,093	1,092

Amount owing by Transfer Secretaries (Pty) Ltd - notes 8 & 12

Directors & committee members remuneration - note 4.2

Consultancy costs include services rendered by directors as professionals on arm's length basis	-	19,642	-	19,642
---	---	--------	---	--------

Staff costs for key management included in note 4.2

- salaries	2,001,682	1,711,400	2,001,682	1,711,400
- contributions to retirement funds	476,922	203,830	476,922	203,830
- other	595,533	430,712	595,533	430,712
	3,074,137	2,345,942	3,074,137	2,345,942

#### 23. ACCOUNTING ESTIMATES AND JUDGEMENTS

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 to maturity. Details are set out in Note 9 and call accounts in Note 11.

#### 24. SUBSEQUENT EVENTS

There were no material subsequent events between the statement of financial position date and the date of the approval of these financial statements except the Board agreed to the purchase of the Sectional Title unit occupied by the Group subject to agreement on mode of purchase.

# NAMIBIAN STOCK EXCHANGE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

### AT 31 DECEMBER 2012

#### 23. ADOPTION OF NEW AND REVISED STANDARDS

Annual improvements – part of its annual improvement projects, the IASB has issued its editions of annual improvements to clarify and improve accounting standards. These improvements include terminology or editorial changes with minimal effect on recognition and measurement.

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

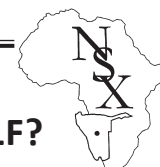
Number	Description	Effective from
<b>New Standards</b>		
IFRS 9	Financial Instruments: Classification & Measurement of financial assets, liabilities & derecognition	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
<b>Revised Standards, amendments &amp; improvements</b>		
IFRS 1	Revisions to IFRS 1 on First-time Adoption of IFRSs	1 July 2012
IFRS 7	Enhancing disclosures: Transfers of Financial Assets	1 July 2012
IFRS 7	Enhancing disclosures: Offsetting of financial assets & liabilities	1 January 2013
IAS 1	Presentation of other comprehensive income	1 July 2012
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements: Removal of consolidation principles	1 January 2013
IAS 28	Investments in Associates & Joint Ventures	1 January 2013
IAS 32	Financial Instruments: Presentation relating to the offsetting of financial assets & liabilities	1 January 2014
<b>New Interpretations, amendments &amp; improvements</b>		
IFRIC 20	Stripping costs in the production phase of a surface mine	1 July 2013
<b>Withdrawal of Interpretations &amp; Standards</b>		
IAS 31	Interest in Joint Ventures	1 January 2013
SIC 12	Special Purposes Entities	1 January 2013
SIC 13	Jointly controlled Entities: Non-monetary contribution by Venturers	1 January 2013

The Directors do not anticipate that the impact of these statements and interpretations will have a material affect on the Group and NSX financial statements.

#### IFRS 9

In 2009 the NSX elected to early adopt IFRS 9 which replaces the existing classification and measurement requirements in IAS 39 for financial assets. The NSX continues to classify and measure interest bearing financial assets at amortised cost as its business model is to hold assets in order to collect contractual cash flows that are solely payments of principal and interest on the outstanding principal; and with the investment in managed prudential unit trusts the NSX has designated the fair value hierarchy for these investments as Level 2 as noted in note 21.





## HOW DOES ONE MEASURE THE PERFORMANCE OF THE NSX ITSELF?

Many stock exchanges around the world are themselves profit-making companies listed on their own exchange e.g. the JSE has demutualised and then listed its own shares to do just that. As noted in the introduction on page 38 this is the first outcome listed in the Namibia Financial Sector Strategy. 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 licencing. The services provided include the trading system, publishing information about trading, and providing sound regulation as well as investor relations. Their share price is therefore a good indicator of performance.

The NSX, however, is still an association not for profit and must apply annually for a licence by the end of the third quarter with the licence being issued in December; 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.
  - o Unfortunately, primary listings have not been frequent and only four were listed in the first decade of this century. In total 12 have been listed since the formation of the NSX, Bank Windhoek Holdings Limited has applied for a listing in 2013.
- The amount of money raised through listings is a good indicator of how important the exchange is in corporate investment.
  - o Three of the listings referred to above raised significant amounts through their IPO while Nictus Holdings Limited was created by an unbundling of the Namibian assets included in the Nictus RSA listed entity.
- The trades on the exchange can be measured by the number and value of shares traded. See tables on page 2.
- The liquidity of the exchange can be measured by dividing the value of shares traded by the market capitalisation of the exchange the so-called liquidity ratios.
  - o Throughout this report and the Annual Financial Statements the buy and hold mentality and the demand for local assets and the changes to GIPF mandates and 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.
  - o The NSX is regulated by NAMFISA in terms of the 1985 Stock Exchanges Control Act and has adapted and adopted the JSE Listing Requirements which will be revamped with changes required in terms of the 2004 Companies Act and the Financial Institutions and Markets Act when enacted.
- Cost of trading on the NSX.
  - o Namibia's stockbrokers must comply with the NSX's non-negotiable and fixed charges unless application is made for concessionary brokerage (limited to expected 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 Stockbroker must be a Namibian and the managing director of the corporate member.
- Trading costs, as shown on page 2, as a percentage of the traded value are:

• Brokers fees on average, including contribution to the Guarantee Fund	0.440%
• NSX Levy, 10% of brokers fees	0.044%
• NAMFISA levy on trade value	0.040%
<b>Total cost for each leg of a local trade</b>	<b>0.524%</b>

**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. The amendments to the Transfer Duty Act as originally proposed would increase the cost of trading significantly when the issuer's group owns property.**

- There are six registered stockbrokers on the NSX all of whom have connections with international stock broking firms. Contact details can be found on the back cover of the Annual Financial Statements and on the NSX website.

---

## **NAMIBIAN STOCK EXCHANGE MANAGEMENT COMMENTARY AT 31 DECEMBER 2012**

This management commentary is the third narrative report, by the Board and management of the NSX, which provides additional context to users of the accompanying financial statements of the Namibian Stock Exchange (NSX) and the Group which includes Transfer Secretaries, 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.

### **Nature of business**

The NSX is a computerised marketplace for the 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 and general information about stock exchanges.

The Namibian Stock Exchange, which is the only regulated entity in the financial services industry required to be licensed annually by the Namibian Financial Institutions Supervisory Authority (NAMFISA) participated in the debates and consultations leading to the drafting of the Namibian Financial Sector Strategy. The first outcome of this strategy calls for the NSX to be demutualised and which step NAMFISA has decided, without consultation with the NSX, to prescribe in the Financial Institutions & Market Bill, which might be promulgated in 2013.

- This will require the registration of a public company and the transfer to this company of the assets of the NSX within one year from enactment of the Act. The NSX may be listed if the existing rights holders approve the terms of the listing.

Currently the NSX is an association not-for-profit whose main function is to develop the capital market that is 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 role of the NSX is to "list" companies that want to raise money and to make subsequent (secondary) trading in their shares as easy as possible. It is important to understand that the stock exchange itself does not create or market the business ideas that require finance. 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.

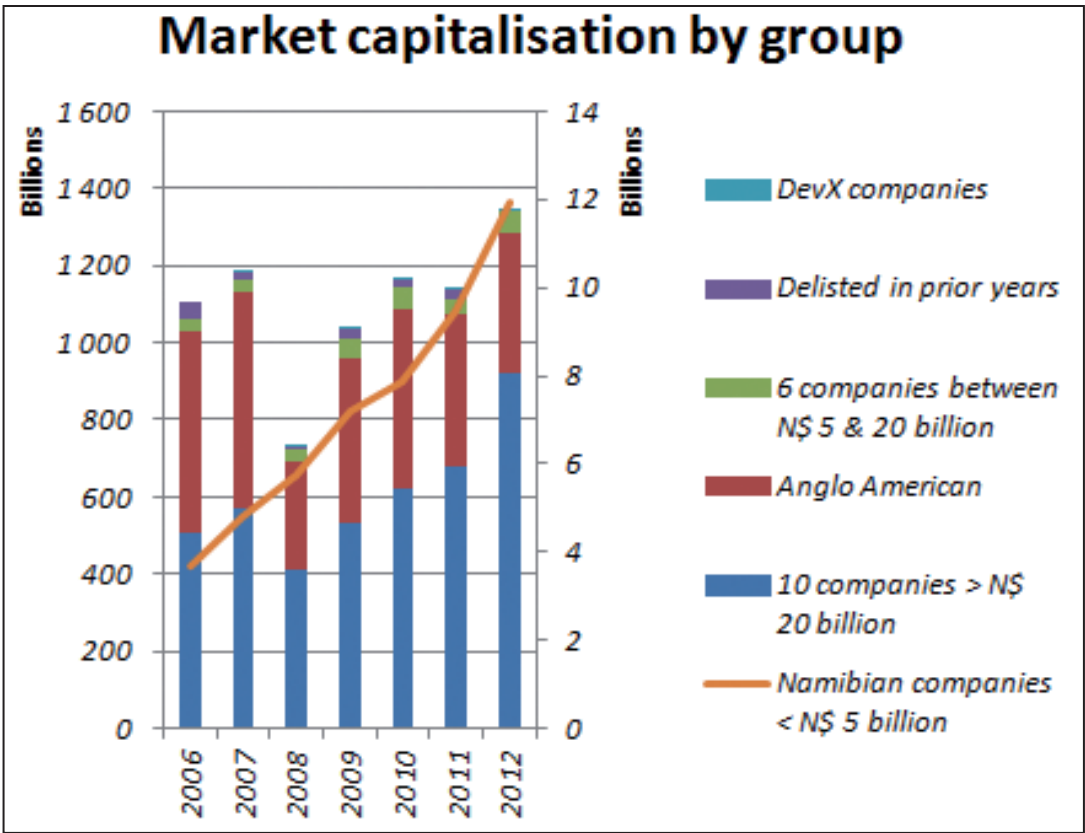
At the end of 2012, the NSX comprised of 43 founder members and six stock broking members (one of which is a founder member). One of the more onerous obligations on becoming a stockbroker is to acquire six rights at the valuation shown in the statement of the changes in rights & reserves. At year end a total of 78 rights had been issued.

These 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 (Executive Committee) to supervise the management of the NSX.



## Growth of the NSX

Since its launch in 1992 the market capitalisation of shares listed on the NSX has grown significantly. Nearly 70 companies have listed on the Main Board and the Development Capital Board (DevX), but attrition through takeovers, transfers to other exchanges and two liquidations have reduced the number to 33.



### Primary listed on the stock exchanges in:

Australian - ASX	6	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.
London - LSE	2	
London - AIM	0	
South Africa - JSE	15	
Namibia - NSX	7	
Toronto - TSX	3	
Total	33	Kalahari Minerals plc was listed on AIM in 2011

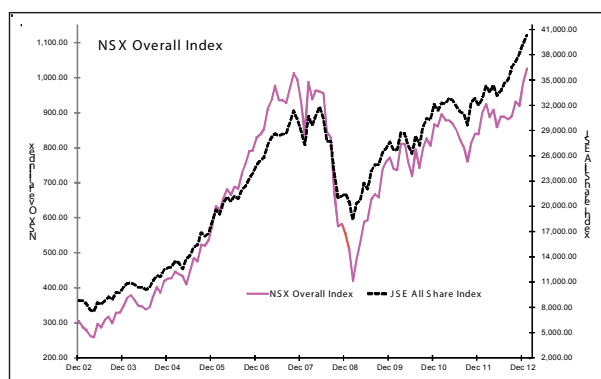
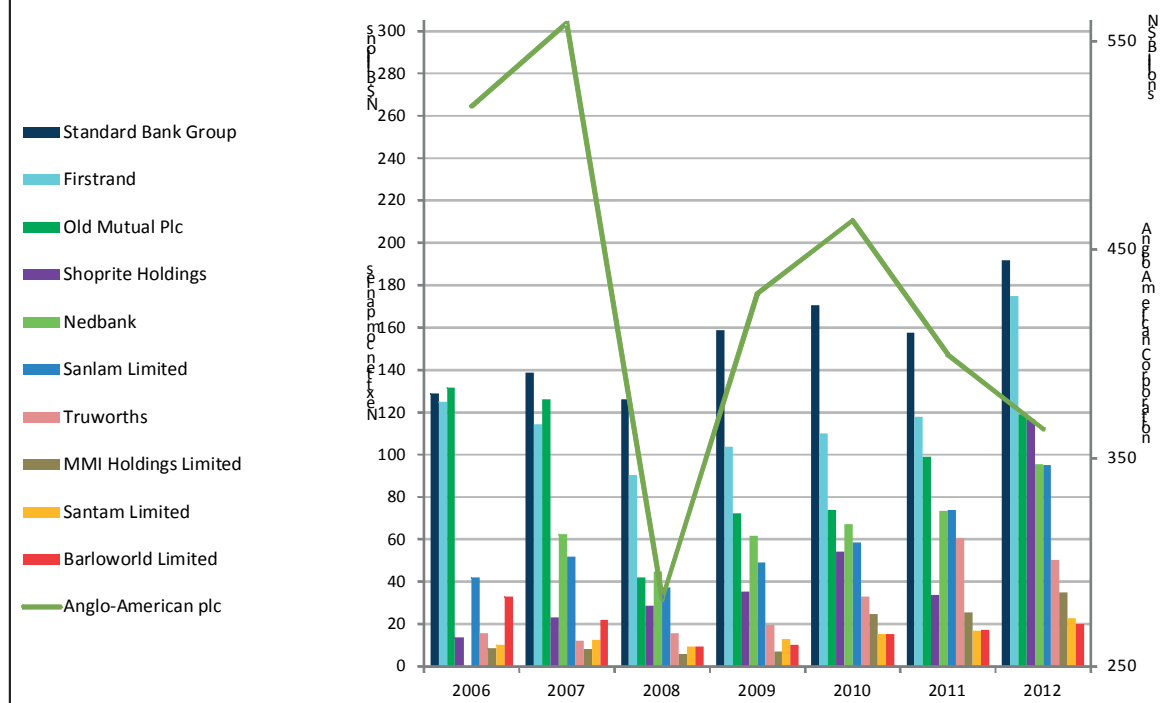
The NSX has over the years benefited from the Namibian asset requirements of Regulation 28 for Pension Funds and the similar Regulation 15 for long-term insurance companies by the dual / cross / secondary listing of companies listed on other international exchanges which have significant investments in the Namibian economy. Since 1994 pension funds have been required to invest 35% of their respective assets in deemed Namibian assets which include these dual listed shares purchased through a Namibian Stock Broker and reported to the NSX.

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 next ten largest companies listed on the NSX. Six of the companies listed below are at year-end highs, while Anglo American, Old Mutual and Truworths are lower than at previous year-end's.

# NSX Top 11 - Market Capitalisation

Each < N\$ 20 billion at 31 December 2012



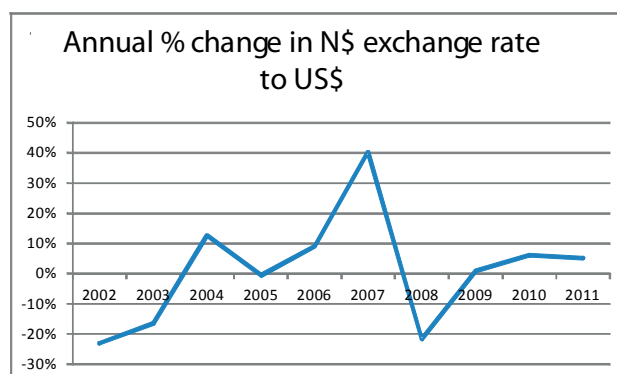
This shows the composite growth based on the price movement in the components of the Overall Index and is compared to the JSE All Share index. As explained above the 4 companies which are not at all-time highs distorts the growth in the average investible population as it is most unlikely that an average investor would invest in the Anglo American overweight index.

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

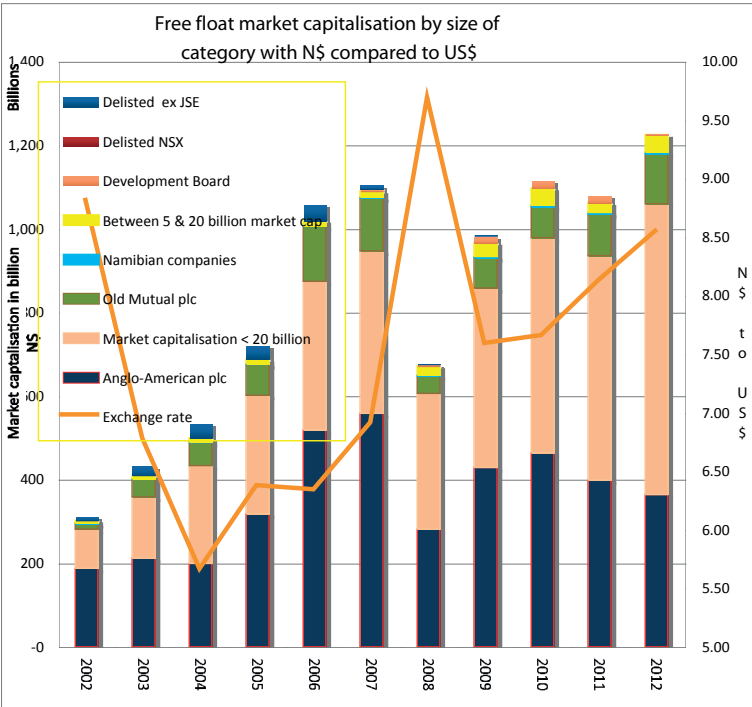
On 11 October 1997 the Overall Index was at an all time high of 1034 with

- Anglo America @ N\$ 479.01 and at 31 December 2012 N\$ 259.05 now 45.9% down having dropped by a further 12.6% during 2012; and
- Old Mutual @ N\$ 24.65 and N\$ 24.43 at the end of 2012, having increased by 43.2% during 2012.

Although the two LSE shares were considered to be Rand (N\$) hedges, the volatility of the Namibia Dollar / ZA Rand against the US Dollar and the slow international recovery since the 2008 financial sector crisis has diluted any benefit from being a rand hedge.



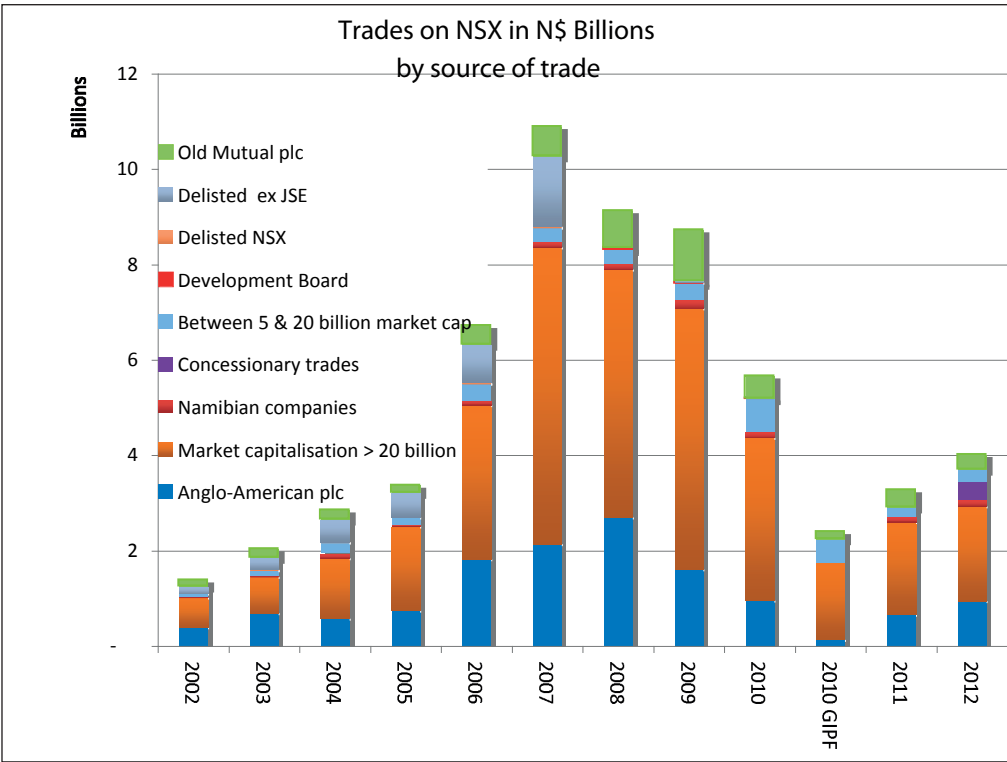
The effect of the above is further shown on the following



A local index which includes only Namibian Primary listed equities is also calculated and published on a daily basis and the growth in this index is shown on page 2.

### 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 have significantly influenced the trading and reporting on the NSX and are shown separately; other companies are grouped together as follows:

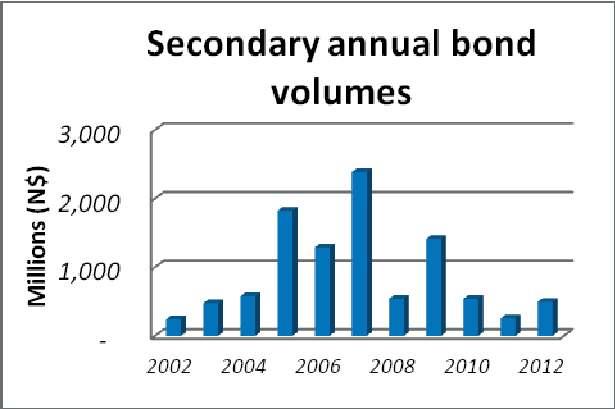
- all companies with market capitalisation greater than N\$ 20 billion;
- Namibian companies (irrespective of size or primary listing);
- Companies other than Namibian incorporated with a market cap of between N\$ 5 and 20 billion;
- Companies which have been delisted on either the NSX or JSE since 2003;
- All companies on the development capital board – at present only ASX and TSX companies; and
- The trades referred to above as concessionary trades – which would not have been traded on the NSX without applying the discretionary brokerage.

In addition, in the second quarter of 2010 GIPF, a defined benefit fund for Government employees & 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 & the estimate for 2013 is N\$ 4.8 billion.

Trades by sector are equally difficult to predict as the trades are dependent upon the general commodity or financial services cycle.

Trades in Bonds

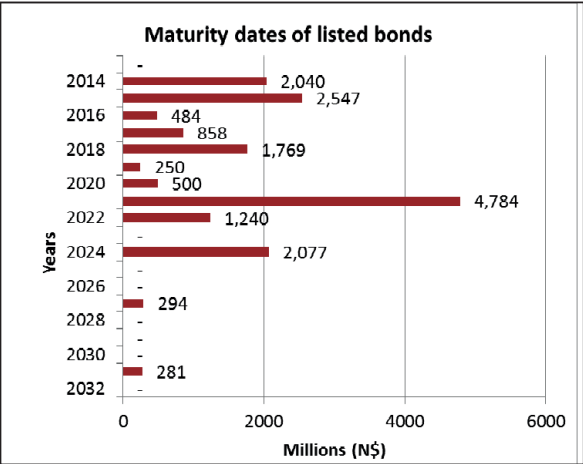


The values of issued bonds in N\$ millions are:

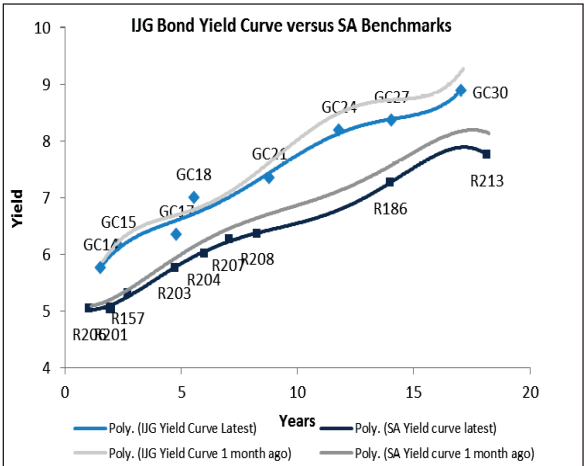
Government	9,214
State Owned Enterprises	
Namibia, only	927
Dual listed on BESA / JSE	500
Commercial Banks	1,633

This is in addition to US\$ 500 million raised in Europe in 2011 – N\$ 4 billion; ZAR 850 million listed on the JSE; and the N\$ 8.042 billion outstanding Treasury Bills.

These are the secondary trades in all listed bonds as reported to the NSX by its stockbrokers and some of the other traders.



IJG calculated Yield Curve as of 31 December 2012



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

In 2011 the Government started to issue bonds with maturity date of 2027 and 2030.

# 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

# BROKER & SPONSOR CONTACT DETAILS

## **IJG Securities (Pty) Ltd**

Managing Director: Mark Späth  
P.O. Box 186, Windhoek  
1<sup>st</sup> Floor, Building One  
100 Robert Mugabe Ave  
Tel: 061-383 500 Fax: +264 61- 304 674  
E-mail: mark@ijg.net

## **Simonis Storm Securities (Pty) Ltd.**

Managing Director: Andrew Jansen  
P.O. Box 3970, Windhoek  
4 Koch Street / Cnr Hugo Hahn Strasse  
Klein Windhoek  
Tel: +264 61-254 194 Fax: +264 61-253 193  
E-mail: aj@sss.com.na

## **Namibia Equity Brokers (Pty) Ltd.**

Managing Director: Madelein Smith  
P.O. Box 27, Windhoek  
1st Floor, City Centre Building (West Wing)  
Levinson Arcade  
Tel: +264 61-256 666 Fax: +264 61-256 789  
E-mail: msmith@namibia-equities.com

## **PSG Wealth Management (Pty) Ltd (Formerly Investment House Namibia (Pty) Ltd)**

Director: Brian van Rensburg  
P.O. Box 196, Windhoek  
5 Conradie Street  
Tel: +264 61-378 900 Fax: +264 61-378 901  
E-mail: brian@psgkonsult.com.na

# SPONSOR

## **Equity and Bonds**

### **Old Mutual Investment Services (Namibia) (Pty) Ltd.**

Director: Brigitte Weichert  
P.O. Box 25549, Windhoek  
Mutual Tower  
Independence Avenue, Windhoek  
Tel: +264 61-299 3527 Fax: +264 61-299 3528  
E-mail: bweichert@oldmutual.com

### **pointBreak Wealth Management (Pty) Ltd**

Managing Director: Gerald Riedel  
P O Box 97438, Windhoek  
cnr Sinclair Street & Schanzen Road, Windhoek  
Tel +264 61 378 800 Fax +264 378 644  
E-mail: gerald@pointbreak.com.na